

Notes to the consolidated annual financial statements continued

for the year ended 30 September

	2015 Rm	2014 Rm	2013 Rm
2. Property, plant and equipment continued			
**Rental asset disclosures:			
Future minimum undiscounted lease receivables under non-cancellable operating leases (excluding Avis Fleet):			
Within one year	173	70	88
Two to five years	188	212	194
More than five years	70	112	117
	431	394	399
Future minimum undiscounted lease receivables under non-cancellable operating leases for Avis Fleet:			
Within one year	932	846	885
Two to five years	894	839	996
More than five years	1	1	14
	1 827	1 686	1 895

Equipment rental assets include handling equipment in South Africa and capital equipment in southern Africa, Iberia and Russia.

Vehicle rental assets include long-term fleet in southern Africa leased to customers for periods in excess of 12 months with an average lease term of 42 months (2014: 42 months and 2013: 41 months) and an average residual value of 48% (2014: 48% and 2013: 43%).

Refer note 1 for a segmental analysis of impairment losses and reversals.

	2015 Rm	2014 Rm	2013 Rm
3. Goodwill			
Cost			
At 1 October	2 485	2 556	2 469
IFRS 3 remeasurement*			27
Subsidiaries acquired	92	38	30
Subsidiaries disposed	(66)	(220)	(120)
Classified as held for sale	(29)		(64)
Translation differences	57	111	214
At 30 September	2 540	2 485	2 556
Accumulated impairment losses			
At 1 October	824	736	710
Subsidiaries disposed	(66)	(190)	(120)
Impairment	33	208	71
Classified as held for sale			(42)
Translation differences	9	70	117
At 30 September	800	824	736
Carrying amount			
At 30 September	1 740	1 661	1 820

*The IFRS 3 remeasurement related to the Bucyrus southern Africa acquisition. The accounting for the transaction was finalised in the 2013 financial year. The goodwill was revised, after the revaluation of inventory, onerous contracts and the deferred taxation balances in relation to the transaction was done.

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3. Goodwill continued

Goodwill is allocated for impairment testing purposes to the following cash-generating units:

Significant cash-generating units (CGUs)	Geographical location	Reportable segment to which the CGU belong	Carrying amount of goodwill		
			2015 Rm	2014 Rm	2013 Rm
Avis Rent a Car southern Africa	South Africa	Car Rental southern Africa	791	791	790
Avis Fleet southern Africa	South Africa	Leasing	282	282	282
Equipment Russia	Russia	Equipment	199	163	141
Other [^]	Various	Various	468	425	607
			1 740	1 661	1 820

Goodwill is allocated to the appropriate CGUs according to the type of business and where it operates. External and internal factors surrounding the business operations play a role in determining an indication of impairment. In addition, the carrying amount of goodwill is subject to an annual impairment test.

Impairment of goodwill arises when the recoverable amount of the CGU, including goodwill, is less than the carrying value. The recoverable amount is determined as the greater of the fair value less costs to sell or the value in use. In most instances it is difficult to use the fair value less costs to sell, as a reliable estimate is not easily obtainable in determining the recoverable amount. Therefore the value-in-use method is used to assess the goodwill for impairment.

The key assumptions used in the value in use calculation for the CGUs shown above are as follows:

A discounted cash flow valuation model is applied using a five-year strategic plan as approved by management. The financial plans are the quantification of strategies derived from the use of a common strategic planning process followed across the group. The process ensures that all significant risks and sensitivities are appropriately considered and factored into strategic plans.

The discount rate applied to the forecast period, has been outlined for each cash generating unit in the table below. Discount rates applied to cash flow projections are based on a country or region-specific discount rate, dependent upon the location of cash-generating segment operations.

