

The background of the entire page is a light gray illustration of a heavy-duty utility vehicle, possibly a truck or a large SUV, with a prominent front grille and headlights. The word "BELL" is written in a large, bold, italicized, black-outlined font across the upper middle of the image. Below it, the text "STRONG RELIABLE MACHINES" and "STRONG RELIABLE SUPPORT" is written in a smaller, bold, black font. At the bottom, the year "2021" is written in a very large, bold, black font, underlined with a thin orange line. Below the underline, the text "BELL EQUIPMENT LIMITED" and "AUDITED ANNUAL FINANCIAL STATEMENTS" is written in a bold, black font. The overall design is clean and professional, emphasizing the company's reliability and strength.

BELL

**STRONG RELIABLE MACHINES
STRONG RELIABLE SUPPORT**

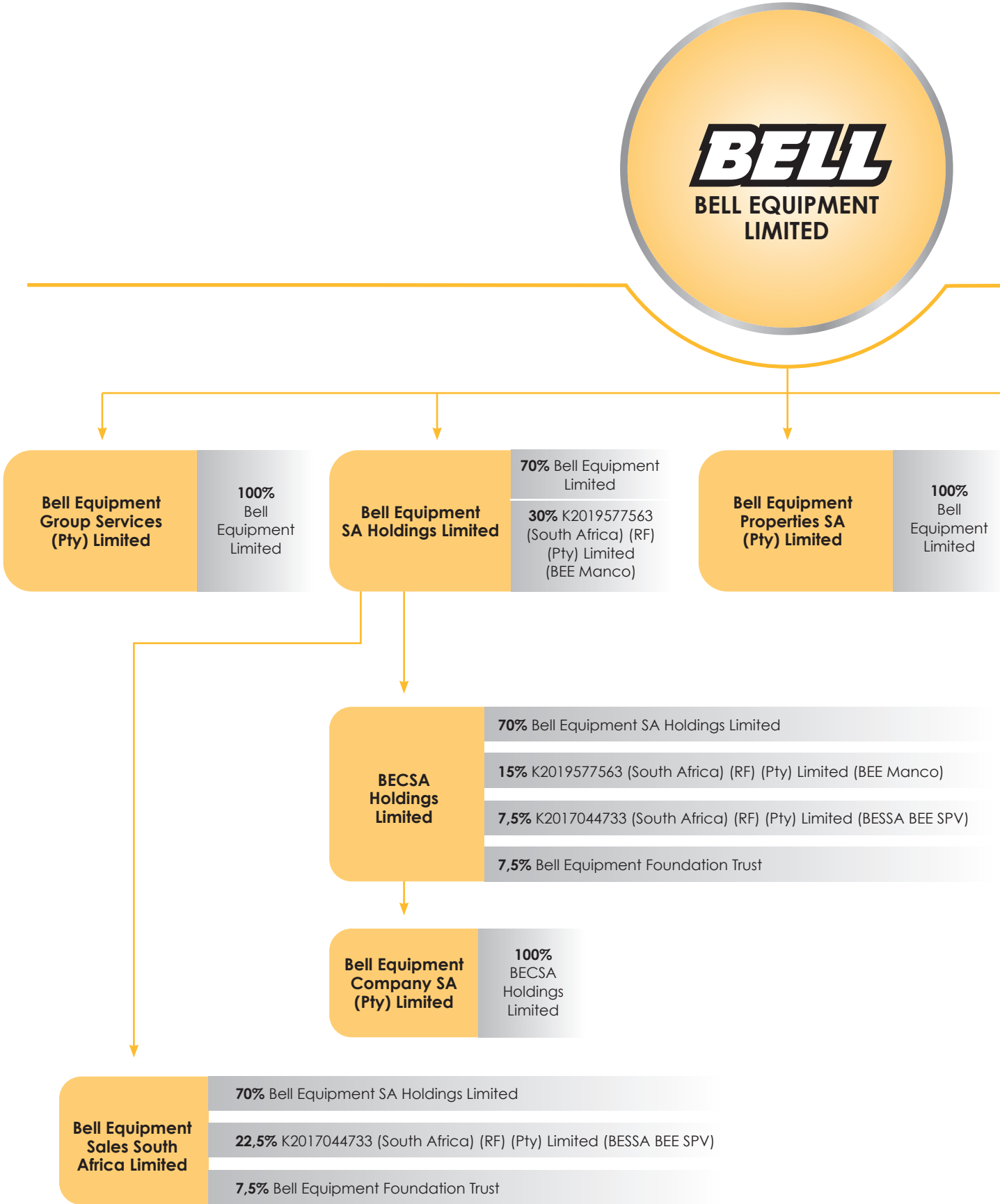
2021

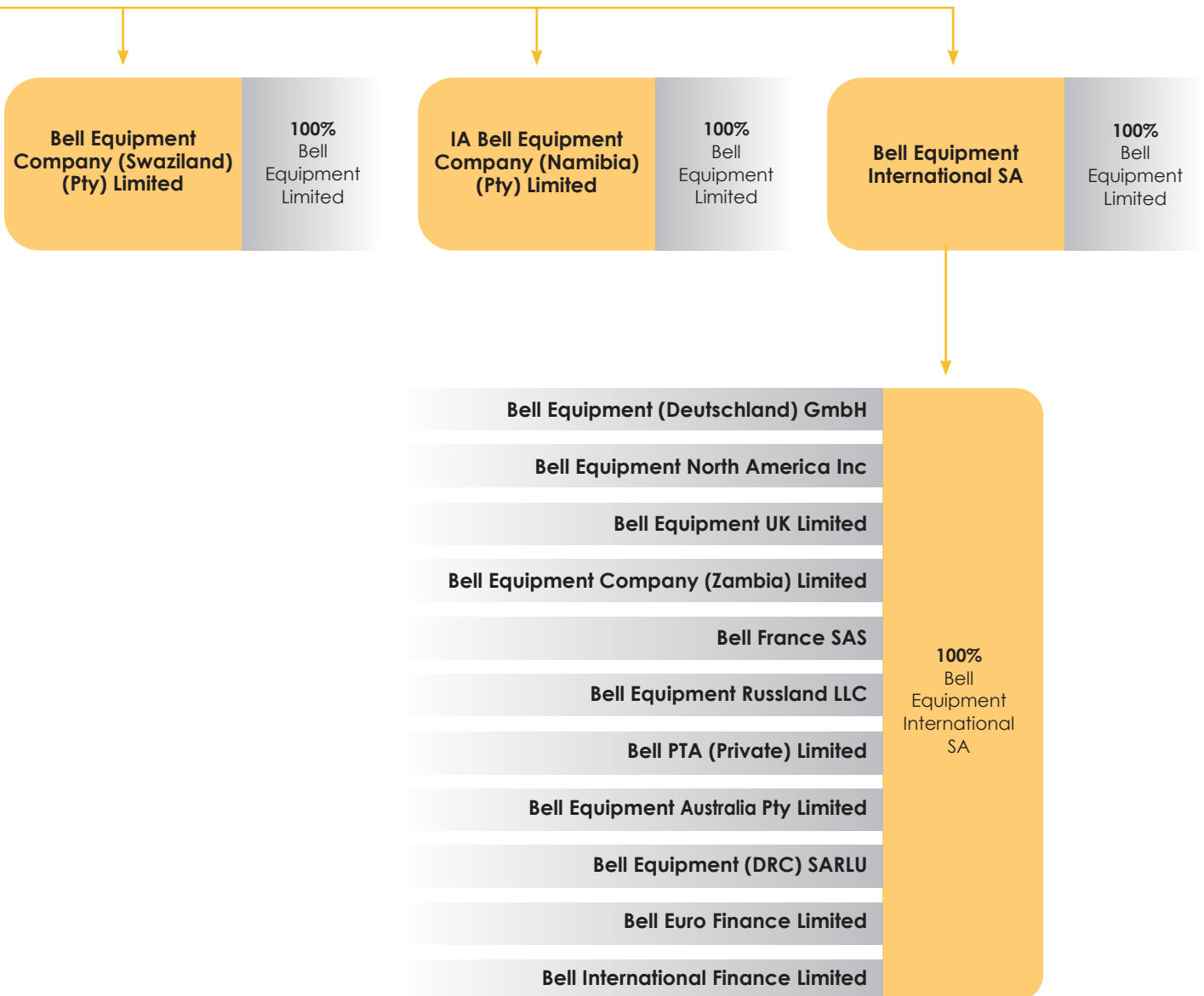
**BELL EQUIPMENT LIMITED
AUDITED ANNUAL FINANCIAL STATEMENTS**

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Global corporate structure





Responsibility for financial statements

31 December 2021

Declaration in terms of the Companies Act, 71 of 2008 (as amended) (Companies Act)

The preparation of the annual financial statements for the year ended 31 December 2021, which appear on pages 6 to 12 and 19 to 94, has been supervised by the group finance director of Bell Equipment Limited, Mrs KJ van Haght.



Karen van Haght CA(SA)
Group finance director

24 March 2022

Approval of the annual financial statements

for the year ended 31 December 2021

The directors of Bell Equipment Limited are responsible for the integrity of the annual financial statements of the group and that the other information in these statements is fairly presented.

In order to fulfil this responsibility, the group maintains internal accounting and administrative control systems and procedures designed to provide assurance that assets are safeguarded and that transactions are executed and recorded in accordance with the group's policies and procedures.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and in accordance with the requirements of the Companies Act of South Africa, and have been examined by independent auditors in conformity with International Standards on Auditing.

The directors of Bell Equipment Limited are of the opinion that the group has adequate resources to continue in operation for the foreseeable future. The consolidated financial statements have therefore been prepared on a going concern basis.

The annual financial statements of the group which appear on pages 6 to 12 and 19 to 94 were approved by the directors on 24 March 2022 and are signed on their behalf by:



Gary Bell
Non-executive chairman

24 March 2022



Leon Goosen
Chief executive

Responsibility for financial statements *continued*

31 December 2021

Declaration by Chief Executive (CEO) and Chief Financial Officer (CFO)

for the year ended 31 December 2021

The group CEO and the CFO, hereby confirm that:

- a. the consolidated annual financial statements set out on pages 19 to 94, fairly present in all material respects the financial position, financial performance and cash flows of the group in terms of IFRS;
- b. no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- c. internal financial controls have been put in place to ensure that material information relating to Bell Equipment Limited and its consolidated subsidiaries have been provided to effectively prepare the financial statements; and
- d. the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Report on Corporate Governance for South Africa 2016 (King IV). Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action*.



Leon Goosen
Group CEO



Karen van Hagt
Group CFO

24 March 2022

* Whilst the directors are aware of their responsibility to communicate such fraud incidents to the audit committee and auditor, no incidents of such fraud were identified for communication during the year under review.

Certification by the Group Company Secretary

for the year ended 31 December 2021

I certify that the company has, in respect of the financial year reported on, lodged with the Companies and Intellectual Property Commission (CIPC) all returns and notices required of a public company and that all such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.



Diana McIlrath
Company secretary

24 March 2022

Directors' report

for the year ended 31 December 2021

The directors submit the annual financial statements for the group (Bell Equipment Limited and its subsidiaries) for the year ended 31 December 2021.

Nature of business

The group manufactures, distributes, exports and supports a wide range of materials handling equipment, both locally and internationally, through an extensive network of customer service centres, strategic alliances and independent dealers. Through financing ventures with various financial institutions the group is able to offer financing to facilitate sales in the markets that the group is active in.

The group's principal products are ADTs, haulage tractors, TLBs, front end loaders, sugar cane and timber loading equipment, construction equipment such as graders, dozers and excavators, a complete range of compaction, crushing and screening machinery and related parts and services.

Financial results

The results of the group are fully disclosed in the accompanying financial statements and notes thereon, the finance director's report and in the joint chairman and chief executive's report in the integrated annual report.

The comprehensive annual financial statements as well as the summarised consolidated financial statements of the group have been approved by the board.

Stated capital

The company's authorised share capital remains at 100 000 000 ordinary shares of no par value. The stated capital account as at 31 December 2021 comprised 95 629 385 (December 2020: 95 629 385) ordinary shares of no par value.

Dividends

The directors have resolved to declare a final gross cash dividend of 50 cents per share for the 2021 financial year (2020: nil).

The final dividend number 16 is 50 cents per share. The net final dividend is 40 cents per share for ordinary shareholders who are not exempt from dividends tax.

Dividend declared	Monday, 28 March 2022
Last day to trade cum dividend	Tuesday, 19 April 2022
Shares trade ex dividend	Wednesday, 20 April 2022
Record date	Friday, 22 April 2022
Payment date	Monday, 25 April 2022

The directors concluded that the group would be both solvent and liquid subsequent to such dividend distributions.

Property, plant and equipment

The group's accounting policy in respect of property, plant and equipment is recorded in note 7 to the annual financial statements.

Share-based payment schemes with employees

The company operated two active employee share-based payment schemes during the year. Details of these schemes are set out in note 33 to the annual financial statements.

Directors

On 16 February 2022, John Barton resigned as a non-executive director, lead independent non-executive director, audit committee member, risk and sustainability committee member, remuneration committee member and chairman and member of the nominations committee.

Hennie van der Merwe, an independent non-executive director, was appointed as the lead independent non-executive director and chairman of the nominations committee. Rajendran Naidu was appointed as a remuneration committee member and Mamokete Ramathe was appointed as a nominations committee member, all with effect from 17 February 2022.

Hennie van der Merwe and Derek Lawrance retire by rotation at the forthcoming AGM but, being eligible, offered themselves for re-election and their re-election is recommended by the board.

Details of the directors and GEC of the Bell Equipment group at the date of this report appear in the integrated annual report.

Furthermore the board appointed two independent non-executive directors, Usha Maharaj and Markus Geyer, with effect from 1 April 2022.

Directors' report continued

for the year ended 31 December 2021

Directors continued

As at the end of the year under review the directors' shareholdings were as follows:

	Number of shares held					
	Direct beneficial		Indirect non-beneficial		Associates	
	2021	2020	2021	2020	2021	2020
GW Bell	253 600	253 600	16 089 622	8 841 050	109 660	25 000
AJ Bell	2 598	2 598	-	-	-	-
L Goosen	4 040	4 040	-	-	-	-

There has been no change in the shareholding of directors as reflected above between the end of the financial year and the date of this report.

The remuneration paid to directors of the company during the period under review is set out in note 43 to the annual financial statements.

Major shareholder

The major shareholder in Bell Equipment Limited as at 31 December 2021 was:

	2021	2020
IA Bell & Company Proprietary Limited	70,10%	38,73%

GW Bell and AJ Bell are directors of IA Bell & Company Proprietary Limited and GW Bell holds a 24% shareholding in IA Bell & Company Proprietary Limited.

Group company secretary

The group company secretary is Diana McIlrath. Her particulars and business address appear on page 98 of the annual financial statements.

Internal control

The board is accountable for the system of internal controls for the group. The output of the risk management process, in conjunction with the work of the assurance providers, indicates to the directors that the controls in place, including financial controls, are adequate and effective.

Furthermore, no material losses, exposures, financial misstatements or compliance breaches have been reported to the directors for the financial year.

The directors recognise that, at any point in time, there are areas for improvement in internal controls and new areas of risk exposure, which may require management attention. As such, there is a continual focus on ensuring that the control environment within each business area is understood and maintained at the required level and that process and control improvements are implemented where necessary.

Litigation statement

The directors are not aware of any legal or arbitration proceedings including proceedings that are pending or threatened, that may have or had in the previous 12 months, a material effect on the group's financial position.

Going concern statement

At the time of approving these annual financial statements, the board of directors is of the opinion that, after making enquiries, it has a reasonable expectation that the group has sufficient resources to maintain its operational existence for the foreseeable future and therefore believes that the going concern assumption is appropriate.

Subsidiaries

Details of the company's interest in its subsidiary companies are contained in note 41 to the annual financial statements.

Directors' report *continued*

for the year ended 31 December 2021

Subsequent events

Shareholders are referred to note 40 to the annual financial statements.

The company is in compliance with the provisions of the Companies Act, specifically in relation to its incorporation and it is operating in conformity with its MOI.

No other facts or circumstances material to the appreciation of this report have occurred between 31 December 2021 and the date of this report.

Signed on behalf of the board



Gary Bell
Non-executive chairman



Leon Goosen
Chief executive

24 March 2022

Audit committee report

for the year ended 31 December 2021

The audit committee ('the committee') is pleased to present its report for the financial year ended 31 December 2021. The report is in compliance with the requirements of the Companies Act, the JSE Listings Requirements and King IV.

The committee's operation is guided by a formal detailed charter that is in line with the Companies Act and is annually reviewed and approved by the board. The audit committee is constituted as a statutory committee and the members are elected at the AGM. It has an independent role with accountability to both the board and shareholders.

Composition

In terms of the Companies Act, at the AGM of the company, shareholders are required to elect the committee members. Four independent non executive directors of Bell Equipment Limited were elected by shareholders at the 2021 AGM to serve until the next AGM in May 2022. The committee was chaired by independent non executive director Derek Lawrance, and comprised three independent non executive directors, Mamokete Ramathe, Rajendran Naidu and John Barton. John Barton resigned as a non executive director and committee member on 16 February 2022.

The committee is suitably skilled to perform the role required. The collective skills of the committee include an understanding of financial and sustainability reporting, internal financial controls, the internal audit function, the external audit process, corporate law, risk management, information technology (IT) governance as it relates to integrated reporting, and the governance processes of the company. However, it is not expected that each member should possess all the required qualifications, skills and experience. The chairman of the board is not a member of the committee.

The board is satisfied that for the 2021 year:

- the committee, acting as a collective, was adequately skilled to perform its role having regard to the size and circumstances of the company;
- individual members of the committee held appropriate financial and related qualifications, skills and financial expertise to discharge their responsibilities; and
- individual members of the committee were not involved in day-to-day management of the company.

The following directors have been nominated to the committee, subject to shareholders election at the AGM to be held on Tuesday, 31 May 2022:

- Derek Lawrance
- Mamokete Ramathe
- Rajendran Naidu

and whose profiles including their qualifications appear in the integrated annual report.

Usha Maharaj was appointed by the board as a non executive director and audit committee member with effect from 1 April 2022 and will also be subject to shareholders election at the upcoming AGM. Her qualifications appear in the Notice of AGM.

The board is satisfied that the proposed elections to the committee of the four independent non-executive directors set out above will meet the requirements of the Companies Act, and is therefore recommending their election for the ensuing year.

The chairman of the board, the chief executive and group finance director have a standing invitation to attend the meetings of the committee. The group company secretary is the secretary of the committee.

Frequency and attendance of meetings

During the year under review, six meetings were held. Meetings are scheduled to coincide with the key dates in the group's financial reporting and audit cycle.

Attendance by members was as follows:

AUDIT COMMITTEE	29 March 2021	13 April 2021	23 April 2021	18 June 2021	6 September 2021	17 November 2021
Derek Lawrance (chairman)	✓	✓	✓	✓	✓	✓
Mamokete Ramathe	✓	✓	✓	✓	✓	✓
Rajendran Naidu	✓	✓	✓	✓	✓	✓
John Barton	✓	✓	✓	✓	✓	X

Objective and scope

The committee's main objective is to assist the board in fulfilling its oversight responsibilities, in particular with regard to evaluation of the adequacy and efficiency of accounting policies, internal controls and financial and corporate reporting processes. In addition the committee assesses the effectiveness of the internal auditors and the independence and effectiveness of the external auditor.

Audit committee report *continued*

for the year ended 31 December 2021

Combined assurance

The committee is of the view that the arrangements in place for combined assurance are adequate and the model was applied to provide a coordinated approach to all assurance activities; and in particular ensuring that the combined assurance received is appropriate to address all the significant risks facing the group. Further information on the combined assurance process is provided in the corporate governance report under risk management in the integrated annual report.

The committee has monitored the relationship between the external assurance providers and the group.

The committee has considered the contents of the financial statements, the group's accounting practices, the internal financial controls of the group and the finance function of the group in general and found all of these to be in order.

External audit

The committee met with the external auditor in order to consider the suitability for appointment of the current audit firm, Deloitte & Touche, and the designated engagement partner, as contemplated in terms of paragraph 22.15(h) of the JSE Listings Requirements. The assessment was undertaken by the committee taking into account the letter and the report received from Deloitte providing the information required in terms of paragraph 22.15(h) of the JSE Listings Requirements, including confirmation that Deloitte & Touche remained accredited by the JSE and Mr Andrew Kilpatrick, the designated auditor for the 2021 financial year, did not appear on the disqualified list of individual partners.

Deloitte & Touche has been the auditor of the group since July 1993. The committee gave due consideration to the independence of the external auditor, and the external auditor's independence was not prejudiced by any consultancy, advisory or other work undertaken. Audit and other services' fees are disclosed in note 28 to the annual financial statements.

The committee is satisfied that in discharging its duties in terms of its mandate, together with the rotation of the group audit partner every five years, Deloitte & Touche and the designated auditor's independence is maintained and has not been impacted by the tenure, which includes consideration of compliance with criteria relating to independence proposed by the Independent Regulatory Board for Auditors. The committee nominated and recommended the re-appointment of the group's external auditor, Deloitte & Touche, to the shareholders in compliance with the Companies Act and the JSE Listings Requirements and the appointment of Mr Andrew Kilpatrick as designated auditor for the 2022 financial year. Bell Equipment's 31 December 2023 year end will be the last year for which Deloitte will be eligible for reappointment as the Bell group's external auditors. The process to be undertaken in approaching alternative audit firms will be discussed at the first committee meeting in 2022.

The committee has applied its mind to the key audit areas and considered the key audit matters identified by the external auditor as follows:

- revenue recognition and accounting for complex revenue transactions; and
- impairment of intangible assets and property, plant and equipment as a result of Net Asset Value exceeding market capitalisation of the group.

The committee is comfortable that these have been adequately addressed and disclosed.

The committee, in consultation with executive management, agreed to an audit fee for the 2021 financial year. The committee is satisfied that the auditors do not, except as external auditor or in rendering permitted non audit services, receive any remuneration or other benefits from the company. The fee is considered appropriate for the work that could reasonably have been foreseen at that time.

The group's policy is to use its external auditors for non audit services such as tax and accounting where the use of other consultants would not make sound commercial sense and where their independence and good corporate governance is not compromised by the engagement. There is a formal procedure that governs the pre-approval process when the external auditor is considered for the provision of non audit services, and the allocation of such work is reviewed by the committee.

The external auditor has unrestricted access to the chairman of the committee. Meetings were held with the external auditor where management was not present, and no matters of concern were raised.

The committee received and reviewed reports from the external auditor concerning the effectiveness of the internal control environment, systems and processes and detailing the auditor's concerns arising out of the audit and requested appropriate responses from management.

Audit committee report *continued*

for the year ended 31 December 2021

Internal audit

The committee oversaw the activities of the internal audit function, undertaken by Ernst & Young as the appointed internal auditors, and considered the effectiveness of internal audit, approved the internal audit charter and the annual internal audit plan and monitored adherence of internal audit to its annual plan.

The internal auditors performed the role of considering and reporting to the committee on the effectiveness of the internal financial controls for financial reporting and risk management in support of the attestation by the group chief executive (CEO) and chief financial officer (CFO) required in terms of the provisions of the JSE Listings Requirements paragraph 3.84(k). The internal auditors developed a plan for testing and monitoring the financial controls throughout the group in line with the JSE Listings Requirements. The statement by the group CEO and CFO in terms of Listings Requirements paragraph 3.84(k) is set out on page 5.

The committee reviewed the reports of internal auditors detailing their concerns arising out of their audits and requested appropriate responses from management. The committee received and reviewed reports from internal auditors concerning the effectiveness of the internal control environment, systems and processes.

Internal financial control

The committee is responsible for reviewing the effectiveness of systems for internal control, financial reporting and financial risk management and considering the major findings of any internal investigations into control weaknesses, fraud or misconduct and management's response thereto.

The CEO and CFO have reviewed the controls for financial reporting for the 2021 financial year and have presented their findings to the committee. During the current financial year, management evaluated relevant internal controls which address risk areas relating to financial reporting in group operations.

The CEO and CFO's evaluation of controls included:

- the identification and classification of risks;
- the identification of controls, including effective internal financial reporting controls, in a formalised internal controls framework which has been implemented throughout the group;
- the implementation of a controls self assessment tool and control self assessments by managers;
- testing the design and determining the implementation of controls addressing high and low risk areas;
- utilising internal audit to test the operating effectiveness of controls addressing high risk areas; and
- obtaining control declarations from managers of group operations on the operating effectiveness of all controls on an annual basis.

The committee is of the view, based on the representations made by internal audit, the CEO and the CFO that the group's internal controls were adequate and effective during the period under review and can be relied upon as a reasonable basis for the preparation of appropriate annual financial statements. The committee has discussed and documented the basis for its conclusion and this included discussions with management, the external auditors and the internal auditors.

Expertise and experience of the group finance director and finance function

The committee has reviewed and has satisfied itself that the chief finance officer, Karen van Haght, has the appropriate skills, expertise and experience and confirms her suitability for serving as group finance director in terms of the JSE Listings Requirements. The committee further considers that the expertise, resources and experience of the finance function are appropriate based on the nature, complexity and size of the group's operations.

Audit committee report *continued*

for the year ended 31 December 2021

Going concern, annual financial statements and integrated annual report

The committee considered the report of the JSE's Financial Reporting Investigations Panel on its findings arising from the Panel's monitoring of the financial reports published by JSE listed companies during 2021 and has taken appropriate action to apply the findings.

The committee has considered those items within the financial statements which required significant judgement as reflected in note 4 to the consolidated annual financial statements.

The committee reviewed management's assessment of the going concern status of the group at year end and for the foreseeable future. The committee concurred with management's assessment that the group is a going concern and recommended the adoption of the going concern status of the group to the board.

In the committee's opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of the company and its subsidiaries as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS and the requirements of the Companies Act.

The committee fulfils an oversight role in respect of the preparation of Bell Equipment's integrated annual report. The committee is committed to ensuring the incorporation of the principles of King IV in the preparation of this year's integrated annual report.

The committee recommends the group's 2021 audited annual financial statements (of which this report forms part) and the 2021 integrated annual report, to the board for approval.

The chairman of the committee attends the annual general meeting and is available to answer any questions in relation to matters pertaining to the responsibilities of the committee.

Conclusion

The committee is satisfied that it has conducted its affairs and discharged its legal and other responsibilities as outlined in its charter, the Companies Act, JSE Listings Requirements and King IV. The board concurred with this assessment.



Derek Lawrance
Chairman
Audit committee

24 March 2022

Independent auditor's report

to the shareholders of Bell Equipment Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Bell Equipment Limited and its subsidiaries (the Group) set out on pages 19 to 94, which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report

to the shareholders of Bell Equipment Limited *continued*

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

How the matter was addressed in the audit

Revenue recognition and accounting for complex revenue transactions

As described within note 27 and note 42, the Group enters into various sales and rental arrangements, including those with specific structured deals including bill and hold arrangements, right of return arrangements, guaranteed residual value buy-back options and sales agreements where the Group carries certain credit risks ("Bell backed finance" and other arrangements).

The accounting treatment in respect of these arrangements involves significant assumptions and complexities (as described within note 27 and note 42) due to the varying terms and conditions, which affect whether such transactions should result in the recognition of revenue in accordance with *IFRS 15: Revenue from Contracts with Customers* ("IFRS 15"). Further consideration is necessary to determine whether these transactions should be accounted for in accordance with IFRS 15 or be treated as leases in accordance with *IFRS 16: Leases* ("IFRS 16"). There is also judgement required in evaluating each contract with a customer in terms of the determination of the timing and measurement of the fixed and variable elements of the revenue recognised. Furthermore, judgement is required in estimating the impact on revenue recognition from the customer's right to return certain products.

