BELL

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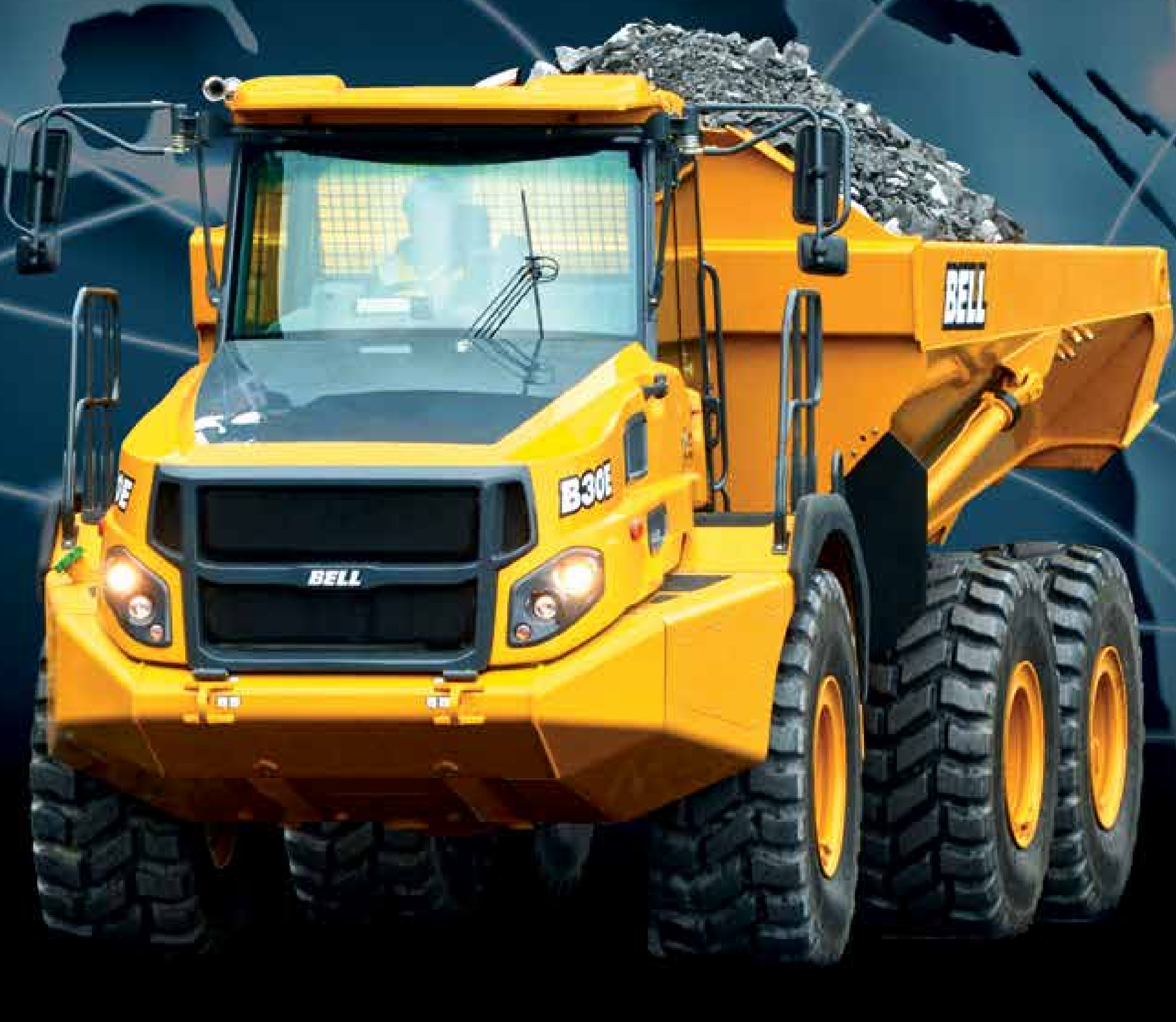
BELL EQUIPMENT LIMITED • AUDITED ANNUAL FINANCIAL STATEMENTS • FOR THE YEAR ENDED 31 DECEMBER

2015



Delivering on Customer Needs Globally

CONTENTS

BELL EQUIPMENT LIMITED

- 100% Bell Equipment Company SA (Pty) Limited
- 100% Bell Equipment International SA
  - 100%
    - Bell PTA (Pvt) Limited
    - Bell Equipment Australia (Pty) Limited
    - Bell Equipment Mozambique Limitada
    - Bell Equipment (DRC) SPRL
    - Bell Equipment (Deutschland) Gmbh
    - Bell Equipment (Malawi) Limited
    - Bell Equipment (Zambia) Limited
    - Bell France SAS
    - Bell Equipment North America Inc
    - LLC Bell Equipment Russland
    - Bell Equipment UK Limited
- 100% Bell Equipment Company Swaziland (Pty) Limited
- 100% IA Bell Equipment Company Namibia (Pty) Limited
- 90% Bell Equipment Sales South Africa Limited
  - 7% Bell Equipment Company SA (Pty) Limited
  - 3% Bell Equipment Employees

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The directors of Bell Equipment Limited are responsible for the integrity of the annual financial statements of the group and the company.

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 and the requirements of the Companies Act of South Africa, and examined by independent auditors in conformity with International Standards on Auditing.

The annual financial statements of the group and the company which appear on pages 4 to 68 were approved by the directors on 11 March 2016 and are signed on their behalf by:

JR Barton
Group Chairman

GW Bell
Group Chief Executive

CERTIFICATION BY GROUP COMPANY SECRETARY

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.

D McIlrath
Group Company Secretary

11 March 2016

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BELL EQUIPMENT LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the consolidated and separate financial statements of Bell Equipment Limited set out on pages 7 to 68, which comprise the statements of financial position as at 31 December 2015, and the statements of profit or loss and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate 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 and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Bell Equipment Limited as at 31 December 2015, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2015, we have read the Directors' Report, the Audit Committee's Report and the Certification by Group Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Bell Equipment Limited for 22 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditors

Per: BJ Botes CA (SA), RA
Partner

11 March 2016

National Executive: *LL Bam *Chief Executive* *AE Swiegers *Chief Operating Officer* *GM Pinnock *Audit* *N Sing *Risk Advisory* *NB Kader *Tax* TP Pillay *Consulting* S Gwala *BPaaS* *K Black *Clients & Industries* *JK Mazzocco *Talent & Transformation* *MJ Jarvis *Finance* *M Jordan *Strategy* *MJ Comber *Reputation & Risk* *TJ Brown *Chairman of the Board*

Regional Leader: *R Redfearn
* *Partner and Registered Auditor*

A full list of partners and directors is available on request

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

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

www.deloitte.com

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Registered Auditors
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Mzingazi Golf Estate
Meerensee
Richards Bay, 3901

PO Box 101679
Meerensee, 3901
South Africa

DIRECTORS' REPORT

The directors submit the annual financial statements for the group and the company for the year ended 31 December 2015.

GENERAL REVIEW

The group manufactures and distributes a wide range of materials handling equipment, both locally and internationally, through an extensive wholly-owned 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, Tractor Loader Backhoes, 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 and the company are fully disclosed in the accompanying financial statements and notes thereon and in the group finance director's report, chief executive's report and chairman's report in the integrated annual report.

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 2015 comprised 95 146 885 (December 2014: 95 146 885) ordinary shares of no par value.

DIVIDENDS

In the current difficult economic circumstances, the directors have resolved not to declare a dividend for the 2015 financial year (2014: nil).

PROPERTY, PLANT AND EQUIPMENT

The group's accounting policy in respect of property, plant and equipment is recorded in note 2.3 to the annual financial statements.

SHARE OPTION SCHEMES

The company operated one employee share option scheme during the year. Details of this scheme are set out in note 31 to the annual financial statements.

DIRECTORS

Subsequent to the financial year-end the following change in the composition of the board of directors took place:

DH Lawrance and HR van der Merwe were appointed as non-executive directors effective from 1 January 2016.

Details of the current directors and group executive committee of the Bell Equipment group appear on pages 16 and 17 and pages 26 and 27 of the integrated annual report respectively.

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

	Direct beneficial		Indirect beneficial	
	2015	**2014**	**2015**	**2014**
Number of shares held				
GW Bell	**253 600**	253 600	**8 671 264**	8 671 264
AJ Bell (appointed on 12 March 2015)	**2 598**	2 598	**–**	–
L Goosen	**4 040**	4 040	**–**	–
MA Mun-Gavin (resigned on 4 May 2015)	**–**	–	**–**	10 000

There has been no change in the shareholding of directors as reflected above between the end of the financial year and 11 March 2016.

MAJOR SHAREHOLDERS

The major shareholders in Bell Equipment Limited as at 31 December 2015 were:

		2015	2014
IA Bell & Company Proprietary Limited	(%)	**37,55**	37,55
John Deere Construction and Forestry Company	(%)	**31,53**	31,53

GROUP COMPANY SECRETARY

Highway Corporate Services Proprietary Limited were appointed as the outsourced group company secretary on 1 March 2015. Diana McIlrath, BCom LLB, was appointed in-house group company secretary in their stead on 1 March 2016 and her particulars appear on the inside back cover of this report.

SUBSIDIARIES

Details of the company's interest in its subsidiary companies are contained on pages 64 and 65 of this report. The principal subsidiaries are Bell Equipment Company SA Proprietary Limited and Bell Equipment Sales South Africa Limited, both of which are incorporated in South Africa.

SUBSEQUENT EVENTS

No fact or circumstance material to the appreciation of these annual financial statements has occurred between the financial year-end and the date of this report.

Signed on behalf of the board

JR Barton
Group Chairman

GW Bell
Group Chief Executive

11 March 2016

AUDIT COMMITTEE REPORT

BACKGROUND

The committee is pleased to present its report for the financial year ended 31 December 2015 as required in terms of section 94 of the Companies Act. The committee's operation is guided by a formal detailed charter that is in line with the Companies Act and is approved by the board. The committee has discharged all of its responsibilities as contained in the charter. The audit committee is constituted as a statutory committee and is appointed at the AGM. It has an independent role with accountability to both the board and shareholders. The board elects the chairman of the audit committee. The committee was chaired by independent non-executive director B Harie, and further comprises two independent non-executive directors, whose qualifications are disclosed on pages 16 and 17 of the integrated annual report. JR Barton chaired the committee up until 4 May 2015 when he stepped down due to his appointment as chairman of the board. He still remains a member of the committee. The board assessed the experience and qualification of the committee members upon their appointment and confirmed that they are sufficiently qualified and experienced in matters such as financial and sustainability reporting, internal financial controls, external and internal audit processes, corporate law, risk management, financial sustainability issues, IT governance as it relates to integrated reporting and governance processes within the group. The board has satisfied itself that all members of the committee act independently in compliance with the Companies Act. The committee members are recommended for appointment at the AGM for approval by the shareholders.

OBJECTIVE AND SCOPE

The overall objectives of the committee are to oversee all factors and risks that may impact on the integrity of the integrated annual report.

The committee carried out the following functions during the year:

- reviewed interim and annual results to ensure that the financial results are valid, accurate and fairly represent the group's performance;
- oversaw the activities of internal and external audit;
- performed duties that are allocated to it by the Companies Act, the JSE and King III;
- received and reviewed reports from both internal and external auditors concerning the effectiveness of the internal control environment, systems and processes;
- reviewed the reports of both internal and external auditors detailing their concerns arising out of their audits and requested appropriate responses from management;
- made appropriate recommendations to the board of directors regarding the corrective actions to be taken as a consequence of audit findings;
- considered the independence and objectivity of the external auditors, reviewed and approved the external audit plan and ensured that the scope of their additional services provided was not such that they could be seen to have impaired their independence;
- 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;
- determined the audit fees;
- nominated the auditors for appointment; and
- ensured that a combined assurance 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 and monitoring 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 has satisfied itself through enquiry that the auditor of Bell Equipment Limited is independent as defined by the Companies Act. The committee, in consultation with executive management, agreed to an audit fee for the 2015 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Audit fees are disclosed in note 28 to the financial statements.

There is a formal procedure that governs the pre-approval process whereby the external auditor is considered for the provision of non-audit services, and the allocation of such work is reviewed by the committee.

Meetings were held with the auditor where management was not present, and no matters of concern were raised. The committee has reviewed the performance of the external auditors and nominated, for approval at the AGM, Deloitte & Touche as the external auditor for the 2016 financial year.

GROUP FINANCE DIRECTOR'S REVIEW

The committee has reviewed the performance, appropriateness and expertise and experience of the chief finance officer, KJ van Haght, and confirms her suitability for appointment as group finance director in terms of the JSE Listings Requirements.

ANNUAL FINANCIAL STATEMENTS

The audit committee has evaluated the integrated annual report for the year ended 31 December 2015 and considers that it complies, in all material aspects, with the requirements of the Companies Act and International Financial Reporting Standards. The committee has therefore recommended the integrated annual report for approval to the board. The board has subsequently approved the integrated annual report including the financial statements, which will be open for discussion at the forthcoming AGM.

CONCLUSION

The audit committee is of the opinion that the objectives of the committee were met during the year under review. Management undertook to implement appropriate corrective actions to mitigate weaknesses in specific controls where identified.