The pre-tax nominal discount rates applied are as follows:

Significant CGUs	Geographical location	Currency	2015 %	2014 %	2013 %
Avis Rent a Car southern Africa	South Africa	ZAR	12.9	12.6	11.8
Avis Fleet southern Africa	South Africa	ZAR	21.0	20.7	18.9
Equipment Russia	Russia	USD	12.4	12.9	12.2
Other [^]	Various	Various	9.3 to 21.2	8.7 to 19.8	6.9 to 19.2

Long-term growth rates applied to extrapolate cash flows are as follows:

Significant CGUs	Geographical location	Currency	2015 %	2014 %	2013 %
Avis Rent a Car southern Africa	South Africa	ZAR	5.0	5.0	5.0
Avis Fleet southern Africa	South Africa	ZAR	5.0	5.0	5.0
Equipment Russia	Russia	USD	2.0	2.0	3.8
Other [^]	Various	Various	2.0 to 5.0	1.5 to 5.0	1.0 to 5.0

[^]The aggregate of the remaining immaterial goodwill balances consists of 20 cash-generating units in 2015, (2014: 20 and 2013: 19).

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3. Goodwill continued

Other key assumptions applied:

Inflation rate and GDP growth rate forecasts

Forecast consumer price indices and real GDP growth during the forecast period for the countries from which revenue is derived, expenses are incurred, and inventory is purchased are consistent with external sources and shown below:

	2016	2017	2018	2019	2020
Real GDP growth (%)					
– South Africa	2.4	3.0	3.3	3.3	3.3
– United States of America	3.1	2.5	2.5	2.5	2.5
– United Kingdom	2.3	2.3	2.3	2.3	2.3
– United Arab Emirates	3.8	4.0	4.4	4.4	4.4
– Russia	(0.5)	1.9	1.9	1.9	1.9
– Angola	5.2	5.8	5.7	5.7	5.7
– Botswana	4.8	4.8	4.8	4.8	4.8
– Mozambique	8.0	7.9	8.1	8.1	8.1
– Namibia	4.7	4.7	4.6	4.6	4.6
– Tanzania	7.0	6.9	6.9	6.9	6.9
– Zambia	6.5	6.8	6.7	6.7	6.7
Inflation (% annual average)					
– South Africa	5.5	5.3	5.1	5.1	5.1
– United States of America	1.8	1.9	1.9	1.9	1.9
– United Kingdom	1.8	2.0	2.0	2.0	2.0
– United Arab Emirates	3.1	3.3	3.1	3.1	3.1
– Russia	8.0	4.3	4.3	4.3	4.3
– Angola	7.7	7.6	7.3	7.3	7.3
– Botswana	4.9	5.0	5.3	5.3	5.3
– Mozambique	5.4	5.6	5.3	5.3	5.3
– Namibia	5.4	5.5	5.5	5.5	5.5
– Tanzania	7.1	7.0	7.0	7.0	7.0
– Zambia	6.8	6.4	6.3	6.3	6.3

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3. Goodwill continued

Exchange rate forecasts

Exchange rates applied over the forecast period are consistent with external sources and shown below:

	2016	2017	2018	2019	2020
Exchange rates					
USD/ZAR – (Average)	11.59	11.61	11.89	12.26	12.64
GBP/ZAR – (Average)	17.70	18.28	18.83	19.40	19.99
EUR/ZAR – (Average)	13.09	13.18	13.56	14.06	14.57

The impairments relate to the following cash-generating units:

	Geographical location	Reportable segment to which the CGU belongs	2015 Rm	2014 Rm	2013 Rm
Sea Air Middle East	United Arab Emirates and Germany	Logistics	33	208	
Other Motor Retail	Various	Motor Retail			40
Handling Holland	Holland	Handling			28
Avis Coach Charter	South Africa	Car Rental southern Africa			3
Total			33	208	71

The 2015 impairment loss pertaining to Logistics Sea Air Middle East and Germany was based on fair value less cost to sell, which was based on the contractually agreed price less costs to exit. The Sea Air component of the cash-generating unit was sold for €1, and as such, the entire amount of goodwill was impaired within the business. The level of fair value hierarchy applied by Barloworld was level 3, in line with the group descriptions outlined in note 31.1.2.

The 2014 impairment loss pertaining to Logistics Sea Air Middle East and Germany was based on the value in use. These impairments were processed mainly due to lower key customer volumes.

The 2013 impairment losses pertaining to Motor Australia and Handling Holland related to held for sale businesses that were in the process of being disposed of and which were subsequently disposed of post-year end. The impairment of these amounts was based on the fair values less costs to sell of those businesses in terms of the negotiations which were at an advanced stage at the year end. The level of fair value hierarchy applied by Barloworld was level 3, in line with the group descriptions outlined in note 31.1.2.