The above assumptions impact revenue, cost of sales, and the carrying value of inventory, property plant and equipment, finance lease liabilities and deferred lease income. Due to the significance of the assumptions, complexity of these transactions and the impact on the consolidated financial statements as a whole, this has been identified as a key audit matter.

We evaluated whether the directors appropriately applied the requirements of IFRS 15 and/or IFRS 16 in respect of selected contracts, such as Bell-backed finance, specific structured deals, sale or rental agreements with buy-back options, bill and hold arrangements and sales contracts having guaranteed residual values and the potential for right of return of products by performing the following procedure:

- Understood the revenue recognition process in respect of the terms and conditions of these transactions to assess compliance with IFRS both from the recognition and measurement perspective as well as in terms of the presentation and disclosure requirements of IFRS;
- Consulted with our internal accounting specialists who assessed the accounting treatment in terms of IFRS;
- Assessed the design and implementation of key controls in the revenue business cycle;
- Inspected a sample of the underlying contracts and assessed the accounting treatment adopted, which included the following procedures:
 - Assessed if control has passed to the buyer by considering the probability of the return of the goods/units based on the terms of the contract and whether this is in terms of IFRS 15;
 - Assessed the significant assumptions used by the directors relating to the probability of return of equipment based on past experience and other relevant factors;
 - Determined whether the arrangement is a finance lease or operating lease in terms of IFRS 16 by considering whether control has transferred from the lessee to the lessor;
 - Assessed whether the amount of revenue can be reliably measured;
 - Assessed the significance of the impact of any guaranteed residual value or credit risk support provided on the relevant transaction and assessed the accounting thereof by inspection of the contract and by assessing the estimated potential adjustment to revenue from the variable element of the arrangement; and
 - Performed specific physical verification of inventory held under bill and hold arrangements at year end and assessed additional evidence supporting the recognition as revenue in the period based on the criteria in IFRS 15.

We assessed the adequacy of the disclosures in relation to the significant assumptions applied to these transactions. The accounting policies for revenue recognition have been appropriately applied and disclosed.

Independent auditor's report

to the shareholders of Bell Equipment Limited *continued*

Key Audit Matter

How the matter was addressed in the audit

Impairment of intangible assets and property, plant and equipment

As described in note 5, the share price of the Group is trading at a significant discount to the net asset value per share which the directors have identified as an indicator of impairment. IAS 36: Impairment of Assets ("IAS 36") states that when indicators of possible impairment exist, the entity is required to conduct impairment tests to assess the recoverability of the carrying value of the relevant cash generating units ("CGU's").

Judgement is required by the directors in identifying the relevant CGU and assessing the impairment of the CGU, which is determined as the higher of fair value less cost to sell ("FVLCTS") or the value-in-use, based on the cash flow forecast for each CGU.

The discounted cash flow model used to determine the recoverable amount of the CGU is detailed and complex. Key inputs into the model include the following:

- Earnings growth (including estimated margins and forecast sales volumes and prices);
- Terminal growth rates;
- Estimated working capital requirements of the CGU; and
- The discount rate, which is based on the weighted average cost of capital. The determination of the weighted average cost of capital is complex, sensitive to the overall valuation outcome and contains significant judgement.

The complexity of the models used, the significance of the judgements and estimation used in determining the inputs into the models and the magnitude of the relevant intangible assets and property, plant and equipment balances at year end means that this was determined to be a key audit matter.

In evaluating the possible indicators of impairment of intangible assets and property, plant and equipment within the applicable CGUs, we assessed the identification of CGU's and those determined to have indicators of impairment, we audited the FVLCTS calculations prepared by the directors, with a particular focus on the assumptions with the most significant impact.

We performed various procedures, including the following:

- Gained an understanding of the model used to determine the fair value less cost to sell of the relevant component;
- Assessed sensitivity analysis on the assumptions to determine the key sensitive assumptions;
- Tested design and implementation of the entity's key controls relating to the preparation of the impairment models and the director's review of the cash flow forecasts and other key inputs;
- Tested the inputs into the cash flow forecast, including the assumptions relating to working capital, revenue growth, in particular the forecast sales volumes and input prices, against historical performance and in comparison to the directors' strategic plans in respect of the applicable CGUs;
- Considered the directors' ability to accurately forecast, based on a comparison of historical actual performance against previous respective forecasts;
- We engaged our internal valuation specialists and they performed the following:
 - Critically evaluated whether the fair value less cost to sell calculations used by the directors to calculate the value of the individual CGUs complies with the requirements of IAS 36 and whether the model used is considered appropriate for the purpose prepared;
 - Compared the growth rates (including terminal growth rate) used to historical data and forward-looking expectations regarding economic growth rates for the components included in the relevant CGU;
 - Assessed the weighted average cost of capital ("WACC") including the size risk premium, risk-free rate and the mechanics used in the determination of the relevant WACC rates; and
 - Reviewed the reasonableness of the discount rates applied by the directors to obtain the FVLCTS for the relevant CGU components.
- Analysed the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current macro-economic climate and expected future performance of the applicable CGUs, against external market data, historical performance and forecasts;
- Assessed the exchange rates used in the model to determine whether they comply with the requirements of IAS 36 in relation to the valuation method used;
- Determined an independent range of reasonable equity values based on the model assumptions considered appropriate and compared this to the carrying amount of the relevant CGU; and
- Assessed the disclosure included in the consolidated financial statements related to the impairment considerations and relevant estimation and judgement involved as well as the disclosure in note 5.

Based on the testing performed, we concur with the conclusions reached by the directors and the related disclosures in terms of IFRS are considered appropriate.

Independent auditor's report

to the shareholders of Bell Equipment Limited *continued*

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Bell Equipment Limited Annual Financial Statements for the year ended 31 December 2021", which includes the Global Corporate Structure, Directors' report, Declaration by Chief Executive (CEO) and Chief Financial Officer (CFO), the Audit Committee Report and the certification by the Group company secretary as required by the Companies Act of South Africa, the document titled "Bell Equipment Limited Integrated Annual Report 2021" which we obtained prior to the date of this report, and "Bell Equipment Limited Separate Financial Statements for the year ended 31 December 2021", which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group to cease operations, or have no realistic alternative but to do so.

Independent auditor's report

to the shareholders of Bell Equipment Limited *continued*

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditor's report

to the shareholders of Bell Equipment Limited *continued*

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *continued*

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

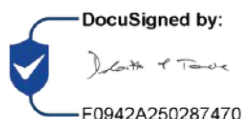
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte has been the auditor of Bell Equipment Limited for 28 years.



Deloitte & Touche
Per: Andrew Kilpatrick
Partner
Chartered Accountant (SA)
Registered Auditor

28 March 2022

National Executive: *LL Bam Chief Executive Officer *R Redfearn Chief Executive Officer - Elect; *TMM Jordan Deputy Chief Executive Officer; Clients & Industries *MJ Jarvis Chief Operating Officer; Acting Tax & Legal *AF Mackie Audit & Assurance *MR Verster Consulting *TA Oduko Financial Advisory *N Sing Risk Advisory *JK Mazzocco People & Purpose MG Dicks Risk Independence & Legal *A Muraya Responsible Business & Public Policy DP Ndlovu Chair of the Board

Regional Leader: *MA Freer

A full list of partners and directors is available on request *Partner and Registered Auditor

B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Consolidated statement of financial position

as at 31 December 2021

	Notes	2021 R000	2020 R000
ASSETS			
Non-current assets		1 792 903	1 845 721
Property, plant and equipment	7	918 968	935 152
Right-of-use assets	8	250 966	287 395
Intangible assets	9	282 236	277 787
Investments	10	58 717	33 615
Interest-bearing receivables and contract assets	11	50 421	90 584
Deferred taxation	12	231 595	221 188
Current assets		5 131 104	4 794 218
Inventory	13	3 624 452	3 595 163
Trade and other receivables	14	1 023 122	884 146
Interest-bearing receivables and contract assets	11	218 328	147 060
Other assets	15	78 558	33 005
Current taxation assets		30 312	52 093
Cash and bank balances	16	156 332	82 751
TOTAL ASSETS		6 924 007	6 639 939
EQUITY AND LIABILITIES			
Capital and reserves		3 861 733	3 503 778
Stated capital	17	235 541	235 541
Non-distributable reserves	18	940 673	891 355
Retained earnings		2 661 457	2 360 316
Attributable to owners of Bell Equipment Limited		3 837 671	3 487 212
Non-controlling interest	19	24 062	16 566
Non-current liabilities		681 418	759 326
Interest-bearing liabilities	20	175 838	204 319
Lease liabilities	21	266 731	282 543
Contract liabilities	22	98 357	125 828
Refund liabilities	23	11 986	54 308
Provisions	24	45 383	29 646
Other liabilities	25	10 031	-
Deferred taxation	12	73 092	62 682
Current liabilities		2 380 856	2 376 835
Trade and other payables	26	1 215 273	933 054
Interest-bearing liabilities	20	202 806	547 376
Lease liabilities	21	42 800	49 673
Contract liabilities	22	243 832	209 562
Refund liabilities	23	51 693	27 400
Provisions	24	111 113	110 786
Other liabilities	25	8 076	14 476
Current taxation liabilities		31 929	3 116
Bank overdrafts and borrowings on call	38.2	473 334	481 392
TOTAL EQUITY AND LIABILITIES		6 924 007	6 639 939

Consolidated statement of profit or loss

for the year ended 31 December 2021

	Notes	2021 R000	2020 R000
Revenue	27	8 017 125	6 690 277
Cost of sales		(6 473 383)	(5 456 345)
Gross profit		1 543 742	1 233 932
Other operating income		184 960	112 679
Distribution costs		(670 069)	(744 930)
Administration expenses		(106 643)	(89 815)
Factory operating expenses *		(548 268)	(476 248)
Profit from operating activities	28	403 722	35 618
Interest expense	29	(96 388)	(154 168)
Interest income	30	62 276	51 025
Net interest expense		(34 112)	(103 143)
Profit (loss) before taxation		369 610	(67 525)
Taxation	31.1	(75 344)	10 366
Profit (loss) for the year		294 266	(57 159)
Profit (loss) for the year attributable to:			
- Owners of Bell Equipment Limited		286 770	(64 292)
- Non-controlling interest		7 496	7 133
		Cents	Cents
Earnings (loss) per share			
Basic	32.1	300	(67)
Diluted	32.2	260	(65)

* Included in factory operating expenses are costs in respect of both the factory and group services operations.

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2021

	Notes	2021 R000	2020 R000
Profit (loss) for the year		294 266	(57 159)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising during the year		40 028	163 025
Exchange differences on translating foreign operations	18	40 028	163 025
Items that may not be reclassified subsequently to profit or loss:		23 850	4 457
Loss arising on revaluation of properties	18	-	(120)
Fair value gain on investments designated as at fair value through other comprehensive income *	18	23 850	4 577
Other comprehensive income for the year, net of taxation		63 878	167 482
Total comprehensive income for the year		358 144	110 323
Total comprehensive income for the year attributable to:			
- Owners of Bell Equipment Limited		350 648	103 190
- Non-controlling interest		7 496	7 133

* There were no corresponding tax implications on fair value gain on investments designated as at fair value through other comprehensive income.

Consolidated statement of changes in equity

for the year ended 31 December 2021

	Attributable to owners of Bell Equipment Limited				Non-controlling interest R000	Total capital and reserves R000
	Stated capital R000	Non-distributable reserves* R000	Retained earnings R000	Total R000		
Balance at 1 January 2020	232 499	727 261	2 417 620	3 377 380	9 433	3 386 813
Total comprehensive income (loss) attributable to owners of Bell Equipment Limited	-	167 482	(64 292)	103 190	-	103 190
Total comprehensive income attributable to non-controlling interest	-	-	-	-	7 133	7 133
Increase in statutory reserves of foreign subsidiaries	-	550	(550)	-	-	-
Decrease in equity-settled employee benefits reserve	-	(7 538)	7 538	-	-	-
BBBEE shareholders' loans	-	3 600	-	3 600	-	3 600
Share options exercised	3 042	-	-	3 042	-	3 042
Balance at 31 December 2020	235 541	891 355	2 360 316	3 487 212	16 566	3 503 778
Total comprehensive income attributable to owners of Bell Equipment Limited	-	63 878	286 770	350 648	-	350 648
Total comprehensive income attributable to non-controlling interest	-	-	-	-	7 496	7 496
Decrease in statutory reserves of foreign subsidiaries	-	(9 979)	9 979	-	-	-
Decrease in equity-settled employee benefits reserve	-	(4 581)	4 581	-	-	-
Dividends paid	-	-	(189)	(189)	-	(189)
Balance at 31 December 2021	235 541	940 673	2 661 457	3 837 671	24 062	3 861 733

* Refer to note 18 for the details on the movements in the non-distributable reserves.

Consolidated statement of cash flows

for the year ended 31 December 2021

	Notes	2021 R000	2020 R000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	A	657 470	996 237
Interest paid	B	(97 705)	(170 686)
Interest received	C	60 460	60 772
Taxation paid	D	(26 361)	(67 691)
Net cash generated from operating activities		593 864	818 632
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of additional property, plant and equipment and intangible assets		(103 651)	(84 428)
Purchase of replacement property, plant and equipment and intangible assets		-	(123)
Proceeds on disposal of property, plant and equipment and intangible assets		13 221	7 875
Additions to right-of-use assets		-	(6 152)
Net cash utilised in investing activities		(90 430)	(82 828)
CASH FLOW FROM FINANCING ACTIVITIES			
Interest-bearing liabilities raised	E	322 464	649 562
Interest-bearing liabilities repaid	E	(690 529)	(1 155 564)
Lease liabilities repaid		(53 541)	(56 525)
Proceeds from share options exercised		-	3 042
Dividends paid		(189)	-
Net cash utilised in financing activities		(421 795)	(559 485)
Net increase in cash for the year		81 639	176 319
Net bank overdrafts and borrowings on call at beginning of the year		(398 641)	(574 960)
Net bank overdrafts and borrowings on call at end of the year	F	(317 002)	(398 641)

Notes to the consolidated statement of cash flows

for the year ended 31 December 2021

	Notes	2021 R000	2020 R000
A			
Cash generated from operations			
Profit from operating activities		403 722	35 618
Adjustments for non-cash items:			
Amortisation of intangible assets	9	36 364	32 914
Depreciation of property, plant and equipment	7	151 396	140 834
Depreciation of right-of-use assets	8	63 436	69 561
Impairment loss recognised on property, plant and equipment	7	-	32 940
Impairment loss recognised on intangible assets	9	-	23 254
Net surplus on disposal of property, plant and equipment, intangible assets, right-of-use assets and lease liabilities		(8 530)	(4 530)
Increase (decrease) in allowance for expected credit losses		13 652	(26 786)
Amounts written off as uncollectible	28	3 850	31 732
Increase (decrease) in provision for inventory write-downs, including write-downs to equipment on short-term rentals		53 806	(2 129)
Increase in provisions		14 074	1 847
(Gain) loss arising on financial assets and financial liabilities at fair value through profit or loss		(10 715)	8 657
Exchange differences on translation of foreign subsidiaries		21 103	(41 380)
Unrealised exchange differences on trade and other receivables and payables		40 117	(8 643)
Increase in WesBank right-of-recovery asset	13	(17 672)	-
Increase in contract liabilities		-	53 545
Increase in refund liabilities		-	62 874
Other non-cash items		5 211	-
Net non-cash movements in contract liabilities		25 263	-
Net non-cash movements in refund liabilities		(4 957)	-
Cash generated from operations before working capital changes		790 120	410 308
(Increase) decrease in inventory		(42 305)	658 265
Transfers of inventory to rental assets and plant and equipment in property, plant and equipment	7	(73 569)	(98 073)
(Increase) decrease in trade and other receivables		(120 050)	34 329
(Increase) decrease in other assets		(41 238)	6 776
Increase (decrease) in trade and other payables		215 434	(42 398)
(Increase) decrease in instalment sale agreements and other interest-bearing receivables		(33 213)	13 038
Increase in contract liabilities		(20 975)	-
Decrease in refund liabilities		(17 479)	-
Increase in service and repair work in progress in contract assets	11	(11 929)	(241)
WesBank cash collateral repaid	11	16 766	24 055
WesBank cash collateral advanced	11	(4 092)	(9 822)
Total cash generated from operations		657 470	996 237
B			
Interest paid			
Interest accrued at beginning of the year		8 191	26 394
Add: interest expense	29	96 388	154 168
Less: interest charged to profit or loss relating to lease liabilities	29	(37 034)	(36 490)
Add: interest portion of lease payments made on lease liabilities		35 019	34 805
Less: interest accrued at end of the year		(4 859)	(8 191)
Total interest paid		97 705	170 686

Notes to the consolidated statement of cash flows *continued*

for the year ended 31 December 2021

	Notes	2021 R000	2020 R000
C Interest received			
Interest accrued at beginning of the year		355	3
Add: interest income	30	62 276	51 025
Less: deferred finance income from contract liabilities recognised as revenue	22.4	(34 238)	(24 250)
Add: deferred finance income from contracts sold	22.4	35 950	34 349
Less: interest accrued at end of the year		(3 883)	(355)
Total interest received		60 460	60 772
D Taxation paid			
Net taxation refund due at beginning of the year		48 977	40 088
Taxation charge for the year:			
South African normal taxation	31.1	(18 684)	(49 350)
Foreign taxation	31.1	(52 545)	(7 202)
Withholding taxation	31.1	(2 257)	(1 723)
Other corporate taxation	31.1	(1 110)	(828)
Translation differences		(2 359)	301
Net taxation owing (refund due) at end of the year		1 617	(48 977)
Total taxation paid		(26 361)	(67 691)
E Interest-bearing liabilities			
Total interest-bearing liabilities at beginning of the year		751 695	1 273 704
Translation differences		(166)	38 871
Loan relief in respect of COVID-19		(4 820)	-
Supplier funding repaid - extended payment terms		-	(54 878)
Interest-bearing liabilities raised		322 464	649 562
Interest-bearing liabilities repaid		(690 529)	(1 155 564)
Total interest-bearing liabilities at end of the year	20	378 644	751 695
F Net bank overdrafts and borrowings on call			
Bank overdrafts and borrowings on call	38.2	(473 334)	(481 392)
Cash and bank balances	16	156 332	82 751
Net bank overdrafts and borrowings on call at end of the year		(317 002)	(398 641)

Notes to the consolidated annual financial statements

for the year ended 31 December 2021

1. GENERAL INFORMATION

Bell Equipment Limited (the company) is a public company incorporated in South Africa. The addresses of its registered office and principal place of business are disclosed on page 98 of this report. The principal activities of the company and its subsidiaries (the group) are described in the directors' report under the heading nature of business.

2. ACCOUNTING FRAMEWORK

2.1 Statement of compliance

The consolidated annual financial statements (hereinafter referred to as financial statements) have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited Listings Requirements and in accordance with the requirements of the Companies Act in South Africa.

Basis of accounting

The financial statements have been prepared on the historical cost basis, except for the revaluation of properties and certain financial instruments which are measured at fair value. The accounting policies are consistent with those applied to the previous year.

The principal accounting policies adopted are set out below and in the related notes to the financial statements.

Decluttering exercise

During the current year a decluttering exercise was performed on the financial statements of the group based on the group's assessed materiality. This took quantitative and qualitative factors into account. As a result of this exercise various improvements were made to the presentation and disclosures in the financial statements which included the following changes to the consolidated statement of financial position:

- Contract assets were included as part of interest-bearing receivables and contract assets.
- Other financial assets and prepayments were aggregated into other assets.
- Other financial liabilities and cash-settled employee share-based payment liabilities were aggregated into other liabilities.

The prior period has been represented accordingly.

2.2 Principal accounting policies

2.2.1 Foreign currency translation

Functional and presentation currency

The financial statements are presented in South African Rand, which is the company's functional and presentation currency, rounded to the nearest thousand.

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency').

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary balances denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary balances carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary balances that are measured in terms of historical cost in a foreign currency are not retranslated.

Forward foreign exchange contracts are separately valued at equivalent forward rates ruling at the reporting date.

Gains and losses arising on translation of foreign currency transactions are dealt with in profit or loss. Gains and losses arising on inventory purchases are classified as cost of sales.

Foreign subsidiary translation

The results and financial position of all group entities that have a functional currency different from South African Rand, the company's presentation currency, are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position are translated at the exchange rates prevailing at the end of the reporting period;
- foreign reserves on the statement of financial position are translated at the exchange rates prevailing at the end of the reporting period;
- income and expenses for each income statement are translated at average exchange rates for the period; and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in equity in the group's foreign currency translation reserve.

Such translation differences are reclassified to profit or loss through other comprehensive income in the period in which the foreign operation is discontinued or disposed of.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

3. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

In the current year the group has adopted all of the amended standards issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2021.

3.1 New and amended standards adopted

During the current year, no new standards have been adopted but the group adopted certain amended standards which had no significant impact on the group's financial statements.

3.2 Standards and amendments in issue not yet adopted

At the date of authorisation of these financial statements, the following amended standards relevant to the group were in issue but not yet effective.

Amended	Effective date for annual periods beginning on or after:
Annual Improvements to IFRS Standards 2018 - 2020	1 January 2022
IFRS 9 - Financial Instruments: Amendments regarding the derecognition of financial liabilities	1 January 2022
IAS 1 - Presentation of Financial Statements: Amendments regarding the classification of liabilities	1 January 2023
IAS 1 - Presentation of Financial Statements: Disclosure of accounting policies	1 January 2023
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors: Definition of accounting estimates	1 January 2023
IAS 12 - Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IAS 16 - Property, Plant and Equipment: Amendments regarding proceeds before intended use	1 January 2022
IAS 37 - Provisions, Contingent Liabilities and Contingent Assets: Amendments regarding the costs to include when assessing whether a contract is onerous	1 January 2022

All above amended accounting standards are not anticipated to have a significant impact on the group's financial statements in future periods when these are adopted.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND SIGNIFICANT ACCOUNTING ESTIMATES

4.1 Judgements made by management in applying accounting policies

Preparing financial statements in accordance with IFRS requires estimates and assumptions that affect reported amounts and related disclosures. Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments. These judgements made by management are described below:

Revenue recognition

- a) Judgements in determining the timing of satisfaction of performance obligations
 - performance obligations satisfied at a point in time (refer to notes 27.1 and 27.2)
 - performance obligations satisfied over time (refer to notes 27.3.1, 27.4 and 27.5)
 - performance obligations with regards to bill and hold arrangements (refer to note 27.1.1)
- b) Judgements in determining whether the group is a principal or an agent
 - performance obligations with regards to transport services (refer to note 27.3.2)
- c) Judgements and estimates in determining the transaction price and the amounts allocated to performance obligations
 - residual value guarantees (affecting revenue recognition and the refund liability for residual value risk) (refer to notes 27.1.5 and 23.1)
 - credit risk undertakings (affecting revenue recognition) (refer to note 42)
 - effects of the time value of money relating to deferred service contract revenue, extended warranty contracts and instalment sale agreements (refer to notes 22, 27.1.6, 27.3.1 and 27.4)
 - trade-ins (refer to note 27.1.3)
 - allocation of the transaction price (refer to note 27.1.1)

Standard warranties

- a) Judgements and estimations in determining the group's obligation to end customers with regards to warranties on manufactured equipment provided by the group (refer to note 24.1)
- b) Judgements and estimations in determining the group's obligation to end customers with regards to supplier warranties provided by third party equipment suppliers and third party component suppliers (refer to note 24.2)
- c) Judgements in determining when the group's reimbursement right from third party component suppliers is established (refer to note 24)

Financial assets

- a) Judgement and estimates in determining the impairments of financial assets (refer to note 14)
- b) Judgement and estimates in determining the fair value of the unlisted equity investment (refer to note 10)

Revaluation of property, plant and equipment

- a) Judgements in selecting an appropriate valuation technique (refer to note 7)

Intangible assets

- a) Judgements and estimates in determining time spent by engineering department (refer to note 9)
- b) Judgements and estimates in determining the useful lives (refer to note 9)
- c) Judgements in determining when the recognition criteria have been met (refer to note 9)

Basis of consolidation

- a) Control over WesBank financing venture (refer to note 42)

4.2 Dilutive impact on earnings (loss) per share and headline earnings (loss) per share of the potential ordinary shares relating to the shareholding of BEE parties in BECSA and BESSA (refer to notes 32.2 and 32.4)

- a) Judgements in determining whether the BEE parties will be settled in cash, shares in another group entity or shares in the company. The directors concluded that the parties will be settled in shares in the company.
- b) Judgements and assumptions regarding expected future cash flows, factors such as expected future market conditions, discount rates and terminal growth rates in respect of valuations performed on BECSA and BESSA. Refer to note 4.3 below and to note 5 in respect of key inputs into the valuation of BECSA. In respect of BESSA, the key valuation inputs were as follows:
 - forecast sales volumes
 - discount rate of 15,4%
 - terminal growth rate of 4%

4.3 IAS 36 Impairment of Assets and going concern

The judgements made by management in respect of the impairment of assets are described below:

- a) Judgements in identifying the group's cash generating units (refer to note 5)
- b) Judgements in determining the discount rates (refer to note 5)
- c) Judgements in determining the terminal growth rates (refer to note 5)
- d) Judgements and estimates in determining the future cash flows (refer to note 5)

The determination of forecasts and expected future cash flows requires management to exercise judgement and make assumptions relating to factors such as expected future market conditions. Refer to note 5.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

5. IMPAIRMENT CONSIDERATIONS AND IMPACT ON THE FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

In terms of IAS 36 *Impairment of Assets* the group is required to perform tests for impairment of assets based on the expected future cash flows pertaining to these assets whenever there is an indication that these assets may be impaired.

At 31 December 2021 the market capitalisation and net asset value of the group were R1,2 billion (2020: R0,6 billion) and R3,9 billion (2020: R3,5 billion) respectively. This is an indicator of possible impairment of the group's business in terms of IAS 36.

Management has identified two types of CGU's and has adopted the following approach in order to assess the relevant CGU for impairment:

- OEM CGU: The Richards Bay manufacturing component (BECSA), the Germany manufacturing and assembly component (Kindel), the Germany logistics centre component (Alsfeld), BEGS including the GLC component and Bell Equipment North America Inc. component (BENA), constitute this main CGU. Management has calculated a fair value for this CGU using a discounted cash flow model which is compared to the relevant net assets within the CGU in order to determine whether there is any need for impairment of OEM assets. A discounted cash flow valuation was performed for each of the components and the sum of the fair values of the components was compared with the carrying amount of the assets recorded in the financial statements for the OEM CGU.
- Dealer CGU's: There are a number of CGU's relating to the owned direct sales operations, such as BESSA. Management performed a qualitative risk assessment of the profitability and any potential exposure of assets within the relevant CGU to impairment under IAS 36. No impairment losses were identified from this review.

Further consideration was given to the possible impairment of specific asset categories on the statement of financial position.

5.1 Impairment considerations of the OEM CGU

The following was considered in the valuation based on discounted cash flow methodology of the OEM CGU:

- Discounted cash flow valuation principles were applied in assessing the expected future cash flows pertaining to each of the operations comprising the OEM CGU. A fair value less costs to sell measurement was performed.
- The key assumptions used in the valuations related to financial forecasts, cash flow projections, terminal growth rates and discount rates as listed below. The financial forecasts and cash flow projections were approved by the board of directors. Specialists were engaged to determine appropriate discount rates and terminal growth rates, to review the appropriateness of the valuation methodology applied and the accuracy of implementation thereof by management.