B Harie
Chairman of the audit committee

11 March 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Notes	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
ASSETS					
Non-current assets		**1 026 915**	1 011 357	**691 325**	689 740
Property, plant and equipment	6	**686 608**	672 106	**–**	–
Intangible assets	7	**213 305**	203 078	**–**	–
Investments	8	**665**	548	**–**	–
Investments in subsidiary companies	9	**–**	–	**691 325**	689 740
Interest-bearing long-term receivables	10	**29 763**	45 357	**–**	–
Deferred taxation	11	**96 574**	90 268	**–**	–
Current assets		**3 826 145**	3 483 147	**1 149**	1 606
Inventory	12	**2 862 652**	2 403 437	**–**	–
Trade and other receivables	13	**740 911**	728 638	**868**	1 576
Current portion of interest-bearing long-term receivables	10	**41 759**	42 519	**–**	–
Prepayments		**36 992**	25 346	**281**	30
Other financial assets	14	**12 783**	2 071	**–**	–
Non-current assets held for sale	15	**–**	11 850	**–**	–
Taxation		**26 827**	10 331	**–**	–
Cash resources		**104 221**	258 955	**–**	–
TOTAL ASSETS		**4 853 060**	4 494 504	**692 474**	691 346
EQUITY AND LIABILITIES					
Capital and reserves		**3 004 291**	2 536 331	**598 946**	599 642
Stated capital	16	**230 567**	230 567	**230 567**	230 567
Non-distributable reserves	17	**765 277**	466 669	**20 999**	19 414
Retained earnings		**2 001 086**	1 831 459	**347 380**	349 661
Attributable to owners of Bell Equipment Limited		**2 996 930**	2 528 695	**598 946**	599 642
Non-controlling interest	18	**7 361**	7 636	**–**	–
Non-current liabilities		**287 246**	214 273	**–**	–
Interest-bearing liabilities	19	**111 885**	87 161	**–**	–
Repurchase obligations and deferred leasing income	20	**3 820**	–	**–**	–
Deferred income	21	**66 543**	65 616	**–**	–
Lease escalation	22	**45 995**	42 935	**–**	–
Provisions	23	**5 381**	1 878	**–**	–
Deferred taxation	11	**53 622**	16 683	**–**	–
Current liabilities		**1 561 523**	1 743 900	**93 528**	91 704
Trade and other payables	24	**1 014 921**	1 376 773	**936**	923
Non-interest-bearing liabilities	25	**–**	–	**92 592**	90 781
Current portion of interest-bearing liabilities	19	**57 719**	40 304	**–**	–
Current portion of repurchase obligations and deferred leasing income	20	**1 042**	34 980	**–**	–
Current portion of deferred income	21	**71 774**	59 079	**–**	–
Current portion of lease escalation	22	**3 747**	1 493	**–**	–
Current portion of provisions	23	**50 036**	64 448	**–**	–
Other financial liabilities	26	**20 593**	4 404	**–**	–
Taxation		**37 898**	28 640	**–**	–
Short-term interest-bearing debt	36.2	**303 793**	133 779	**–**	–
TOTAL EQUITY AND LIABILITIES		**4 853 060**	4 494 504	**692 474**	691 346
Number of shares in issue	('000)	**95 147**	95 147		
Net asset value per share	(cents)	**3 158**	2 666		

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2015

		Notes	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
Revenue		27	**5 901 431**	6 608 545	**–**	–
Cost of sales			**(4 554 157)**	(5 067 408)	**–**	–
Gross profit			**1 347 274**	1 541 137	**–**	–
Other operating income			**184 523**	148 597	**3 247**	2 987
Distribution costs			**(881 246)**	(1 006 051)	**–**	–
Administration expenses			**(95 490)**	(94 917)	**(5 528)**	(5 810)
Other operating expenses			**(263 297)**	(403 675)	**–**	–
Profit (loss) from operating activities		28	**291 764**	185 091	**(2 281)**	(2 823)
Interest expense			**(70 787)**	(67 722)	**–**	–
Interest income			**11 886**	12 904	**–**	–
Profit (loss) before taxation			**232 863**	130 273	**(2 281)**	(2 823)
Taxation		29	**(64 008)**	(63 853)	**–**	–
Profit (loss) for the year			**168 855**	66 420	**(2 281)**	(2 823)
Profit for the year attributable to:						
– Owners of Bell Equipment Limited			**168 280**	63 452		
– Non-controlling interest			**575**	2 968		
Earnings per share						
Basic	(cents)	30.1	**177**	67		
Diluted	(cents)	30.2	**177**	66		

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
Profit (loss) for the year		**168 855**	66 420	**(2 281)**	(2 823)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising during the year		**297 520**	(21 915)	**–**	–
Exchange differences on translating foreign operations	17	**283 288**	(5 715)	**–**	–
Exchange differences on foreign reserves	17	**14 232**	(711)	**–**	–
Reclassification to profit or loss of foreign currency translation reserve on deregistered operations	17	**–**	(15 489)	**–**	–
Other comprehensive income (loss) for the year, net of taxation		**297 520**	(21 915)	**–**	–
Total comprehensive income (loss) for the year		**466 375**	44 505	**(2 281)**	(2 823)
Total comprehensive income attributable to:					
– Owners of Bell Equipment Limited		**465 800**	41 537		
– Non-controlling interest		**575**	2 968		

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Attributable to owners of Bell Equipment Limited Stated capital R000	Non-distributable reserves R000	Retained earnings R000	Total R000	Non-controlling interest R000	Total capital and reserves R000
GROUP							
Balance at 31 December 2013		230 534	485 145	1 766 067	2 481 746	6 915	2 488 661
Total comprehensive income for the year		–	(21 915)	63 452	41 537	2 968	44 505
Recognition of share-based payments		–	3 132	–	3 132	–	3 132
Share options exercised		33	–	–	33	–	33
Increase in statutory reserves of foreign subsidiaries	17	–	307	(307)	–	–	–
Transactions with non-controlling interest	18	–	–	2 247	2 247	(2 247)	–
Balance at 31 December 2014		**230 567**	**466 669**	**1 831 459**	**2 528 695**	**7 636**	**2 536 331**
Total comprehensive income for the year		**–**	**297 520**	**168 280**	**465 800**	**575**	**466 375**
Recognition of share-based payments		**–**	**1 585**	**–**	**1 585**	**–**	**1 585**
Decrease in statutory reserves of foreign subsidiaries	17	**–**	**(497)**	**497**	**–**	**–**	**–**
Transactions with non-controlling interest	18	**–**	**–**	**850**	**850**	**(850)**	**–**
Balance at 31 December 2015		**230 567**	**765 277**	**2 001 086**	**2 996 930**	**7 361**	**3 004 291**
COMPANY							
Balance at 31 December 2013		230 534	16 282	352 484	599 300	–	599 300
Total comprehensive loss for the year		–	–	(2 823)	(2 823)	–	(2 823)
Recognition of share-based payments		–	3 132	–	3 132	–	3 132
Share options exercised		33	–	–	33	–	33
Balance at 31 December 2014		**230 567**	**19 414**	**349 661**	**599 642**	**–**	**599 642**
Total comprehensive loss for the year		**–**	**–**	**(2 281)**	**(2 281)**	**–**	**(2 281)**
Recognition of share-based payments		**–**	**1 585**	**–**	**1 585**	**–**	**1 585**
Balance at 31 December 2015		**230 567**	**20 999**	**347 380**	**598 946**	**–**	**598 946**

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

		GROUP		COMPANY	
		2015	2014	2015	2014
	Notes	R000	R000	R000	R000
CASH FLOW FROM OPERATING ACTIVITIES					
Cash (utilised in) generated from operations	A	**(213 797)**	939 577	**(1 811)**	(3 599)
Interest paid	B	**(60 931)**	(67 722)	**–**	–
Interest received	C	**7 940**	12 904	**–**	–
Taxation paid	D	**(45 167)**	(77 043)	**–**	–
Net cash (utilised in) generated from operating activities		**(311 955)**	807 716	**(1 811)**	(3 599)
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of additional property, plant and equipment and intangible assets		**(72 485)**	(139 810)	**–**	–
Purchase of replacement property, plant and equipment and intangible assets		**(9 636)**	(17 938)	**–**	–
Proceeds on disposal of non-current assets held for sale		**18 923**	–	**–**	–
Proceeds on disposal of property, plant and equipment and intangible assets		**11 773**	3 702	**–**	–
Increase in interest-bearing long-term receivables		**(2 769)**	(29 554)	**–**	–
Net cash utilised in investing activities		**(54 194)**	(183 600)	**–**	–
CASH FLOW FROM FINANCING ACTIVITIES					
Increase in investment in subsidiary company		**–**	–	**–**	(43 812)
Non-interest-bearing liabilities raised		**–**	–	**1 811**	47 378
Interest-bearing liabilities raised	E	**98 119**	14 822	**–**	–
Interest-bearing liabilities repaid	E	**(56 718)**	(52 848)	**–**	–
Proceeds from share options exercised		**–**	33	**–**	33
Net cash generated from (utilised in) financing activities		**41 401**	(37 993)	**1 811**	3 599
Net (decrease) increase in cash for the year		**(324 748)**	586 123	**–**	–
Net cash (short-term interest-bearing debt) at beginning of the year		**125 176**	(460 947)	**–**	–
Net (short-term interest-bearing debt) cash at end of the year	F	**(199 572)**	125 176	**–**	–

NOTES TO THE STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
A. CASH (UTILISED IN) GENERATED FROM OPERATIONS				
Profit (loss) from operating activities	**291 764**	185 091	**(2 281)**	(2 823)
Adjustments for:				
Amortisation of intangible assets	**25 374**	25 280	**–**	–
Depreciation	**143 304**	114 881	**–**	–
Net surplus on disposal of non-current assets held for sale	**(7 073)**	–	**–**	–
Net surplus on disposal of property, plant and equipment and intangible assets	**(6 041)**	(1 485)	**–**	–
Amounts written off as uncollectible	**11 924**	–	**–**	–
Increase in provision for doubtful debts	**6 412**	69 887	**–**	–
Impairment loss recognised on retention deposits	**2 072**	–	**–**	–
(Decrease) increase in provision for credit risk	**(1 520)**	1 782	**–**	–
Decrease in provision for residual value risk	**(670)**	(788)	**–**	–
(Decrease) increase in warranty provision	**(21 330)**	6 814	**–**	–
Increase in lease escalation	**5 314**	3 219	**–**	–
Expense recognised in respect of equity-settled share-based payments	**1 585**	3 132	**–**	–
Gain arising on financial assets at fair value through profit or loss	**(10 712)**	(1 493)	**–**	–
Loss (gain) arising on financial liabilities at fair value through profit or loss	**16 189**	(533)	**–**	–
Foreign currency translation reserve on deregistered operations reclassified to profit or loss	**–**	(15 489)	**–**	–
Exchange differences on translation of foreign subsidiaries	**(43 813)**	(3 415)	**–**	–
Increase in deferred income	**13 622**	23 616	**–**	–
Decrease in repurchase obligations and deferred leasing income	**(30 118)**	(42 380)	**–**	–
Cash generated from (utilised in) operations before working capital changes	**396 283**	368 119	**(2 281)**	(2 823)
(Increase) decrease in inventory	**(221 192)**	381 403	**–**	–
Decrease (increase) in trade and other receivables and prepayments	**81 153**	50 947	**457**	(875)
(Decrease) increase in trade and other payables	**(435 929)**	183 760	**13**	99
Decrease (increase) in trade receivables recoverable beyond 12 months	**27 318**	(18 966)	**–**	–
Increase in rental assets	**(61 430)**	(25 686)	**–**	–
Total cash (utilised in) generated from operations	**(213 797)**	939 577	**(1 811)**	(3 599)

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
B. INTEREST PAID				
Interest expense	**70 787**	67 722	**–**	–
Less: accrued	**(9 856)**	–	**–**	–
Total interest paid	**60 931**	67 722	**–**	–
C. INTEREST RECEIVED				
Interest income	**11 886**	12 904	**–**	–
Less: accrued	**(3 946)**	–	**–**	–
Total interest received	**7 940**	12 904	**–**	–
D. TAXATION PAID				
Net taxation owing at beginning of the year	**(18 309)**	(23 622)	**–**	–
Taxation charge for the year:				
South African normal taxation	**(3 662)**	(17 423)	**–**	–
Foreign taxation	**(20 604)**	(41 842)	**–**	–
Withholding taxation	**(3 852)**	(3 927)	**–**	–
Other corporate taxation	**(2 988)**	(3 815)	**–**	–
Translation differences	**(6 823)**	(4 723)	**–**	–
Net taxation owing at end of the year	**11 071**	18 309	**–**	–
Total taxation paid	**(45 167)**	(77 043)	**–**	–
E. INTEREST-BEARING LIABILITIES				
Long-term portion of interest-bearing liabilities at beginning of the year	**87 161**	113 271	**–**	–
Add: current portion at beginning of the year	**40 304**	52 337	**–**	–
Total interest-bearing liabilities at beginning of the year	**127 465**	165 608	**–**	–
Translation differences	**738**	(117)	**–**	–
Interest-bearing liabilities raised	**98 119**	14 822	**–**	–
Interest-bearing liabilities repaid	**(56 718)**	(52 848)	**–**	–
Total interest-bearing liabilities at end of the year	**169 604**	127 465	**–**	–
Less: current portion at end of the year	**(57 719)**	(40 304)	**–**	–
Long-term portion of interest-bearing liabilities at end of the year	**111 885**	87 161	**–**	–
F. NET (SHORT-TERM INTEREST-BEARING DEBT) CASH				
Short-term interest-bearing debt	**(303 793)**	(133 779)	**–**	–
Cash resources	**104 221**	258 955	**–**	–
Net (short-term interest-bearing debt) cash at end of the year	**(199 572)**	125 176	**–**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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 69 of this report. The principal activities of the company and its subsidiaries (the group) are described in the directors' report under the heading general review.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 STATEMENT OF COMPLIANCE

The 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 in South Africa.

Basis of accounting

The financial statements have been prepared on the historical cost basis, except for the revaluation of properties and financial instruments. The accounting policies are consistent with those applied to the previous year, except for the adoption of new and amended standards per note 3 and the changes as described below:

In the current period the functional currency of the group's operation in Mozambique changed from Meticais to United States Dollar (US Dollar). The operation's primary economic environment is significantly influenced by the US Dollar. A significant portion of sales and the cost of goods and services in this operation has been indexed against the US Dollar.

In the current period the group's internal organisational structure changed due to group restructuring processes. This caused the composition of its reportable segments to change. The operating segment information for the previous year has been restated accordingly. Refer to note 5.

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

The significant accounting policies adopted are set out below and apply to both group and separate financial statements:

2.2 BASIS OF CONSOLIDATION

The group annual 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.

Control is achieved when the company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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.

Changes in the group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 BASIS OF CONSOLIDATION (CONTINUED)

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under *IAS 39 Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

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.

2.3 PROPERTY, PLANT AND EQUIPMENT

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

Revaluations, on the fair value in continuation of existing use basis, are undertaken every three years and are classified as Level 3 fair value measurements under IFRS 13. 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. Rental assets are stated at cost less accumulated depreciation. Rental assets under short-term rentals are depreciated based on the hours utilised while on rental. For rental assets under buy-back agreements, refer to note 2.18. 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.

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 10%
Plant and equipment	10% to 33%
Aircraft	10% to 12,5%
Vehicles	20%

Useful lives and residual values are reviewed annually, with the effect of any change in accounting estimate accounted for on a prospective basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets with finite useful lives acquired separately relate to capitalised software and are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives.

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.

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

Internally generated intangible assets – research and development expenditure

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

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset 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 intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately. The amortisation expense is included in other operating expenses.

The useful lives currently vary from 2 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.

2.5 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

At the end of the reporting period, the group reviews the carrying amounts of its tangible and intangible assets 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 cash-generating unit to which the asset belongs.

Intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale. When the group is committed to a sale plan involving loss of control of an entity, all of the assets and liabilities of that entity are classified as held for sale when the criteria described above are met, regardless of whether the group will retain a non-controlling interest in its former subsidiary after the sale. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

2.7 LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the lessee.

Operating leases are those leases which do not fall within the scope of the above definition.

The group as lessee

Assets classified as finance lease agreements are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Assets held under finance leases are depreciated on the straight-line basis over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are charged to profit or loss when incurred, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's policy on borrowing costs (see note 2.20).

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

The group as lessor

The sale of goods under a finance lease is recognised as revenue where substantially all the risks and rewards associated with ownership are transferred to the buyer. 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. Refer to note 2.15 for the group's accounting policy on revenue recognition.

