Notes to the consolidated annual financial statements continued

for the year ended 30 September

		2018 Rm	2017 Rm
17.	**INVENTORIES**		
	Work in progress	**980**	537
	Finished goods**	**6 296**	6 182
	Merchandise	**2 240**	2 415
	Other inventories	**113**	146
	Total group	**9 629**	9 280
	Amounts classified as held for sale	**(37)**	(823)
	Total per statement of financial position	**9 592**	8 457
	The value of inventories has been determined on the following bases:		
	First-in first-out and specific identification	**8 398**	7 169
	Weighted average	**1 194**	1 288
		9 592	8 457
	The secured liabilities are included under trade and other payables (note 25)		
	Inventories encumbered under the floorplan facilities	**1 385**	1 532
	Amount of write-down of inventory to net realisable value and losses of inventory	**261**	365
	Amount of reversals of inventory previously written down*	**36**	30
	Change in estimate of rebuilt component net realisable value provision**	**130**	

* *The reversal of inventory provisions arose due to changes in selling conditions in the current year against prior year estimates.*

** *Barloworld Equipment Southern Africa's finished parts inventory includes rebuilt components. In prior years this segment experienced significant operational challenges which resulted in reduced margins earned on rebuilt components. These factors, together with considering inventory turns, were used in estimating the net realisable value (NRV) of rebuilt components. The segment has been in the process of re-organising, restructuring and improving efficiencies of the remanufacturing processes. The operational efficiency efforts undertaken resulted in the Rebuild Centre being certified by Caterpillar in April 2018. In order to receive certification the Rebuild Centre had to demonstrate excellence in quality, efficiency, capacity, image, administration and continuous improvements. This certification, together with operational efficiencies, has resulted in increased margins being earned on rebuilt components which management believes are sustainable into the foreseeable future.*

Consequently, the conditions and circumstances of the rebuilding process have changed in the current year and there is new information available to support margins achieved on, and forecast demand for, rebuilt components. This has resulted in a change in determining the scale applied to estimating the NRV of rebuilt components and in the determination of inventory turns. This change in methodology to estimate the NRV provision recognised against rebuilt components is considered a change in estimate in accordance with IAS 8 Accounting policies, changes estimates and errors. This change has been accounted for prospectively in the current year.

Applying the previous methodology, the NRV provision against rebuilt components would have increased by R75 million in the year (income statement charge of R75 million). The revised estimate resulted in a reduction in the NRV provision against rebuilt components of R205 million. Therefore the net impact recognised in the income statement as income for the year was R130 million.

		2018 Rm	2017 Rm
18.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	**7 716**	7 647
	Less: Allowance for doubtful receivables	**(770)**	(671)
	Net trade receivables	**6 946**	6 976
	Finance lease receivables (note 14)	**248**	259
	Fair value of derivatives	**1**	42
	Unlisted debt instruments*	**155**	662
	VAT receivables	**235**	249
	Prepayments	**473**	452
	Other receivables	**993**	1 009
	Total group	**9 051**	9 649
	Amounts classified as held for sale (note 20)	**(168)**	(973)
	Total per statement of financial position	**8 883**	8 676

* *The group remains invested in Dollar linked Angolan government bonds. These Kwanza denominated bonds are pegged to the United States Dollar. On maturity the bonds will be settled in Kwanza.*

Notes to the consolidated annual financial statements continued

for the year ended 30 September

		2018 Rm	2017 Rm
18.	**TRADE AND OTHER RECEIVABLES** continued		
	Allowance for doubtful receivables		
	At 1 October	**671**	686
	Additional allowance charged to profit or loss	**233**	167
	Allowance reversed to profit or loss	**(70)**	(83)
	Allowance utilised	**(46)**	(102)
	Reclassification**	**21**	
	Disposal of subsidiaries	**(49)**	
	Translation	**10**	3
	At 30 September	**770**	671
	Amounts classified as held for sale (note 20)^	**(4)**	(55)
	Total per statement of financial position	**766**	616

** *In Equipment Zambia a finance lease receivable was reclassified to a trade receivable in the current year due to a customer breaching the conditions of a contract.*

^ *The closing balance of the allowance for doubtful receivables includes R4 million relating to trade receivables within the Logistics division that have been classified as held for sale. During the 2017 financial year R55 million was included in allowance for doubtful receivables which related to our Equipment Iberia operation which has subsequently been sold.*

	2018 Rm	2017 Rm
Age analysis of carrying value of items past due but not impaired per class		
Industry		
Less than 30 days	**406**	597
Between 31 and 60 days	**159**	343
Between 60 and 90 days	**89**	144
Greater than 90 days	**407**	380
	1 060	1 464
Government		
Less than 30 days	**17**	12
Between 31 and 60 days	**8**	8
Between 60 and 90 days	**9**	21
Greater than 90 days	**24**	22
	58	63
Consumers		
Less than 30 days	**50**	43
Between 31 and 60 days	**9**	17
Between 60 and 90 days	**3**	21
Greater than 90 days	**1**	34
	63	115
Carrying value of financial assets ceded as collateral for liabilities or contingent liabilities		76

At 30 September 2017 accounts receivable of certain legal entities within the Barloworld Logistics Transport Group were ceded to Standard Bank as security for working capital facilities granted. This arrangement was terminated during 2018.

		2018 Rm	2017 Rm
19.	**CASH AND CASH EQUIVALENTS**		
	Cash on deposit	**7 384**	3 236
	Other cash and cash equivalent balances	**528**	791
	Total group	**7 912**	4 027
	Amount classified as held for sale	**(19)**	(102)
	Total per statement of financial position	**7 893**	3 925
	Per currency:		
	South African Rand	**2 889**	1 213
	Foreign currencies	**5 004**	2 712
		7 893	3 925
	Cash balances not available for use due to insurance reserving and foreign exchange restrictions	**178**	444

This includes R140 million ($9.9 million) of Angolan Kwanza (2017: R401 million ($29.7 million)).