Key inputs into the valuations performed were as follows:

- the sales volumes forecast by market was a key input to the financial forecasts.
- discount rates and terminal growth rates of the operations as described below:

	2021			2020		
	Weighted Average Cost of Capital		Terminal growth rate	Weighted Average Cost of Capital		Terminal growth rate
	Low %	High %	%	Low %	High %	%
Operations comprising the OEM CGU						
Manufacturing operations						
- BECSA	22,8	25,4	4,5	19,5	21,8	4,5
- Kindel	8,2	9,1	2,0	7,8	8,7	2,0
Logistics operations						
- Alsfeld	7,9	8,7	2,0	7,9	8,7	2,0
- Bell Equipment North America Inc. (BENA)	10,2	11,1	2,0	9,9	10,8	2,0
OEM						
- BEGS	20,0	21,7	4,5	18,0	19,4	4,5

In respect of the discount rates, key inputs into the cost of equity and after tax cost of debt were:

- Small stock premium – considerations were the diversification of the group that operates across a number of jurisdictions with a diversified customer base, the substantial market share in South Africa, the governance in place being a listed entity, and the level of gearing. A small stock premium of 0.0% was applied.
- Risk free rate – nominal risk free rates were applied as follows:
 - BECSA and BEGS - 9,63% (2020: 8,73%) based on the yield of the R2030 South African Government bond as at year end;
 - Kindel and Alsfeld - 0,09% (2020: 0,19%) based on the average yield on various long term Euro denominated German Government bonds at year end;
 - BENA - 1,98% (2020: 1,45%) based on the yield on the US 20 year treasury bonds at year end.
- Market risk premium – a market risk premium of 6,5% (2020: 6,5%) was used for all entities. The US market risk premium was reduced by 50 basis points to take into account the risk free rate in that market.
- Beta co-efficient for BECSA and BEGS of 1,10 (2020: 1,08), for BENA of 1,11 (2020: 1,09) and for Kindel and Alsfeld of 1,09 (2020: 1,07) were used.
- Company specific risk premiums, taking into consideration the business models and risks of the businesses, of in the range of minus 5% to 5% (2020: -5% to 5%) for BECSA and Kindel, in the range of 10% to 20% (2020: 10% to 20%) for BEGS and BENA and in the range of 0% to 10% (2020: 0% to 10%) for Alsfeld, were applied.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

5. IMPAIRMENT CONSIDERATIONS AND IMPACT ON THE FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021 *continued*

5.1 Impairment considerations of the OEM CGU *continued*

- Cost of debt – a credit spread of 2% (2020: 2%), taking into account the actual cost of external borrowings as well as market comparators, was added to the respective risk free rates.
- A capital structure of 80% (2020: 80%) equity and 20% (2020: 20%) debt was assumed.
- The prevailing corporate tax rates in the respective jurisdictions were used.

Terminal growth rates were benchmarked against respective long-term inflation rates that are inherent in the applied risk free rates. Inflation and other macroeconomic data was obtained from independent analyst reports.

The recoverable amount of the OEM CGU was determined as R3,5 billion, compared with the carrying amount of the sum of the operations comprising the OEM CGU of R1,4 billion.

No impairment losses relating to the operations comprising the OEM CGU were identified from this review.

5.2 Impairment considerations of specific asset categories

Further consideration was given to the impairment of specific asset categories on the statement of financial position as set out below.

5.2.1 Inventory

The group conducted its detailed annual assessment of the valuation of inventory at 31 December 2021. All inventory is valued at the lower of cost and net realisable value. At 31 December 2021, an amount of R326,9 million (2020: R378,0 million) included in inventory was carried at net realisable value. Included in cost of sales in the current year is an amount of R42,5 million (2020: R111,0 million) in respect of write-downs of inventory.

The following steps and considerations were taken by management as part of its assessment to determine if inventories were impaired:

- inventory was categorised by type (new equipment, used equipment and parts by product), ageing and market into which the inventory is expected to be sold.
- the impact on net realisable value of certain inventory as a result of discontinued dealership arrangements.

5.2.2 Trade and interest-bearing receivables

The balances owed by customers to the group are reviewed on an ongoing basis, with specific emphasis on protecting the value of the group's security, comprising mainly the financed equipment. There has been no change to this approach during the current year. Management considered the likely impact of the current economic and market conditions on the expected loss rates for receivables. Management has concluded that no change on a portfolio basis is required. Steps and considerations taken by management as part of the forward-looking assessment of expected credit losses included the following:

- the market prices being realised and expected to be realised for capital equipment in the South African market.
- the robustness of the group's processes to inspect, service and maintain equipment held as security for outstanding receivables.
- the status and prospects of the revenue generating contracts on which the financed equipment is being used by the customers with significant outstanding balances and the industries in which those customers are operating.
- the status of cash conversion on customer accounts, including parts accounts.

5.2.3 Property, plant and equipment

Sales and production volumes have returned to normal trading levels after the lower sales levels experienced at the start of the Covid-19 pandemic and the group's longer-term plans and forecasts remain largely unchanged. The group plans to use its assets to support revenue generating activities and no significant negative impact on the planned productivity of these assets is envisaged. No impairment of property, plant and equipment assets was therefore considered necessary in the current year.

5.2.4 Intangible assets

A review was conducted of capitalised engineering development costs and no impairment loss was recognised in the current year as a result of the tests for impairment of these intangible assets.

5.3 Directors' assessment of going concern

As part of the assessment of the appropriateness of adopting the going concern basis in preparing the consolidated annual financial statements for the year ended 31 December 2021, the directors considered the group's cash flow forecasts for the next 12 months. These forecasts are based on expected demand for the next 12 months. The cash flow forecast reflects that the group expects to operate within facility levels and generate sufficient cash flows to settle its obligations when due.

The group's net debt at 31 December 2021 has improved since 2020 to approximately R0,7 billion (2020: R1,2 billion). The group's lenders continue to support the business.

The directors consider it appropriate that the year-end financial statements are prepared on a going concern basis.

The board will continue to monitor the ongoing impact of the Covid-19 pandemic on the economic and market conditions and the group's operations and its financial position. The focus will remain on cash preservation and working capital management.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

6. OPERATING SEGMENTS

Accounting policy

The operating segments of the group by geographical area have been identified on the basis of internal reports about components of the group that are regularly reviewed by the group's chief executive in order to allocate resources to the segments and to assess their performance.

The group conducts two main business operations:

Manufacturing, assembly, logistics and dealer sales operations

- OEM operations comprising manufacturing, assembly and sales of equipment and aftermarket products to independent dealers for their distribution to market.

Direct Sales operations

- owned distribution operations for direct sales of own manufactured products, other third party products and the supply of aftermarket support and products to market.

The Manufacturing, assembly, logistics and dealer sales operations comprise operations in South Africa and Europe:

- South Africa includes the group's main OEM and manufacturing operations in Richards Bay and the group's global parts logistics centre in Johannesburg. The main function of these operations is to manufacture and distribute product to the rest of the group and to independent dealers in North America, Africa, South America and Australasia.
- Europe includes dealer support operations in the United Kingdom, France, Russia and Germany as well as an assembly plant and a parts logistics centre in Germany which distribute product to independent dealers in North America, Europe and Asia.

The Direct Sales operations comprise operations in South Africa and Rest of Africa:

- South Africa includes a number of customer service centres in South Africa and Swaziland.
- Rest of Africa includes customer service centres in Zambia and Zimbabwe.

Other operations include the results of the group's holding companies, intra-group loan investment companies, property investment company and BBBEE companies and trust.

The accounting policies of the reportable segments are the same as the group's accounting policies.

Each reportable segment, except for the other operations and inter-segmental eliminations segment, derives its revenue mainly from the sale of equipment and aftermarket products.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

6. OPERATING SEGMENTS *continued*

2021	Manufacturing, assembly, logistics and dealer sales operations		Direct Sales operations		Other operations and inter-segmental eliminations* R000	Consolidated R000
	South Africa R000	Europe R000	South Africa R000	Rest of Africa R000		
Revenue **						
External revenue	1 559 116	3 077 428	3 044 088	336 493	-	8 017 125
Inter-segment revenue	3 556 860	209 936	18 756	2 641	(3 788 193)	-
Total revenue	5 115 976	3 287 364	3 062 844	339 134	(3 788 193)	8 017 125
Profit from operating activities ***	8 558	157 561	94 036	122 546	21 021	403 722
Interest expense	(97 134)	(18 024)	(67 583)	(4 522)	90 875	(96 388)
Interest income	60 636	838	31 341	123	(30 662)	62 276
Taxation	6 547	(26 559)	(21 037)	(6 243)	(28 052)	(75 344)
(Loss) profit for the year	(21 393)	113 816	36 757	111 904	53 182	294 266
Segment assets	4 252 535	2 223 787	1 415 932	267 678	(1 235 925)	6 924 007
Segment liabilities	3 499 598	1 192 851	1 308 765	132 500	(3 071 440)	3 062 274
Other information						
Additions to property, plant and equipment and intangible assets	89 299	6 070	2 825	3 107	2 350	103 651
Additions to right-of-use assets	9 254	5 710	9 270	-	-	24 234
Depreciation of property, plant and equipment and right-of-use assets and amortisation of intangibles	120 001	29 123	106 502	4 000	(8 430)	251 196
Other material items of income and expense:						
- Net foreign currency losses (gains)	27 395	(20 669)	-	5 470	(1 045)	11 151
- Staff costs (including directors' remuneration)	886 073	297 501	299 501	35 197	11 256	1 529 528
- Increase (decrease) in contract provision - warranty	23 557	9 078	(959)	(107)	(16 605)	14 964
- Warranty expenditure - standard and extended warranties	126 368	10 800	30 040	1 401	(45)	168 564

Information about major customers

Included in the manufacturing, assembly, logistics and dealer sales operations segment, in South Africa and Europe, are sales to a distributor in the United States of America which represent more than 10% of the group's external revenue. No other single customer contributed 10% or more to the group's revenue in either 2021 or 2020.

* Inter-segmental eliminations above relate to the following:

- Revenue - the elimination of intra-group sales transactions, mainly sales from the manufacturing, assembly, logistics and dealer sales operations to other group operations.
- Operating profit - the elimination of profit or loss on intra-group transactions, mainly sales transactions from the manufacturing, assembly, logistics and dealer sales operations to the other group operations, where the inventory has not yet been on-sold to a third party at period end.
- Assets and liabilities - the intra-group transactions result in intra-group receivables and payables balances and furthermore intra-group loans are in place between certain group operations. These are eliminated on consolidation.

** The group's revenue from major products and services is disclosed in note 27.

*** Profit from operating activities in the Rest of Africa segment includes the intra-group waiving of debt owed by the Zimbabwean operation.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

6. OPERATING SEGMENTS *continued*

2020	Manufacturing, assembly, logistics and dealer sales operations		Direct Sales operations		Other operations and inter-segmental eliminations* R000	Consolidated R000
	South Africa R000	Europe R000	South Africa R000	Rest of Africa R000		
Revenue **						
External revenue	1 072 892	2 321 332	2 974 903	321 150	-	6 690 277
Inter-segment revenue	3 169 922	249 894	19 498	2 606	(3 441 920)	-
Total revenue	4 242 814	2 571 226	2 994 401	323 756	(3 441 920)	6 690 277
(Loss) profit from operating activities	(64 778)	(73 982)	125 664	(17 791)	66 505	35 618
Interest expense	(124 973)	(24 476)	(98 477)	(6 844)	100 602	(154 168)
Interest income	57 482	2 584	28 811	2 258	(40 110)	51 025
Taxation	38 129	25 802	(23 498)	1 259	(31 326)	10 366
(Loss) profit for the year	(94 140)	(70 072)	32 500	(21 118)	95 671	(57 159)
Segment assets	4 159 869	1 988 767	1 748 995	228 416	(1 486 108)	6 639 939
Segment liabilities	3 357 809	1 440 074	1 661 754	223 118	(3 546 594)	3 136 161
Other information						
Additions to property, plant and equipment and intangible assets	76 959	5 833	1 067	327	365	84 551
Additions to right-of-use assets	82 311	6 113	92 089	-	-	180 513
Depreciation of property, plant and equipment and right-of-use assets and amortisation of intangibles	114 692	31 828	100 059	5 164	(8 434)	243 309
Other material items of income and expense:						
- Net foreign currency losses (gains)	34 237	2 596	-	14 941	(5 071)	46 703
- Staff costs (including directors' remuneration)	715 719	259 991	277 851	39 605	5 083	1 298 249
- Increase (decrease) in contract provision - warranty	1 720	1 395	421	(830)	(1 749)	957
- Warranty expenditure - standard and extended warranties	151 128	3 777	26 867	1 440	1 369	184 581
- Impairment losses recognised on assets	24 321	-	-	31 873	-	56 194

* Inter-segmental eliminations above relate to the following:

- Revenue - the elimination of intra-group sales transactions, mainly sales from the manufacturing, assembly, logistics and dealer sales operations to other group operations.
- Operating (loss) profit - the elimination of profit or loss on intra-group transactions, mainly sales transactions from the manufacturing, assembly, logistics and dealer sales operations to the other group operations, where the inventory has not yet been on-sold to a third party at period end.
- Assets and liabilities - the intra-group transactions result in intra-group receivables and payables balances and furthermore intra-group loans are in place between certain group operations. These are eliminated on consolidation.

** The group's revenue from major products and services is disclosed in note 27.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

7. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Freehold land is not depreciated and is stated at revalued amounts with subsequent additions at cost, less any subsequent accumulated impairment losses. Freehold buildings are stated at revalued amounts, with subsequent additions at cost less subsequent accumulated depreciation and any subsequent accumulated impairment losses. Other assets and its subsequent additions are stated at cost less accumulated depreciation and any accumulated impairment losses.

Revaluations of freehold land and buildings are undertaken every three years or when there is an indication of impairment, whichever comes first and are classified as Level 3 fair value measurements under IFRS 13. The group engages independent qualified valuers to perform the valuations. Inputs into the valuation model are based on market data to the extent it is available and can cause material fluctuations in the fair value of the relevant properties. Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or disposal of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. Depreciation on revalued buildings is recognised in profit or loss.

Depreciation of assets commences when the asset is available for use and is expensed in the statement of profit or loss. The depreciable values of leasehold buildings are depreciated over the shorter of their expected useful lives and the period of the lease. Depreciation on other assets is provided on a straight-line basis over the anticipated useful lives of the assets, taking residual values into account. Depreciation ceases on an asset only when the asset is derecognised or when it is classified as held for sale.

Rental assets are stated at cost less accumulated depreciation. Manufactured and third party equipment is classified as rental assets under property, plant and equipment when they are held for rental to others and these rentals are expected to exceed 12 months. Equipment that is held for sale but is incidentally rented out under short-term rentals until a buyer is found, is classified as inventory. Rental assets are depreciated based on the hours utilised while on rental. Depreciation on rental assets is classified as cost of sales.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The annual rates of depreciation currently used are:

• Freehold buildings	2% to 3,33%
• Leasehold buildings	5% to 20%
• Plant and equipment	4% to 33%
• Rental assets - manufactured and third party equipment	25% to 35%
• Vehicles	20%
• Aircraft	10% to 12,5%

Useful lives and residual values are reviewed annually, with the effect of any change in accounting estimate accounted for on a prospective basis. In assessing the useful lives of the assets and residual values, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as market conditions, the remaining life of the asset and projected disposal values. In assessing useful lives and residual values assumptions are made concerning the future and these may cause a significant adjustment to the carrying amounts of the assets within the next financial year.

Impairment of property, plant and equipment

At the end of the reporting period, the group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the CGU to which the asset belongs. Refer to the impairment considerations in note 5.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Assumptions are made in projecting disposal values and in determining estimated future cash flows. Estimation uncertainties may cause a material adjustment to the carrying amounts of the assets within the next financial year.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease through other comprehensive income.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

7. PROPERTY, PLANT AND EQUIPMENT *continued*

	Cost / valuation 2021 R000	Accumulated depreciation and impairments 2021 R000	Net book value 2021 R000	Cost / valuation 2020 R000	Accumulated depreciation and impairments 2020 R000	Net book value 2020 R000
Freehold land and buildings	649 552	69 220	580 332	642 936	44 801	598 135
Leasehold buildings *	7 656	2 921	4 735	6 925	2 305	4 620
Plant and equipment	724 729	500 570	224 159	686 083	457 156	228 927
Rental assets - manufactured and third party equipment	195 803	98 371	97 432	191 026	99 688	91 338
Vehicles and aircraft	57 932	45 622	12 310	53 637	41 505	12 132
Total	1 635 672	716 704	918 968	1 580 607	645 455	935 152

Movement in property, plant and equipment	Freehold land and buildings R000	Leasehold buildings * R000	Plant and equipment R000	Rental assets - manufactured and third party equipment R000	Vehicles and aircraft R000	Total R000
2021						
Net book value at beginning of the year	598 135	4 620	228 927	91 338	12 132	935 152
Additions	2 639	640	55 058	-	4 502	62 839
Disposals	-	-	(4 971)	-	(52)	(5 023)
Depreciation	(24 152)	(567)	(53 352)	(68 392)	(4 933)	(151 396)
Transfers **	-	-	(1 418)	74 486	501	73 569
Translation differences	3 710	42	(85)	-	160	3 827
Net book value at end of the year	580 332	4 735	224 159	97 432	12 310	918 968
2020						
Net book value at beginning of the year	604 058	6 756	231 174	53 648	14 660	910 296
Net loss on revaluation	(31 993)	-	-	-	-	(31 993)
Impairment loss	-	-	(1 067)	-	-	(1 067)
Additions	377	41	42 579	-	2 324	45 321
Disposals	(104)	(222)	(3 034)	-	(228)	(3 588)
Depreciation	(25 266)	(610)	(52 236)	(57 278)	(5 444)	(140 834)
Transfers **	1 656	(1 656)	3 105	94 968	-	98 073
Translation differences	49 407	311	8 406	-	820	58 944
Net book value at end of the year	598 135	4 620	228 927	91 338	12 132	935 152

* Leasehold buildings relate to improvements not refunded or reimbursed by the landlord or improvements which are not part of the lease contract.

** Transfers of rental assets to the amount of R74,5 million (2020: R95,0 million) relate to equipment held for rental reclassified from inventory to rental assets in property, plant and equipment.

Certain property, plant and equipment is encumbered as indicated in note 20.1.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

7. PROPERTY, PLANT AND EQUIPMENT *continued*

Freehold land and buildings at valuation/cost comprise:	2021 R000	2020 R000
South Africa	249 415	247 065
Richards Bay		
Lot 1892 Alton Industrial Township, Richards Bay	21 200	21 200
Lot 1894 Alton Industrial Township, Richards Bay	56 300	56 300
Lot 10024 Alton Industrial Township, Richards Bay	132 115	129 765
Middelburg		
Portion 45 Lot 11063, Extension 33, Middelburg	39 800	39 800
Germany	330 595	331 139
Oberste-Elpersweide 4, Alsfeld, Germany	91 130	91 353
Industriestraße 8, Hörselberg-Hainich, 99820, Germany	239 465	239 786
Zambia		
Plots 4095 and 4096, Chingola Road, Kitwe, Zambia	63 866	59 065
France		
35 Avenue du Berry, 23800, Dun le Palestel	5 676	5 667
Total freehold land and buildings at cost/valuation	649 552	642 936

South Africa

The freehold land and buildings in Richards Bay and Middelburg were valued by the Mills Fitchet group, independent qualified valuers, on the fair value in continuation of existing use basis. These valuations were carried out in 2019. Additions subsequent to the last valuation are at cost.

Reconciliation of carrying amount - Richards Bay

Net book value at beginning of the year	192 108	204 536
Additions	2 350	365
Depreciation	(12 837)	(12 793)
Net book value at end of the year	181 621	192 108

Germany

The construction of the property in Germany was completed during 2019 and will be revalued within the next revaluation cycle.

Reconciliation of carrying amount - Germany

Net book value at beginning of the year	308 958	277 251
Translation differences	(989)	41 546
Additions	266	12
Depreciation	(9 136)	(9 851)
Net book value at end of the year	299 099	308 958

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

7. PROPERTY, PLANT AND EQUIPMENT *continued*

Freehold land and buildings at valuation/cost comprise: *continued*

Zambia

The group's freehold land and buildings in Zambia were valued by Mak Associates Consulting Limited, independent qualified valuers, based on the investment approach using the capitalisation method. These valuations were carried out in 2020. Additions subsequent to the last valuation are at cost.

	2021 R000	2020 R000
Reconciliation of carrying amount - Zambia		
Net book value at beginning of the year	59 065	85 111
Translation differences	4 711	7 859
Depreciation	(1 300)	(1 912)
Level 3 revaluation loss charged to profit or loss	-	(31 873)
Level 3 revaluation loss debited to revaluation reserve	-	(120)
Net book value at end of the year	62 476	59 065

The comparable amounts under the historical cost convention for the freehold land and buildings were:

Historical carrying amount	474 012	480 095
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Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

8. RIGHT-OF-USE ASSETS

Accounting policy

The group as lessee

At inception of a contract, the group assesses whether a contract is or contains a lease.

The group recognises a right-of-use asset and a corresponding lease liability at the lease commencement date with respect to all lease arrangements in which it is the lessee. The right-of-use asset is initially measured at the initial amount of the lease liability adjusted for any lease prepayments made at or before the commencement date. Refer to note 21 for the group's accounting policy on lease liabilities.

Subsequent to initial measurement, the right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the group by the end of the lease term. In that case the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The group applies *IAS 36 Impairment of Assets* to determine whether a right-of-use asset is impaired (refer to note 5) and accounts for any identified impairment loss as described in note 7.

Short-term leases and leases of low value assets

The group does not recognise a right-of-use asset and a corresponding lease liability for short-term leases and leases of low value assets, but recognises the lease payments as operating expenses on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The group leases various land and buildings, plant and equipment and vehicles. Lease contracts typically extend for fixed periods of one to 12 years but may have further extension options.

Right-of-use assets	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	2021 R000	2021 R000	2021 R000	2020 R000	2020 R000	2020 R000
Land and buildings	371 787	143 506	228 281	353 875	100 467	253 408
Plant and equipment	13 345	9 221	4 124	13 092	6 077	7 015
Vehicles	65 897	47 336	18 561	59 824	32 852	26 972
Total	451 029	200 063	250 966	426 791	139 396	287 395

Movement in right-of-use assets	Land and buildings R000	Plant and equipment R000	Vehicles R000	Total R000
2021				
Net book value at beginning of the year	253 408	7 015	26 972	287 395
Additions	15 538	423	8 273	24 234
Disposals	-	(77)	(225)	(302)
Depreciation	(41 933)	(3 200)	(18 303)	(63 436)
Translation differences	1 268	(37)	1 844	3 075
Net book value at end of the year	228 281	4 124	18 561	250 966
2020				
Net book value at beginning of the year	124 450	9 399	39 432	173 281
Additions*	173 866	224	6 423	180 513
Disposals	(961)	-	(400)	(1 361)
Depreciation	(46 350)	(3 340)	(19 871)	(69 561)
Translation differences	2 403	732	1 388	4 523
Net book value at end of the year	253 408	7 015	26 972	287 395

* Additions in the prior year include the extension of the property lease relating to the group's customer service and logistics centre premises in Jet Park, Johannesburg for a further 12 year period for an amount of R164,3 million. Refer to note 21.

Amounts recognised in profit and loss during the reporting period:	2021 R000	2020 R000
Depreciation expense on right-of-use assets	63 436	69 561
Interest expense on lease liabilities	37 034	36 490
Expenses relating to short-term leases and leases of low value assets	18 681	17 304

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

9. INTANGIBLE ASSETS

Accounting policy

Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives and is recognised in profit or loss under factory operating expenses. The estimated useful lives and amortisation methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired separately

Intangible assets with finite useful lives acquired separately relate to capitalised software.

The annual rates of amortisation currently used are 10% to 20%.

Intangible assets generated from internal projects - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Where an intangible asset arises from the development phase of an internal project, management together with the various teams, largely being the engineering and marketing teams, assess whether the project meets the criteria for capitalisation. A project is only recognised as an asset if all of the following criteria listed in the project charter have been demonstrated:

- the technical feasibility of completing the project so that the product being developed will be available for use or sale;
- the intention to complete the project and use or sell the product being developed;
- the ability to use or sell the product being developed;
- how the project will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the product being developed; and
- the ability to measure reliably the expenditure attributable to the project during the development phase.

In the group's judgement the above criteria are generally considered to be met when the teams commence the building of the prototype of the product being developed. The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the project first meets the recognition criteria listed above. Where no intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

The expenditure incurred on an internal project comprises of an allocation of the relevant engineering staff salary costs together with any material required for purpose of such development. In determining the engineering salary cost incurred, an estimate is made of the time spent by the engineering department on each of the internal projects and an allocation between these is made. This estimate of time is reviewed at regular intervals during the development phase and an adjustment made where necessary. This requires judgement.

An assessment is made once the development phase has ended, and thereafter annually, of the estimated useful life of each internal project capitalised. The assessment is based on past projects together with any information on future market trends. This requires judgement. The estimated useful lives currently vary from 5 to 10 years.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of intangible assets

Intangible assets are subject to the same impairment testing and impairment accounting principles as those described in the accounting policy for property, plant and equipment (refer to note 7). Refer to the impairment considerations in note 5.

Where intangible assets are not yet available for use, impairment testing is done annually and whenever there is an indication that the asset may be impaired.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

9. INTANGIBLE ASSETS *continued*

	Cost 2021 R000	Accumulated amortisation and impairments 2021 R000	Net book value 2021 R000	Cost 2020 R000	Accumulated amortisation and impairments 2020 R000	Net book value 2020 R000
Intangible assets						
Capitalised software	103 576	56 536	47 040	95 264	51 114	44 150
Capitalised engineering development expenditure	449 013	213 817	235 196	416 476	182 839	233 637
Total	552 589	270 353	282 236	511 740	233 953	277 787

Movement in intangible assets	Capitalised software R000	Capitalised engineering development expenditure R000	Total R000
2021			
Net book value at beginning of the year	44 150	233 637	277 787
Additions	8 275	32 537	40 812
Amortisation	(5 386)	(30 978)	(36 364)
Translation differences	1	-	1
Net book value at end of the year	47 040	235 196	282 236
2020			
Net book value at beginning of the year	49 769	244 956	294 725
Impairment loss	-	(23 254)	(23 254)
Additions	314	38 916	39 230
Amortisation	(5 933)	(26 981)	(32 914)
Net book value at end of the year	44 150	233 637	277 787

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

10. INVESTMENTS

Accounting policy

Investments are classified as at fair value through other comprehensive income and comprise of listed and unlisted equity instruments which are not held for trading. The group has elected to designate the investments below as at fair value through other comprehensive income as these are strategic investments and the group considers this classification to be more relevant.

Upon initial recognition, the investments are measured at fair value plus transaction costs. Subsequent to initial recognition, any gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve. Upon disposal of the equity investment, any related balance within the investment revaluation reserve is not reclassified to profit or loss, but transferred to retained earnings.

Dividends are recognised in profit or loss when the group's right to receive the dividends is established.