Amounts due from customers under finance leases are recognised as interest-bearing long-term receivables at the amount of the group's net investment in the leases (refer to note 10). Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases. Where the group has discounted finance lease receivables, the group derecognises the receivable when it transfers substantially all the risks and rewards of ownership of the asset. See note 2.9 for the group's accounting policy on the derecognition of financial assets.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Refer to note 2.18 for operating leases combined with buy-back agreements.

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 (see note 19).

Sale and leaseback transactions

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved. If a sale and leaseback transaction results in a finance lease, the transaction is a means whereby the lessor provides finance to the group with the asset as security. The sale is not recognised and a finance lease liability is recognised for the proceeds received. If the sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value shall be recognised immediately.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are those contracts that require the group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of the debt instrument.

The group regards financial guarantee contracts as insurance contracts and uses accounting applicable to insurance contracts. Details regarding financial guarantees issued are disclosed under contingent liabilities in note 32.

2.9 FINANCIAL INSTRUMENTS

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

2.9.1 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;
- Loans and receivables;
- Available for sale financial assets.

The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Financial assets carried on the statement of financial position include cash and bank balances, investments, interest-bearing long-term receivables, trade and other receivables.

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss. Financial assets are classified as held for trading when they are held with the intention of short-term disposal, or are derivatives. A financial asset may also be designated as at fair value through profit or loss upon initial recognition if such designation eliminates or significantly reduces accounting mismatch that would otherwise arise; or if the asset forms part of a group of financial assets or financial liabilities which is managed or its performance evaluated on a fair value basis; or if it forms part of a contract containing one or more embedded derivatives.

Derivative financial assets, principally forward foreign exchange contracts, are used by the group in its management of financial risks. These contracts are held for trading at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include interest-bearing long-term receivables, trade and other receivables and cash resources.

Interest-bearing long-term receivables are recognised at amortised cost, less provision for impairment.

Trade and other receivables are recognised at amortised cost, less provision for impairment.

Cash resources comprise cash on hand and deposits held on call with banks and are subject to an insignificant risk of changes in value.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets include the group's investment in unlisted shares that are not traded in an active market. This unquoted equity investment is measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on available-for-sale financial assets are recognised in profit or loss when the group's right to receive the dividends is established.

Impairment of financial assets

Financial assets other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and receivables under the WesBank financing venture, where the carrying amount is reduced through the use of an allowance account. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 FINANCIAL INSTRUMENTS (CONTINUED)

2.9.1 Financial assets (continued)

Derecognition of financial assets

The group derecognises a financial asset 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.

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, and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity, 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 and any accumulated gain or loss in other comprehensive income that had been allocated to it, is recognised in profit or loss.

2.9.2 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities are classified as held for trading when they are held with the intention of short-term disposal, or are derivatives. A financial liability may also be designated as at fair value through profit or loss upon initial recognition if such designation eliminates or significantly reduces accounting mismatch that would otherwise arise; or if the liability forms part of a group of financial assets or financial liabilities which is managed or its performance evaluated on a fair value basis; or if it forms part of a contract containing one or more embedded derivatives.

Derivative financial liabilities, principally forward foreign exchange contracts, are used by the group in its management of financial risks. These contracts are held for trading at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities

Other financial liabilities include short-term interest-bearing debt, non-interest-bearing liabilities, trade and other payables and interest-bearing liabilities.

Short-term interest-bearing debt comprises bank overdrafts and borrowings on call which are measured at amortised cost.

Non-interest-bearing liabilities are measured at cost.

Trade and other payables are recognised at amortised cost.

Interest-bearing liabilities are measured at amortised cost, using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

Derecognition of financial liabilities

The group derecognises financial 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.

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.

2.10 INVENTORY

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. Net realisable value represents the estimated selling price, less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 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.

2.12 TAXATION

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 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

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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred taxation liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred taxation assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and that they are expected to reverse in the foreseeable future.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

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"). The consolidated financial statements are presented in South African Rand, which is the company's functional and presentation 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 items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items 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 items 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 the 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;
- income and expenses for each income statement are translated at average exchange rates for the period;
- 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 in the period in which the foreign operation is disposed of.

2.14 REVENUE

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for any customer rebates, trade discounts and other similar allowances. Revenue comprises the invoiced value of sales, service income and rentals received.

Sales to group companies are invoiced at cost plus a mark-up and are reversed on consolidation.

2.15 REVENUE RECOGNITION

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer, the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably, it is probable that economic benefits will flow to the group and the group does not retain either continuing managerial involvement to the degree usually associated with ownership or effective control over the goods.

Transactions with buy-back agreements

Where the sale of goods is combined with a buy-back agreement, the group is obliged to repurchase the equipment from the customer at a future date at a predetermined price if the customer opts to return the goods. At inception, the group assesses the probability of return and whether significant risks and rewards have transferred to the customer. In assessing the probability of return, 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.

If probability of return is assessed as remote and the revenue recognition criteria for the sale of goods (as set out above) are met, the transaction is recognised as a sale and the group's repurchase commitment is disclosed as a contingent liability (see note 32.2). Refer to note 2.17 for subsequent treatment of the group's exposure to residual value risk.

Where the probability of return has been assessed as not remote or where significant risks and rewards of ownership have been retained by the group, the transaction is treated as an operating lease. Refer to note 2.18 for the accounting treatment of these transactions.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 REVENUE RECOGNITION (CONTINUED)

Transactions with residual value guarantees

Where the sale of goods is combined with the group guaranteeing a predetermined residual value for the equipment at the time of the sale, revenue is recognised upfront where significant risks and rewards of ownership have transferred to the buyer and the group's exposure to residual value risk is assessed as insignificant in relation to the selling price. The residual value guarantee is disclosed as a contingent liability in note 32.3. Refer to note 2.17 for subsequent treatment of the group's exposure to residual value risk.

Where the group's exposure to residual value risk has been assessed as significant in relation to the selling price or significant risks and rewards of ownership have been retained by the group, the transaction is treated as an operating lease. Refer to note 2.18 for the accounting treatment of these transactions.

Transactions financed through financial institutions where the group carries some or all of the credit risk

Where the sale of goods to customers has been financed through financial institutions where the group has a credit risk undertaking with that financial institution for some or all of the credit risk, revenue is recognised upfront if significant risks and rewards of ownership have transferred to the buyer.

The group's exposure to credit risk is accounted for under financial guarantee contracts (see note 2.8) and disclosed as a contingent liability in note 32.1. Where customers are in arrears with the financial institutions and there is a shortfall between the estimated realisation values of the equipment and the balances due by the customers to these financial institutions, an assessment of any additional security is done and a provision for any residual credit risk is made to the extent of the group's liability towards the financial institution.

For transactions that have been financed through the WesBank financing venture (refer to note 40), where the group carries all the credit risk, the group is required to pay cash collateral to WesBank which is accounted for as interest-bearing long-term receivables (refer to note 10). A provision for non-recovery is raised against this cash investment to the extent that there is a shortfall between the estimated realisation values of the equipment and the balances due by the customers to WesBank. See note 2.9 for the group's accounting policy on interest-bearing long-term receivables.

Transactions with lease agreements

Where goods are sold as part of a lease arrangement, the group recognises revenue upfront if significant risks and rewards of ownership have transferred to the buyer. The group uses the guidance in *IAS 17 Leases* with regard to classification of a lease as either a finance lease or an operating lease. Refer to note 2.7 for the group's accounting policy on leases.

Rendering of services

Revenue from services is recognised when the services have been rendered. Where service contracts are sold to customers and the proceeds are received upfront, a deferred income liability is recognised in the statement of financial position and the revenue is recognised when the services have been rendered.

Dividend and interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the group's right to receive payment has been established.

Deferred warranty income

At inception, the proceeds from the sale of extended warranty contracts are recognised as a deferred warranty income liability in the statement of financial position. Subsequent to initial recognition, where sufficient information is available, revenue from these contracts is recognised as other income in profit or loss over the period of the contracts based on the average historical gross margin earned.

Where insufficient information is available to reliably measure the expected costs of extended warranty contracts, revenue is not recognised until expiry of the contract.

2.16 RETIREMENT BENEFIT COSTS

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 PROVISIONS

A provision is recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

Contingent liabilities

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 either it is not probable that an outflow of resources will be required to settle the obligation, or a reliable estimate of the amount of the obligation cannot be made.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the group has a contract where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Warranties

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the group's obligation.

Where some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provision for residual value risk

Transactions with buy-back agreements

For sales transactions combined with buy-back obligations where the revenue was recognised upfront on the transaction (refer to note 2.15), a provision for residual value risk is recognised subsequent to initial recognition of the sale to the extent that the market value of the equipment is assessed as less than the cost of meeting the buy-back obligation. The provision represents the discounted value of the group's liability.

For transactions combined with buy-back obligations where the revenue was not recognised upfront on the transaction as the probability of return of the equipment by the customer at the end of the buy-back period has been assessed as not remote, the residual value risks are pertaining to products reported as rental assets on the statement of financial position and these risks are reflected as an impairment of the carrying value of the rental assets. Refer to note 2.18 for the accounting treatment of these transactions.

Transactions with residual value guarantees

Where the group has guaranteed the residual value of equipment sold to financial institutions or customers, a provision for residual value risk is raised to the extent that there is a shortfall between the assessed market value of the equipment and the residual value guaranteed by the group. The provision represents the discounted value of the group's liability. The group's net exposure to residual value risks are disclosed under contingent liabilities in note 32.3. Revenue was recognised upfront on the transaction as risks and rewards of ownership have transferred to the buyer and the group's exposure to residual value risk has been assessed as insignificant in relation to the selling price (refer to note 2.15).

At the time of the sale, a residual value estimate is made by the financial institution, which is lower than the group's guaranteed amount. The group's exposure is limited to the difference between the group's guaranteed amount and the financial institution's predetermined estimate. If at the end of the contract period, the equipment achieves a market price that is higher than the group's guaranteed amount, the group shares in the profit and this is accounted for as other income in profit or loss. If the equipment achieves a market price that is within the range between the group's guaranteed amount and the financial institution's predetermined estimate, the group reimburses the financial institution for the difference between the group's guaranteed amount and the financial institution's predetermined estimate and accounts for the loss as distribution expenses in profit or loss. The group's net exposure with regards to these transactions is disclosed in note 32.3.

Where the group has paid cash collateral as security for the residual value risk or where the financial institution retains a portion of the sales proceeds as collateral, this cash collateral is recognised in the statement of financial position as retention deposits under interest-bearing long-term receivables (refer to note 10) and is accounted for as a financial asset. The financial asset is impaired where there is a shortfall between the assessed market value of the equipment and the residual value guaranteed by the group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 REPURCHASE OBLIGATIONS AND DEFERRED LEASING INCOME

Repurchase obligations relate to transactions combined with buy-back obligations where the revenue was not recognised upfront on the transaction as the probability of return of the equipment by the customer at the end of the buy-back period has been assessed as not remote. The full amount of the selling price is received upfront from the customer.

At inception the equipment is reclassified from inventory to property, plant and equipment as part of rental assets. Refer to note 6. The equipment is depreciated to the buy-back amount on a straight-line basis over the contract period. The equipment is assessed annually for impairment. The carrying amount is impaired where the anticipated market value of the equipment is assessed as less than the carrying amount.

At inception the repurchase obligation is recognised as the present value of the buy-back obligation. Refer to note 20. Subsequent to initial recognition the present value of the repurchase obligation is increased to the full amount over the contract period and this difference is recognised as interest paid in profit or loss.

The difference between the proceeds received on the transaction and the present value of the buy-back obligation at inception is recognised as a deferred leasing income liability. Refer to note 20. Subsequent to initial recognition, the deferred leasing income is recognised in profit or loss as rental revenue on a straight-line basis over the contract period. An interest cost is recognised in profit or loss on the deferred leasing income liability based on a market related interest rate.

At the end of the buy-back period, if the customer returns the equipment, the equipment is reclassified back into inventory from property, plant and equipment and the repurchase obligation is settled in cash. If the customer does not return the equipment, the equipment and repurchase obligation are derecognised upon expiry.

2.19 SEGMENTAL INFORMATION

The operating segments of the group 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.

2.20 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.21 GOVERNMENT GRANTS

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 are recognised in profit or loss on a systematic basis over the periods in which the group recognises as expenses the related costs for which the grants are intended to compensate.

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.

3. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year the group has adopted all of the new and 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 2015.

3.1 AMENDED STANDARDS ADOPTED WITH NO SIGNIFICANT EFFECT ON THE FINANCIAL STATEMENTS

The following amended standards have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts or disclosures reported in the financial statements:

Amended	
IFRS 2 – Share-based Payment:	Amendments resulting from annual improvements 2010-2012 cycle (definition of "vesting condition")
IFRS 3 – Business Combinations:	Amendments resulting from annual improvements 2010-2012 cycle (accounting for contingent consideration)
IFRS 3 – Business Combinations:	Amendments resulting from annual improvements 2011-2013 cycle (scope exception for joint ventures)
IFRS 8 – Operating Segments:	Amendments resulting from annual improvements 2010-2012 cycle (aggregation of segments, reconciliation of segment assets)
IFRS 13 – Fair Value Measurement:	Amendments resulting from annual improvements 2010-2012 cycle (short-term receivables and payables)
IFRS 13 – Fair Value Measurement:	Amendments resulting from annual improvements 2011-2013 cycle (scope of the portfolio exception in paragraph 52)
IAS 16 – Property, Plant and Equipment:	Amendments resulting from annual improvements 2010-2012 cycle (proportionate restatement of accumulated depreciation on revaluation)
IAS 19 – Employee Benefits:	Defined benefit plans – employee contributions
IAS 24 – Related Party Disclosures:	Amendments resulting from annual improvements 2010-2012 cycle (management entities)
IAS 38 – Intangible Assets:	Amendments resulting from annual improvements 2010-2012 cycle (proportionate restatement of accumulated depreciation on revaluation)
IAS 40 – Investment Property:	Amendments resulting from annual improvements 2011-2013 cycle (interrelationship between IFRS 3 and IAS 40)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

3. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

3.2 STANDARDS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these financial statements, the following new and amended standards relevant to the group, were in issue but not yet effective. The group plans to adopt these new and amended standards when they become effective.