	2021 R000	2020 R000
Financial assets at fair value through other comprehensive income		
Listed equity investments not held for trading *		
Opening balance	3 861	3 192
Translation difference	954	90
Fair value gains	9 266	579
Closing balance	14 081	3 861
Unlisted equity investment not held for trading **		
Opening balance	29 754	22 598
Translation difference	298	3 158
Fair value gains	14 584	3 998
Closing balance	44 636	29 754
Total investments	58 717	33 615

* The listed investments are investments in companies which are listed on the Zimbabwean Stock Exchange. They have no fixed maturity. These investments have been fair valued using the quoted closing market prices at 31 December 2021 which resulted in a net gain of R9,3 million (December 2020: net gain of R0,6 million) which was accounted for in other comprehensive income. These have been classified as Level 1 fair value measurements. Dividend income of R0,2 million (2020: R0,1 million) has been received on these investments in 2021.

** The unlisted equity investment represents a 10% interest in the equity of an entity registered in the United States of America. The entity operates within the dealer and distribution network of the heavy equipment industry. The group does not have access to future forecast information with regards to this entity and has used the market approach to estimate the fair value of its investment. In estimating the fair value, the group used an average price to book ratio of 2.25 (December 2020: 2.23) applied to the estimated net asset value of the entity as at 31 December 2021. The price to book ratio of 2.25 represents an average of observable price to book ratios of a number of listed entities within the heavy equipment industry. The price to book ratios were obtained from a reputable market database. The fair value measurement has been classified as a Level 3 measurement. For a 10% change in the price to book ratio, there would have been an equal impact on the fair value of the investment. The fair value gain of R14,6 million (2020: R4,0 million) was accounted for in other comprehensive income.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

11. INTEREST-BEARING RECEIVABLES AND CONTRACT ASSETS

Accounting policy

Interest-bearing receivables

Recognition

Interest-bearing receivables are classified as financial assets at amortised cost. Interest-bearing receivables are recognised at amortised cost using the effective interest rate method, less allowance for expected credit losses. Cash flows from interest-bearing receivables are solely payments of principal and interest and the group's objective is to collect the contractual cash flows that arise from these assets.

Impairment

The group elected to apply the simplified approach in assessing the recoverability of interest-bearing receivables. Under the simplified approach the expected credit loss allowance is measured at an amount equal to lifetime expected credit losses. The group measures the allowance for expected credit losses for interest-bearing receivables on the same basis as described in the accounting policy for trade and other receivables under the heading 'Impairment - trade receivables' (refer to note 14).

The expected credit loss rates for the group's instalment sale agreements are detailed below:

	South Africa
• equipment	< 1%
• parts and services	< 1%

Derecognition

The group derecognises interest-bearing receivables when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received (refer below and note 20.2).

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of a financial asset other than in its entirety, the group allocates the previous carrying amount between the part it continues to recognise under continuing involvement and the part it no longer recognises on the basis of the relative fair values on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received is recognised in profit or loss.

Contract assets

WesBank cash collateral

The WesBank cash collateral relates to revenue transactions with credit risk undertakings. Refer to note 42.

Service and repair work in progress

Service and repair work in progress relates to revenue contracts with customers where the group has promised to service or repair a customer's machine and the group has not yet satisfied its performance obligation in terms of the contract. Job cards are maintained to keep track of labour, parts and other costs incurred by the group on a particular job and these costs are recognised as contract assets. Upon completion of the job, revenue is recognised at a point in time (refer to note 27.3.1) and the related contract asset is expensed to cost of sales.

Impairment - service and repair work in progress

At the end of the reporting period, the group reviews the carrying amounts of its service and repair work in progress for recoverability. An impairment loss is recognised in cost of sales to the extent that the carrying amount of the contract asset exceeds the amount of consideration the group expects to receive from the customer less any costs the group expects to incur in order to fulfil its performance obligation to the customer.

	Notes	2021 R000	2020 R000
Interest-bearing receivables			
Instalment sale agreements (i)		185 241	129 009
BBBEE shareholders loans (ii)		3 877	3 947
Other interest-bearing assets (iii)		14 239	37 045
Total interest-bearing receivables		203 357	170 001
Contract assets			
WesBank cash collateral (iv)		31 011	43 686
Less: allowance for expected credit losses	42.3	(5 824)	(4 319)
	42.3	25 187	39 367
Service and repair work in progress (v)		40 205	28 276
Total contract assets		65 392	67 643
Total interest-bearing receivables and contract assets		268 749	237 644
Less: current portion		(218 328)	(147 060)
Total long-term portion of interest-bearing receivables and contract assets		50 421	90 584

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

11. INTEREST-BEARING RECEIVABLES AND CONTRACT ASSETS *continued*

(i) Instalment sale agreements

Receivables from instalment sale agreements for the amount of R185,2 million (2020: R129,0 million) relate to equipment sold to customers under a credit arrangement where the contract provides a significant financing benefit to the customer. Refer to the group's accounting policy in note 27.1.6 for revenue recognition from instalment sale agreements.

The amounts are repayable in instalments by:	Average interest rate per annum	2021 R000	2020 R000
2021	9,4%	-	88 198
2022	10,4%	147 873	40 811
2023	11,4%	5 721	-
2024	9,3%	31 647	-
Total		185 241	129 009
Less: current portion		(147 873)	(88 198)
Long-term portion		37 368	40 811

The following details an analysis of these instalment sale receivables:	Less than one year R000	One to two years R000	Total R000
2021			
Gross investment	157 853	40 128	197 981
Less: unearned finance income	(9 980)	(2 760)	(12 740)
Present value of minimum payments	147 873	37 368	185 241
2020			
Gross investment	97 301	42 870	140 171
Less: unearned finance income	(9 103)	(2 059)	(11 162)
Present value of minimum payments	88 198	40 811	129 009

The average credit period on the above instalment sale receivable balances is 2 to 36 months. The instalment sale agreements are largely secured by the financed equipment.

At 31 December 2021, an amount of approximately R51,4 million (2020: R66,6 million) included in instalment sale receivables was outstanding from a single customer in South Africa. The balance was renegotiated in the prior year and the repayment terms were extended. No allowance for expected credit loss was raised against this receivable as management assessed that there is sufficient value in the financed machines to cover the outstanding debt.

Certain instalment sale receivables were discounted to a financial institution with recourse to the group. The liability to the financial institution is disclosed in note 20.2.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

11. INTEREST-BEARING RECEIVABLES AND CONTRACT ASSETS *continued*

	2021 R000	2020 R000
(ii) BBBEE shareholders loans		
BBBEE shareholders loans	3 877	3 947
Less: current portion	-	-
Long-term portion	3 877	3 947
Refer to the BBBEE ownership transaction concluded in December 2019 described in note 19.2 and transactions and balances with related parties reflected in note 39.		
(iii) Other interest-bearing assets		
Other interest-bearing assets	14 239	37 045
Less: current portion	(14 239)	(24 487)
Long-term portion	-	12 558
Other interest-bearing assets includes a cash-backed bond of R7,1 million (2020: R6,6 million) in respect of which the cash is restricted.		
(iv) WesBank cash collateral (refer to note 42.3)		
WesBank cash collateral	25 187	39 367
Less: current portion	(16 011)	(6 099)
Long-term portion	9 176	33 268
The average interest rate for the year on the WesBank cash collateral was 3,5% (2020: 4,9%) per annum.		
(v) Service and repair work in progress		
Service and repair work in progress	40 205	28 276
Less: current portion	(40 205)	(28 276)
Long-term portion	-	-

Impairment losses recognised on contract assets relating to service and repair work in progress in the current period amounted to R2,7 million (2020: R1,8 million).

12. DEFERRED TAXATION

Accounting policy

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxation bases used in the computation of taxable profit. Deferred taxation liabilities are generally recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred taxation assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred taxation assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the taxation rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred taxation is charged or credited to profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred taxation is also recognised in other comprehensive income or directly in equity.

The measurement of deferred taxation liabilities and assets reflects the taxation consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off deferred taxation assets against deferred taxation liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current taxation assets and liabilities on a net basis.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

12. DEFERRED TAXATION *continued*

The deferred taxation analysed by major category of temporary difference and the reconciliation of the movement in the deferred taxation balance is as follows:

	Deferred taxation assets in group companies at beginning of the year R000	Deferred taxation liabilities in group companies at beginning of the year R000	Translation differences R000	Recognised in profit or loss for the year R000	Deferred taxation assets in group companies at end of the year R000	Deferred taxation liabilities in group companies at end of the year R000
2021						
Accruals	10 444	1 728	59	10 509	18 039	4 701
Capitalised engineering development expenditure	(64 089)	-	-	(714)	(64 803)	-
Contract liabilities	86 095	10 046	12	(13 059)	81 355	1 739
Excess taxation allowances over depreciation charge	(21 238)	(27 997)	37	12 346	(10 352)	(26 500)
Finance lease receivables	16 317	-	13	(16 379)	(49)	-
Production incentives	-	(11 300)	-	(4 338)	(982)	(14 656)
Leases	14 794	5 021	-	3 288	19 028	4 075
Other allowances, including allowances for future expenditure on contracts	(13 088)	(2 212)	-	(3 981)	(18 349)	(932)
Other provisions	5 500	-	-	(1 272)	4 228	-
Prepayments	(2 894)	(588)	-	941	(1 945)	(596)
Allowance for expected credit losses	(6 864)	9 582	222	11 264	14 165	39
Provision for inventory obsolescence	5 628	-	330	5 260	11 218	-
Contract provision - warranty	37 851	-	75	2 499	32 037	8 388
Revaluation of properties	(11 445)	(47 950)	(1 243)	(3 381)	(16 067)	(47 952)
Refund liabilities	20 275	-	-	(7 054)	13 221	-
Taxable losses (i)	67 814	-	34	21 615	89 463	-
Unrealised foreign currency gains and losses	6 466	988	1 255	8 467	18 574	(1 398)
Unrealised profit in inventory	69 622	-	(49)	(26 759)	42 814	-
Totals	221 188	(62 682)	745	(748)	231 595	(73 092)
2020						
Accruals	5 139	9 785	62	(2 814)	10 444	1 728
Capitalised engineering development expenditure	-	(78 894)	-	14 805	(64 089)	-
Contract liabilities	27 249	55 923	55	12 914	86 095	10 046
Excess taxation allowances over depreciation charge	(26 024)	(29 730)	(71)	6 590	(21 238)	(27 997)
Finance lease receivables	51 122	(8 221)	(75)	(26 509)	16 317	-
Production incentives	-	(17 670)	-	6 370	-	(11 300)
Leases	8 177	(7 130)	-	18 768	14 794	5 021
Other allowances, including allowances for future expenditure on contracts	(4 050)	(3 653)	-	(7 597)	(13 088)	(2 212)
Other provisions	8 571	20 887	7	(23 965)	5 500	-
Prepayments	(560)	(2 221)	(5)	(696)	(2 894)	(588)
Allowance for expected credit losses	(10 352)	15 565	159	(2 654)	(6 864)	9 582
Provision for inventory obsolescence	3 317	4 860	661	(3 210)	5 628	-
Contract provision - warranty	21 861	13 926	-	2 064	37 851	-
Revaluation of properties	(1 603)	(56 583)	284	(1 493)	(11 445)	(47 950)
Refund liabilities	-	-	-	20 275	20 275	-
Taxable losses (i)	-	-	(707)	68 521	67 814	-
Unrealised foreign currency gains and losses	1 150	2 155	(355)	4 504	6 466	988
Unrealised profit in inventory	85 853	-	173	(16 404)	69 622	-
Totals	169 850	(81 001)	188	69 469	221 188	(62 682)

(i) Taxable losses include an amount of R87,2 million (2020: R57,2 million) relating to losses incurred in the group's subsidiary Bell Equipment Group Services Proprietary Limited (BEGS). BEGS has an accumulated tax loss of R311,3 million (2020: R204,3 million). Management is of the view that the deferred taxation asset raised on the taxable loss, which does not expire in the future, is recoverable. Based on management's forecasts, BEGS is expected to utilise its tax loss from 2023.

Further information on the group's estimated taxation losses is set out in note 31.1.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

13. INVENTORY

Accounting policy

Inventory is stated at the lower of cost and net realisable value. Cost is generally determined on the following bases:

Merchandise spares, components and raw materials are valued on the weighted average cost basis. Finished goods purchased from third parties, manufactured finished goods, work-in-progress and components used in the manufacturing process are stated on a standard cost basis which approximates actual. Finished goods, work-in-progress and manufactured components include the cost of direct materials, and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Redundant and slow-moving inventory is identified and written down with regard to their estimated economic or realisable values. The determination of recoverable value of the inventory requires management to exercise considerable judgement and takes into account current market conditions, expected selling prices and model changes.

The group accounting policy for equipment that is rented out under short-term rentals classified as inventory is included in note 7.

	Notes	2021 R000	2020 R000
Finished goods			
- manufactured		367 447	640 855
- third party		273 026	378 696
- used		238 058	295 568
Merchandise spares, components and raw materials		2 310 659	1 898 054
Work-in-progress		417 590	381 990
WesBank right-of-recovery asset	42.3	17 672	-
Total inventory		3 624 452	3 595 163

Total inventory expensed, included in cost of sales, amounts to R5 969,8 million (2020: R4 979,8 million).

Inventory includes machines on short-term rental with a carrying value of R44,2 million (2020: R87,3 million). The group recognised R36,3 million (2020: R18,0 million) in cost of sales in respect of write-downs of machines on short-term rentals.

Refer to note 5.2.1 for impairment considerations of inventory.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

14. TRADE AND OTHER RECEIVABLES

Accounting policy

Recognition

Trade and other receivables are non-derivative financial assets with fixed or determinable payments. Trade and other receivables are recognised at amortised cost, less allowance for expected credit losses. The group's business objective is to collect contractual cash flows from trade and other receivables. Cash flows that arise from trade and other receivables are solely payments of principal and interest. Trade and other receivables are classified as financial assets at amortised cost.

Impairment - trade receivables

In assessing the recoverability of trade receivable balances, the simplified approach was applied to the specific and general allowances as described below, as there is no significant financing component in the revenue transactions associated with these balances. Under the simplified approach the expected credit loss allowance is measured at an amount equal to lifetime expected credit losses. The impact of the time value of money on the allowance for expected credit losses was considered to be insignificant as the majority of trade receivable balances are current. Refer to note 38.3 for further analysis of the group's trade receivable balances.

The assessment of the allowance for expected credit losses on customer balances is dependent on estimates and assumptions regarding past dues, repossession rates and the recovery rate on underlying collateral. Assumptions are also made concerning the future, as described below, and these may cause a material adjustment to the carrying amounts of the assets within the next financial year. The group measures the allowance for expected credit losses as follows:

a) Specific allowance

The group reviews each customer balance to assess it for a specific allowance. In instances where customers have exceeded approved credit terms, where the customer is in default with no specific arrangement to rectify the position by entering into a repayment plan with the group, where the terms of a repayment plan have not been complied with and where there are other indicators that the customer is unlikely to pay, such as where a customer has gone into business rescue, the group assesses the financial condition of the customer and the value of the underlying securities. In its assessment, the group uses forward-looking information as well as macroeconomic information in the determination of expected credit losses.

In considering the customer's ability to pay, the group considers the customer's ability to use the asset to generate revenue and cash. Industry factors that could potentially impact the customer's ability to generate revenue and cash are also factored in. The following specific factors, inputs, assumptions, macroeconomic and forward-looking information were used to assess the recoverability of trade receivables:

- anticipated future revenue generating contracts
- anticipated funding arrangements the customer has with financial institutions or government
- the market sector the customer operates the equipment in
- the customer's experience on similar contracts
- the customer's cash flow projections. In considering the customer's cash flow projections, an analysis of the assumptions and values used by the customer in determining the cash flows is done. Industry factors that could potentially affect the customer's anticipated future cash flows are also considered
- other macroeconomic factors such as unemployment rates, potential labour strikes, political and community unrests with regards to the mining or construction sites where the equipment is used
- in respect of customers operating in the mining industry, the group considered commodity prices, the stability of mining operations and the consistency of production volumes at the mine site at which the customer operates
- security provided by the customer including personal guarantees and cessions of other unencumbered moveable assets owned by the customer
- past payment history

In determining the allowance for expected credit losses, the group also considered estimations of the value of any security, in the form of the financed equipment, the estimated costs of preparing the equipment for re-sale and the group's ability to repossess the equipment.

b) General allowance

For receivable balances where no specific allowance was raised, a collective assessment is made. Expected credit losses are calculated by fragmenting trade receivables into shared risk characteristics such as geographical area (by country), collateral type and transaction type (equipment versus parts and services), taking into account forward-looking information and applying a historical loss ratio to the outstanding balance per fragment at each period end. Determining the categories used in fragmentation that reflect the risks of default and loss, requires judgement.

Actual historical losses, which take any collateral into account, are tracked per fragment and the loss ratio is calculated as a percentage of fragmented revenue over a rolling 24 month period and is used to forecast future losses. Where significant, adjustments are made for current and forecast conditions such as unemployment rates and commodity prices.

The expected credit loss rates for the group's trade receivables are detailed below:

	South Africa	Europe	Rest of Africa
• equipment	< 1%	< 1%	< 1%
• parts and services	< 1%	< 1%	< 1%

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

14. TRADE AND OTHER RECEIVABLES *continued*

Accounting policy *continued*

Impairment - trade receivables *continued*

b) General allowance *continued*

There has been no change in the approach or techniques used by the group during the current reporting period in assessing the allowance for expected credit losses.

The group writes off any amounts where the likelihood of recovery is remote and where legal means of recovery has failed. Amounts written off by the group during the reporting period in this regard are disclosed in note 28.

The carrying amount of trade receivables is reduced by the allowance for expected credit losses. Subsequent recoveries of amounts previously provided for are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Impairment - production incentives receivable

The group participates in The Automotive Production Development Programme (APDP) in South Africa which allows the group to claim a government incentive in the form of production rebates on qualifying manufactured components which are sold as part of a completed product. The production rebates are in the form of duty credits which can be used to offset South African import duties. The group sells the production rebate certificates earned under the programme to third parties.

The receivable below represents the production rebate certificates the group has earned through qualifying production of components and which the group intends to sell to third parties. APDP claims are submitted quarterly in arrears and the payment terms to the third party for the sale of the certificates are 30 days on average and an invoice is considered past due if it remains unpaid after expiry of the payment terms.

The group assesses the impairment of the asset as follows:

- the group determines if there is a significant increase in credit risk since initial recognition. An indicator that the credit risk has increased significantly is when there are excess certificates available in the market and delays are experienced in finding buyers. Where credit risk has increased significantly since initial recognition the group assesses the asset for lifetime expected credit losses.
- in assessing the expected credit loss of the asset, the group takes into account forward-looking factors such as future support from government for local manufacturing, the outlook on market demand for new vehicle sales in South Africa, the level of imports by motor vehicle manufacturers and potential changes to APDP legislation.
- where there is no significant increase in credit risk since initial recognition and the market demand for production rebate certificates is high, the group considers the probability of expected credit losses to be low and no impairment is made.

Derecognition

The group applies the same accounting policy and derecognition principles as described in note 11 under interest-bearing receivables, to trade and other receivables.

	2021 R000	2020 R000
Amounts receivable from the sale of goods and services *	884 987	725 666
Allowance for expected credit losses (refer note 38.3)	(47 283)	(34 604)
Sundry debtors	837 704	691 062
APDP - production incentives receivable **	46 863	34 011
Value added taxation receivable	55 847	57 860
	82 708	101 213
Total trade and other receivables	1 023 122	884 146

* Included above are reimbursement assets of R7,1 million (2020: R8,5 million). Refer to note 24.1.

** At the end of the year, the total allowance for expected credit losses was assessed to be Rnil (2020: Rnil). No amounts were past due and there has not been a significant increase in credit risk since initial recognition.

Further information regarding the group's credit risk management is set out in note 38.3.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

15. OTHER ASSETS

Accounting policy

Prepayments

Prepayments include upfront payments made by the group in advance for goods or services being received and are carried at cost less any accumulated impairment losses. Prepayments are classified as current because they relate to the purchase of inventories and other goods and services and are expected to be realised within 12 months of the reporting date.

	2021 R000	2020 R000
Prepayments		
Prepayments - inventory	30 411	-
Prepayments - other	33 601	22 774
Financial assets carried at fair value through profit or loss		
Forward foreign exchange contracts (Level 2) *	14 546	10 231
Total other assets	78 558	33 005

* Further details on the group's exposure to currency risk is disclosed in note 38.4.1.

16. CASH AND BANK BALANCES

Accounting policy

Cash and bank balances are recognised at amortised cost. The group's objective is to collect contractual cash flows relating to cash and bank balances. Any cash flows from cash and bank balances are solely payments of principal and interest.

Cash on hand and cash bank balances	156 332	82 751
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17. STATED CAPITAL

Authorised

100 000 000 (2020: 100 000 000) ordinary shares of no par value

Issued

95 629 385 (2020: 95 629 385) ordinary shares of no par value

235 541	235 541
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Five million ordinary shares were reserved for the group's equity-settled employee share option scheme. At 31 December 2021, the company had granted options in terms of this scheme to executive directors and employees to subscribe for 372 000 (2020: 1 047 000) shares in the company as set out in note 33.1.

Authorised but unissued shares in the company, limited to 5% of the number of ordinary shares in issue, in addition to the ordinary shares reserved for the employee share option scheme, are under the control and authority of the directors until the next annual general meeting of shareholders.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

18. NON-DISTRIBUTABLE RESERVES

	Net surplus arising from revaluation of freehold land and buildings (a) R000	Statutory reserves of foreign subsidiaries (b) R000	Reserve for fair value gains (losses) on equity investments (c) R000	Foreign currency translation reserve of foreign subsidiaries (d) R000	BBBEE share-based payment reserve (e) R000	Equity-settled employee benefits reserve (f) R000	Total R000
Balance at 31 December 2019	132 410	25 252	19 128	450 245	84 515	15 711	727 261
Other comprehensive (loss) income	(115)	3 003	3 611	156 406	-	-	162 905
- exchange differences on translating foreign operations	5	3 003	3 611	156 406	-	-	163 025
- loss on revaluation of properties	(120)	-	-	-	-	-	(120)
Decrease in equity-settled employee benefits reserve	-	-	-	-	-	(7 538)	(7 538)
Increase in statutory reserves of foreign subsidiaries	-	550	-	-	-	-	550
Fair value gain through other comprehensive income	-	-	4 577	-	-	-	4 577
BBBEE shareholders' loans	-	-	-	-	3 600	-	3 600
Balance at 31 December 2020	132 295	28 805	27 316	606 651	88 115	8 173	891 355
Other comprehensive income (loss)	-	524	(120)	39 624	-	-	40 028
- exchange differences on translating foreign operations	-	524	(120)	39 624	-	-	40 028
Decrease in equity-settled employee benefits reserve	-	-	-	-	-	(4 581)	(4 581)
Decrease in statutory reserves of foreign subsidiaries	-	(9 979)	-	-	-	-	(9 979)
Fair value gain through other comprehensive income	-	-	23 850	-	-	-	23 850
Balance at 31 December 2021	132 295	19 350	51 046	646 275	88 115	3 592	940 673

- (a) This reserve is in respect of gains and losses that arise from the revaluations of freehold land and buildings and that have not been previously recognised in profit or loss as described in the group's accounting policy for property, plant and equipment (refer to note 7). Upon disposal of a revalued property, the related net revaluation surplus or loss accumulated in this reserve is not reclassified to profit or loss but is transferred directly to retained earnings.
- (b) Certain foreign subsidiaries are required in terms of local legislation to set aside a portion of their retained earnings in a non-distributable reserve. This has been presented as statutory reserves above.
- (c) The balance in this reserve relates to gains and losses that arise from changes in the fair value of investments designated as at fair value through other comprehensive income. Refer to note 10. Upon disposal of the investment, the related balance in the reserve is not reclassified to profit or loss but is transferred directly to retained earnings.
- (d) Exchange differences that arise as a result of translating the results and financial position of group entities that have a functional currency different from the presentation currency, are accumulated in this reserve. Refer to the group's accounting policy as described in note 2.2.1. Upon the disposal or discontinuation of the foreign operation, the relevant amounts are reclassified to profit or loss through other comprehensive income.
- (e) The group has entered into BBBEE ownership transactions for BESSA and BECSA as described in note 19. The reserve represents the BBBEE shareholders' loans issued and the fair value of the share-based payment charges recognised in respect of these transactions as required by *IFRS 2 Share-based Payments*.
- (f) The fair value of equity instruments granted to employees is recognised in equity as required by *IFRS 2 Share-based Payments*. The balance represents the fair value of outstanding employee share options as described in note 33.1.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

19. NON-CONTROLLING INTEREST

	2021 R000	2020 R000
Non-controlling interest at end of the year	24 062	16 566

The non-controlling interest comprised the 22,5% interest of the BESSA BEE SPV in BESSA. This relates to the BBBEE ownership transaction concluded in 2017 as described in note 19.1. Summarised financial information about BESSA is disclosed in note 41.2.

19.1 BBBEE ownership transaction concluded in 2017 - BESSA

The BESSA BEE SPV and a broad based trust controlled by the group, acquired 22,5% and 7,5% respectively of the issued share capital of BESSA during 2017.

19.1.1 The BESSA BEE SPV

The BESSA BEE SPV is 100% owned by the selected BBBEE partner through a company named Sibi Capital Proprietary Limited (Sibi). Sibi, whose ultimate shareholders are Sindisiwe Mabaso-Koyana and Bharti Harie, is 100% black women owned.

There is a lock-in period of 10 years during which the BESSA BEE SPV is precluded from carrying out certain activities without the prior written consent of the company. The BESSA BEE SPV may not during the lock-in period effect any transaction that will affect its shareholding in BESSA or its BBBEE credentials through Sibi. Sibi is required to remain a black women owned entity and to maintain its BBBEE status at all times whilst a shareholder of the BESSA BEE SPV.

At the end of the 10 year period, the BESSA BEE SPV may sell its shares subject to pre-emptive rights in favour of the company. If the company does not elect to acquire such shares, the BESSA BEE SPV may transfer such shares to eligible third parties who have an equal or greater BBBEE status. The company also has a call option to acquire the BBBEE shareholders' shares in BESSA after 5 years or at any time if:

- the BBBEE legislation is amended with a retrospective adverse effect for the group;
- BESSA loses its BBBEE status as a 30% black women owned entity;
- an offer is made by a third party to acquire at least 30% of the shares in the company held by a single shareholder and its related parties.

The amount payable for the shares shall be the designated value as per the agreement less a 10% discount.

The group has control over the BESSA BEE SPV in terms of its relevant activities and the results of the BESSA BEE SPV have therefore been consolidated (refer to note 41).

19.1.2 The broad based trust

The broad based trust is known as the Bell Equipment Foundation (BEF) and the beneficiaries of the trust are black women. The objectives of the trust are to acquire and hold investments and use trust income to support black women in South African communities by financially assisting them with their education or their businesses. The group has control over the trust in terms of its relevant activities and trustees and the results of the trust have therefore been consolidated (refer to note 41).

19.2 BBBEE ownership transaction concluded in December 2019 - BECSA and BESSA

In December 2019 another BBBEE transaction was concluded in terms of which the group's manufacturing subsidiary, BECSA, and the group's sales and aftermarket support operation in South Africa, BESSA, both became 51% black people owned companies with effect from 1 January 2020.

The BEE shareholders in this BEE transaction are the following:

- key black executives in the group; and
- the existing BESSA BEE shareholders, BESSA BEE SPV (refer to note 19.1.1), as well as BEF the beneficiaries of which are black women (refer to note 19.1.2).