		Effective date for annual periods beginning on or after:
New		
IFRS 9 –	Financial Instruments (2014)	1 January 2018
IFRS 14 –	Regulatory Deferral Accounts	1 January 2016
IFRS 15 –	Revenue from Contracts with Customers	1 January 2018
IFRS 16 –	Leases	1 January 2019
Amended		
IFRS 5 –	Non-current Assets Held for Sale and Discontinued Operations: Amendments resulting from September 2014 annual improvements to IFRSs	1 January 2016
IFRS 7 –	Financial Instruments Disclosures: Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	1 January 2018
IFRS 7 –	Financial Instruments Disclosures: Additional hedge accounting disclosures resulting from the introduction of the hedge accounting chapter in IFRS 9	1 January 2018
IFRS 7 –	Financial Instruments Disclosures: Amendments resulting from September 2014 annual improvements to IFRSs	1 January 2016
IFRS 10 –	Consolidated Financial Statements: Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Effective date deferred
IFRS 10 –	Consolidated Financial Statements: Amendments regarding the application of the consolidation exception	1 January 2016
IFRS 11 –	Joint Arrangements: Amendments regarding the accounting for acquisitions of an interest in a joint operation	1 January 2016
IFRS 12 –	Disclosure of Interests in Other Entities: Amendments regarding the application of the consolidation exception	1 January 2016
IAS 1 –	Presentation of Financial Statements: Amendments resulting from the disclosure initiative	1 January 2016
IAS 7 –	Statement of Cash Flows: Amendments as result of the disclosure initiative	1 January 2017
IAS 12 –	Income Taxes: Amendments regarding the recognition of deferred tax assets for unrealised losses	1 January 2017
IAS 16 –	Property, Plant and Equipment: Amendments regarding the clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 19 –	Employee Benefits: Amendments resulting from September 2014 annual improvements to IFRSs	1 January 2016
IAS 27 –	Separate Financial Statements: Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	1 January 2016
IAS 28 –	Investments in Associates and Joint Ventures: Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Effective date deferred
IAS 28 –	Investments in Associates and Joint Ventures: Amendments regarding the application of the consolidation exception	1 January 2016
IAS 34 –	Interim Financial Reporting: Amendments resulting from September 2014 annual improvements to IFRSs	1 January 2016
IAS 38 –	Intangible Assets: Amendments regarding the clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 39 –	Financial Instruments – Recognition and Measurement: IFRS 9 issued (hedge accounting amendments)	1 January 2018

The full impact of *IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers* and *IFRS 16 Leases* on the financial statements of the group in future periods has not yet been assessed. All other new and amended accounting standards are not anticipated to have a significant impact on the group's financial statements in future periods when these standards and amendments are adopted.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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. The items for consideration have been identified as follows:

Revenue recognition

Significant assumptions are made in assessing the transfer of risks and rewards and in particular the probability of return of equipment based on past experience and other relevant factors.

Where buy-back agreements with customers are concluded, management uses a decision tree based on the guidance from IAS 18 with regard to the transfer of risks and rewards for the purposes of revenue recognition.

At the date of the sale, the probability of return of the equipment by the customer is assessed and 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. Refer to note 2.15.

Where probability of the return of the equipment by the customer at the end of the buy-back period has been assessed as remote, revenue is recognised upfront.

Where the probability of return has been assessed as not remote and significant risks and rewards of ownership have been retained by the group, the transaction is treated as an operating lease and revenue is deferred over the buy-back period (see note 20). Refer to note 2.18 for the accounting treatment of these transactions.

In sales transactions where the group has guaranteed the residual value of the equipment, revenue is recognised upfront if significant risks and rewards of ownership have transferred to the buyer and the group's exposure to residual value risk is assessed as insignificant in relation to the selling price. Where risks and rewards of ownership have been retained by the group and the group's exposure to residual value risk is assessed as significant in relation to the selling price, the transaction is treated as an operating lease. Refer to note 2.18 for the accounting treatment of these transactions.

Classification of leases

Where lease agreements are concluded with customers, management uses the guidance from IAS 17 with regards to the classification of the lease as either a finance lease or an operating lease. Refer to note 2.7.

Significant assumptions are made in assessing the transfer of risks and rewards and in particular the probability of return of equipment based on past experience and other relevant factors.

Provisions for residual value risks and repurchase commitments

Residual value risks are attributable to transactions combined with buy-back agreements and sales transactions with residual value guarantees.

For sales transactions combined with buy-back agreements where the revenue has been recognised upfront, as probability of return of the equipment has been assessed as remote, then the residual value risks are pertaining to products which are not reported as assets in the statement of financial position and these risks are reflected under the line item provisions. In these instances, the obligation is considered to be onerous and a provision is recognised to the extent that the cost of meeting the obligation exceeds the assessed market value of the equipment (refer to note 23).

For transactions combined with buy-back agreements where the revenue has not been recognised upfront as probability of return of the equipment has been assessed as not remote and which is accounted for as operating lease contracts (see note 20), the residual value risks are pertaining to products that are reported as rental assets in the statement of financial position and these risks are reflected by impairment of the carrying value of these assets.

In instances where the group has guaranteed the residual value of equipment sold to financial institutions, the residual value risk is the risk that the market value realised for these products is less than what was expected when the contracts were entered into (refer to note 32.3). Where the group has paid cash collateral as security for the residual value risk, this cash collateral is recognised in the statement of financial position as retention deposits (refer to note 10) and this financial asset is impaired where there is a shortfall between the assessed market value of the equipment and the residual value guaranteed by the group. In transactions where no cash collateral is required to be made by the group, a provision for residual value risk is recognised in the statement of financial position under the line item provisions in the event of a shortfall.

Significant assumptions are made in estimating residual values. These are assessed based on past experience and take into account expected future market conditions and projected disposal values.

Transfer of financial assets

Where the group transfers finance lease receivables or trade receivables to a financial institution or another party, management assesses whether substantially all the risks and rewards of ownership have transferred to the other party. Consideration is given to the terms of the agreement and assumptions are made in assessing the transfer of risks and rewards. Refer to note 36.3.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.1 JUDGEMENTS MADE BY MANAGEMENT IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Deferred warranty income

Where management has sufficient information to reliably measure the expected costs of extended warranty contracts, the proceeds from the sale of these contracts is recognised in profit or loss over the period of the contracts. Where insufficient information is available to reliably measure the expected costs of extended warranty contracts, revenue is not recognised until expiry of the contract.

Control over WesBank financing venture

Management 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 regard to the relevant activities of the financing venture. Although the group is entitled to a share of the profits from transactions financed through the financing venture, management concludes that the group does not control the relevant activities. The group's profit share is accounted for as other operating income and the group's cash investment in the financing venture is recognised as interest-bearing long-term receivables in the statement of financial position (refer to note 10). Further details regarding this arrangement are disclosed in note 40.

4.2 KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that management has assessed as having a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year:

Asset lives and residual values

Property, plant and equipment and intangible assets are depreciated over the useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually taking into account factors such as technological innovation, product life cycles and maintenance programmes. Residual value assessments consider issues such as market conditions, the remaining life of the asset and projected disposal values.

Recoverability of trade receivables

In assessing the amounts recoverable from trade receivables, assumptions are made based on past default experience, estimations of the value of any security, in the form of second-hand equipment, and the estimated costs of preparing the equipment for re-sale, including transport.

Recoverable value of inventory

The recoverable value of inventory takes into account current market conditions and the amounts expected to be realised from the sale of inventory, less estimated costs to sell.

Impairment of assets

Ongoing assessments are made regarding any potential impairment of tangible and intangible assets. Where such indication exists, assumptions are made in determining the asset's recoverable amount taking into account projected disposal values and estimated future cash flows.

Valuation of financial instruments

The value of derivative financial instruments fluctuates on a daily basis and the actual amounts realised may differ materially from their value at the end of the reporting period.

Valuation of property, plant and equipment

Revaluations of freehold land and buildings are undertaken every three years. The group engages independent qualified valuers to perform the valuation. Inputs into the valuation model are based on market data to the extent it is available and can cause fluctuations in the fair value of the relevant properties. Refer to note 6 for more information about the valuation technique and inputs used in determining the fair value of freehold land and buildings.

Warranty provision

The provision for future warranty costs on products sold is based on past experience and current warranty campaigns.

Deferred taxation asset

A deferred taxation asset is recognised to the extent that future taxable income of sufficient amount is expected to be earned.

5. OPERATING SEGMENTS

Information regarding the group's reportable segments is presented below.

Information reported to the group's chief operating decision-maker for purposes of resource allocation and assessment of segment performance is focused on geographical areas.

In the current period the group's internal organisational structure changed due to group restructuring processes. This caused the composition of its reportable segments to change. Previously revenue from independent dealers in Africa, South America and Australasia was included under the Rest of Africa and other international operations segment. This is now reported under the South African manufacturing and logistics operation. The operating segment information for the previous year has been restated accordingly.

The group's reportable segments are as follows:

- South African sales operation
- South African manufacturing and logistics operation
- European operation
- Rest of Africa operation
- North American operation
- All other operations

The South African sales operation includes a number of Customer Service Centres in South Africa, Swaziland and Namibia. The South African manufacturing and logistics segment includes the group's main manufacturing operation 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 Africa, South America and Australasia. The majority of the revenue in these operations is derived from other group companies. These two operations have been aggregated into a single segment. The European operation includes Customer Service Centres in the United Kingdom, France, Russia and Germany as well as an assembly plant in Germany. These operations distribute product to independent dealers and customers in Europe and Asia. The Rest of Africa operation includes Customer Service Centres in Zambia, the Democratic Republic of the Congo, Zimbabwe, Mozambique and Malawi. The North American operation includes the results of distribution to the United States of America and Canada.

Each reportable segment derives its revenues from the sale of goods (machines and parts) and related services and rental income.

The accounting policies of the reportable segments are the same as the group's accounting policies described in note 2.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

5. OPERATING SEGMENTS (CONTINUED)

	GROUP							
	South African sales operation R000	South African manu-facturing and logistics operation R000	European operation R000	Rest of Africa operation R000	North American operation R000	All other operations R000	Inter-segmental elimi-nations* R000	Con-solidated R000
2015								
Revenue								
External revenue	2 392 063	839 011	1 197 007	913 064	560 286	–	–	5 901 431
Inter-segment revenue	43 862	2 943 307	609 913	3 746	127	–	(3 600 955)	–
Total revenue	2 435 925	3 782 318	1 806 920	916 810	560 413	–	(3 600 955)	5 901 431
Profit (loss) from operating activities	70 112	148 671	65 273	21 634	301	(40 360)	26 133	291 764
Net interest (expense) income	(36 696)	(19 829)	(23 320)	(17 221)	(112)	38 277	–	(58 901)
Taxation	(8 391)	(32 450)	(9 846)	(9 928)	2 202	(6 399)	804	(64 008)
Profit (loss) for the year	25 025	96 392	32 107	(5 515)	2 391	(8 482)	26 937	168 855
Segment assets	1 155 685	2 558 768	1 130 113	872 073	95 996	1 342 185	(2 301 760)	4 853 060
Segment liabilities	822 850	1 109 465	692 910	693 034	29 152	153 523	(1 652 165)	1 848 769
Other information								
Additions to property, plant and equipment and intangible assets	7 440	62 255	7 321	4 957	148	–	–	82 121
Depreciation and amortisation of intangibles	46 580	74 191	18 218	29 575	114	–	–	168 678
Other material items of income and expense:								
– Net foreign currency (gains) losses	(679)	37 419	(5 359)	(37 542)	1 740	1 507	(1 672)	(4 586)
– Staff costs (including directors' remuneration)	241 526	622 652	144 758	211 732	11 902	6 470	265	1 239 305
– Decrease in warranty provision	(4 668)	(12 622)	(3 103)	(937)	–	–	–	(21 330)
– Warranty expenditure	27 449	86 804	12 686	11 138	–	–	(5 949)	132 128

* *Inter-segmental eliminations above relate to the following:*

i) Revenue – the elimination of intra-group sales transactions, mainly sales from the South African manufacturing and logistics operation to the distribution operations.

ii) Profit (loss) from operating activities – the elimination of profit (loss) on intra-group transactions, mainly sales transactions from the South African manufacturing and logistics operation to the distribution operations, where the inventory has not yet been on-sold by the distribution operations to a third party at year-end.

iii) Segment 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.

5. OPERATING SEGMENTS (CONTINUED)

	GROUP							
	South African sales operation R000	South African manu-facturing and logistics operation Restated** R000	European operation R000	Rest of Africa operation Restated** R000	North American operation R000	All other operations R000	Inter-segmental elimi-nations* Restated** R000	Con-solidated R000
2014								
Revenue								
External revenue	2 845 626	834 440	1 540 728	1 014 020	373 731	–	–	6 608 545
Inter-segment revenue	21 242	3 214 495	376 479	–	469	–	(3 612 685)	–
Total revenue	2 866 868	4 048 935	1 917 207	1 014 020	374 200	–	(3 612 685)	6 608 545
Profit (loss) from operating activities	110 591	28 107	42 892	4 229	(15 855)	(36 913)	52 040	185 091
Net interest (expense) income	(27 364)	(24 956)	(25 632)	(20 271)	1 634	41 771	–	(54 818)
Taxation	(20 346)	397	(19 640)	(18 880)	5 118	(7 512)	(2 990)	(63 853)
Profit (loss) for the year	62 881	3 548	(2 380)	(34 922)	(9 103)	(2 654)	49 050	66 420
Segment assets	1 048 204	2 700 494	907 854	684 994	60 719	1 113 956	(2 021 717)	4 494 504
Segment liabilities	763 578	1 337 174	683 686	569 464	16 934	137 515	(1 550 178)	1 958 173
Other information								
Additions to property, plant and equipment and intangible assets	16 719	98 742	3 946	38 195	146	–	–	157 748
Depreciation and amortisation of intangibles	16 358	72 730	34 941	16 046	86	–	–	140 161
Other material items of income and expense:								
– Net foreign currency losses (gains)	–	1 872	21 546	(38 692)	3 412	912	(13 394)	(24 344)
– Staff costs (including directors' remuneration)	242 954	634 079	151 311	212 136	9 834	6 159	(1 083)	1 255 390
– Increase (decrease) in warranty provision	47	5 894	1 876	(1 003)	–	–	–	6 814
– Warranty expenditure	36 363	78 807	24 600	19 167	–	–	(6 933)	152 004

* *Inter-segmental eliminations above relate to the following:*

i) *Revenue – the elimination of intra-group sales transactions, mainly sales from the South African manufacturing and logistics operation to the distribution operations.*

ii) *Profit (loss) from operating activities – the elimination of profit (loss) on intra-group transactions, mainly sales transactions from the South African manufacturing and logistics operation to the distribution operations, where the inventory has not yet been on-sold by the distribution operations to a third party at year-end.*

iii) *Segment 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 composition of the group's reportable segments changed due to group restructuring processes. The operating segment information in previously reported results has been restated and the effect of these adjustments is presented on pages 32 and 33.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