No non-controlling interest was recognised in respect of the BBBEE ownership transaction concluded in 2019 due to the fact that the BBBEE parties are required to sell their shareholding to the company at the end of the 10 year lock-in period in exchange for cash, shares in the company or another group entity or a combination of shares and cash, at the company's discretion. The BBBEE parties were effectively granted an option to acquire Bell shares and as such no non-controlling interest was recognised.

19.2.1 Structure of BEE shareholding

A BEE management company (BEE Manco) was incorporated, the shareholders of which are BEE employees at management level of the group, being Avishkar Goordeen, Dominic Chinnappen, Niraj Andhee and Bruce Ndelela (the Managers). The group has control over BEE Manco in terms of its relevant activities and the results of BEE Manco have therefore been consolidated (refer to note 41).

Effective 51% black ownership in BECSA

BESSA BEE SPV, BEF and BEE Manco collectively hold 30% of the issued ordinary shares of BECSA Holdings, resulting in an effective 30% shareholding in BECSA. In addition, BEE Manco has an effective 21% shareholding in BECSA through its 30% shareholding in BHL.

Effective 51% black ownership in BESSA

BEE Manco has an effective 21% shareholding in BESSA through its 30% shareholding in BHL. In addition, BESSA BEE SPV and BEF collectively hold 30% of the issued ordinary shares in BESSA from the 2017 BEE transaction.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

20. INTEREST-BEARING LIABILITIES

Accounting policy

Interest-bearing liabilities are measured at amortised cost, using the effective interest rate method. Interest expenses are recognised in profit or loss.

Derecognition

The group derecognises interest-bearing liabilities when the group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

20.1 Mortgage loans and other term loans

Mortgage loans and other terms loans relating to the purchase of certain freehold land and buildings, plant and equipment and vehicles are detailed below.

Secured	Average variable / fixed rate of interest per annum	2021 R000	2020 R000
Long-term mortgage loans and other term loans from financial institutions repayable in instalments by:			
August 2022 (i)	7,6%	1 165	2 807
December 2023 (ii)	6,5%	6 541	9 507
August 2024 (i) *	1,7%	23 140	31 877
May 2028 (i) *	2,8%	1 113	-
September 2031 (iii) *	1,7%	35 083	38 776
November 2032 (iv) *	1,8%	37 926	41 502
August 2033 (v) *	1,7%	99 113	107 411
		204 081	231 880
Less: current portion		(28 243)	(28 402)
Long-term portion		175 838	203 478

* Fixed rate of interest.

The following properties, plant and equipment and vehicles at net book value are encumbered as security for the secured borrowings above:

- (i) plant and equipment and vehicles in Germany, South Africa, Australia and the USA R38,9 million (2020: R44,6 million)
- (ii) freehold land and buildings in Middelburg, South Africa R38,4 million (2020: R39,1 million)
- (iii) freehold land and buildings in Alsfeld, Germany R79,5 million (2020: R82,2 million)
- (iv) freehold land and buildings in Kindel, Germany R64,2 million (2020: R65,9 million)
- (v) buildings in Kindel, Germany R155,3 million (2020: R160,8 million)

20.2 Collateralised borrowings

Accounting policy

Discounted instalment sale agreements

Discounted instalment sale agreements represent amounts payable to financial institutions where certain instalment sale agreements have been discounted with recourse to the group. Refer to note 11.

Collateralised borrowings - secured	Average variable rate of interest per annum		
Discounted finance lease receivables and short-term rentals	9,8%	-	11 053
Discounted instalment sale agreements	10,2%	841	41 034
Rental assets sold and leased back	12,0%	-	29 640
		841	81 727
Less: current portion		(841)	(80 886)
Long-term portion		-	841

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

20. INTEREST-BEARING LIABILITIES *continued*

20.3 Trade loans

Trade loans comprise the following:

Unsecured	Average variable rate of interest per annum	2021 R000	2020 R000
Industrial Development Corporation (IDC) of South Africa *	9,2%	173 722	433 630
Government funding program - Paycheck Protection Program (PPP) loan	0,01%	-	4 458
		173 722	438 088
Less: current portion		(173 722)	(438 088)
Long-term portion		-	-
Total current portion of interest-bearing liabilities		202 806	547 376
Total long-term portion of interest-bearing liabilities		175 838	204 319

* Refer to note 38.2 for further information on the IDC trade loan.

The directors have unlimited borrowing powers in terms of the Memorandum of Incorporation of the company.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

21. LEASE LIABILITIES

Accounting policy

The group as lessee

Lease liabilities relate to lease arrangements in which the group is the lessee. Refer to note 8 for the corresponding right-of-use assets in respect of these liabilities.

The lease liability is initially measured at the present value of the lease payments over the lease term due to the lessor that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate. The group generally uses its incremental borrowing rate as discount rate.

Subsequent to initial measurement, the lease liability is reduced to reflect lease payments made.

Lease payments

Lease payments included in the measurement of the lease liability comprise of fixed payments and variable lease payments based on an index or rate. Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease term

The lease term included in the measurement of the lease liability is the non-cancellable period of the lease and any option to extend the lease or purchase the asset and any option to terminate the lease. This requires judgement. In determining the lease term, the group considers all facts and circumstances that create an economic incentive to exercise an extension option. Renewal options are only included in the lease term if the group has an enforceable right to renew the contract, the renewal period and renewal lease payments are stipulated in the contract and the group has the intention to exercise the option. At the lease commencement date, the group applies judgement in assessing whether it is reasonably likely that the group will exercise the option. Factors considered include how far in the future an option occurs, the group's planning cycle and past history of not renewing leases.

Leases that are short-term in nature or leases where the assets are of low value are accounted for as lease expenses in profit or loss on a straight-line basis. The group applies judgement in determining what comprises a low value lease taking into consideration the cost price of the underlying assets and materiality.

Incremental borrowing rate

The incremental borrowing rate is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. In determining the incremental borrowing rate, the group considers the terms and conditions of the lease and applies judgement. The incremental borrowing rate is determined by using a benchmark rate, which is a readily observable rate influenced by the economic environment and lease term, adjusted for a credit spread which is based on publicly available spreads which takes into account the level of indebtedness and profitability of the lessee based on secure borrowings. The benchmark rate, using the Damodaran approach, is the risk-free rate.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

21. LEASE LIABILITIES *continued*

	2021 R000	2020 R000
Lease liabilities at beginning of the year	332 216	210 896
Translation differences	5 279	3 376
Lease modifications and new lease contracts entered into *	24 234	174 361
Lease contracts ended	(672)	(1 577)
Interest expense on lease liabilities	37 034	36 490
Lease liabilities repaid	(88 560)	(91 330)
	309 531	332 216
Less: current portion	(42 800)	(49 673)
Long-term portion	266 731	282 543

* Lease modifications in the prior year include the extension of the property lease relating to the group's customer service and logistics centre premises in Jet Park, Johannesburg for a further 12 year period for an amount of R158,3 million. Refer to note 8.

The breakdown of lease payments is as follows:

Fixed lease payments	81 296	82 087
Variable lease payments	7 264	9 243
Total	88 560	91 330

Total cash outflows for leases amount to R107,2 million (2020: R108,6 million) for the year.

Below sets out the undiscounted contractual maturities of lease liabilities:

Less than 1 year	72 993	81 027
Between 1 and 2 years	59 345	61 301
Between 2 and 3 years	56 934	52 094
Between 3 and 4 years	51 793	49 041
Between 4 and 5 years	48 563	49 803
Over 5 years	218 516	266 491
Total contractual cash flows	508 144	559 757

The group does not face a significant liquidity risk with regards to its lease liabilities.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

22. CONTRACT LIABILITIES

Accounting policy

Contract liabilities arise out of revenue contracts with customers. The group accounting policy for revenue and contract liabilities is included in notes 27.1.2, 27.3.1 and 27.4.

	2021 R000	2020 R000
22.1 Advance receipts from customers		
Balance at beginning of the year	52 041	29 151
Translation difference	428	(1 741)
Amounts received in advance for delivery of finished goods	135 260	59 049
Revenue recognised during the year	(118 882)	(34 418)
	68 847	52 041
Less: current portion	(68 847)	(52 041)
Long-term portion	-	-

An amount of R52,0 million (2020: R29,2 million) included in the opening balance was recognised as revenue in the current period.

22.2 Deferred warranty income

Balance at beginning of the year	141 539	138 762
Less: allocation to deferred finance income liability	-	(9 087)
Extended warranty contracts sold during the year	77 284	70 597
Revenue recognised during the year	(69 388)	(58 733)
	149 435	141 539
Less: current portion	(90 274)	(66 203)
Long-term portion	59 161	75 336

Deferred warranty income relates to extended warranty contracts sold. The extended warranty contract periods commence after expiry of the standard warranty period provided for in the standard conditions of sale of equipment and the liability is in respect of this extended period. Revenue on the long-term portion is expected to be recognised over a period of two to five years. An amount of R62,3 million (2020: R54,0 million) included in the opening balance was recognised as revenue in the current period.

22.3 Deferred service contract revenue

Balance at beginning of the year	81 701	64 404
Translation difference	371	247
Service contracts sold during the year	65 205	70 962
Costs in excess of contract value	2 664	1 059
Expired during the year	(25 214)	(11 286)
Utilised during the year	(62 641)	(43 685)
	62 086	81 701
Less: current portion	(48 727)	(59 521)
Long-term portion	13 359	22 180

Deferred service contract income relates to service contracts sold where the proceeds were received upfront. The deferred service contract revenue is recognised when the services have been rendered. Where a deferred service contract has expired, the remaining contract balance is recognised as revenue upon expiry. Revenue on the long-term portion is expected to be recognised over a period of two to four years.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

22. CONTRACT LIABILITIES *continued*

22.4 Deferred finance income liability	2021 R000	2020 R000
Balance at beginning of the year	60 109	40 923
Add: allocation from deferred warranty income	-	9 087
Deferred finance income from:		
- Extended warranty contracts sold	30 373	30 019
- Service contracts sold	5 577	4 330
Less: deferred finance income recognised in interest income		
- Extended warranty contracts	(24 622)	(18 534)
- Service contracts	(9 616)	(5 716)
	61 821	60 109
Less: current portion	(35 984)	(31 797)
Long-term portion	25 837	28 312
<p>The deferred finance income liability relates to the finance component on extended warranty contracts and service contracts sold (notes 22.2 and 22.3 above) with contract terms exceeding 12 months. The average discount rate applied to extended warranty contracts was 10,5% (2020: 10,5%) and 10,0% (2020: 10,0%) on service contracts.</p>		
Total current portion of contract liabilities	243 832	209 562
Total long-term portion of contract liabilities	98 357	125 828

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

23. REFUND LIABILITIES

23.1 Transactions with residual value undertakings

Accounting policy

Transactions with residual value undertakings are in respect of revenue transactions as described in the group's accounting policy for revenue in note 27.1.5. The group has an obligation to pay cash in terms of its contract with the financial institution.

Refund liabilities relating to residual value risk - De Lage Landen International	2021 R000	2020 R000
Balance at beginning of the year	72 411	-
(Decrease) increase during the year	(35 625)	81 707
Payments made during the year	(17 479)	(11 345)
Translation difference	4 408	2 049
	23 715	72 411
Less: current portion	(11 729)	(18 103)
Long-term portion	11 986	54 308

In terms of an agreement between the group and a financial institution, De Lage Landen International, lease agreements with guaranteed residual values have been offered by the financial institution to the group's customers in certain countries. The liability represents the difference between the market values expected to be realised on the return of the machines at the end of the lease periods and the residual values guaranteed to the financial institution. This liability is carried at amortised cost and the decrease in the current year has been credited to revenue.

Management has exercised judgement in assessing these expected market values, the expected timing of the return of machines and the rate of 4,4% per annum used to discount the expected future cash outflows to settle the obligation. The estimated market values were based on sales of similar machines in the US market and the expected timing was based on the lease agreement expiry dates and the group's remarketing period. The discount rate of 4,4% was based on an average of:

- a) the interquartile range of arm's length fixed rate equivalent interest rates for USD denominated loans being 2,45% to 6,69%; and
- b) the average yield of BB and B rated bonds being between 2,94% to 5,35%, based on USD fair value yield curves.

23.2 Refund liabilities relating to right-to-return parts

Right-to-return liability	22 493	9 297
Less: current portion	(22 493)	(9 297)
Long-term portion	-	-

23.3 Refund liabilities relating to the financing venture with WesBank

WesBank refund liability (refer to note 42.3)	17 471	-
Less: current portion	(17 471)	-
Long-term portion	-	-
Total current portion of refund liabilities	51 693	27 400
Total long-term portion of refund liabilities	11 986	54 308

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

24. PROVISIONS

Accounting policy

Contract provision - standard warranty

The contract provision for standard warranty includes provisions for manufactured equipment and third party equipment and represents the discounted value of the directors' best estimate of the expenditure required to settle the group's obligations. Assumptions made regarding the timing and value of future warranty costs may have a significant risk of causing a material adjustment to the carrying amount of the provision within the next financial year.

24.1 Manufactured equipment

As part of the standard conditions of sale, the group provides a standard warranty on manufactured equipment sold to the customer. In terms of the warranty policy the group undertakes to make good any defects for an average period of 12 months. At the time of the sale, the group raises a provision for the estimated expenditure required to settle the group's obligation based on past experience of the timing and value of this cost, which in certain circumstances extends beyond the 12 month period contained in the group's standard warranty policy. The group also raises a provision for warranty campaigns, at the time that a decision is made to launch a warranty campaign, based on the number of machines to be included in the campaign and the estimated expenditure required to be spent on each machine to rectify the particular defect.

The group has the right to recover certain warranty costs incurred on manufactured equipment from the group's component suppliers. The group recognises the reimbursement asset only when it is virtually certain that reimbursement will be received from the component supplier. In the group's judgement, the group's right to reimbursement is assessed as virtually certain when the group receives a valid warranty claim against the standard warranty policy from a customer and this is recognised as a financial asset under trade and other receivables. The amount included under trade and other receivables as at 31 December 2021 amounts to R7,1 million (2020: R8,5 million) as disclosed in note 14. Prior to the receipt of claims from customers, no reimbursement asset is recognised on the statement of financial position and the group only has a contingent asset which has been disclosed in note 34.1.1.

Based on the group's judgement, the obligation for warranty costs on manufactured equipment remains with the group and as a result, the provision for standard warranty costs on manufactured equipment has been recognised on a gross basis, without a reduction in the provision for the amounts expected to be recovered from third-party component suppliers as described above.

24.2 Third-party equipment

Third-party equipment sold to customers includes a standard warranty from third-party suppliers and in terms of the agreements with these suppliers, the group is obligated to carry out warranty campaigns from time to time and to perform warranty repairs and warranty services to customers on behalf of the suppliers. Warranty costs incurred on third-party equipment is submitted to third-party suppliers for reimbursement. A portion of these costs is sometimes rejected by the suppliers and this rejected portion is carried by the group.

Significant judgement is applied in assessing the group's obligation in terms of these warranty claims. Based on an assessment of the legal arrangements the group has with third-party equipment suppliers, the group concludes that it only acts as an agent on behalf of certain suppliers but in some cases it acts as principal.

	Contract provision - standard warranty R000	Other provisions R000	Total R000
Balance at 31 December 2019	122 494	-	122 494
Increase during the year	151 875	890	152 765
Utilised during the year	(136 429)	-	(136 429)
Translation differences	1 602	-	1 602
Balance at 31 December 2020	139 542	890	140 432
Less: current portion	(109 896)	(890)	(110 786)
Long-term provisions at 31 December 2020	29 646	-	29 646
Balance at 31 December 2020	139 542	890	140 432
Increase (decrease) during the year	141 318	(890)	140 428
Utilised during the year	(125 723)	-	(125 723)
Translation differences	1 359	-	1 359
Balance at 31 December 2021	156 496	-	156 496
Less: current portion	(111 113)	-	(111 113)
Long-term provisions at 31 December 2021	45 383	-	45 383

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

25. OTHER LIABILITIES

Accounting policy

Cash-settled employee share-based payments

Refer to note 33.2 for the accounting treatment of the cash-settled share-based payment liability.

	2021 R000	2020 R000
Other liabilities		
Cash-settled employee share-based payments	10 031	-
Financial liabilities carried at fair value through profit or loss		
Forward foreign exchange contracts (Level 2) *	8 076	14 476
	18 107	14 476
Less: current portion	(8 076)	(14 476)
Long-term portion	10 031	-

* Further details on the group's exposure to currency risk is disclosed in note 38.4.1.

26. TRADE AND OTHER PAYABLES

Accounting policy

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as financial liabilities at amortised cost and are measured at amortised cost.

Trade creditors	952 191	708 055
Audit fees	10 167	8 043
Credit balances in trade and other receivables	19 547	18 013
Leave pay and other payroll accruals *	137 052	73 931
Other accruals **	21 129	37 099
Maintenance obligations	3 202	8 500
Other payables	27 022	44 595
Value added taxation payable	44 963	34 818
Total trade and other payables	1 215 273	933 054

* Includes an incentive accrual for certain task level staff members.

** Includes accruals for additional costs on finished goods incurred in the normal course of business.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

27. REVENUE

Accounting policy

The group recognises revenue in a way that depicts the transfer of goods and services promised to customers in an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods and services. The group recognises revenue when it has satisfied its performance obligation in terms of the contract with the customer and when it transfers control of the product or service to the customer.

The total transaction price, excluding sales taxation and net of any customer rebates, trade discounts and other similar allowances, are proportionately allocated to each performance obligation (good or service) promised in the contract, based on the stand-alone price of each good or service. Other than instalment sale agreements, extended warranties and long-term service contracts, the transaction price was not adjusted for the effects of the time value of money in transactions where the period between delivery of the promised goods or services and the payment from the customer is one year or less.

The group recognises revenue from the following major sources:

- sale of equipment (manufactured, third party, used), including standard warranties
- sale of parts
- service contracts and transport revenue
- extended warranty
- rental income

27.1 Sale of equipment (manufactured, third party, used), including standard warranties

27.1.1 Sale of equipment

Upon delivery of a machine, judgements are made in assessing whether control of the machine has transferred to the customer. In assessing this, the group considers whether it has obtained the right to receive payment, the customer's acceptance of the asset, whether physical possession of the machine has transferred to the customer, whether significant risks and rewards of ownership have transferred to the customer taking into account shipping terms and the customer's ability to direct the use of the asset or obtain benefits from it.

In bill-and-hold arrangements the group has invoiced the customer for the promised machines, but physical possession has been retained by the group. The group applies judgement in assessing whether control of the machine has passed to the customer. In its assessment, the group considers the reason for the arrangement. These arrangements are usually at request from the customer and arise where delivery of the machine is not practical, or the customer's site where the equipment is going to be used is not ready. The group also considers if significant risks and rewards of ownership have passed to the customer and assesses whether it has retained the ability to direct the use of the equipment to another customer, if the equipment is ready for physical transfer and if the customer has accepted the asset. Revenue is recognised where the group concludes that the reason for the arrangement is substantive and that the customer has assumed control.

In certain instances the group enters into sales contracts where a combination of finished goods and services are promised to the customer such as manufactured and third party equipment together with extended warranties and/or service contracts. The group also often agrees to arrange shipment of the equipment and recovers these freight costs from the customer. In these instances the group applies judgement and uses approved price listings to allocate the total transaction price proportionately to each performance obligation (good or service) promised in the contract, based on the stand-alone price of each good or service.

Standard warranties on the equipment are not separately sold by the group in its ordinary course of business and are not separately priced. The group accounts for these in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*. Refer to note 24.

27.1.2 Advance payments from customers for finished goods

Payments received from customers in advance of the transfer of control of the finished goods to the customer are recognised as contract liabilities until control has transferred and the revenue is recognised. Refer to note 22.1.

27.1.3 Transactions with trade-ins

Where the group agrees to trade in used equipment from a customer as part of the consideration receivable for the sale of new equipment, the difference between the fair value of the used equipment traded in and the agreed upon price of such trade-in, is accounted for as an adjustment to revenue. The group uses judgement in determining the fair value of the used equipment and consideration is given to the age and condition of the equipment and residual values achieved in the market for similar products.

27.1.4 Transactions with credit risk undertakings

Refer to note 42 for the accounting treatment of these transactions.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

27. REVENUE *continued*

Accounting policy *continued*

27.1 Sale of equipment (manufactured, third party, used), including standard warranties *continued*

27.1.5 Transactions with residual value undertakings

Where the group has guaranteed the residual value of finished goods sold to financial institutions or customers, the group assesses the probable outcome of the residual value commitment at inception and each reporting period. Revenue was recognised upfront on the transaction where control over the goods has passed to the customer and the group has satisfied its performance obligation in terms of its contract with the customer.

Judgement is used in assessing the residual value risk in determining the transaction price of the equipment. The residual value is the risk that the market value realised for these products is less than what was expected when the contracts were entered into. Significant assumptions are made in estimating residual values. These are assessed based on past experience and take into account anticipated market conditions, product development, environmental regulations, competitor actions, projected disposal values and any other factors that may have a potential impact on the residual value. Where a shortfall between the assessed market value of the equipment and the residual value guaranteed by the group is anticipated, the group recognises a refund liability to this extent in the statement of financial position with a corresponding adjustment to the transaction price and revenue. Refer to note 23.1 for the group's recognised liabilities in respect of residual value guarantees which represent the discounted value of the group's liability. The group reassesses the market value of the underlying equipment and determines the probable outcome of the residual value guarantee at each reporting period.

27.1.6 Instalment sale agreements

Where goods are sold and the contract provides a significant financing benefit to the customer, the group adjusts the transaction price for the financing component. The interest rates used to adjust the transaction price are customer specific and based on market related lending rates. The rates range between 7,5 % and 13,5%. Revenue is recognised when control over the goods is transferred to the customer. A receivable is recognised on the statement of financial position at an amount that depicts the group's net investment in the contract (refer to note 11).

27.2 Sale of parts

Control is generally considered to be transferred where the group has obtained the right to receive payment, physical possession of the parts has transferred to the customer, significant risks and rewards of ownership has transferred to the customer and the customer has accepted the parts.

27.3 Service contracts and transport revenue

27.3.1 Service contracts

Service contract income arises from transactions with customers where the group is obligated to service a customer's equipment over the contract period, at specified service intervals or as and when required by the customer. Each service period is by nature short-term and in the group's judgement upon completion of the service the customer receives the benefits of the service provided. It is also at this point that the group's right to receive payment is established and on this basis revenue is recognised at a point in time.

Where the group services a customer's equipment, job cards are maintained for each service keeping track of labour, parts and other costs incurred by the group on a particular job. Contract assets relating to service work-in-progress is presented in note 11.

The group often supplies the service parts as part of the agreement. In these instances, the total transaction price is proportionately allocated to each performance obligation in the contract, using stand-alone prices for each.

Where service contracts are sold to customers and the proceeds are received upfront, a contract liability is recognised in the statement of financial position. Refer to note 22.3. Where the service contract term is more than 12 months, the transaction price is adjusted for the effects of the time value of money where this is significant. This requires judgement. The contract is discounted using a discount rate based on the specific group operation's average borrowing rate which is considered an appropriate basis. The discount rate used approximates 10,0% (2020: 10,0%). The contract liability is recognised at inception based on the discounted amount. Revenue is released each time a service has been rendered, based on the expected gross margin. In estimating the expected gross margin, assumptions are made on the total expected costs to be incurred under the contract, using historical data where available, taking into account an anticipated forfeiture rate. The group applies judgement in determining the forfeiture rate which is the number of service intervals a customer is anticipated to forfeit. A customer may elect to enter into a new contract to extend the service period after the expiry of the initial service term.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

27. REVENUE *continued*

Accounting policy *continued*

27.3 Service contracts and transport revenue *continued*

27.3.2 Transport services

In many instances where machines and parts are sold to customers, the group agrees to deliver the goods to the customer at an agreed price. The group has discretion to accept or reject a request for transport services and to set pricing. Where the group accepts a request for transport services it assumes the responsibility to fulfil such promise to its customer. The group uses another party to deliver the goods and has the ability to direct that party to provide the service to the customer on the group's behalf. Based on this, in the group's judgement, the group considers that it acts as a principal in these transactions and therefore revenue from transport services is recorded on a gross basis with the related costs in cost of sales.

27.4 Sale of extended warranties

Extended warranty contracts are separately priced and sold by the group to customers. These contracts are accounted for as separate performance obligations and the total transaction price is allocated proportionately based on stand-alone prices where the sale of these contracts is combined with the sale of finished goods and/or other services. The consideration on these contracts is received upfront. The transaction price is adjusted for the effects of the time value of money using an appropriate discount rate where the contract terms are greater than 12 months and where the financing component is material. This requires judgement. The discount rate used in these transactions approximates 10,5% (2020: 10,5%) and is based on the specific group operation's average borrowing rate which is considered an appropriate basis. A deferred income liability is recognised at inception based on the discounted amount. Refer to note 22.2. The group releases the revenue on these contracts on a straight-line basis over the term of the contract as this, in the group's judgement, depicts the customer's right to access this service.

27.5 Rental revenue

The group as lessor

Where the group enters into a lease arrangement, the group uses the guidance in *IFRS 16 Leases* with regard to classification of a lease as either a finance lease or an operating lease. This requires judgement. The group considers if significant risks and rewards of ownership have transferred to the buyer and significant assumptions are made in assessing this.

In assessing the transfer of risks and rewards associated with ownership, the group considers the probability of return of the equipment by the customer. Consideration is given to the terms of the agreement and other relevant factors that will impact returns such as customer behaviour, product type, past practice and history of returns, current and anticipated market conditions and whether the present value of the minimum lease payments amounts to substantially all of the fair value of the equipment. Where the group concludes that significant risks and rewards of ownership have transferred to the buyer, the lease is classified as a finance lease and the sale of goods is recognised as revenue. The group had no finance lease arrangements in place during the current year. Where the lease is classified as an operating lease rental revenue is recognised. Rental revenue from operating leases is recognised over time based on the hours utilised on the machine as this, in the group's judgement, depicts the transfer of benefits to the customer.

In instances where the rental income streams from operating leases have been discounted to financial institutions with recourse to the group, the group recognises a liability on the statement of financial position. Refer to note 20.2.

Refer to note 36 for the disclosure of operating lease arrangements.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

27. REVENUE *continued*

Disaggregation of revenue

The group derives its revenue from the sale of equipment and aftermarket products, which includes the sale of parts, service contracts and transport revenue, extended warranty and rental revenue.

This is consistent with the external revenue information that is disclosed for each reportable segment under IFRS 8 (refer to note 6) and the information that is provided to the group's chief operating decision maker on a regular basis.

	MANUFACTURING, ASSEMBLY, LOGISTICS AND DEALER SALES OPERATIONS		DIRECT SALES OPERATIONS		Total Revenue R000
	South Africa R000	Europe R000	South Africa R000	Rest of Africa R000	
2021					
Revenue					
Sale of equipment *	1 043 265	2 766 176	1 877 434	142 362	5 829 237
Sale of parts	390 445	253 567	829 787	160 439	1 634 238
Service contracts and transport revenue	56 018	48 500	215 889	30 178	350 585
Extended warranty	69 388	-	-	-	69 388
Rental revenue	-	9 185	120 978	3 514	133 677
Total revenue	1 559 116	3 077 428	3 044 088	336 493	8 017 125
2020					
Revenue					
Sale of equipment *	628 943	1 992 531	1 930 571	133 433	4 685 478
Sale of parts	335 756	245 576	715 520	162 230	1 459 082
Service contracts and transport revenue	41 463	73 161	179 977	23 713	318 314
Extended warranty	66 730	1 415	-	-	68 145
Rental revenue	-	8 649	148 835	1 774	159 258
Total revenue	1 072 892	2 321 332	2 974 903	321 150	6 690 277

The transfer of goods and services occurs over time and at a point in time as reflected below.