5. OPERATING SEGMENTS (CONTINUED)

	GROUP As previously reported		
	South African manufacturing and logistics operation R000	Rest of Africa and other international operations R000	Inter-segmental eliminations R000
December 2014			
Revenue			
External revenue	309 035	1 539 425	–
Inter-segment revenue	3 448 795	1 333	(3 848 318)
Total revenue	3 757 830	1 540 758	(3 848 318)
Profit (loss) from operating activities	(2 709)	6 537	80 548
Net interest expense	(9 603)	(35 624)	–
Taxation	(3 717)	(14 766)	(2 990)
Profit (loss) for the year	(16 029)	(43 853)	77 558
Segment assets	2 684 551	951 258	(2 272 038)
Segment liabilities	1 307 601	825 981	(1 777 122)
Other information			
Additions to property, plant and equipment and intangible assets	98 721	38 216	–
Depreciation and amortisation of intangibles	72 257	16 519	–
Other material items of income and expense:			
– Net foreign currency losses (gains)	10 659	(47 479)	(13 394)
– Staff costs (including directors' remuneration)	606 253	239 962	(1 083)
– Increase (decrease) in warranty provision	5 894	(1 003)	–
– Warranty expenditure	78 076	19 898	(6 933)
June 2014			
Revenue	1 848 575	697 340	(1 883 197)
Profit (loss) from operating activities	226	(38 925)	29 891
Segment assets	2 813 871	1 108 422	(2 558 985)
Segment liabilities	1 437 853	975 469	(2 045 559)

GROUP Adjustment			GROUP Restated		
South African manufacturing and logistics operation R000	Rest of Africa operation R000	Inter-segmental eliminations R000	South African manufacturing and logistics operation R000	Rest of Africa operation R000	Inter-segmental eliminations R000
525 405	(525 405)	–	834 440	1 014 020	–
(234 300)	(1 333)	235 633	3 214 495	–	(3 612 685)
291 105	(526 738)	235 633	4 048 935	1 014 020	(3 612 685)
30 816	(2 308)	(28 508)	28 107	4 229	52 040
(15 353)	15 353	–	(24 956)	(20 271)	–
4 114	(4 114)	–	397	(18 880)	(2 990)
19 577	8 931	(28 508)	3 548	(34 922)	49 050
15 943	(266 264)	250 321	2 700 494	684 994	(2 021 717)
29 573	(256 517)	226 944	1 337 174	569 464	(1 550 178)
21	(21)	–	98 742	38 195	–
473	(473)	–	72 730	16 046	–
(8 787)	8 787	–	1 872	(38 692)	(13 394)
27 826	(27 826)	–	634 079	212 136	(1 083)
–	–	–	5 894	(1 003)	–
731	(731)	–	78 807	19 167	(6 933)
190 222	(235 947)	45 725	2 038 797	461 393	(1 837 472)
14 788	15 208	(29 996)	15 014	(23 717)	(105)
57 934	(383 547)	325 613	2 871 805	724 875	(2 233 372)
74 527	(377 068)	302 541	1 512 380	598 401	(1 743 018)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

6. PROPERTY, PLANT AND EQUIPMENT

	GROUP					
	Cost/ valuation 2015 R000	Accumulated depreciation 2015 R000	Net book value 2015 R000	Cost/ valuation 2014 R000	Accumulated depreciation 2014 R000	Net book value 2014 R000
Owned						
Freehold land and buildings	**372 777**	**23 842**	**348 935**	340 318	11 353	328 965
Leasehold buildings	**17 388**	**4 785**	**12 603**	9 465	3 619	5 846
Plant and equipment	**505 291**	**364 567**	**140 724**	478 996	318 343	160 653
Rental assets	**204 264**	**72 274**	**131 990**	197 994	74 920	123 074
Aircraft	**5 263**	**1 812**	**3 451**	8 894	4 483	4 411
Vehicles	**87 540**	**67 638**	**19 902**	69 512	47 073	22 439
Leased						
Plant and equipment	**33 587**	**9 061**	**24 526**	28 702	6 676	22 026
Vehicles	**7 610**	**3 133**	**4 477**	7 312	2 620	4 692
Total	**1 233 720**	**547 112**	**686 608**	1 141 193	469 087	672 106

	GROUP						
	Freehold land and buildings R000	Leasehold buildings R000	Plant and equipment* R000	Rental assets R000	Aircraft R000	Vehicles* R000	Total R000
Movement in property, plant and equipment							
2015							
Net book value at beginning of the year	**328 965**	**5 846**	**182 679**	**123 074**	**4 411**	**27 131**	**672 106**
Additions	**2 877**	**4 445**	**33 388**	**–**	**2 789**	**7 298**	**50 797**
Disposals	**–**	**–**	**(402)**	**–**	**(2 768)**	**(2 414)**	**(5 584)**
Depreciation	**(12 107)**	**(532)**	**(48 423)**	**(68 419)**	**(981)**	**(12 842)**	**(143 304)**
Transfers	**(279)**	**2 465**	**(6 449)**	**61 430**	**–**	**–**	**57 167**
Translation differences	**29 479**	**379**	**4 457**	**15 905**	**–**	**5 206**	**55 426**
Net book value at end of the year	**348 935**	**12 603**	**165 250**	**131 990**	**3 451**	**24 379**	**686 608**
2014							
Net book value at beginning of the year	300 753	3 448	203 564	141 844	4 613	37 409	691 631
Additions	37 324	–	52 727	–	12 565	3 263	105 879
Disposals	–	–	–	–	(75)	(2 154)	(2 229)
Depreciation	(10 819)	(206)	(46 565)	(44 231)	(842)	(12 218)	(114 881)
Reclassified as non-current assets held for sale	–	–	–	–	(11 850)	–	(11 850)
Transfers	(2 659)	2 659	(27 355)	25 686	–	–	(1 669)
Translation differences	4 366	(55)	308	(225)	–	831	5 225
Net book value at end of the year	328 965	5 846	182 679	123 074	4 411	27 131	672 106

** Owned and leased*

Certain property, plant and equipment is encumbered as indicated in note 19.

Certain rental assets are subject to repurchase obligations as reflected in note 20.

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)				
Freehold land and buildings at cost/valuation comprise:				
Lot 1892 Alton Industrial Township, Richards Bay				
– at valuation on 31 December 2013	**21 400**	21 400	**–**	–
– subsequent additions at cost in 2015	**88**	–	**–**	–
Lot 1894 Alton Industrial Township, Richards Bay				
– at valuation on 31 December 2013	**57 200**	57 200	**–**	–
– subsequent additions at cost in 2014	**23**	23	**–**	–
Lot 10024 Alton Industrial Township, Richards Bay				
– at valuation on 31 December 2013	**130 700**	130 700	**–**	–
– subsequent additions at cost on 31 December 2013	**142**	142	**–**	–
– subsequent additions at cost in 2014	**809**	809	**–**	–
– subsequent additions at cost in 2015	**1 083**	–	**–**	–
Portions 16,17 and 18 Lot 11063, Extension 33 Township J.S. Middelburg*				
– at cost in 2011	**9 545**	9 545	**–**	–
– subsequent additions at cost in 2012	**13 610**	13 610	**–**	–
– subsequent additions at cost in 2013	**18 438**	18 438	**–**	–
– subsequent additions at cost in 2014	**1 604**	1 604	**–**	–
– subsequent additions at cost in 2015	**1 021**	–	**–**	–
– transfers	**(279)**	–	**–**	–
Land in Alsfeld, Germany				
– at cost in 2014	**4 184**	4 184	**–**	–
– translation differences	**754**	(114)	**–**	–
Plot 4096/95, Kitwe Chingola Road, Kitwe, Zambia*				
– at cost in 2012	**2 006**	2 006	**–**	–
– subsequent additions at cost in 2013	**41 959**	41 959	**–**	–
– subsequent additions at cost in 2014	**34 325**	34 325	**–**	–
– subsequent additions at cost in 2015	**685**	–	**–**	–
– translation differences	**33 480**	4 487	**–**	–
Total freehold land and buildings at cost/valuation	**372 777**	340 318	**–**	–

** The properties in Middelburg and Zambia are carried at cost and will be revalued within a three-year cycle in accordance with the group policy.*

The freehold land and buildings in Richards Bay were valued by the Mills Fitchet group, independent qualified valuers, on the fair value in continuation of existing use basis, on 31 December 2013.

The valuation was undertaken in accordance with the requirements of the International Valuation Standards and International Financial Reporting Standards (IFRS) and in particular *IFRS 13 Fair Value Measurement*.

The fair value of the freehold land and buildings was determined based on the market comparable approach that reflects recent industrial rentals and transaction prices for similar properties. In estimating the fair value of the freehold land and buildings, the highest and best use of these properties is its current use. In terms of the fair value hierarchy as required by *IFRS 13 Fair Value Measurement,* the fair value measurement has been classified as a Level 3. Level 3 fair value measurements use significant inputs that are not based on observable market data.

Information about the fair value measurement as at 31 December 2013 was as follows:

	Level 3 Fair value R000	Unobservable inputs	Range	Relationship of unobservable inputs to fair value
Manufacturing plant and administration buildings in Alton Industrial Township, Richards Bay	209 300	Rental per square metre	R15 to R50	The higher the rental per square metre, the higher the fair value
		Capitalisation rate	10,5% per annum	The higher the capitalisation rate, the lower the fair value

The book values of these properties were adjusted to their valuations during the relevant financial year and the resultant net surpluses credited to the revaluation reserve through other comprehensive income.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)				
The comparable amounts under the historical cost convention for the freehold land and buildings were:				
Historical cost	**238 155**	235 557	**–**	–
7. INTANGIBLE ASSETS				
Capitalised software				
Cost				
At beginning of the year	**71 444**	44 060	**–**	–
Transfers	**4 263**	27 355	**–**	–
Translation differences	**195**	29	**–**	–
At end of the year	**75 902**	71 444	**–**	–
Accumulated amortisation				
At beginning of the year	**38 681**	30 537	**–**	–
Charge for the year	**7 048**	8 032	**–**	–
Translation differences	**181**	112	**–**	–
At end of the year	**45 910**	38 681	**–**	–
Carrying amount at end of the year	**29 992**	32 763	**–**	–
Capitalised engineering development expenditure				
Cost				
At beginning of the year	**229 897**	178 028	**–**	–
Capitalised – current year	**31 324**	51 869	**–**	–
At end of the year	**261 221**	229 897	**–**	–
Accumulated amortisation				
At beginning of the year	**59 582**	42 334	**–**	–
Charge for the year	**18 326**	17 248	**–**	–
At end of the year	**77 908**	59 582	**–**	–
Carrying amount at end of the year	**183 313**	170 315	**–**	–
Total intangible assets	**213 305**	203 078	**–**	–
8. INVESTMENTS				
Available-for-sale financial asset				
Unlisted equity investment	**665**	548	**–**	–
The investment, measured at cost, represents a 10% interest in the equity of an unlisted entity registered in the United States of America.				
9. INVESTMENTS IN SUBSIDIARY COMPANIES				
Local subsidiaries				
Shares at cost	**–**	–	**14 164**	14 164
Recognition of share-based payments	**–**	–	**17 409**	16 138
Total local subsidiaries	**–**	–	**31 573**	30 302
Foreign subsidiaries				
Shares at cost	**–**	–	**656 162**	656 162
Recognition of share-based payments	**–**	–	**3 590**	3 276
Total foreign subsidiaries	**–**	–	**659 752**	659 438
Total investments in subsidiary companies	**–**	–	**691 325**	689 740

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
10. INTEREST-BEARING LONG-TERM RECEIVABLES				
WesBank cash collateral*	**55 678**	53 937	**–**	–
Retention deposits**	**–**	2 867	**–**	–
Environmental Protection Agency cash collateral***	**7 029**	5 206	**–**	–
Trade receivables recoverable beyond 12 months****	**8 815**	25 866	**–**	–
	71 522	87 876	**–**	–
Less: current portion	**(41 759)**	(42 519)	**–**	–
Total interest-bearing long-term receivables	**29 763**	45 357	**–**	–

* *A financing venture has been entered into with WesBank, a division of FirstRand Bank Limited, in order to assist customers with the financing of equipment purchased from the group. Refer to note 40 for the various types of transactions with WesBank.*

For specific transactions, the risks and rewards are for the group (Bell-backed deals). In respect of these transactions, 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. This investment is reflected as interest-bearing long-term receivables on the statement of financial position. The average interest rate for 2015 was 5,9% (2014: 5,6%) per annum.

** *Deposits held by financial institutions as security for residual values on equipment guaranteed by the group. The interest rate for 2015 was 4,0% (2014: 7,0%) per annum. The recoverability of these deposits is dependent on the equipment realising the guaranteed residual values at the end of the guarantee period. This contingent liability is included in note 32.3. In the current year, an impairment loss of R2,1 million (2014: Rnil) was recognised in respect of these retention deposits.*

*** *The amount represents cash held as security by the Environmental Protection Agency in the United States of America (USA) for certain sales transactions into the USA. The amount earns interest at 0,4% (2014: 0,5%) per annum.*

**** *Trade receivables recoverable beyond 12 months for the amount of R8,8 million (2014: R25,9 million) relate to financing arrangements for equipment sold to customers. The amounts are repayable in instalments by:*

	Interest rate per annum	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
2015	9,0%	**–**	14 550	**–**	–
2017	5,0%	**8 815**	11 316	**–**	–
Total		**8 815**	25 866	**–**	–
Less: current portion		**(4 915)**	(17 593)	**–**	–
Long-term portion		**3 900**	8 273	**–**	–

The following details an analysis of these finance lease receivables:

	GROUP Less than one year R000	GROUP Two to five years R000	GROUP Total R000	COMPANY Less than one year R000	COMPANY Two to five years R000	COMPANY Total R000
2015						
Gross investment	**5 251**	**4 000**	**9 251**	**–**	**–**	**–**
Less: unearned finance income	**(336)**	**(100)**	**(436)**	**–**	**–**	**–**
Present value of minimum lease payments	**4 915**	**3 900**	**8 815**	**–**	**–**	**–**
2014						
Gross investment	18 737	8 665	27 402	–	–	–
Less: unearned finance income	(1 144)	(392)	(1 536)	–	–	–
Present value of minimum lease payments	17 593	8 273	25 866	–	–	–

At year-end the above finance lease receivables were neither past due nor impaired.

The directors consider that the carrying amount of interest-bearing long-term receivables approximates their fair value.