	2021 R000	2020 R000
Timing of revenue recognition		
At a point in time		
Sale of equipment *	5 829 237	4 685 478
Sale of parts	1 634 238	1 459 082
Service contracts and transport revenue	350 585	318 314
Total	7 814 060	6 462 874
Over time		
Extended warranty	69 388	68 145
Rental revenue	133 677	159 258
Total	203 065	227 403
Total revenue	8 017 125	6 690 277

* Sale of equipment in manufacturing, assembly, logistics and dealer sales operations in Europe has been increased by an amount of R35,6 million (2020: decrease of R81,7 million) relating to a reversal of the expected loss on sales transactions concluded with residual value guarantees. Refer to note 23.1.

Included in revenue for the year is an amount of R39,6 million (2020: R82,6 million) relating to a bill-and-hold arrangement for the sale of equipment to a particular customer. Control of the equipment has passed to the customer and management's assessment is that the likelihood of revenue reversal in future periods is remote.

The group had remaining and unsatisfied performance obligations at year end in terms of extended warranty contracts, service contracts, and in terms of certain equipment sales contracts where the consideration was received in advance from customers. These obligations are reflected as contract liabilities in the statement of financial position.

Related party sales are disclosed in note 39.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

28. PROFIT FROM OPERATING ACTIVITIES

	Notes	2021 R000	2020 R000
Profit from operating activities is arrived at after taking into account:			
Income			
Currency exchange gains (i)		247 473	198 676
APDP - production incentives (ii)	44	90 884	62 630
Net surplus on disposal of property, plant and equipment and intangible assets		8 160	4 314
Expenditure			
Amortisation of intangible assets	9	36 364	32 914
Amounts written off as credit impaired		3 850	31 732
Increase (decrease) in allowance for expected credit losses on trade and other receivables		11 810	(29 465)
Auditors' remuneration - audit fees and other services		14 436	15 295
Cash-settled employee share awards		10 031	-
Consulting fees		32 133	25 476
Currency exchange losses (i)		258 624	245 379
Depreciation of property, plant and equipment (iii)	7	151 396	140 834
Depreciation of right-of-use assets	8	63 436	69 561
Directors' remuneration			
Paid by company:			
- non-executive directors' fees (iv)	43	7 902	4 805
Paid by subsidiaries:			
- executive directors - salaries (iv)	43	8 702	6 316
- benefits (iv)	43	1 665	1 239
Impairment losses recognised on assets	7, 9	-	56 194
Increase in contract provision - warranty		14 964	957
Lease expenses	8	18 681	17 304
Research expenses (excluding staff costs)		36 466	34 808
Staff costs (iv)		1 511 259	1 285 889

- (i) Net currency exchange losses arose mainly on foreign currency denominated inventory purchases and trade and other payables as a result of Rand movements against the USD and the Euro in the current year.
- (ii) Income from production incentives increased by 45,1% due to an increase in production volumes in the current period.
- (iii) Total depreciation expense above, expressed by the nature of this expense, includes depreciation included in cost of sales and in distribution costs, administration expenses and factory operating expenses in the consolidated statement of profit or loss.
- (iv) Staff costs increased by 17,8% mainly due to an increase in the workforce at the manufacturing and assembly facilities, an incentive accrual for certain task level staff members and because the prior year includes group-wide salary reductions of 20% for staff members and 25% for the executive directors for May to July 2020.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

29. INTEREST EXPENSE

	2021 R000	2020 R000
Interest expense incurred on the following:		
Bank overdrafts and loans	23 608	35 096
Lease liabilities	37 034	36 490
Industrial Development Corporation (IDC) of South Africa working capital facility	27 022	58 179
Other *	8 724	24 403
Total interest expense	96 388	154 168

* Includes interest expenses relating to extended credit terms granted to the group for goods purchased in the normal course of business and interest expenses relating to collateralised borrowings.

30. INTEREST INCOME

Interest income earned on the following:		
Service contracts	9 616	5 716
Extended warranty contracts	24 622	18 534
Instalment sale agreements	17 087	14 136
Other *	10 951	12 639
Total interest income	62 276	51 025

* Includes interest income received from customers on extended credit terms provided and financial institutions.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

31. TAXATION

Accounting policy

The taxation expense represents the sum of the taxation currently payable and deferred taxation.

Current taxation

The taxation currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability / asset for current taxation is calculated using taxation rates that have been enacted or substantively enacted by the end of the reporting period.

Current taxation is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current taxation is also recognised in other comprehensive income or directly in equity.

Deferred taxation

Refer to note 12 for the group's accounting policy on deferred taxation.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

31. TAXATION *continued*

31.1 Taxation recognised in profit or loss	2021 R000	2020 R000
South African normal taxation		
Current taxation		
- current year	21 601	35 124
- prior year	(2 917)	14 226
Deferred taxation		
- current year	18 922	(55 792)
- prior year	(12 132)	(6 931)
Withholding taxation	1 167	956
Other corporate taxation	-	31
Foreign taxation		
Current taxation		
- current year	53 898	6 538
- prior year	(1 353)	664
Deferred taxation		
- current year	(5 612)	(6 620)
- prior year	(430)	(126)
Withholding taxation	1 090	767
Other corporate taxation, including wealth taxation	1 110	797
Total taxation recognised in profit or loss	75 344	(10 366)
Reconciliation of rate of taxation (%)	%	%
Standard rate of taxation	28	28
Adjustment for:		
Disallowable legal and consulting fees	1	(1)
Special allowances for taxation	(1)	6
Prior year taxation	(5)	(12)
Withholding and other corporate taxation	1	(4)
Tax losses utilised by subsidiaries where no deferred taxation assets have been recognised in previous periods	(1)	-
Impact of different taxation rates of subsidiaries operating in other jurisdictions, mainly UK and Russia	(3)	(2)
Effective rate of taxation	20	15
The group's estimated taxation losses amount to R544,0 million (2020: R533,2 million). Included in this amount are losses of R11,7 million (2020: R32,6 million) that will expire as set out below:		
Less than one year	11 663	10 174
Two to five years	-	13 536
Six to ten years	-	8 883
Total	11 663	32 593
Other losses may be carried forward indefinitely. Certain prior year losses were utilised in the current year.		
A deferred taxation asset of R89,5 million (2020: R67,8 million) was recognised in respect of taxation losses. Refer to note 12.		
Unused taxation losses for which no deferred taxation assets have been recognised are revenue in nature and amount to R232,7 million (2020: R285,3 million). Of this amount R11,7 million (2020: R19,1 million) will expire as follows:		
Less than one year	11 663	10 174
Six to ten years	-	8 883
Total	11 663	19 057

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

32. EARNINGS (LOSS) PER SHARE AND NET ASSET VALUE PER SHARE

	Notes	2021	2020
32.1 Earnings (loss) per share (basic)			
Profit (loss) attributable to owners of Bell Equipment Limited	(R'000)	286 770	(64 292)
Weighted average number of shares in issue	('000)	95 629	95 629
Earnings (loss) per share (basic)	(cents)	300	(67)
32.2 Earnings (loss) per share (diluted)			
Profit (loss) attributable to owners of Bell Equipment Limited	(R'000)	286 770	(64 292)
Fully converted weighted average number of shares	('000)	110 182	98 604
Earnings (loss) per share (diluted)	(cents)	260	(65)

The group has potential ordinary shares relating to the unexercised options in the group's equity-settled employee share option plan as set out in note 33.1.2. There was no dilutive impact from these options in the current year as the market price was below the option price. In addition, the group has potential ordinary shares relating to the shareholding of BEE parties in certain group entities. These BEE parties are required to sell their shares to the group at the end of the lock-in period in exchange for cash, shares in the company or in another group entity or in a combination of cash and shares, at the company's discretion. The number of shares has been adjusted for the effect of the dilutive potential shares relating to these options.

32.3 Headline earnings (loss) per share (basic)			
Profit (loss) attributable to owners of Bell Equipment Limited	(R'000)	286 770	(64 292)
Net surplus on disposal of property, plant and equipment and intangible assets	(R'000) 28	(8 160)	(4 314)
Taxation effect of net surplus on disposal of property, plant and equipment and intangible assets	(R'000)	2 270	1 207
Impairment loss recognised on intangible assets	(R'000) 9	-	23 254
Taxation effect of impairment loss on intangible assets	(R'000)	-	(6 511)
Impairment loss recognised on revaluation of buildings	(R'000) 7	-	31 873
Taxation effect of impairment loss recognised on revaluation of buildings	(R'000)	-	(11 156)
Impairment loss recognised on plant and equipment	(R'000) 7	-	1 067
Taxation effect of impairment loss recognised on plant and equipment	(R'000)	-	(299)
Headline earnings (loss)	(R'000)	280 880	(29 171)
Weighted average number of shares in issue	('000)	95 629	95 629
Headline earnings (loss) per share (basic)	(cents)	294	(31)

32.4 Headline earnings (loss) per share (diluted)			
Headline earnings (loss) as calculated in 32.3 above	(R'000)	280 880	(29 171)
Fully converted weighted average number of shares per 32.2 above	('000)	110 182	98 604
Headline earnings (loss) per share (diluted)	(cents)	255	(30)

Headline earnings is calculated in accordance with *Circular 1/2021 Headline Earnings* issued by the South African Institute of Chartered Accountants.

32.5 Net asset value per share			
Total capital and reserves	(R'000)	3 861 733	3 503 778
Number of shares in issue	('000) 17	95 629	95 629
Net asset value per share	(cents)	4 038	3 664

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

33. SHARE-BASED PAYMENT ARRANGEMENTS WITH EMPLOYEES

Accounting policy

Equity-settled share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee benefits reserve in equity.

Cash-settled share-based payments

The group recognises a liability for cash-settled share-based payments at fair value. The fair value of the liability is determined using an option pricing model and the liability is remeasured at each reporting date and at the date of settlement with any changes reflected in the group's statement of profit or loss. Services received from employees are recognised by the group as they are rendered.

The estimation of the fair value of the cash-settled share-based payments includes the effect of market and non-market conditions. Vesting conditions, other than market conditions, are taken into account in the measurement of the liability by adjusting the number of awards that are expected to vest. This estimate is revised at each reporting date when the liability is remeasured until the vesting date.

33.1 Equity-settled employee share option plan

This scheme was approved by the shareholders and the board in 2009 and share options were granted to senior employees on 15 February 2010, 15 April 2011 and 15 May 2012. The allocation of share options was done according to a formula that recognised responsibility levels and was at the discretion of the chief executive and the board. No further share options have been granted since 2012. Five million ordinary shares were reserved for the scheme. The option price was the thirty day volume weighted average of the closing market price of the share immediately preceding the grant date. The options are equity-settled, each year's allocation of options vested one third in each period after three years, five years and seven years respectively, after the date of grant.

The options carry neither rights to dividends nor voting rights. Each employee share option converts into one ordinary share of Bell Equipment Limited on exercise. Options may be exercised at any time from the date of vesting to the date of their expiry. The options expire after 10 years from the date of award if not exercised by employees.

Options are forfeited on leaving the company. Retired or retrenched employees are entitled to exercise their options in full within twelve months after becoming a retired or retrenched employee. If not exercised by retired or retrenched employees within such period, the options lapse.

33.1.1 Share options granted

The following share-based payment arrangements were in existence during the reporting period:

Grant date	Tranches	Initial number of options granted	Expiry date	Exercise price	Fair value at grant date
15 Apr 2011 *	Tranche 1	510 000	14 Apr 2021	R 13,06	R 7,12
15 Apr 2011 *	Tranche 2	510 000	14 Apr 2021	R 13,06	R 7,71
15 Apr 2011 *	Tranche 3	510 000	14 Apr 2021	R 13,06	R 8,17
15 May 2012	Tranche 1	316 666	14 May 2022	R 21,35	R 12,79
15 May 2012	Tranche 2	316 667	14 May 2022	R 21,35	R 13,18
15 May 2012	Tranche 3	316 667	14 May 2022	R 21,35	R 13,54

* Unexercised options from these tranches expired and were forfeited in April 2021. Refer to the reconciliation of outstanding options in note 33.1.2.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

33. SHARE-BASED PAYMENT ARRANGEMENTS WITH EMPLOYEES *continued*

33.1 Equity-settled employee share option plan *continued*

33.1.2 Shares reserved and movement in share options for the year

	2021	2020
Total number of shares reserved for equity-settled share options	5 000 000	5 000 000
Less: number of share options exercised	(655 385)	(655 385)
Less: number of share options granted and vested, but not exercised	(372 000)	(1 047 000)
Number of shares reserved, but share options not granted or expired	3 972 615	3 297 615

The following reconciles the share options outstanding at the beginning and end of the year:

	2021		2020	
	Number of options	Weighted average exercise price R	Number of options	Weighted average exercise price R
Balance at beginning of the year	1 047 000	16,24	2 181 604	13,30
Forfeited during the year	(72 500)	16,49	(10 000)	21,35
Expired during the year *	(602 500)	13,06	(1 124 604)	10,48
Balance at end of the year	372 000	21,35	1 047 000	16,24

* The options which expired in 2021 are in respect of unexercised options which were granted in April 2011 and which expired in April 2021 in terms of the scheme rules.

The share options outstanding at the end of the year under equity-settled share-based payments had a weighted average remaining contractual life of 0,4 years (2020: 0,7 years). The exercise prices on options are presented in note 33.1.1.

At year-end the number of options that had vested and that were exercisable was 372 000 (2020: 1 047 000).

33.2 Cash-settled employee share award plan

This phantom share incentive scheme was approved by the board of directors and implemented in 2018. The scheme makes provision for long-term incentivisation of key executives in the structure of a share appreciation rights scheme. The objective and purpose of the scheme is to grant forfeitable phantom share awards to key executives to enable them to benefit if the company's share price improves and if the specified Headline Earnings per Share (HEPS) and Return on Invested Capital (ROIC) performance conditions are achieved.

The awards comprise a mixture of zero-strike and strike based awards, with the zero-strike portion subject to a 50% split between HEPS and ROIC performance conditions. The number of awards granted to executives was determined with reference to market norms for long-term incentive schemes and a multiple of the salary packages of the participants and the company granted these awards in four equal, annual tranches on 1 January each year, starting in 2018. In respect of the portion of the incentive related to the market price of the share, employees will acquire the cash equivalent of the growth in the share price. In respect of the portion of the incentive related to the HEPS and ROIC performance conditions, employees will receive the cash equivalent of the market value of the shares without any reduction by the strike price. The HEPS performance condition is that the annual compounded HEPS growth rate over the three, four and five year periods ending on the last day of the financial year-end of the group prior to the vesting date, must meet or exceed the HEPS growth rate of inflation plus 5%. The ROIC performance condition is based on operational returns in excess of the cost of capital, plus a margin. The total benefit paid to employees in any financial year shall not exceed 6% of the NPAT as reflected in the audited results of the group.

One-third of each annual award vests in years three, four and five after the award date and the awards are forfeited on a participant ceasing to be an employee, for reasons other than incapacity, death or retirement, when all the awards held by the participants, whether or not they have vested, will be deemed to have vested upon termination of employment and shall be settled within three months or in the case of death, within 12 months thereafter.

In the event of a change in control of the company which results in the retrenchment of or a material adverse change in the conditions of employment of the participant the full number of phantom share units determined will be deemed to be awarded and the vesting period in respect of this full award will be advanced in accordance with the rules of the scheme.

The strike price is the thirty day volume weighted average of the closing market share price immediately preceding the grant date of 1 January each year.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

33. SHARE-BASED PAYMENT ARRANGEMENTS WITH EMPLOYEES *continued*

33.2 Cash-settled employee share award plan *continued*

33.2.1 Share awards granted

The following share-based payment arrangements were in existence at the end of the reporting period:

Grant date	Number of phantom share units							Exercise price
	With a strike price	With a strike price of zero	Vesting January 2022	Vesting January 2023	Vesting January 2024	Vesting January 2025	Vesting January 2026	
1 January 2018	588 666	330 667	459 667	459 666	-	-	-	R 13,53
1 January 2019	883 000	496 000	459 667	459 667	459 666	-	-	R 12,68
1 January 2020	883 000	496 000	-	459 667	459 667	459 666	-	R 8,88
1 January 2021	883 000	496 000	-	-	459 667	459 667	459 666	R 6,52

Refer to the number of phantom share awards held by directors and prescribed officers in note 43.

No amounts were paid or are payable to participants in respect of the phantom share units which vested in January 2021 and January 2022.

33.2.2 Fair value of share awards granted

The fair value of the phantom share awards was measured at the end of the year using the Black-Scholes pricing model. A liability of R10,0 million was raised for this cash-settled employee share award plan. Refer to note 25.

Inputs into the model	Measurement date 31 December 2021
Spot price of the option	R 12,35
Dividend yield	0,00%
Expected volatility of the share price	63,60%
Risk-free interest rate	4,91% - 6,57%

33.2.3 Movement in share awards granted

The following reconciles the share awards outstanding at the beginning and end of the year:

	2021		2020	
	Number of awards	Weighted average exercise price R	Number of awards	Weighted average exercise price R
Balance at beginning of the year	4 525 000	7,45	3 146 000	8,39
Expired during the year	(459 667)	8,66	-	-
Granted during the year	1 573 000	4,17	1 670 000	5,68
Forfeited during the year	(582 000)	6,08	(291 000)	7,49
Balance at end of the year	5 056 333	6,48	4 525 000	7,45

The share awards outstanding at the end of the year under the cash-settled employee share award plan had a weighted average remaining contractual life of 2,6 years (2020: 3,0 years).

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

34. CONTINGENT ASSETS AND LIABILITIES

Accounting policy

Contingent assets are not recognised as assets because they are possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the group.

The contingent asset in note 34.1.1 below relates to the group's reimbursement right from third-party component suppliers in respect of standard warranties on manufactured goods. The amount below has not been recognised as an asset as the circumstances do not support a conclusion that recovery is virtually certain. This represents the group's best estimate of expected recoveries from component suppliers. Refer to the group's accounting policy on contract provisions for standard warranty in note 24.1.

Contingent liabilities are not recognised as liabilities because they are either possible obligations and the group's present obligation that could lead to an outflow of resources has yet to be confirmed; or they are present obligations that do not meet the recognition criteria because it is not probable that an outflow of resources will be required to settle the obligation.

34.1 Contingent assets

	2021 R000	2020 R000
34.1.1 Reimbursement right relating to standard warranty in respect of manufactured goods		
Reimbursement right from component suppliers in respect of standard warranties where virtual certainty has not yet been established	28 182	25 280

34.2 Contingent liabilities

34.2.1 Third party warranties and indemnities

Warranties and indemnities, which are expected to expire in May 2022, limited to USD3 million have been provided relating to the sale of assets of the DRC operation in 2018.	47 638	44 057
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34.2.2 Cash-backed bond

A cash-backed bond of USD450,000 in favour of the Environmental Protection Agency in the United States of America. The cash is restricted and the funds are repayable to the group during 2022.	7 146	6 609
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35. CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure commitments include commitments for the acquisition of property, plant and equipment and software.

Contracted	26 267	8 262
Authorised, but not contracted	115 659	103 835
Total capital expenditure commitments	141 926	112 097

This capital expenditure is to be financed from internal resources.

36. OPERATING LEASE ARRANGEMENTS

Operating leases, in which the group is the lessor, relate to leases of equipment reflected as rental assets in note 7 and inventory as reflected in note 13.

36.1 Operating lease receivables

The minimum undiscounted lease payments in non-cancellable operating lease receivables are set out below:

Equipment		
Less than one year	67 994	76 487
Between one and two years	419	43 496
Total operating lease receivables	68 413	119 983

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

37. RETIREMENT BENEFIT INFORMATION

Accounting policy

Payments to defined contribution retirement plans and state-managed retirement contribution schemes are charged as an expense when employees have rendered services in respect of which contributions are payable.

South African group employees in certain scheduled occupations are required by legislation to join an industrial defined contribution plan. The pension fund is governed by the Pension Funds Act and retirement benefits are determined based on the level of contributions for retirement by employees and investment returns. Employees carry the investment risk and the group has no commitment to meet any unfunded benefits.

Other South African employees are eligible, as a condition of their employment, to join the Old Mutual Superfund Pension and Provident Funds, which are externally managed defined contribution plans with multiple participating employers, including Bell Equipment Limited. These funds are governed by the Pension Funds Act and retirement and death benefits are determined with reference to the employees' contributions to the fund. These funds are actuarially valued but, by their nature, the group has no commitment to meet any unfunded benefits.

Certain of the foreign subsidiaries offer pension fund plans to their employees. These funds are externally managed defined contribution plans and are not actuarially valued. These companies have no commitment to meet any unfunded benefits.

The group's employer contributions to retirement funds were R105,8 million during the current year (2020: R104,1 million) and were charged to staff costs in profit or loss.

There is no obligation to meet any post retirement medical costs of employees.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

38. FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised on the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets carried on the statement of financial position are classified into the following categories:

- financial assets at fair value through profit or loss;
- financial assets at amortised cost; and
- financial assets at fair value through other comprehensive income.

Classification is determined by both the group's business model as well as the contractual cash flow characteristics of the asset. Financial assets carried on the statement of financial position include cash and bank balances, investments, interest-bearing receivables, trade and other receivables and other assets. The group's business model for each category is disclosed in notes 10, 11, 14, 15 and 16.

Financial liabilities

Financial liabilities carried on the statement of financial position are classified into the following categories:

- financial liabilities at fair value through profit or loss; and
- financial liabilities at amortised cost.

Financial liabilities as disclosed in the statement of financial position include interest-bearing liabilities, trade and other payables, bank overdrafts and borrowings on call and other liabilities. Refer to notes 20, 25, 26 and 38.2.

Offsetting financial instruments

Financial assets and liabilities are offset where the group has a legal and enforceable right to set off the recognised amounts and it intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Categories of financial instruments	Notes	2021 R000	2020 R000
Financial assets			
Financial assets at amortised cost			
- Interest-bearing receivables (excluding service and repair work in progress)	11	203 357	209 368
- Trade and other receivables (excluding value added taxation receivable)	14	933 281	782 933
- Cash and bank balances	16	156 332	82 751
Financial assets at fair value through other comprehensive income			
- Investments	10	58 717	33 615
Financial assets at fair value through profit or loss			
- Other assets (forward foreign exchange contracts)	15	14 546	10 231
Total financial assets		1 366 233	1 118 898
Financial liabilities *			
Financial liabilities at amortised cost			
- Interest-bearing liabilities	20	378 644	751 695
- Trade and other payables (excluding accruals and value added taxation payable)	26	1 012 129	787 206
- Bank overdrafts and borrowings on call	38.2	473 334	481 392
Financial liabilities at fair value through profit or loss			
- Other liabilities (forward foreign exchange contracts)	25	8 076	14 476
Total financial liabilities		1 872 183	2 034 769

* In the prior year refund liabilities of R81,7 million were incorrectly disclosed as part of the group's financial liabilities at amortised cost.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

38. FINANCIAL INSTRUMENTS *continued*

Fair value of financial instruments

Financial assets at amortised cost

Trade and other receivables and cash and bank balances are measured at amortised cost. The directors consider that the carrying amount of trade and other receivables, excluding the value added taxation receivable, and cash and bank balances approximates their fair value due to the short-term nature of these instruments. The carrying amount of interest-bearing receivables approximates their fair value owing to the market related interest rates charged on these agreements.

Financial liabilities at amortised cost

Trade and other payables and bank overdrafts and borrowings on call are measured at amortised cost. The directors consider that the carrying amount of trade and other payables, excluding the value added taxation payable, and bank overdrafts and borrowings on call approximates their fair value due to the short-term nature of these instruments. The carrying amount of interest-bearing liabilities approximates their fair value owing to the market related interest rates on these instruments.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities carried at fair value through profit or loss include forward foreign exchange contracts presented in the statement of financial position as other assets or liabilities. The group measures forward foreign exchange contracts at fair value on a recurring basis based on the market approach, using inputs other than quoted prices (Level 2). The fair value of these contracts is based on observable forward exchange rates at year-end from an independent provider of financial market data. There was no change in the valuation techniques for forward foreign exchange contracts (Level 2).

Investments at fair value through other comprehensive income

Investments carried at fair value through other comprehensive income include listed and unlisted equity instruments. These investments are measured at fair value on a recurring basis. The fair value of listed investments is based on quoted market prices (Level 1). For its unlisted investment (Level 3), the group used an average of observable price to book ratios of a number of entities within the industry which was applied to the estimated net asset value of the investment entity. Refer to note 10.

Valuation techniques and fair value hierarchy

There was no change in the valuation techniques used for the group's listed (Level 1) and unlisted investments (Level 3).

For all fair value measurements disclosed above, there were no transfers between levels of the fair value hierarchy during the year.

Financial risk management

The group's approach to risk management includes being able to identify, describe and analyse risks at all levels throughout the group, with mitigating actions being implemented at the appropriate point of activity. The very significant, high impact risk areas and the related mitigating action plans are monitored by the risk and sustainability committee and the board. The overall risk strategy remains unchanged with emphasis on sustainability and liquidity.

In the normal course of its operations, the group is exposed to capital, liquidity, credit and market risks (foreign currency risk, interest rate risk and equipment residual value risk). In order to manage these risks, the group may enter into transactions which make use of derivatives, including forward foreign exchange contracts. The group does not speculate in derivative instruments.

The group's treasury function provides services to the business, co-ordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to operations of the group through internal reports which analyse exposures and the magnitude of risks.

38.1 Capital risk management

The group's overall strategy is to secure the long-term sustainability of the group and to generate cash. This is consistent with the prior year.

The capital structure of the group consists of debt, which includes short-term and long-term borrowings as disclosed in note 20, cash and bank balances, all components of equity, comprising issued capital, reserves and non-controlling interest, as disclosed in notes 17 to 19, and retained earnings.

Gearing ratio

Management monitors the group borrowings with reference to a targeted net debt-to-equity ratio of between 30% and 40%.

	2021 R000	2020 R000
The gearing ratio at year-end was as follows:		
Short-term and long-term borrowings	851 978	1 233 087
Cash and bank balances	(156 332)	(82 751)
Net debt	695 646	1 150 336
Total equity	3 861 733	3 503 778
Attributable to owners of Bell Equipment Limited	3 837 671	3 487 212
Non-controlling interest	24 062	16 566
Debt-to-equity ratio (excluding cash and bank balances) (%)	22,1	35,2
Net debt-to-equity ratio (including cash and bank balances) (%)	18,0	32,8

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

38. FINANCIAL INSTRUMENTS *continued*

38.2 Liquidity risk

The group manages liquidity risk by management of working capital and cash flows. Banking facilities are constantly monitored for adequacy. The general banking facilities are repayable on demand and their utilisation at 31 December 2021 is as follows:

	Facilities 2021 R000	Utilisation 2021 R000	Facilities 2020 R000	Utilisation 2020 R000
General banking facilities	1 042 434	473 334	1 037 108	481 392

Bank overdrafts and borrowings on call are unsecured and floating interest rates linked to benchmark rates are charged. In terms of undertakings by the group in certain bank facility agreements, limits are in place for permitted security over group assets, the provision of guarantees or indemnities to any person and for the raising of additional borrowings. Transactions in excess of these limits require the consent of the banks concerned.

The utilisation at 31 December 2021 on the Industrial Development Corporation of South Africa facilities is as follows:

	Facilities 2021 R000	Utilisation 2021 R000	Interest accrued 2021 R000	Facilities 2020 R000	Utilisation 2020 R000	Interest accrued 2020 R000
Trade finance and interest accrued	550 000	172 364	1 358	750 000	429 945	3 685

The IDC trade finance is unsecured and is a rolling credit facility, repayable six-monthly. Utilisation of the facility is restricted to the funding of working capital. In the current year the IDC facility was reduced from R750 million to R550 million and the terminal drawdown date was extended from 31 December 2021 to 31 December 2023. The facility is fully repayable within 6 months of the terminal drawdown date, unless a renewal of the facility is negotiated.

The following financial covenants, measured at a group level, apply:

- Ratio of total shareholders' interests to total assets: minimum of 35% (a ratio of 58% was achieved at 31 December 2021)
- Debt service cover ratio: no less than 1,2 times (a ratio of 1,9 times was achieved at 31 December 2021)

In addition, BECSA may not:

- make any loans; and/or
- repay loans to or pay interest on loans from shareholders or related persons or make any payments whatsoever to such persons; and/or
- pay directors fees and directors salaries exceeding R50 million in the financial year ended 31 December 2022 (which salary limit may thereafter be increased at CPI per year), if: the making of such payments would result in the ratio of shareholders' interest to total assets being reduced below 40% and the debt service cover ratio being less than 1,5 times.

BECSA's loan from the company of R88 million at year end shall remain constant and may not be repaid and BECSA may not enter into any new inter-company loans without the IDC's permission. During 2021 BECSA concluded a loan agreement with Bell Equipment International SA and this loan was condoned by the IDC.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

38. FINANCIAL INSTRUMENTS *continued*

38.2 Liquidity risk *continued*

The following details the group's remaining contractual maturities for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows and where applicable includes both interest and principal cash flows.

Non-derivative financial liabilities	Notes	Less than one year R000	One to two years R000	Two to three years R000	More than three years R000	Total R000
2021						
Secured interest-bearing liabilities	20	34 614	30 186	23 386	139 193	227 379
Unsecured interest-bearing liabilities	20	180 471	-	-	-	180 471
Trade and other payables	26	1 012 129	-	-	-	1 012 129
Bank overdrafts and borrowings on call	38.2	473 334	-	-	-	473 334
Total		1 700 548	30 186	23 386	139 193	1 893 313
2020						
Secured interest-bearing liabilities	20	116 873	33 948	33 100	144 774	328 695
Unsecured interest-bearing liabilities	20	451 886	1 200	-	-	453 086
Trade and other payables	26	787 206	-	-	-	787 206
Bank overdrafts and borrowings on call	38.2	481 392	-	-	-	481 392
Total		1 837 357	35 148	33 100	144 774	2 050 379

The following outlines the group's maturity analysis for its derivative financial instruments which the group has entered into to cover foreign commitments not yet due (refer to note 38.4.1). The table has been drawn up based on the undiscounted gross cash inflows (exports) and outflows (imports) on the derivative instruments that settle on a gross basis.

Derivative financial instruments	2021 R000	2020 R000
Less than 1 year		
Gross settled forward foreign exchange contracts - imports	(570 924)	(279 571)
Gross settled forward foreign exchange contracts - exports	457 781	132 290
Total	(113 143)	(147 281)

38.3 Credit risk

Credit risk arises when a counterparty defaults on its contractual obligations resulting in a financial loss to the group. Credit risk consists mainly of short-term cash deposits, interest-bearing receivables and contract assets, trade receivables, production incentive receivables and the credit risk exposure described in note 42. The group only deposits short-term cash with approved financial institutions.

Trade receivables contain concentration risk in certain markets, particularly where the group sells to independent dealers who distribute the group's products. The granting of credit is controlled by processes based on the group credit policy, credit applications by customers, a credit approval hierarchy, customer account limits, the utilisation of attorneys for collection where necessary and the ongoing monitoring of economic, political and industry conditions in each market. Management undertake ongoing credit evaluations of the financial condition of their customers and steps are taken when an invoice is not paid at due date.

The group's credit risk is regularly monitored by a credit committee, consisting of certain directors and senior executives. The credit committee monitors the extension and management of credit by group companies and credit in excess of certain thresholds requires credit committee approval.

The group's internal credit risk rating grades are based on the historic performance of financial assets and are categorised into fully performing receivables and past due receivables. Fully performing receivables are those customers that are within credit terms. Customers are in default when the debt is past due and this indicates a significant change in credit risk.

In the case of customer default the value of the repossessed equipment may not cover the outstanding receivable amount. The group's credit committee actively monitors credit, collections and the economic, political and industry conditions in each market. In addition, credit enhancements such as deposits, personal guarantees, liens on other property owned by the customer may be required at the time of origination or when there are signs of impairment.

Where industry factors or the economic environment impacts the customer's ability to service their debt, the group may renegotiate debt arrangements with customers where the customer's default was due to temporary circumstances and where there has not been a long-term change in the financial condition of the customer. Interest is charged in refinancing arrangements. Renegotiation assists the group to minimise losses and write offs. Renegotiated assets are monitored closely for on-going performance, the condition of the financed equipment and for any change in the financial condition of the customer.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

38. FINANCIAL INSTRUMENTS *continued*

38.3 Credit risk *continued*

Significant overdue customer balances are handed over to attorneys for legal collection. A customer balance is considered credit-impaired and will be written off in full once legal means of recovery has failed and it is believed that the likelihood of recovery is remote. Indicators that the likelihood of recovery is remote includes, amongst others, the liquidation of a debtor. Except in limited circumstances, the group continues to engage in recovery activities even after write off in order to recover amounts due to the group.

Interest is usually charged on overdue balances. An allowance has been made for expected credit losses from the sale of goods and services and this has been determined as described in note 14.

With the exception of the credit risk disclosed in note 42, the carrying amount of financial assets recorded in the financial statements, which is net of the allowance for expected credit losses, represents the group's maximum exposure to credit risk. At 31 December 2021, the group does not consider there to be any material credit risk that has not been adequately provided for.

Credit risk concentration

In assessing the recoverability of the receivable balances in BESSA, the group applied the policy for expected credit losses as described in note 14 and in particular considered the following factors that are relevant to these receivable balances:

- customers' payment history
- payment past due dates
- risks the customers are exposed to
- industries the customers operate in

Analysis of credit risk

An analysis of the group's credit risk and credit ratings of receivable balances as well as the credit risk concentration in BESSA are presented below:

	BESSA		GROUP (including BESSA)	
	2021 R000	2020 R000	2021 R000	2020 R000
Instalment sale agreements *				
Fully performing receivables	182 824	129 002	182 824	129 002
Gross	182 824	129 002	182 824	129 002
Past due receivables	2 417	7	2 417	7
Gross	3 160	413	3 160	413
Less: allowance for expected credit losses	(743)	(406)	(743)	(406)
Balance at end of the period (note 11)	185 241	129 009	185 241	129 009

* Included in interest-bearing receivables and contract assets on the statement of financial position.

An allowance for expected credit losses was raised as reflected in the table above. The remainder of the instalment sale receivables balance is considered recoverable and there has not been a significant change in credit quality. Refer to the impairment considerations in note 5.2.2.

	BESSA		GROUP (including BESSA)	
	2021 R000	2020 R000	2021 R000	2020 R000
Trade receivables **				
Fully performing receivables	114 542	144 971	756 802	505 348
Gross	114 542	144 971	756 877	505 702
Less: allowance for expected credit losses	-	-	(75)	(354)
Past due receivables	35 667	35 126	80 902	185 714
Gross	68 776	55 714	128 110	219 964
Less: allowance for expected credit losses	(33 109)	(20 588)	(47 208)	(34 250)
Balance at end of the period (note 14)	150 209	180 097	837 704	691 062

** Included in trade and other receivables on the statement of financial position.

The average credit period on the above trade receivable balances is 30 days.

An allowance for expected credit losses was raised as reflected in the table above. The remainder of the trade receivables balance is considered recoverable and there has not been a significant change in credit quality. Refer to the impairment considerations in note 5.2.2.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

38. FINANCIAL INSTRUMENTS *continued*

38.3 Credit risk *continued* Analysis of credit risk *continued*

	BESSA		GROUP (including BESSA)	
	2021 R000	2020 R000	2021 R000	2020 R000
Movement in the allowance for expected credit losses on instalment sale agreements and trade receivables				
Balance at beginning of the year	20 994	19 486	35 010	59 096
Translation differences	-	-	869	4 973
Net increase (decrease) in allowance for expected credit losses	12 858	1 508	12 147	(29 059)
Amounts considered credit-impaired and written off	(3 659)	(190)	(3 850)	(31 732)
Increase in allowance for expected credit losses, based on lifetime expected credit losses	16 517	1 698	16 888	2 618
Decrease in allowance due to cash flows from past due receivables	-	-	(612)	(258)
(Decrease) increase in allowance on fully performing receivables, based on lifetime expected credit losses	-	-	(279)	313
Balance at end of the year	33 852	20 994	48 026	35 010

Refer to note 42 for the group's credit risk exposure under Bell-backed deals relating to the WesBank arrangement.

38.4 Market risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates, residual value risk, political and economic risk and technological risk. There has been no change to the group's exposure to market risks or the manner in which it manages and measures the risks.

38.4.1 Currency risk

The group undertakes certain transactions denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. The group follows a policy of matching import and export cash flows where possible. The majority of any remaining inward or outward trade exposure is covered forward. In this regard the group has entered into certain forward exchange contracts which do not relate to specific items appearing in the statement of financial position, but which were entered into to cover foreign commitments not yet due. The foreign subsidiaries do not hedge their intra-group purchases.

The details of contracts held at 31 December 2021 are listed below. These contracts will be utilised during the next six months. These contracts have been fair valued at the year-end as follows:

	Foreign amount 000	Rate R	Market value in Rands R000	Fair value gain (loss) R000
2021				
Import contracts				
British Pound	5 911	21,04	127 845	3 468
Euro	15 908	17,98	289 083	3 126
Japanese Yen	111 113	7,14	15 499	(67)
United States Dollar	9 095	15,94	145 591	567
Export contracts				
British Pound	24	21,42	519	(5)
Euro	4 369	18,36	79 024	1 208
United States Dollar	23 783	15,85	381 095	(4 059)
2020				
Import contracts				
British Pound	497	20,42	10 012	(147)
Euro	6 735	18,27	122 021	(1 009)
Japanese Yen	414 505	6,52	59 391	(4 160)
United States Dollar	5 208	15,90	76 742	(6 089)
Export contracts				
Euro	4 482	18,97	81 182	3 842
United States Dollar	3 044	15,53	44 840	2 427

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

38. FINANCIAL INSTRUMENTS *continued*

38.4 Market risk *continued*

38.4.1 Currency risk *continued*

The carrying amounts in South African Rand of the group's foreign currency denominated monetary assets and monetary liabilities as per the statement of financial position are as follows:

	Euro R000	United States Dollar R000	British Pound R000	Other currencies R000
2021				
Financial assets				
Financial assets at amortised cost				
- Interest-bearing receivables	-	14 239	-	-
- Trade and other receivables	280 695	341 103	27 076	154
- Cash and bank balances	99 336	27 138	6 100	919
Financial assets at fair value through other comprehensive income				
- Investments	-	58 717	-	-
Financial assets at fair value through profit or loss				
- Other assets (forward foreign exchange contracts)	5 827	4 596	3 468	655
Financial liabilities				
Financial liabilities at amortised cost				
- Interest-bearing liabilities	194 967	1 113	-	294
- Trade and other payables	426 311	138 726	132 623	72 355
- Bank overdrafts and borrowings on call	120 936	32 924	-	-
Financial liabilities at fair value through profit or loss				
- Other liabilities (forward foreign exchange contracts)	108	7 669	78	221
2020				
Financial assets				
Financial assets at amortised cost				
- Interest-bearing receivables	-	30 542	-	-
- Trade and other receivables	228 542	158 083	16 862	1 143
- Cash and bank balances	36 692	17 174	2 372	648
Financial assets at fair value through other comprehensive income				
- Investments	-	33 615	-	-
Financial assets at fair value through profit or loss				
- Other assets (forward foreign exchange contracts)	7 804	2 427	-	-
Financial liabilities				
Financial liabilities at amortised cost				
- Interest-bearing liabilities	219 179	4 458	-	387
- Trade and other payables	141 095	76 767	39 423	88 567
- Bank overdrafts and borrowings on call	73 057	16 663	10 387	-
Financial liabilities at fair value through profit or loss				
- Other liabilities (forward foreign exchange contracts)	1 009	6 796	892	5 779

The group is mainly exposed to the United States Dollar and the Euro. The analysis below details the group's sensitivity to a 10% strengthening or weakening in the South African Rand against major currencies. The analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A 10% strengthening or weakening in the South African Rand represents management's assessment of the reasonably possible change in foreign exchange rates. A 20% strengthening or weakening in the South African Rand was applied up to the end of the prior year.

For a 10% weakening (2020: 20%) in the South African Rand against major currencies and if all other variables were held constant, the group's:

- profit before taxation for the year ended 31 December 2021 would have decreased by R16,8 million (2020: decrease in loss before taxation R60,6 million); and
- other equity at year-end would have decreased by R11,8 million (2020: R40,6 million decrease).

For a 10% strengthening (2020: 20%), there would have been an equal and opposite impact on the profit before taxation and other equity.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

38. FINANCIAL INSTRUMENTS *continued*

38.4 Market risk *continued*

38.4.2 Interest rate risk

The group is exposed to interest rate risk as entities in the group borrow funds at floating interest rates. Exposure to interest rate risk on borrowings and investments is monitored on a proactive basis. The group's interest rate profile of borrowings at 31 December 2021, is as follows:

		Net overdraft and call balances	Trade finance	Long-term borrowings	Long-term borrowings	Total borrowings
2021						
Borrowings	(R'000)	317 002	173 722	196 375	8 547	695 646
Rate profile		Floating	Floating	Fixed	Floating	
% of total borrowings		46	25	28	1	
2020						
Borrowings	(R'000)	398 641	433 630	219 566	98 499	1 150 336
Rate profile		Floating	Floating	Fixed	Floating	
% of total borrowings		35	38	19	8	

The sensitivity analysis below has been determined based on the exposure to interest rates on borrowings at the end of the reporting period.

For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the period was outstanding for the whole year. A 100 basis points increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher and all other variables were held constant, the group's:

- profit before taxation for the year ended 31 December 2021 would have decreased by R5,0 million (2020: increase in loss before taxation R9,3 million)
- profit after taxation and equity would have decreased for the year ended 31 December 2021 by R3,6 million (2020: increase in loss after taxation and decrease in equity R6,7 million)

For a 100 basis points decrease, there would have been an equal and opposite impact on the profit before taxation and profit after taxation.

38.4.3 Residual value risk

Residual value risks are attributable to sales transactions with residual value guarantees.

Residual value risks are the risks that the assessed market value of the equipment is less than what was expected when the contracts were entered into. Refer to notes 27.1.5 and 23.1 for information on the transactions entered into by the group.

The group manages residual value risk through ongoing assessments of the market values of the underlying equipment. Current and anticipated market conditions are assessed on an ongoing basis. Other conditions such as product development, environmental regulations and competitor actions are also considered in assessing the group's exposure to residual value risk.

38.5 Transfers of financial assets

Transferred financial assets that are not derecognised

During the year, the group discounted certain instalment sale receivables (refer to note 11) to a financial institution with full recourse to the group. The group carries all the credit risk associated with these assets and therefore these financial assets do not qualify for derecognition. A corresponding liability for the funds received from the financial institution is recognised in interest-bearing liabilities as disclosed in note 20.2.

The carrying amounts of the transferred assets and associated liabilities of instalment sale agreements are presented below:

	Notes	2021 R000	2020 R000
Instalment sale receivables	11	12 120	66 598
Collateralised borrowings	20.2	(841)	(41 034)
Net position		11 279	25 564

The group considers the carrying amount of the transferred assets and the related borrowings to approximate their fair values.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

39. RELATED PARTY TRANSACTIONS

Accounting policy

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties have been defined as shareholders and key management personnel (directors and the group's executive committee) including close members of their families, and entities over which these individuals or their close family members have a controlling interest.

Related party transactions constitute the transfer of resources, services or obligations between the group and a party related to the group, regardless of whether a price is charged.

The group enters into various transactions with related parties. All transactions are carried out on an arms length basis on terms no more favourable than those entered into with third parties, with the exception of those transactions entered into with the BBBEE parties below.

Details of transactions between the group and related parties and balances at the year-end are detailed below:

Shareholders	2021 R000	2020 R000
John Deere Construction and Forestry Company *		
- sales	10 764	15 536
- purchases	195 519	334 575
- royalties paid	4 461	3 124
- warranty claims paid	-	3 851
- warranty claims received	1 173	-
- interest received	41	-
- interest paid	-	7
- computer licence fees, training and related expenses	-	497
- amounts owing to - trade and other payables	-	89 402
- amounts owing by - trade and other receivables	-	4 921
I A Bell and Company (Pty) Ltd		
- amounts owing by - recovery of costs relating to shareholder action	729	-

* John Deere Construction and Forestry Company ceased being a related party at the end of September 2021 when their interest was purchased by I A Bell and Company (Pty) Ltd, which is the parent company of the group. The current period above reflects transactions up to the end of September 2021.

Directors and group executive committee members who are BBBEE shareholders *

A Goordeen		
- interest received	122	87
- amounts owing by **	974	987
D Chinnappen		
- interest received	122	87
- amounts owing by **	974	987
D Mashika (resigned 31 October 2021)		
- interest received	-	87
- amounts owing by **	-	987

* Details of the BBBEE ownership transaction concluded in December 2019 are included in note 19.2.

** The BBBEE shareholders' loan balances are included as part of interest-bearing receivables. Refer to note 11.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

39. RELATED PARTY TRANSACTIONS *continued*

Enterprises in which directors have a controlling interest	2021 R000	2020 R000
BAC Helicopters CC		
- aircraft repairs, maintenance and related expenses	90	-
Latin Equipment SA		
- sales	5 720	-
- amounts owing by	461	-
Latin Uruguay SA		
- sales	43	-
- amounts owing by	90	-
Loinette Company Leasing Limited		
- financing fee paid	40	-
- amounts owing by	3 643	-
- amounts owing to	5	-

Amounts outstanding are unsecured. Amounts will be settled in cash, except for the BBBEE shareholders' loans which will be settled by dividends.

Related party balances have been included as part of trade and other receivables in assessing recoverability and in the collective assessment of expected credit losses. No allowance for expected credit losses has been recognised in the current period (2020: Rnil) in respect of the amounts owed by related parties, because amounts are considered to be recoverable and no amounts have been written off as credit-impaired.

Compensation of key management personnel

The remuneration of executive directors and prescribed officers is reflected in note 43.

The remuneration of executive directors and key management is determined by the board having regard to the performance of individuals and market trends.

40. SUBSEQUENT EVENTS

40.1 Russia-Ukraine conflict

On 24 February 2022, Russia invaded neighbouring country Ukraine and this has brought about severe sanctions and other international governmental measures imposed on Russia. Supply into Russia from all Bell group operations has ceased. All export control regulations and economic sanctions that apply will continue to be complied with and legal advice will continue to be sought from the group's external legal advisors on this. Bell will continue to monitor the situation in the Ukraine, which is fluid, the responses of international markets and governments and the impact on the group's suppliers and supply chain. The equipment intended for sale by the group in Russia for the remainder of 2022 has been reallocated to other markets. In 2021, sales in Russia comprised approximately 3% of total group sales.

40.2 Change in South African corporate tax rate

On 23 February 2022 the Finance Minister announced a reduction in the South African corporate tax rate on companies from 28% to 27% effective for years of assessment commencing on or after 1 April 2022. Management has calculated an impact on the group's deferred taxation balances at 31 December 2021 of approximately R5.0 million and concluded that it is not significant.

No other fact or circumstance material to the appreciation of these financial statements has occurred between 31 December 2021 and the date of this report.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

41. COMPOSITION OF THE GROUP

Accounting policy

Basis of consolidation

The financial statements incorporate the financial position and results of the company and of its subsidiaries. The results of subsidiaries are included from the dates the company obtains control and ceases when the company loses control of the subsidiary. The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to the elements of control.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Except for K2017044733 (South Africa) (RF) Proprietary Limited (the BESSA BEE SPV) and K2019577563 (South Africa) (RF) Proprietary Limited (BEE Manco), the group's control is exercised directly by holding the majority of the voting rights of the ordinary shares in all its subsidiaries.

Control over K2017044733 (South Africa) (RF) Proprietary Limited (the BESSA BEE SPV)

The group established this entity with the sole purpose to acquire and maintain BBBEE credentials for Bell Equipment Sales South Africa Limited (BESSA) (see note 19.1). The activities of this entity are predetermined and it is designed in such a way that any amendment to the mandate in terms of the Memorandum of Incorporation requires the company's approval. Even though all the ordinary shares in the entity are held by external shareholders, the BESSA BEE SPV cannot effect any transaction that affects the BESSA BEE SPV's shareholding in BESSA and its BBBEE credentials without the written consent from the company. As such, management concludes that the group has power over the BESSA BEE SPV and has the ability to direct and affect the variable returns from its involvement with the BESSA BEE SPV. The group controls the BESSA BEE SPV and the results have therefore been consolidated. The entity is also a shareholder in the 2019 BEE transaction described in note 19.2 of the financial statements.

Control over K2019577563 (South Africa) (RF) Proprietary Limited (BEE Manco)

The group established this entity with the sole purpose to acquire and maintain BBBEE credentials for BECSA and BESSA (see note 19.2). BEE Manco is subject to a 10 year lock-in period during which they will be unable to sell shares held in the group. The directors of BEE Manco have limited power to make decisions without the prior approval of the company. The company has power to direct the relevant activities of BEE Manco during the lock-in period. The company has the right to variable returns from its involvement with BEE Manco and has the ability to affect those returns through its power over BEE Manco. The company therefore controls BEE Manco. The results of the BEE Manco have therefore been consolidated by the company as part of its group financial statements.

Control over the broad based trust, Bell Equipment Foundation (BEF)

The trust was founded by the group in 2017 and the sole purpose of the trust is to hold shares in BESSA (see note 19.1.2) and to distribute dividends earned to participating beneficiaries. In terms of the trust deed, the group may at any time appoint or remove trustees. The group also directs the activities by determining the approved list of beneficiaries to whom distributions should be made by the trust in order to achieve the trust objectives. The decision making powers around the design and the purpose of the trust remains with the group. These activities allow the group to obtain variable returns from the BBBEE credentials in the trust. The group therefore controls the trust and the results have therefore been consolidated. The entity is also a shareholder in the 2019 BEE transaction described in note 19.2 of the financial statements.

Intra-group adjustments

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

41. COMPOSITION OF THE GROUP *continued*

41.1 Information about the composition of the group

The group structure is presented on pages 2 and 3 of this report.

Information about the composition of the group at year-end is as follows:

Subsidiaries	Business type	Principal activity	Profit (loss) for the year 2021 R000	Profit (loss) for the year 2020 R000
Southern Africa				
BECSA Holdings Limited	H	H	4 657	1 509
Bell Equipment Company SA Proprietary Limited	O	M	40 238	47 010
Bell Equipment Group Services Proprietary Limited	O	G	(80 672)	(217 779)
Bell Equipment Sales South Africa Limited	O	S	33 315	31 703
Bell Equipment SA Holdings Limited	H	H	(1 330)	(649)
I A Bell Equipment Company (Namibia) (Proprietary) Limited	D	D	(167)	1 473
Bell Equipment Company (Swaziland) (Proprietary) Limited	O	S	2 948	(718)
K2017044733 (South Africa) (RF) Proprietary Limited	O	B	1 216	1 100
Bell Equipment Foundation	O	T	(204)	125
Bell Equipment Properties SA Proprietary Limited	O	P	16 090	16 282
K2019577563 (South Africa) (RF) Proprietary Limited	O	B	728	132
Other Africa				
Bell Equipment Zambia Limited	O	S	5 423	(24 223)
Bell PTA (Private) Limited	O	S	104 089	1 827
Bell Equipment DRC SARLU	D	D	2 225	1 267
Europe				
Bell Equipment International SA	H	H	30 606	3 140
Bell International Finance Limited	I	I	1 875	3 246
Bell Euro Finance Limited	I	I	9 890	9 797
Bell France SAS	O	S	6 462	2 718
Bell Equipment UK Limited	O	S	50 288	(7 001)
Bell Equipment (Deutschland) GmbH	O	A	39 297	(13 376)
Bell Equipment Russland LLC	O	S	25 968	6 536
United States of America				
Bell Equipment North America Inc	O	S	28 447	15 131
Australasia				
Bell Equipment Australia Pty Ltd	O	S	2 303	1 329

A	-	Assembly plant, sales and logistics operation
B	-	BBBEE company
D	-	Dormant companies
G	-	Group services company
H	-	Holding companies
I	-	Intra-group loan investment companies
M	-	Manufacturing plant, sales and logistics operation
O	-	Operating companies
P	-	Property investment company
S	-	Sales operation
T	-	BBBEE Trust

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

41. COMPOSITION OF THE GROUP *continued*

41.2 Entities with a BBBEE ownership

In 2017 and 2019, the group entered into BBBEE ownership transactions relating to Bell Equipment Sales South Africa Limited (BESSA). Details of the transactions are disclosed in notes 19.1 and 19.2. BESSA's principal place of business is South Africa.

Summarised financial information about BESSA is presented below and represents amounts before intra-group eliminations:	2021 R000	2020 R000
Non-current assets	457 391	559 292
Current assets	941 858	1 160 745
Non-current liabilities	745 725	766 790
Current liabilities	551 182	879 619
Revenue	3 026 829	2 947 823
Profit for the year	33 315	31 939
Total comprehensive income for the year	33 315	31 939

In 2019, the group entered into a BBBEE ownership transaction with effect from 1 January 2020 relating to Bell Equipment Company SA Proprietary Limited (BECSA). Details of the transaction are disclosed in note 19.2. BECSA's principal place of business is South Africa.

Summarised financial information about BECSA is presented below and represents amounts before intra-group eliminations:

Non-current assets	281 213	299 743
Current assets	2 191 811	2 182 415
Non-current liabilities	1 257 726	1 117 954
Current liabilities	1 119 402	1 264 957
Revenue	4 136 914	3 237 098
Profit for the year	40 238	47 010
Total comprehensive income for the year	40 238	47 010

41.3 Significant restrictions

Certain restrictions imposed by the banks and the IDC are reflected in note 38.2.

In terms of a general banking facility held by BESSA, the repayment of capital and interest on intra-group loans as well as dividend payments require approval from the relevant financial institution before such payments are made. At year-end the carrying amount of the intra-group loan in BESSA was R271,6 million (2020: R271,6 million).

Except for the limitations of exchange control regulations and availability of currency in the local markets in which certain group companies operate, there are no other significant restrictions on cash transfers and capital distributions to and from group companies.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

42. FINANCING VENTURE WITH WESBANK

42.1 Accounting policy

The group has a financing venture with WesBank, a division of FirstRand Bank Limited, in order to assist customers with the financing of equipment purchased from the group. The group's credit backing enables the customer to obtain financing from WesBank and provides no interest benefit to the customer. In terms of the agreement with WesBank, the group earns commission on transactions financed through the financing venture which is accounted for as other operating income.

Capital funding for the venture is provided by WesBank and the group's investment is limited to the 25% cash collateral paid on Bell-backed deals (described in (b) below). WesBank is responsible for ensuring that sufficient capital is made available. WesBank determines the credit pricing of all approved deals for all categories of financing provided. The financial assets within the financing venture are managed by WesBank and the financing venture is dependent on WesBank for critical services such as finance and credit expertise. The group is responsible for promoting financing of equipment through this financing venture and for assisting with the market strategy.