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FOR THE YEAR ENDED 31 DECEMBER 2015

11. DEFERRED TAXATION

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

	Net deferred taxation assets in group companies at beginning of the year R000	Net deferred taxation liabilities in group companies at beginning of the year R000	Translation differences R000	Recognised in profit or loss for the year R000	Net deferred taxation assets in group companies at end of the year R000	Net deferred taxation liabilities in group companies at end of the year R000
2015						
Accrual for audit fees	–	–	–	321	18	303
Accrual for leave pay	3 710	6 551	(124)	(453)	4 274	5 410
Accrual for severance pay	705	4 718	–	(5 297)	126	–
Accrual for unit additional costs	904	–	–	(647)	257	–
Capitalised engineering development expenditure	–	(61 810)	–	(5 850)	–	(67 660)
Deferred income	–	31 316	–	3 839	–	35 155
Excess taxation allowances over depreciation charge	2 981	(36 425)	161	(9 788)	(687)	(42 384)
Finance leases	(6 121)	11	–	5 949	–	(161)
Future expenditure allowance	–	(5 030)	–	700	–	(4 330)
Import duty rebates	–	(7 246)	–	(1 370)	–	(8 616)
Investment subsidies	75	–	–	(18)	57	–
Other allowances	–	–	–	(6 886)	(2 624)	(4 262)
Other provisions	8 868	(2 650)	–	(1 553)	4 339	326
Prepayments	(804)	(262)	–	(1 380)	(797)	(1 649)
Provision for doubtful debts	17 504	4 627	(2 859)	3 251	9 649	12 874
Provision for lease escalation	1 757	10 690	–	1 494	3 059	10 882
Provision for stock obsolescence	–	–	–	4 207	302	3 905
Provision for warranty expenditure	8 199	12 384	(582)	(7 009)	3 805	9 187
Revaluation of properties	(2 186)	(31 731)	–	–	(2 186)	(31 731)
Sales in advance	3 945	8 258	–	5 164	3 036	14 331
Taxable losses	–	49 408	–	(24 484)	1 375	23 549
Unrealised foreign currency gains and losses	(7 539)	508	(650)	10 825	11 895	(8 751)
Unrealised profit in inventory	58 270	–	–	2 406	60 676	–
Totals	**90 268**	**(16 683)**	**(4 054)**	**(26 579)**	**96 574**	**(53 622)**
2014						
Accrual for leave pay	3 591	5 584	–	1 086	3 710	6 551
Accrual for severance pay	–	–	–	5 423	705	4 718
Accrual for unit additional costs	289	–	–	615	904	–
Capitalised engineering development expenditure	–	(40 820)	–	(20 990)	–	(61 810)
Deferred income	4 111	24 486	–	2 719	–	31 316
Excess taxation allowances over depreciation charge	(892)	(34 220)	–	1 668	2 981	(36 425)
Finance leases	421	(37)	–	(6 494)	(6 121)	11
Future expenditure allowance	–	(4 128)	–	(902)	–	(5 030)
Import duty rebates	–	(13 130)	–	5 884	–	(7 246)
Investment subsidies	106	–	–	(31)	75	–
Other provisions	3 316	–	–	2 902	8 868	(2 650)
Prepayments	(598)	(881)	–	413	(804)	(262)
Provision for doubtful debts	1 572	–	–	20 559	17 504	4 627
Provision for lease escalation	1 554	9 982	–	911	1 757	10 690
Provision for warranty expenditure	9 723	10 686	–	174	8 199	12 384
Revaluation of properties	(2 186)	(31 731)	–	–	(2 186)	(31 731)
Sales in advance	7 842	5 911	–	(1 550)	3 945	8 258
Taxable losses	2 796	44 728	–	1 884	–	49 408
Unrealised foreign currency gains and losses	5 783	–	–	(12 814)	(7 539)	508
Unrealised profit in inventory	59 896	–	–	(1 626)	58 270	–
Totals	97 324	(23 570)	–	(169)	90 268	(16 683)

Further information on the group's estimated taxation losses and the recognition of deferred taxation assets for these losses is set out in note 29.

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
12. INVENTORY				
Finished goods				
– manufactured	**830 541**	437 273	**–**	–
– branded	**330 549**	336 019	**–**	–
– used	**238 132**	301 340	**–**	–
Merchandise spares, components and raw materials	**1 215 123**	1 143 598	**–**	–
Work-in-progress	**248 307**	185 207	**–**	–
Total inventory	**2 862 652**	2 403 437	**–**	–

Included above is inventory of R388,3 million (2014: R340,2 million) carried at net realisable value.

Total inventory expensed, included in cost of sales, amounts to R4 299,2 million (2014: R5 023,2 million).

Cost of sales includes an amount of R98,3 million (2014: R99,1 million) in respect of write-downs of inventory to net realisable value, and has been reduced by R2,0 million (2014: R0,6 million) in respect of the reversal of such write-downs.

Certain inventory is encumbered as indicated in note 24.

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
13. TRADE AND OTHER RECEIVABLES				
Amounts receivable from the sale of goods and services	**671 836**	653 843	**–**	–
Allowance for estimated irrecoverable amounts (refer note 36.3)	**(91 881)**	(78 546)	**–**	–
	579 955	575 297	**–**	–
Sundry receivables	**160 956**	153 341	**868**	1 576
Total trade and other receivables	**740 911**	728 638	**868**	1 576

In assessing the amounts recoverable from trade receivables, assumptions are made based on past default experience, estimations of the value of any security, including security in the form of second-hand equipment, and the estimated costs of preparing the equipment for re-sale, including transport.

Further information regarding the group's credit risk management is set out in note 36.3.

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
14. OTHER FINANCIAL ASSETS				
Financial assets carried at fair value through profit or loss				
Forward foreign exchange contracts (Level 2)	**12 783**	2 071	**–**	–

Level 2 fair value measurements are those derived from inputs other than quoted prices. The fair value of these contracts is based on observable forward exchange rates at the end of the year.

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
15. NON-CURRENT ASSETS HELD FOR SALE				
Aircraft – Pilatus PC12/45	**–**	11 850	**–**	–

The group classified the above aircraft as held for sale at the end of the prior year.

The aircraft was disposed of in 2015 for an amount of R18,9 million. The group realised a net surplus on disposal of R7,1 million.

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	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
16. STATED CAPITAL				
Authorised				
100 000 000 (2014: 100 000 000) ordinary shares of no par value				
Issued				
95 146 885 (2014: 95 146 885) ordinary shares of no par value	**230 567**	230 567	**230 567**	230 567

Five million ordinary shares have been reserved for Employee Share Option Scheme 2. At 31 December 2015, the company had granted options in terms of this scheme to executive directors and employees to subscribe for 4 036 444 (2014: 4 125 944) shares in the company as set out in note 31.3.

Five percent of the balance of the authorised but unissued shares (5% of 26 000 shares) in the company is under the control and authority of the directors until the next annual general meeting of shareholders.

	GROUP 2015 Number of shares	GROUP 2014 Number of shares	COMPANY 2015 Number of shares	COMPANY 2014 Number of shares
Reconciliation of authorised but unissued shares				
Authorised ordinary shares	**100 000 000**	100 000 000	**100 000 000**	100 000 000
Less: ordinary shares issued	**(95 146 885)**	(95 146 885)	**(95 146 885)**	(95 146 885)
Less: share options granted but unexercised (Share Option Scheme 2)	**(4 036 444)**	(4 125 944)	**(4 036 444)**	(4 125 944)
Less: shares reserved but not granted (Share Option Scheme 2)	**(790 671)**	(701 171)	**(790 671)**	(701 171)
Number of authorised but unissued shares, excluding shares reserved for Share Option Scheme 2	**26 000**	26 000	**26 000**	26 000

17. NON-DISTRIBUTABLE RESERVES

	Net surplus arising from revaluation of freehold land and buildings R000	Statutory reserves of foreign subsidiaries R000	Foreign currency translation reserve of foreign subsidiaries R000	Equity-settled employee benefits reserve R000	Total R000
GROUP					
Balance at 31 December 2013	106 864	15 384	346 615	16 282	485 145
Other comprehensive income	–	(412)	(21 503)	–	(21 915)
– exchange differences on translating foreign operations	–	–	(5 715)	–	(5 715)
– exchange differences on foreign reserves	–	(412)	(299)	–	(711)
– reclassification to profit or loss of foreign currency translation reserve on deregistered operations	–	–	(15 489)	–	(15 489)
Recognition of share-based payments*	–	–	–	3 132	3 132
Increase in statutory reserves of foreign subsidiaries	–	307	–	–	307
Balance at 31 December 2014	**106 864**	**15 279**	**325 112**	**19 414**	**466 669**
Other comprehensive income	**–**	**3 187**	**294 333**	**–**	**297 520**
– exchange differences on translating foreign operations	**–**	**–**	**283 288**	**–**	**283 288**
– exchange differences on foreign reserves	**–**	**3 187**	**11 045**	**–**	**14 232**
Recognition of share-based payments*	**–**	**–**	**–**	**1 585**	**1 585**
Decrease in statutory reserves of foreign subsidiaries	**–**	**(497)**	**–**	**–**	**(497)**
Balance at 31 December 2015	**106 864**	**17 969**	**619 445**	**20 999**	**765 277**
COMPANY					
Balance at 31 December 2013	–	–	–	16 282	16 282
Recognition of share-based payments*	–	–	–	3 132	3 132
Balance at 31 December 2014	**–**	**–**	**–**	**19 414**	**19 414**
Recognition of share-based payments *	**–**	**–**	**–**	**1 585**	**1 585**
Balance at 31 December 2015	**–**	**–**	**–**	**20 999**	**20 999**

** Details of the employee share option plan are set out in note 31.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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		GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
18. NON-CONTROLLING INTEREST					
The non-controlling interest at year-end represents the 3,1% (2014: 3,4%) interest of group employees in Bell Equipment Sales South Africa Limited (BESSA).					
Balance at beginning of the year		**7 636**	6 915	**–**	–
Share of total comprehensive income for the year		**575**	2 968	**–**	–
Transactions with group employees*		**(850)**	(2 247)	**–**	–
Balance at end of the year		**7 361**	7 636	**–**	–

** Employees who exit from the group are obliged to sell their shares in BESSA back to the company or its nominee. The amount above represents the carrying amount of those interests repurchased by the company through its subsidiary Bell Equipment Company SA Proprietary Limited from employees who have exited the group. This resulted in an increase in the company's effective shareholding in BESSA from 96,6% to 96,9%.*

Non-controlling shareholders are treated as equity participants and, therefore, all acquisitions of non-controlling interests or disposals by the group of its interests in subsidiary companies, where control is maintained subsequent to the transaction, are accounted for as equity transactions.

	Average variable rate of interest per annum	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
19. INTEREST-BEARING LIABILITIES					
Secured					
Finance lease liabilities repayable in instalments by:					
2015	11,4%	**–**	898	**–**	–
2016	9,8%	**1 282**	2 878	**–**	–
2017	9,1%	**1 348**	2 354	**–**	–
2018	9,1%	**11 496**	12 358	**–**	–
2019	8,9%	**9 636**	5 648	**–**	–
Total secured liabilities		**23 762**	24 136	**–**	–
Less: current portion		**(8 592)**	(7 336)	**–**	–
Long-term portion		**15 170**	16 800	**–**	–

The following property, plant and equipment, at net book value, is encumbered as security for the secured borrowings above:

– plant and equipment in South Africa R24,5 million (2014: R22,0 million)
– vehicles in South Africa and France R4,5 million (2014: R4,7 million)

	Average variable rate of interest per annum	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
Secured					
Long-term mortgage loans from financial institutions repayable in instalments by:					
February 2019*	4,3%	**77 975**	–	**–**	–
December 2023**	8,9%	**20 367**	22 047	**–**	–
		98 342	22 047	**–**	–
Less: current portion		**(19 127)**	(1 686)	**–**	–
Long-term portion		**79 215**	20 361	**–**	–

The following property at net book value is encumbered as security for the secured borrowings above:

* *Freehold land and buildings in Kitwe, Zambia R110,3 million.*

** *Freehold land and buildings in Middelburg, South Africa R39,9 million (2014: R40,9 million).*

		GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
	Variable rate of interest per annum				
19. INTEREST-BEARING LIABILITIES (CONTINUED)					
Secured					
Collateralised borrowings	9,3%	**–**	1 282	**–**	–
Less: current portion		**–**	(1 282)	**–**	–
Long-term portion		**–**	–	**–**	–
Collateralised borrowings comprise amounts payable to financial institutions on demand, where rental income streams on certain operating leases with customers have been discounted to financial institutions with recourse to the group.					
Further information on the transfer of financial assets and related borrowings are set out in note 36.3.					
	Average variable rate of interest per annum				
Unsecured					
Industrial Development Corporation of South Africa – medium-term loan repayable in monthly instalments by:					
July 2017	10,4%	**47 500**	80 000	**–**	–
Less: current portion		**(30 000)**	(30 000)	**–**	–
Long-term portion		**17 500**	50 000	**–**	–
The medium-term loan from the Industrial Development Corporation of South Africa is repayable in equal monthly instalments, expiring on 31 July 2017. In terms of the loan agreement Bell Equipment Company SA Proprietary Limited is required to maintain a ratio of shareholders' interest to total assets of at least 40%. The actual ratio at 31 December 2015 was 57% (2014: 48%). The company has provided suretyship for the repayment of this loan.					
Total current portion of interest-bearing liabilities		**57 719**	40 304	**–**	–
Total long-term portion of interest-bearing liabilities		**111 885**	87 161	**–**	–

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

The directors consider that the carrying amount of interest-bearing liabilities approximates their fair value.

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	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
20. REPURCHASE OBLIGATIONS AND DEFERRED LEASING INCOME				
Repurchase obligations				
Total repurchase obligations	1 081	29 381	–	–
Less: current portion	(232)	(29 381)	–	–
Long-term portion	849	–	–	–
Deferred leasing income				
Total deferred leasing income	3 781	5 599	–	–
Less: current portion	(810)	(5 599)	–	–
Long-term portion	2 971	–	–	–
Total current portion of repurchase obligations and deferred leasing income	1 042	34 980	–	–
Total long-term portion of repurchase obligations and deferred leasing income	3 820	–	–	–

Repurchase obligations are in respect of rental assets with a net book value of R4,7 million (2014: R34,3 million) reflected in note 6 and relate to transactions combined with buy-back agreements where the revenue was not recognised upfront as the probability of return of the equipment by the customer has been assessed as not remote. The repurchase obligation is the present value of the buy-back obligation.

The full amount of the purchase price is received upfront from the customer and a deferred leasing income liability is recognised for the difference between the proceeds received and the present value of the buy-back obligation referred to above.

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
21. DEFERRED INCOME				
Deferred warranty income				
Balance at beginning of the year	124 695	101 079	–	–
Extended warranty contracts sold during the year	40 318	57 680	–	–
Costs in excess of contract value	8 571	7 436	–	–
Expired during the year	(14 674)	(8 887)	–	–
Utilised during the year	(24 119)	(21 601)	–	–
Revenue recognised during the year	(12 834)	(11 012)	–	–
	121 957	124 695	–	–
Less: current portion	(55 414)	(59 079)	–	–
Long-term portion	66 543	65 616	–	–

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.

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
Deferred service contract income				
Total service contract obligations	16 360	–	–	–
Less: current portion	(16 360)	–	–	–
Long-term portion	–	–	–	–

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.

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
Total current portion of deferred income	71 774	59 079	–	–
Total long-term portion of deferred income	66 543	65 616	–	–

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
22. LEASE ESCALATION				
Total lease escalation	**49 742**	44 428	**–**	–
Less: current portion	**(3 747)**	(1 493)	**–**	–
Long-term portion of lease escalation	**45 995**	42 935	**–**	–

The lease escalation liability relates to rental and lease contracts with escalation clauses. Rentals payable under the contracts are charged to profit or loss on a straight-line basis over the term of the relevant lease.