The following categories of financing are provided for in the arrangement:

(a) Transactions where no credit risk is carried by the group

All credit applications are subject to approval by WesBank in its sole discretion. The group carries no credit risk on these transactions.

(b) Specific transactions where the group carries all the credit risk (Bell-backed deals)

These transactions are credit applications that have initially been declined by WesBank but based on the group's backing are financed through the financing venture. Where the group carries all the credit risk, the group is liable for the full balance due to WesBank by default customers. The net credit risk is reflected in note 42.3 below. The group is required to invest an amount with WesBank equal to 25% of the value of the financing provided by WesBank to customers as collateral in respect of these transactions. This investment, which earns interest at the cost of capital of the financing venture, is reflected as contract assets in note 11. The cash investment is adjusted for anticipated credit losses and these are recognised in the statement of profit or loss as an adjustment to revenue (note 42.3).

(c) Specific transactions where the group carries some of the credit risk (Bell-shared risk deals)

In these transactions WesBank requires support either due to the credit risk profile of the customer or the specific structuring of the financing deal. In respect of these shared risk deals, the group is at risk for a portion of the balance due to WesBank by default customers. Applications from customers are categorised into WesBank's risk grading system, by WesBank in its sole discretion, with the risk category determining the level of risk shared by the group. The group's exposure is calculated as a percentage of the net selling price of the equipment. No collateral investment is required by the group to support these transactions. A refund liability is recognised with a corresponding adjustment to revenue to account for anticipated credit losses. The risk of customer default on Bell-shared risk deals is reflected in note 42.4 below.

The group's credit risk exposure with regards to Bell-backed deals and Bell-shared risk transactions is approved and assessed by the group's credit committee.

Revenue recognition of transactions with credit risk undertakings

Where the group has provided a credit backing to customers under Bell-backed or Bell-shared risk deals, revenue is recognised if control over the goods has passed to the customer and the group has satisfied its performance obligation in terms of its contract with the customer.

On initial recognition of revenue, an assessment of the transaction price is performed and revenue is recognised to the extent that it is highly probable that a reversal of revenue will not occur in future periods due to customer default. The security that the group and WesBank have in the financed equipment is taken into consideration in this assessment. A refund liability to WesBank is recognised for the portion of the transaction price not recognised in revenue. Based on the group's history of these transactions, the rate of customer default is low and in the group's judgement the likelihood of reversal of revenue is considered to be insignificant. The group's net credit risk exposure is disclosed in notes 42.3 and 42.4 below.

Subsequent to initial recognition, where customers are in arrears with WesBank and there is a shortfall between the estimated realisation values of the equipment and the balances due by the customers to WesBank, an assessment of any additional security is done on an individual contract basis and the cash investment is adjusted and a refund liability is recognised to the extent of the group's liability towards WesBank and with a debit to revenue. A corresponding right of recovery asset is recognised for the value of the equipment held as security where the group anticipates repossession of the machine.

In assessing the group's credit risk exposure and the likelihood of reversal of revenue relating to these transactions, the group also uses an expected default rate based on historical trends and forward-looking information to measure expected credit losses on a portfolio basis. The group uses the same inputs and factors and considers the same forward-looking and macroeconomic information as described in the group's accounting policy for impairment of trade receivables (refer to note 14) when measuring the expected credit losses.

Control over WesBank financing venture

Management applied judgement and has used the guidance in IFRS 11 and IFRS 10 in assessing whether the group has a controlling interest in the WesBank financing venture. Consideration is given to the terms of the agreement and the group's decision making rights with regards to the relevant activities of the financing venture. The group only earns commission from transactions financed through the financing venture. Management concludes that the group does not control the relevant activities. The relevant activities are controlled by WesBank.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

42. FINANCING VENTURE WITH WESBANK *continued*

	2021 R000	2020 R000
42.2 Commission		
The group's commission for the year included in other operating income amounted to	922	546
42.3 Bell-backed deals		
At year-end the group's credit risk exposure to WesBank under Bell-backed deals, for which the group carries all the credit risk, totalled	112 739	165 612
In the event of default, the equipment financed would be recovered and it is estimated that on re-sale the equipment would presently realise the following towards the above liabilities	161 521	262 802
	(48 782)	(97 190)
Less: allowance for expected credit losses against cash collateral	(5 824)	(4 319)
Less: refund liability recognised	(17 471)	-
Net credit risk relating to WesBank Bell-backed transactions	-	-
All customer balances in the portfolio were assessed on the basis described in note 42.1 and as a result, the following amounts were recognised with respect to default customers included in the balances above:		
Reversal of revenue	23 295	-
Reversal of cost of sales	17 672	-
Refund liability recognised (note 23.3)	17 471	-
Impairment of cash collateral asset (note 11)	5 824	-
Right-of-recovery asset recognised (note 13)	17 672	-
Based on the insignificant historical loss rate on Bell-backed transactions, market conditions, market prices which are expected to be realised for the equipment held as security, management concluded that the risk of expected credit losses on a portfolio basis was reduced to an insignificant amount.		
The carrying amount of the 25% cash collateral in respect of these Bell-backed deals at year-end was (refer to note 11)	25 187	39 367
42.4 Bell-shared risk deals		
At year-end the group's credit risk exposure to WesBank under Bell-shared risk deals, for which the group carries a portion of the credit risk, totalled	138	410
In the event of default, the equipment financed would be recovered and it is estimated that on re-sale the equipment would presently realise the following towards the above liabilities	449	140
	(311)	270
Less: refund liability recognised	-	-
Net credit risk relating to WesBank Bell-shared risk transactions	-	270

The group's maximum exposure to loss is reflected in notes 42.3 and 42.4 above.

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

43. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

Paid to executive directors of the company by the company's subsidiary:

Executive directors	Salary R000	Pension/ Provident fund R000	Incentive payment R000	Other benefits and allowances R000	2021 Total R000	2020 Total R000
L Goosen	4 286	570	133	111	5 100	4 556
KJ van Haght	2 911	383	88	41	3 423	2 999
A Goordeen (appointed 18 June 2021)	1 505	203	77	59	1 844	-
Total	8 702	1 156	298	211	10 367	7 555

Paid to prescribed officers of the company's subsidiaries by the company's subsidiaries:

Prescribed officers	Salary R000	Pension/ Provident fund R000	Incentive payment R000	Other benefits and allowances R000	2021 Total R000	2020 Total R000
A Goordeen (appointed as an alternate executive director on 18 June 2021)	971	131	-	146	1 248	2 623
N Paynter (expatriate salary, resigned 31 March 2021)	1 136	88	-	235	1 459	6 597
DB Chinnappen	2 505	334	77	248	3 164	2 702
SR Jones	2 538	334	77	40	2 989	2 596
DN Mashika (resigned 31 October 2021)	1 990	285	-	758	3 033	3 218
A Mayer (expatriate salary)	4 050	309	100	576	5 035	5 802
DE Morris	2 786	368	83	253	3 490	2 934
HW van der Walt (resigned 30 November 2020)	-	-	-	-	-	2 570
JJ van Wyngaardt	2 163	293	66	301	2 823	2 344
D McIlrath	1 633	212	49	5	1 899	1 647
Total	19 772	2 354	452	2 562	25 140	33 033

Other benefits and allowances comprise vehicle allowances, travel allowances and reimbursive allowances, annual leave encashments and the group's contributions to medical aid and life insurance.

	2021 Fees R000	2020 Fees R000
Paid to non-executive directors of the company by the company:		
Non-executive directors		
JR Barton (resigned 16 February 2022)	1 602	919
AJ Bell	582	497
GW Bell	1 060	907
DH Lawrance	1 323	753
R Naidu	1 151	589
ME Ramathe	1 171	606
HR van der Merwe	1 013	534
Total	7 902	4 805

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

43. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION *continued*

The following reconciles the number of unexercised share options held by directors and prescribed officers at the end of the year:

Executive directors and prescribed officers	Exercise price	Balance at 31 December 2019		Balance at 31 December 2020		Forfeited Number of options	Expired Number of options	Balance at 31 December 2021 Number of options
		Number of options	Number of options	Number of options	Number of options			
L Goosen	10,48	100 000	(100 000)	-	-	-	-	-
	13,06	50 000	-	50 000	-	(50 000)	-	-
	21,35	30 000	-	30 000	-	-	-	30 000
Total		180 000	(100 000)	80 000	-	(50 000)	-	30 000
KJ van Haght	10,48	100 000	(100 000)	-	-	-	-	-
	13,06	50 000	-	50 000	-	(50 000)	-	-
	21,35	30 000	-	30 000	-	-	-	30 000
Total		180 000	(100 000)	80 000	-	(50 000)	-	30 000
A Goordeen	10,48	100 000	(100 000)	-	-	-	-	-
	13,06	50 000	-	50 000	-	(50 000)	-	-
	21,35	30 000	-	30 000	-	-	-	30 000
Total		180 000	(100 000)	80 000	-	(50 000)	-	30 000
N Paynter (resigned 31 March 2021)	10,48	60 000	(60 000)	-	-	-	-	-
	13,06	30 000	-	30 000	(30 000)	-	-	-
	21,35	15 000	-	15 000	(15 000)	-	-	-
Total		105 000	(60 000)	45 000	(45 000)	-	-	-
DB Chinnappen	10,48	100 000	(100 000)	-	-	-	-	-
	13,06	50 000	-	50 000	-	(50 000)	-	-
	21,35	30 000	-	30 000	-	-	-	30 000
Total		180 000	(100 000)	80 000	-	(50 000)	-	30 000
A Mayer	10,48	55 000	(55 000)	-	-	-	-	-
	13,06	30 000	-	30 000	-	(30 000)	-	-
	21,35	15 000	-	15 000	-	-	-	15 000
Total		100 000	(55 000)	45 000	-	(30 000)	-	15 000
SR Jones	10,48	60 000	(60 000)	-	-	-	-	-
	13,06	30 000	-	30 000	-	(30 000)	-	-
	21,35	15 000	-	15 000	-	-	-	15 000
Total		105 000	(60 000)	45 000	-	(30 000)	-	15 000
JJ van Wyngaardt	13,06	7 500	-	7 500	-	(7 500)	-	-
	21,35	3 000	-	3 000	-	-	-	3 000
Total		10 500	-	10 500	-	(7 500)	-	3 000
GRAND TOTAL		1 040 500	(575 000)	465 500	(45 000)	(267 500)	-	153 000

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

43. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION *continued*

The following reconciles the number of phantom share awards held by directors and prescribed officers at the end of the year:

Executive directors and prescribed officers	Balance at 31 December 2019		Granted Number of awards	Forfeited Number of awards	Balance at 31 December 2020		Granted Number of awards	Expired Number of awards	Forfeited Number of awards	Balance at 31 December 2021	
	Strike price	Number of awards			Number of awards	Number of awards				Number of awards	Number of awards
L Goosen	13.53	247 000	-	-	247 000	-	(82 331)	-	-	164 669	
	-	138 000	-	-	138 000	-	(46 000)	-	-	92 000	
	12.68	247 000	-	-	247 000	-	-	-	-	247 000	
	-	138 000	-	-	138 000	-	-	-	-	138 000	
	8.88	-	247 000	-	247 000	-	-	-	-	247 000	
	-	-	138 000	-	138 000	-	-	-	-	138 000	
	6.52	-	-	-	-	247 000	-	-	-	247 000	
	-	-	-	-	-	138 000	-	-	-	138 000	
Total		770 000	385 000	-	1 155 000	385 000	(128 331)	-	-	1 411 669	
KJ van Haght	13.53	132 000	-	-	132 000	-	(44 000)	-	-	88 000	
	-	74 000	-	-	74 000	-	(24 666)	-	-	49 334	
	12.68	132 000	-	-	132 000	-	-	-	-	132 000	
	-	74 000	-	-	74 000	-	-	-	-	74 000	
	8.88	-	132 000	-	132 000	-	-	-	-	132 000	
	-	-	74 000	-	74 000	-	-	-	-	74 000	
	6.52	-	-	-	-	132 000	-	-	-	132 000	
	-	-	-	-	-	74 000	-	-	-	74 000	
Total		412 000	206 000	-	618 000	206 000	(68 666)	-	-	755 334	
A Goordeen	13.53	132 000	-	-	132 000	-	(44 000)	-	-	88 000	
	-	74 000	-	-	74 000	-	(24 666)	-	-	49 334	
	12.68	132 000	-	-	132 000	-	-	-	-	132 000	
	-	74 000	-	-	74 000	-	-	-	-	74 000	
	8.88	-	132 000	-	132 000	-	-	-	-	132 000	
	-	-	74 000	-	74 000	-	-	-	-	74 000	
	6.52	-	-	-	-	132 000	-	-	-	132 000	
	-	-	-	-	-	74 000	-	-	-	74 000	
Total		412 000	206 000	-	618 000	206 000	(68 666)	-	-	755 334	
N Paynter (resigned 31 March 2021)	13.53	62 000	-	-	62 000	-	-	(62 000)	-	-	
	-	35 000	-	-	35 000	-	-	(35 000)	-	-	
	12.68	62 000	-	-	62 000	-	-	(62 000)	-	-	
	-	35 000	-	-	35 000	-	-	(35 000)	-	-	
	8.88	-	62 000	-	62 000	-	-	(62 000)	-	-	
	-	-	35 000	-	35 000	-	-	(35 000)	-	-	
	6.52	-	-	-	-	62 000	-	(62 000)	-	-	
	-	-	-	-	-	35 000	-	(35 000)	-	-	
Total		194 000	97 000	-	291 000	97 000	-	(388 000)	-	-	
DE Morris	13.53	62 000	-	-	62 000	-	(20 667)	-	-	41 333	
	-	35 000	-	-	35 000	-	(11 667)	-	-	23 333	
	12.68	62 000	-	-	62 000	-	-	-	-	62 000	
	-	35 000	-	-	35 000	-	-	-	-	35 000	
	8.88	-	62 000	-	62 000	-	-	-	-	62 000	
	-	-	35 000	-	35 000	-	-	-	-	35 000	
	6.52	-	-	-	-	62 000	-	-	-	62 000	
	-	-	-	-	-	35 000	-	-	-	35 000	
Total		194 000	97 000	-	291 000	97 000	(32 334)	-	-	355 666	
DB Chinnappen	13.53	62 000	-	-	62 000	-	(20 667)	-	-	41 333	
	-	35 000	-	-	35 000	-	(11 667)	-	-	23 333	
	12.68	62 000	-	-	62 000	-	-	-	-	62 000	
	-	35 000	-	-	35 000	-	-	-	-	35 000	
	8.88	-	62 000	-	62 000	-	-	-	-	62 000	
	-	-	35 000	-	35 000	-	-	-	-	35 000	
	6.52	-	-	-	-	62 000	-	-	-	62 000	
	-	-	-	-	-	35 000	-	-	-	35 000	
Total		194 000	97 000	-	291 000	97 000	(32 334)	-	-	355 666	

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

43. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION *continued*

Executive directors and prescribed officers	Strike price	Balance at 31 December 2019		Balance at 31 December 2020		Balance at 31 December 2021			
		Number of awards	Granted Number of awards	Number of awards	Number of awards	Granted Number of awards	Expired Number of awards	Forfeited Number of awards	Number of awards
SR Jones	13.53	62 000	-	-	62 000	-	(20 667)	-	41 333
	-	35 000	-	-	35 000	-	(11 667)	-	23 333
	12.68	62 000	-	-	62 000	-	-	-	62 000
	-	35 000	-	-	35 000	-	-	-	35 000
	8.88	-	62 000	-	62 000	-	-	-	62 000
	-	-	35 000	-	35 000	-	-	-	35 000
	6.52	-	-	-	-	62 000	-	-	62 000
	-	-	-	-	-	35 000	-	-	35 000
Total		194 000	97 000	-	291 000	97 000	(32 334)	-	355 666
D McIlrath	13.53	62 000	-	-	62 000	-	(20 667)	-	41 333
	-	35 000	-	-	35 000	-	(11 667)	-	23 333
	12.68	62 000	-	-	62 000	-	-	-	62 000
	-	35 000	-	-	35 000	-	-	-	35 000
	8.88	-	62 000	-	62 000	-	-	-	62 000
	-	-	35 000	-	35 000	-	-	-	35 000
	6.52	-	-	-	-	62 000	-	-	62 000
	-	-	-	-	-	35 000	-	-	35 000
Total		194 000	97 000	-	291 000	97 000	(32 334)	-	355 666
A Mayer	13.53	62 000	-	-	62 000	-	(20 667)	-	41 333
	-	35 000	-	-	35 000	-	(11 667)	-	23 333
	12.68	62 000	-	-	62 000	-	-	-	62 000
	-	35 000	-	-	35 000	-	-	-	35 000
	8.88	-	62 000	-	62 000	-	-	-	62 000
	-	-	35 000	-	35 000	-	-	-	35 000
	6.52	-	-	-	-	62 000	-	-	62 000
	-	-	-	-	-	35 000	-	-	35 000
Total		194 000	97 000	-	291 000	97 000	(32 334)	-	355 666
HW van der Walt (resigned 30 November 2020)	13.53	62 000	-	(62 000)	-	-	-	-	-
	-	35 000	-	(35 000)	-	-	-	-	-
	12.68	62 000	-	(62 000)	-	-	-	-	-
	-	35 000	-	(35 000)	-	-	-	-	-
	8.88	-	62 000	(62 000)	-	-	-	-	-
	-	-	35 000	(35 000)	-	-	-	-	-
Total		194 000	97 000	(291 000)	-	-	-	-	-
JJ van Wyngaardt	13.53	62 000	-	-	62 000	-	(20 667)	-	41 333
	-	35 000	-	-	35 000	-	(11 667)	-	23 333
	12.68	62 000	-	-	62 000	-	-	-	62 000
	-	35 000	-	-	35 000	-	-	-	35 000
	8.88	-	62 000	-	62 000	-	-	-	62 000
	-	-	35 000	-	35 000	-	-	-	35 000
	6.52	-	-	-	-	62 000	-	-	62 000
	-	-	-	-	-	35 000	-	-	35 000
Total		194 000	97 000	-	291 000	97 000	(32 334)	-	355 666
D Mashika (resigned 31 October 2021)	8.88	-	62 000	-	62 000	-	-	(62 000)	-
	-	-	35 000	-	35 000	-	-	(35 000)	-
	6.52	-	-	-	-	62 000	-	(62 000)	-
	-	-	-	-	-	35 000	-	(35 000)	-
Total		-	97 000	-	97 000	97 000	-	(194 000)	-
GRAND TOTAL		3 146 000	1 670 000	(291 000)	4 525 000	1 573 000	(459 667)	(582 000)	5 056 333

Notes to the consolidated annual financial statements *continued*

for the year ended 31 December 2021

44. GOVERNMENT GRANTS

Accounting policy

Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the acquisition of property, plant and equipment are included in the carrying amount of the asset and released to profit or loss over the expected useful lives of the assets concerned as a reduced depreciation expense.

	2021	2020
	R000	R000
Profit from operating activities includes the following government grants:		
- The Automotive Production Development Programme (APDP) *	90 884	62 630
* This income relates to production rebate certificates the group received under the programme and which are sold to another party. Refer to notes 14 and 28.		
Included in property, plant and equipment are the following government grants:		
- The Automotive Investment Scheme (AIS)	4 125	7 216
- Improvement of Regional Economic Structures Programme (GRW) **	22 984	23 074

** The programme is a cash incentive grant from the German authorities to advance current capital projects. The investment grant is earmarked for a period of 5 years and was awarded for the building construction at the group's assembly facility in Germany.

Information not covered by the independent auditor's report

Shareholder analysis

Register date: 31 December 2021
 Issued share capital: 95 629 385

	Number of shareholdings	%	Number of shares	%
SHAREHOLDER SPREAD				
1 - 1,000 shares	3 844	84,26	335 869	0,35
1,001 - 10,000 shares	532	11,66	2 038 081	2,13
10,001 - 100,000 shares	147	3,22	4 275 323	4,47
100,001 - 1,000,000 shares	30	0,66	9 732 330	10,18
1,000,001 shares and over	9	0,20	79 247 782	82,87
Totals	4 562	100,00	95 629 385	100,00
DISTRIBUTION OF SHAREHOLDERS				
Banks/Brokers	25	0,55	5 207 122	5,45
Close Corporations	17	0,37	3 175 334	3,32
Endowment Funds	4	0,09	22 638	0,02
Individuals	4 326	94,83	5 222 539	5,46
Insurance Companies	6	0,13	1 819 867	1,90
Investment Companies	2	0,04	105 737	0,11
Medical Schemes	1	0,02	70 000	0,07
Mutual Funds	27	0,59	10 681 027	11,17
Other Corporations	8	0,18	28 680	0,03
Bell Equipment Share Scheme	1	0,02	32 233	0,03
Private Companies	48	1,05	67 415 937	70,50
Public Companies	1	0,03	1	0,01
Retirement Funds	26	0,57	1 347 072	1,41
Trusts	70	1,53	501 198	0,52
Totals	4 562	100,00	95 629 385	100,00
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non - Public Shareholders				
Directors & Associates of the Company	12	0,26	373 898	0,39
Bell Equipment Share Scheme	1	0,02	32 233	0,03
Strategic Holders of more than 10%	1	0,06	67 040 093	70,10
Public Shareholders	4 548	99,66	28 183 161	29,48
Totals	4 562	100,00	95 629 385	100,00
RESIDENT/NON-RESIDENT				
Resident	4 507	98,79	91 356 800	95,53
Non-resident	55	1,21	4 272 585	4,47
Totals	4 562	100,00	95 629 385	100,00
TOP 10 BENEFICIAL SHAREHOLDERS				
I A Bell And Company (Pty) Ltd			67 040 093	70,10
Ninety One			3 741 324	3,91
Allan Gray			3 070 608	3,21
Clark, IAJ			3 046 220	3,19
Sanlam			2 925 828	3,06
Pershing			1 950 503	2,04
AG Capital			1 379 496	1,44
Clearstream Banking SA Luxembourg			907 220	0,95
Perspective Investment Management			763 222	0,80
Alexander Forbes Investments			711 785	0,74
Totals			85 536 299	89,44
TOP 10 INSTITUTIONAL SHAREHOLDERS				
Allan Gray Asset Management			5 022 790	5,25
Ninety One			4 076 319	4,26
Sanlam Investment Management			2 925 828	3,06
Pershing Llc			1 950 503	2,04
AG Capital			1 379 496	1,44
Clearstream Banking SA Luxembourg			907 220	0,95
Perspective Investment Management			763 222	0,80
Citibank (Custodian)			423 050	0,44
Blue Quadrant Capital Management			280 000	0,29
SBG Securities			266 534	0,28
Totals			17 994 962	18,81

Information not covered by the independent auditor's report Shareholder analysis *continued*

		Indirect	Number of shares	%	
Directors & Associates of the Company					
Bell, GW	Chairman	109 660	253 600	0,27	
Bell, GW			253 600	0,27	
Bell, QI		29 500			
Bell, MO		29 259			
Bell, RL		23 400			
Bell, JM		2 200			
Bell, L		25 000			
Bell, MJ		301			
Goosen, L	CEO		4 040	0,00	
Goosen, L			4 040	0,00	
Bell, AJ	Non-executive director		2 598	0,00	
Bell, AJ			2 598	0,00	
Mayer, A	Subsidiary director		2 000	0,00	
Mayer, A			2 000	0,00	
Harie, B	Shareholder in subsidiary		1 000	0,00	
Harie, B			1 000	0,00	
Mabaso-Koyana, SN	Shareholder in subsidiary		1 000	0,00	
Mabaso-Koyana, SN			1 000	0,00	
Totals		109 660	264 238	0,27	
BELL EQUIPMENT SHARE SCHEME					
Bell Equipment			32 233	0,03	
Totals			32 233	0,03	
STRATEGIC HOLDERS OF MORE THAN 10%					
I A Bell And Company (Pty) Ltd			67 040 093	70,10	
Totals			67 040 093	70,10	
		Number of shareholdings	%	Number of shares	%
RESIDENT/NON-RESIDENT SPLIT					
South Africa		4 507	98,80	91 356 800	95,54
United States		7	0,16	2 393 853	2,51
Luxembourg		1	0,02	907 220	0,95
Namibia		15	0,33	176 197	0,18
Germany		3	0,07	164 100	0,17
France		2	0,04	162 000	0,17
Swaziland		5	0,11	114 681	0,12
Switzerland		2	0,04	199 851	0,21
United Kingdom		6	0,13	125 910	0,13
New Zealand		5	0,11	13 600	0,01
Canada		1	0,02	6 077	0,01
Australia		1	0,02	4 200	0,00
Mauritius		1	0,02	3 000	0,00
Zambia		1	0,02	1 500	0,00
Botswana		1	0,02	270	0,00
UAE		4	0,09	126	0,00
Totals		4 562	100,00	95 629 385	100,00

Shareholder diary

Financial year-end	31 December
Integrated annual report	April 2022
Annual general meeting	31 May 2022
Interim results announcement	September 2022

Information not covered by the independent auditor's report

Glossary

ADT	Articulated Dump Truck
AGM	Annual General Meeting
AIS	Automotive Investment Scheme
ALC	American Logistics Centre
APDP	Automotive Production and Development Programme
Bell Equipment or Bell or the group	Bell Equipment Limited and its subsidiaries
BEE or BBBEE	Black Economic Empowerment or Broad Based Black Economic Empowerment
BEE Manco	K2019577563 (South Africa) (RF) Proprietary Limited
BECSA	Bell Equipment Company SA Proprietary Limited
BECSA Holdings	BECSA Holdings Limited
BEF	Bell Equipment Foundation
BEGS	Bell Equipment Group Services Proprietary Limited
BENA	Bell Equipment North America Inc.
BESSA	Bell Equipment Sales South Africa Limited
BESSA BEE SPV	K2017044733 (South Africa) (RF) Proprietary Limited
BHL	Bell Equipment SA Holdings Limited
CEO	Chief Executive
CFO	Chief Financial Officer
CGU	Cash Generating Unit
Companies Act	Companies Act of South Africa No 71 of 2008 (as amended)
COVID-19	Corona virus disease
DRC	Democratic Republic of the Congo
ELC	European Logistics Centre
FD	Financial Director
GEC	Group Executive Committee
GLC	Global Logistics Centre
HEPS	Headline earnings per share
IDC	Industrial Development Corporation of South Africa Limited
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee
John Deere	John Deere Construction and Forestry Company, a Delaware corporation
JSE	Johannesburg Stock Exchange Limited
King III	King Code of Governance Principles and the King Report on Governance
King IV	King IV Report on Corporate Governance in South Africa 2016
Matriarch	Bell brand name for forestry products
MOI	Memorandum of Incorporation
NPAT	Net Profit after Tax
OEM	Original Equipment Manufacturer
PPP	Paycheck Protection Program
ROIC	Return on Invested Capital
SAICA	South African Institute of Chartered Accountants
SENS	Stock Exchange News Service
Sibi	Sibi Capital Proprietary Limited

Information not covered by the independent auditor's report

Corporate information

BELL EQUIPMENT LIMITED

Registration Number: 1968/013656/06

JSE SHARE CODE

BEL

ISIN CODE

ZAE000028304

GROUP COMPANY SECRETARY

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Webber Wentzel

JSE SPONSOR

Investec Bank Limited

WEB ADDRESS

www.bellequipment.com

INVESTOR RELATIONS WEB ADDRESS

www.bellir.co.za