	GROUP Warranty provision R000	GROUP Provision for residual value risk R000	GROUP Provision for credit risk R000	GROUP Total R000	COMPANY Warranty provision R000	COMPANY Provision for residual value risk R000	COMPANY Provision for credit risk R000	COMPANY Total R000
23. PROVISIONS								
Balance at 31 December 2013	56 863	1 458	–	58 321	–	–	–	–
Increase during the year	159 015	–	1 782	160 797	–	–	–	–
Utilised during the year	(152 004)	(788)	–	(152 792)	–	–	–	–
Balance at 31 December 2014	63 874	670	1 782	66 326	–	–	–	–
Less: current portion	(61 996)	(670)	(1 782)	(64 448)	–	–	–	–
Long-term provisions at 31 December 2014	1 878	–	–	1 878	–	–	–	–
Balance at 31 December 2014	**63 874**	**670**	**1 782**	**66 326**	**–**	**–**	**–**	**–**
Increase (decrease) during the year	**123 409**	**(670)**	**(1 520)**	**121 219**	**–**	**–**	**–**	**–**
Utilised during the year	**(132 128)**	**–**	**–**	**(132 128)**	**–**	**–**	**–**	**–**
Balance at 31 December 2015	**55 155**	**–**	**262**	**55 417**	**–**	**–**	**–**	**–**
Less: current portion	**(49 774)**	**–**	**(262)**	**(50 036)**	**–**	**–**	**–**	**–**
Long-term provisions at 31 December 2015	**5 381**	**–**	**–**	**5 381**	**–**	**–**	**–**	**–**

The warranty provision represents management's best estimate of the group's warranty liability on product sold, based on past experience and current warranty campaigns.

The provision for residual value risk relates to sales transactions with residual value guarantees and sales transactions combined with buy-back agreements where the revenue was recognised upfront. Refer to note 4.1.

- For sales transactions with residual value guarantees, the residual value risk is the risk that the market value of the equipment at the end of the contract period is less than what was expected when the contracts were entered into. No provision has been recognised at year-end (2014: R0,7 million) in respect of these transactions.
- For sales transactions combined with buy-back obligations, where the revenue was recognised upfront on the transaction as the probability of return of the equipment by the customer has been assessed as remote, residual value risk is the risk that the market value of the equipment at the end of the buy-back period is less than the cost of meeting the buy-back obligation. No provision has been recognised at year-end in respect of these transactions as no shortfall between the buy-back obligation and the assessed market value was identified.

The provision for credit risk relates to sales transactions where the group has assisted customers with the financing of equipment purchased through various financial institutions. In terms of these arrangements the group is liable for a portion of the credit risk and a portion of the balance due to the financial institutions by default customers. These shared risk arrangements are first-loss undertakings and the group's exposure remains fixed until the capital is repaid. No cash collateral is paid on these transactions and the group's exposure in terms of these arrangements is disclosed as a contingent liability in note 32.1.

A provision for residual credit risk is made on a deal-by-deal basis where customers are in arrears with these financial institutions and there is a shortfall between the estimated realisation values of equipment and the balances due by the customers to these financial institutions. An assessment of any additional security is done and a provision is made to the extent of the group's liability towards the financial institution.

The provisions represent the discounted value of management's best estimate of the group's liability.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
24. TRADE AND OTHER PAYABLES				
Trade creditors	**441 362**	752 946	**–**	–
Industrial Development Corporation of South Africa – trade finance*	**307 453**	301 949	**–**	–
Floor plan trade finance**	**17 013**	–	**–**	–
Other payables	**249 093**	321 878	**936**	923
Total trade and other payables	**1 014 921**	1 376 773	**936**	923

* *This trade finance is unsecured and is a rolling credit facility, repayable six-monthly, with an ultimate repayment date of 30 September 2016. The interest rate is linked to prime and the average rate charged was 10,4% (2014: 9,6%) per annum. The facility was extended for a further two years expiring on 31 March 2018.*

** *The floor plan financing facility is a rolling credit facility with a financial institution, relating to new and used equipment inventory purchases by the group. The amount is repayable on sale of the equipment or after 360 days, whichever comes first. The interest rate is linked to prime and the average rate charged was 9,4% per annum. Inventory to the value of R14,8 million has been encumbered as security for the above liability as reflected in note 12.*

The directors consider that the carrying amount of trade and other payables approximates their fair value.

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
25. NON-INTEREST-BEARING LIABILITIES				
Unsecured				
Amounts owing to subsidiary company	**–**	–	**92 592**	90 781

The loan has no fixed repayment terms. Due to the absence of repayment dates, a reliable fair value is not determinable.

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
26. OTHER FINANCIAL LIABILITIES				
Financial liabilities carried at fair value through profit or loss				
Forward foreign exchange contracts (Level 2)	**20 593**	4 404	**–**	–

Level 2 fair value measurements are those derived from inputs other than quoted prices. The fair value of these contracts is based on observable forward exchange rates at the end of the year.

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
27. REVENUE				
Revenue represents				
Sale of machines	**3 966 556**	4 713 530	**–**	–
Sale of parts	**1 451 345**	1 492 095	**–**	–
Service income	**352 528**	329 408	**–**	–
Rental income	**131 002**	73 512	**–**	–
Total revenue	**5 901 431**	6 608 545	**–**	–

Related party sales are disclosed in note 37.

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
28. PROFIT (LOSS) FROM OPERATING ACTIVITIES				
Profit (loss) from operating activities is arrived at after taking into account:				
Income				
Currency exchange gains	**239 526**	195 831	**116**	23
Deferred warranty income	**51 627**	41 500	**–**	–
Decrease in provision for credit risk	**1 520**	–	**–**	–
Decrease in provision for residual value risk	**670**	788	**–**	–
Decrease in warranty provision	**21 330**	–	**–**	–
Import duty rebates	**57 153**	42 706	**–**	–
Reclassification to profit or loss of foreign currency translation reserve on deregistered operations	**–**	15 489	**–**	–
Royalties	**4 447**	4 647	**–**	–
Net surplus on disposal of non-current assets held for sale	**7 073**	–	**–**	–
Net surplus on disposal of property, plant and equipment and intangible assets	**6 041**	1 485	**–**	–
Expenditure				
Amortisation of intangible assets				
– capitalised software	**7 048**	8 032	**–**	–
– capitalised development expenditure	**18 326**	17 248	**–**	–
Amounts written off as uncollectible	**11 924**	–	**–**	–
Auditors' remuneration				
– audit fees – current	**8 783**	8 558	**705**	585
– prior	**310**	385	**17**	–
– expenses	**4**	10	**–**	–
– other services	**586**	1 261	**–**	–
Consulting fees	**30 353**	33 266	**599**	675
Currency exchange losses	**234 940**	186 976	**28**	3
Depreciation				
– freehold buildings	**12 107**	10 819	**–**	–
– leasehold buildings	**532**	206	**–**	–
– plant and equipment	**48 423**	46 565	**–**	–
– rental assets	**68 419**	44 231	**–**	–
– aircraft	**981**	842	**–**	–
– vehicles	**12 842**	12 218	**–**	–
Directors' remuneration				
Paid by company:				
– non-executive directors' fees	**2 329**	2 303	**2 329**	2 303
Paid by subsidiaries:				
– executive directors – salaries	**6 967**	6 657	**–**	–
– benefits	**831**	821	**–**	–
Equity-settled share-based payments	**1 585**	3 132	**–**	–
Impairment loss recognised on retention deposits	**2 072**	–	**–**	–
Increase in provision for doubtful debts	**6 412**	69 887	**–**	–
Increase in warranty provision	**–**	6 814	**–**	–
Operating lease charges				
– equipment and vehicles	**40 609**	42 205	**–**	–
– land and buildings	**92 214**	86 236	**–**	–
Research expenses (excluding staff costs)	**29 978**	35 072	**–**	–
Severance pay	**26 240**	21 378	**–**	–
Staff costs	**1 201 353**	1 221 099	**–**	–

Details of remuneration paid to directors and prescribed officers of the company are set out in note 41.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

		GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
29. TAXATION					
Taxation recognised in profit or loss					
South African normal taxation					
Current taxation					
– current year		**4 459**	19 494	**–**	–
– prior year		**(797)**	(2 071)	**–**	–
Deferred taxation					
– current year		**26 820**	(11 588)	**–**	–
– prior year		**2 150**	7 974	**–**	–
Foreign taxation					
Current taxation					
– current year		**25 609**	27 735	**–**	–
– prior year		**(5 005)**	14 107	**–**	–
Deferred taxation					
– current year		**4 147**	460	**–**	–
– prior year		**(215)**	–	**–**	–
Withholding taxation		**3 852**	3 927	**–**	–
Other corporate taxation		**2 988**	3 815	**–**	–
Total taxation charge recognised in profit or loss		**64 008**	63 853	**–**	–
Reconciliation of rate of taxation					
Standard rate of taxation	(%)	**28**	28	**28**	28
Adjustment for:					
Exempt income	(%)	**(1)**	(1)	**–**	–
Disallowable legal and consulting fees	(%)	**–**	–	**(8)**	(7)
Recoupments	(%)	**1**	1	**–**	–
Special allowances for taxation	(%)	**(3)**	(8)	**–**	–
Prior year taxation	(%)	**(2)**	15	**–**	–
Withholding and other corporate taxation	(%)	**3**	6	**–**	–
Taxation loss	(%)	**–**	1	**(20)**	(21)
Different taxation rates of subsidiaries operating in other jurisdictions and the effect of unrecognised deferred taxation assets for taxation losses in these subsidiaries	(%)	**1**	7	**–**	–
Effective rate of taxation	(%)	**27**	49	**–**	–
The group's estimated taxation losses amount to approximately R223,5 million (2014: R276,3 million). Included in this amount are losses of R33,5 million (2014: R52,1 million) that will expire as set out below:					
Less than one year		**–**	22 456	**–**	–
Two to five years		**29 680**	17 138	**–**	–
Six to ten years		**–**	12 505	**–**	–
More than ten years		**3 836**	–	**–**	–
Total		**33 516**	52 099	**–**	–

Other losses may be carried forward indefinitely.

A deferred taxation asset of R24,9 million (2014: R49,4 million) has been recognised in respect of taxable losses as reflected in note 11, as future taxable income of sufficient amount is expected to be earned. Unused taxation losses for which no deferred taxation assets have been recognised are revenue in nature and amount to R135,6 million (2014: R99,9 million). Of this amount R29,7 million (2014: R52,1 million) will expire in two to five years (2014: one to ten years).

		GROUP	
		2015	2014
30. EARNINGS PER SHARE			
30.1 EARNINGS PER SHARE (BASIC)			
Profit attributable to owners of Bell Equipment Limited	(R000)	**168 280**	63 452
Weighted average number of shares in issue	('000)	**95 147**	95 146
Earnings per share (basic)	(cents)	**177**	67
30.2 EARNINGS PER SHARE (DILUTED)			
Profit attributable to owners of Bell Equipment Limited	(R000)	**168 280**	63 452
Fully converted weighted average number of shares	('000)	**95 147**	95 640
Earnings per share (diluted)	(cents)	**177**	66
The number of shares in issue in the prior year calculation has been adjusted for the effect of the dilutive potential ordinary shares relating to the unexercised options in employee Share Option Scheme 2 as set out in note 31.3. There has been no dilutive effect in the current year as the option exercise prices exceeded the average market price.			
30.3 HEADLINE EARNINGS PER SHARE (BASIC)			
Profit attributable to owners of Bell Equipment Limited	(R000)	**168 280**	63 452
Net surplus on disposal of property, plant and equipment, intangible assets and non-current assets held for sale	(R000)	**(13 114)**	(1 485)
Taxation effect of net surplus on disposal of property, plant and equipment, intangible assets and non-current assets held for sale	(R000)	**3 672**	416
Reclassification to profit or loss of foreign currency translation reserve on deregistered operations		**–**	(15 489)
Headline earnings	(R000)	**158 838**	46 894
Weighted average number of shares in issue	('000)	**95 147**	95 146
Headline earnings per share (basic)	(cents)	**167**	49
30.4 HEADLINE EARNINGS PER SHARE (DILUTED)			
Profit as calculated in 30.3 above	(R000)	**158 838**	46 894
Fully converted weighted average number of shares per 30.2 above	('000)	**95 147**	95 640
Headline earnings per share (diluted)	(cents)	**167**	49

31. SHARE-BASED PAYMENTS

31.1 EMPLOYEE SHARE OPTION PLAN

The company had one operating employee share option scheme for executives and senior employees during the year (Scheme 2). The directors in their sole discretion may from time to time, after giving due consideration to the purpose of the scheme, grant options to employees. The allocation is done according to a formula that recognises responsibility levels and is at the discretion of the chief executive and the board.

The maximum number of shares any employee may acquire in terms of this scheme may not exceed 200 000 shares. The options of Scheme 2 have a maximum contractual life of 10 years from the date of award.

Each employee share option converts into one ordinary share of Bell Equipment Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Scheme 2 was approved by the board in December 2009 and share options were granted to employees on 15 February 2010, 15 April 2011 and 15 May 2012. Five million ordinary shares have been reserved for this scheme. The options on Scheme 2 are equity-settled, each year's allocation of options will vest one third in each period after three years, five years and seven years respectively, after the date of grant and are forfeited on leaving the company. A retired or retrenched employee is entitled to exercise their options in full within 12 months after becoming a retired or retrenched employee. If not exercised within such period, the options lapse.

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31. SHARE-BASED PAYMENTS (CONTINUED)
31.1 EMPLOYEE SHARE OPTION PLAN (CONTINUED)
The following share-based payment arrangements were in existence during the reporting period:

Options tranches	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
Scheme 2 – Granted 15 February 2010 (tranche 1)	993 333	15-Feb-10	14-Feb-20	R10,48	R5,39
Scheme 2 – Granted 15 February 2010 (tranche 2)	993 333	15-Feb-10	14-Feb-20	R10,48	R5,83
Scheme 2 – Granted 15 February 2010 (tranche 3)	993 334	15-Feb-10	14-Feb-20	R10,48	R6,18
Scheme 2 – Granted 15 April 2011 (tranche 1)	510 000	15-Apr-11	14-Apr-21	R13,06	R7,12
Scheme 2 – Granted 15 April 2011 (tranche 2)	510 000	15-Apr-11	14-Apr-21	R13,06	R7,71
Scheme 2 – Granted 15 April 2011 (tranche 3)	510 000	15-Apr-11	14-Apr-21	R13,06	R8,17
Scheme 2 – Granted 15 May 2012 (tranche 1)	316 666	15-May-12	14-May-22	R21,35	R12,79
Scheme 2 – Granted 15 May 2012 (tranche 2)	316 667	15-May-12	14-May-22	R21,35	R13,18
Scheme 2 – Granted 15 May 2012 (tranche 3)	316 667	15-May-12	14-May-22	R21,35	R13,54

31.2 FAIR VALUE OF SHARE OPTIONS GRANTED
The fair value of the share options is determined once-off at grant date and is expensed on a straight-line basis over the vesting period.

	Grant date 15 February 2010	Grant date 15 April 2011	Grant date 15 May 2012
The weighted average fair values of Scheme 2 share options granted are:	R5,80	R7,67	R13,17

Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate of exercise restrictions and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 10 years. For options granted on 15 May 2012, it was assumed that executives and senior employees would exercise the options after vesting date when the share price is 3,3 times the exercise price. For options granted on 15 February 2010 and 15 April 2011, an exercise multiple of 2,2 times was assumed.

	Grant date 15 February 2010	Grant date 15 April 2011	Grant date 15 May 2012
Inputs into the model			
Grant date share price	R10,30	R13,10	R21,90
Exercise price of the option	R10,48	R13,06	R21,35
Expected volatility of the share price	41,59%	45,26%	41,60%
Contractual life of the option	10 yrs	10 yrs	10 yrs
Dividend yield	0,79%	0,67%	0,57%
Risk-free interest rate for the life of the option	8,88%	8,42%	7,79%

31. SHARE-BASED PAYMENTS (CONTINUED)

31.3 SHARES RESERVED AND MOVEMENT IN SHARE OPTIONS FOR THE YEAR

	GROUP 2015	GROUP 2014
Scheme 2		
Total number of shares reserved for Scheme 2	**5 000 000**	5 000 000
Less: number of share options exercised	**(172 885)**	(172 885)
Less: number of share options granted, but not exercised	**(4 036 444)**	(4 125 944)
Number of shares reserved for Scheme 2, but share options not granted	**790 671**	701 171

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

	GROUP			
	2015	2015	2014	2014
	Number of options	Weighted average exercise price R	Number of options	Weighted average exercise price R
Scheme 2				
Balance at beginning of the year	**4 125 944**	**13,38**	4 358 444	13,38
Forfeited during the year	**(89 500)**	**16,98**	(230 000)	13,45
Exercised during the year	**–**	**–**	(2 500)	13,06
Balance at end of the year	**4 036 444**	**13,30**	4 125 944	13,38

The share options outstanding at the end of the year under Scheme 2 had a weighted average remaining contractual life of 4,9 years (2014: 5,9 years).

31.4 SHARE OPTIONS EXERCISED DURING THE YEAR

The following share options were exercised during the year:

	GROUP			
	2015	2015	2014	2014
	Number of options	Weighted average share price R	Number of options	Weighted average share price R
Exercise date				
Granted 15 April 2011 (tranche 1)				
2 May 2014	**–**	**–**	2 500	18,00
Total	**–**		2 500	

At year-end the number of options that had vested and that were exercisable was 2 485 444 (2014: 1 029 599).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
32. CONTINGENT LIABILITIES				
32.1 The group has assisted customers with the financing of equipment purchased through a financing venture with WesBank, a division of FirstRand Bank Limited. Refer to note 40.				
In respect of the different categories of financing provided by WesBank, the group carries certain credit risks. These are considered to be financial guarantee contracts.				
The group is liable for all credit risks and therefore the full balance due to WesBank by default customers with regard to Bell-backed deals and a portion of the credit risk and a portion of the balance due to WesBank by default customers with regard to Bell-shared risk deals. In terms of the Bell-shared risk deals the group's exposure is calculated as a percentage of the net selling price of the equipment.				
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	**211 581**	204 829	**–**	–
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	**1 997**	995	**–**	–
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	**319 208**	243 954	**–**	–
Net contingent liability	**–**	–	**–**	–
The group has entered into similar shared risk arrangements with various other institutions. These arrangements are first-loss undertakings and the group's exposure remains fixed until the capital is repaid. These are considered to be financial guarantee contracts.				
At year-end the group's credit risk exposure to these financial institutions totalled	**14 566**	21 645	**–**	–
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 liability	**27 839**	25 902	**–**	–
	(13 273)	(4 257)	**–**	–
Less: provision for non-recovery	**(262)**	(1 782)	**–**	–
Net contingent liability	**–**	–	**–**	–
Where customers are in arrears with these financial institutions and there is a shortfall between the estimated realisation values of equipment and the balances due by the customers to these financial institutions, an assessment of any additional security is done and a provision for any residual credit risk is made on a deal-by-deal basis.				
32.2 The repurchase of equipment sold to customers and financial institutions has been guaranteed by the group for an amount of	**945**	4 420	**–**	–
In the event of repurchase, it is estimated that the equipment would presently realise	**3 404**	19 037	**–**	–
Net contingent liability	**–**	–	**–**	–

This relates to sales transactions with buy-back obligations where the probability of return of the equipment by the customer at the end of the buy-back period has been assessed as remote and revenue has been recognised upfront. A provision for residual value risk is recognised subsequent to initial recognition of the sale on a deal-by-deal basis, to the extent that the assessed market value of the equipment is less than the cost of meeting the buy-back obligation.

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
32. CONTINGENT LIABILITIES (CONTINUED)				
32.3 The residual values of certain equipment sold to financial institutions have been guaranteed by the group. The group's exposure is limited to the difference between the group's guaranteed amount and the financial institution's predetermined estimate.				
In the event of a residual value shortfall on this equipment, the group would be exposed to a maximum amount of	**28 335**	8 457	**–**	–
Less: provision for residual value risk	**–**	(670)	**–**	–
Net contingent liability	**28 335**	7 787	**–**	–
In certain other transactions the group has paid cash collateral as security for the residual value risk. This cash collateral is recognised as retention deposits under interest-bearing long-term receivables (refer to note 10). In the event of a residual value shortfall on this equipment, the group would be exposed to a maximum amount equal to the cash collateral of	**2 072**	2 867	**–**	–
Less: impairment of retention deposits	**(2 072)**	–	**–**	–
Net retention deposits and net contingent liability	**–**	2 867	**–**	–
Total net contingent liabilities	**28 335**	10 654	**–**	–
This relates to sales transactions to financial institutions which lease the equipment to customers for an agreed lease term. In certain cases, the group has a remarketing agreement with the institution for the disposal of the equipment returned after the lease term, but in all instances the group's risk is limited to the residual value risk described above.				
The provision for residual value risk and impairment of retention deposits are based on an assessment of the market value of the equipment.				
32.4 The company provided suretyships for the overdrafts, short-term borrowings and loans made to subsidiaries	**–**	–	**727 162**	514 194
32.5 Letters of support have been issued by the company to certain of the subsidiaries to the effect that financial assistance would be provided should the subsidiaries be unable to meet their commitments.				
32.6 Performance guarantees have been provided to certain customers for an amount of	**2 800**	–	**–**	–
32.7 A retention guarantee has been provided to a customer for an amount of	**1 070**	–	**–**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
33. CAPITAL EXPENDITURE COMMITMENTS				
Contracted	**3 827**	21 460	**–**	–
Authorised, but not contracted	**46 260**	59 418	**–**	–
Total capital expenditure commitments	**50 087**	80 878	**–**	–
This capital expenditure is to be financed from internal resources and long-term facilities.				
34. OPERATING LEASE ARRANGEMENTS				
34.1 OPERATING LEASE COMMITMENTS				
The group has commitments under non-cancellable operating leases as set out below:				
Land and buildings				
Less than one year	**90 528**	74 286	**–**	–
Two to five years	**262 754**	193 931	**–**	–
More than five years	**76 942**	54 336	**–**	–
Equipment and vehicles				
Less than one year	**17 131**	20 979	**–**	–
Two to five years	**12 518**	46 210	**–**	–
More than five years	**27**	206	**–**	–
Total operating lease commitments	**459 900**	389 948	**–**	–

Included in operating lease commitments above is an amount of R182,0 million (2014: R209,6 million) relating to a 12 year property lease for warehousing and administrative buildings in Johannesburg, South Africa. The lease charge escalates at 8% per annum and expires in 2021. There are no contingent rentals in this lease.

Other significant property leases include premises in Rustenburg, Nelspruit and Johannesburg (South Africa) which are used as customer service centres. Operating lease commitments on these premises amount to R123,9 million (2014: R37,5 million) and escalate between 8% and 9% per annum. They expire between 2021 and 2026.

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
34.2 OPERATING LEASE RECEIVABLES				
Non-cancellable operating lease receivables are set out below:				
Equipment				
Less than one year	**41 997**	41 119	**–**	–
Two to five years	**476**	12 633	**–**	–
Total operating lease receivables	**42 473**	53 752	**–**	–

Operating lease receivables above relate to certain rental assets reflected in note 6.

35. RETIREMENT BENEFIT INFORMATION

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 employer contributions to retirement funds were R88,1 million during the current year (2014: R90,5 million) and were charged to staff costs in profit or loss.

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

36. FINANCIAL INSTRUMENTS

Financial instruments as disclosed in the statement of financial position include long- and short-term borrowings, investments, cash resources, interest-bearing long-term receivables, trade receivables, trade payables and forward foreign exchange contracts.

	GROUP	
	2015	2014
	R000	R000
Categories of financial instruments		
Financial assets		
Loans and receivables at amortised cost		
– Interest-bearing long-term receivables (including current portion)	**71 522**	87 876
– Trade and other receivables	**654 216**	641 099
– Cash resources	**104 221**	258 955
Available for sale financial assets		
– Investments	**665**	548
Financial assets at fair value through profit or loss	**12 783**	2 071
Total financial assets	**843 407**	990 549
Financial liabilities		
Financial liabilities at amortised cost		
– Interest-bearing liabilities (including current portion)	**169 604**	127 465
– Trade and other payables	**997 881**	1 350 589
– Short-term interest-bearing debt	**303 793**	133 779
Financial liabilities at fair value through profit or loss	**20 593**	4 404
Total financial liabilities	**1 491 871**	1 616 237

The holding company's indebtedness to its subsidiary company, which amounted to R92,6 million (2014: R90,8 million), is categorised as financial liabilities at amortised cost. Amounts due from subsidiary companies to the holding company, are classified as loans and receivables and are measured at amortised cost. This amounted to R0,9 million (2014: R1,5 million).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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36. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments

Financial assets and liabilities carried at fair value through profit or loss include forward foreign exchange contracts. Forward foreign exchange contracts are measured at fair value on a recurring basis 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.

Loans and receivables comprising interest-bearing long-term receivables, trade and other receivables and cash resources are measured at amortised cost. The directors consider that the carrying amount of loans and receivables at amortised cost approximates their fair value.

Financial liabilities comprising interest-bearing liabilities, trade and other payables and short-term interest-bearing debt are measured at amortised cost. The directors consider that the carrying amount of financial liabilities at amortised cost approximates their fair value.

Available for sale financial assets comprise an unlisted equity investment measured at cost for which a reliable fair value could not be determined.

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 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 residual value risk). In order to manage these risks, the group may enter into transactions which make use of derivatives. They include 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 risk reports which analyse exposures and the magnitude of risks.

36.1 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 19, cash and cash equivalents, all components of equity, comprising issued capital, reserves and non-controlling interest, as disclosed in notes 16 to 18, and retained earnings.

Gearing ratio

The board reviews the capital structure on a regular basis. As part of this review, the board considers the cost of capital and the risks associated with the capital structure.

		GROUP	
		2015 R000	2014 R000
The gearing ratio at the year-end was as follows:			
Short-term and long-term borrowings		**473 397**	261 244
Cash resources		**(104 221)**	(258 955)
Net debt		**369 176**	2 289
Total equity		**3 004 291**	2 536 331
Attributable to owners of Bell Equipment Limited		**2 996 930**	2 528 695
Non-controlling interest		**7 361**	7 636
Debt-to-equity ratio (excluding cash resources)	(%)	**15,8**	10,3
Net debt-to-equity ratio (including cash resources)	(%)	**12,3**	0,1

36. FINANCIAL INSTRUMENTS (CONTINUED)

36.2 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 2015 is as follows:

	GROUP			
	Facilities 2015 R000	Utilisation 2015 R000	Facilities 2014 R000	Utilisation 2014 R000
General banking facilities	**930 517**	**303 793**	856 419	133 779
Short-term interest-bearing debt comprising bank overdrafts and borrowings on call are unsecured and floating interest rates linked to prime are charged. There are no covenants in place on short-term interest-bearing debt.				
The utilisation at 31 December 2015 on facilities made available by the Industrial Development Corporation of South Africa is as follows:				
Industrial Development Corporation of South Africa				
Trade finance	**300 000**	**300 000**	300 000	300 000
Interest accrued	**–**	**7 453**	–	1 949
	300 000	**307 453**	300 000	301 949
Medium-term loan	**47 500**	**47 500**	80 000	80 000
Total	**347 500**	**354 953**	380 000	381 949

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.

	GROUP				
	Less than one year R000	One to two years R000	Two to three years R000	More than three years R000	Total R000
Non-derivative financial liabilities					
2015					
Secured interest-bearing liabilities	**27 487**	**26 319**	**23 332**	**72 680**	**149 818**
Unsecured interest-bearing liabilities	**33 634**	**18 122**	**–**	**–**	**51 756**
Trade and other payables	**997 881**	**–**	**–**	**–**	**997 881**
Short-term interest-bearing debt	**303 793**	**–**	**–**	**–**	**303 793**
Total	**1 362 795**	**44 441**	**23 332**	**72 680**	**1 503 248**
2014					
Secured interest-bearing liabilities	13 947	11 398	9 942	25 675	60 962
Unsecured interest-bearing liabilities	35 647	33 454	20 710	–	89 811
Trade and other payables	1 350 589	–	–	–	1 350 589
Short-term interest-bearing debt	133 779	–	–	–	133 779
Total	1 533 962	44 852	30 652	25 675	1 635 141

The following outlines the group's maturity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted gross cash inflows/(outflows) on the derivative instruments that settle on a gross basis.

	GROUP	
	2015 R000	2014 R000
Derivative financial instruments		
Less than one year		
Gross settled forward foreign exchange contracts – imports	**(301 254)**	(133 290)
Gross settled forward foreign exchange contracts – exports	**272 043**	103 216
Total	**(29 211)**	(30 074)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

36. FINANCIAL INSTRUMENTS (CONTINUED)

36.3 CREDIT RISK

Credit risk consists mainly of short-term cash deposits, interest-bearing long-term receivables, trade receivables and indebtedness by subsidiaries and the credit risk exposure described in note 32.1 and note 40. The group only deposits short-term cash with approved financial institutions and counterparty credit limits are in place.

Trade receivables comprise a wide spread customer base, and operations management undertake ongoing credit evaluations of the financial condition of their customers. Before accepting any new customer, the group assesses the potential customer's credit quality and defines credit limits by customer.

The group's credit risk is regularly monitored by a credit committee, consisting of certain directors and senior executives, which reports to the board. As part of its function the committee assesses credit limits by customer and customers' credit quality. The company's credit risk in respect of the indebtedness of its subsidiaries is monitored by management on an ongoing basis.

The average credit period on sales of goods and services is 30 days (2014: 30 days). Other than in specific circumstances, no interest is charged on overdue balances. An allowance has been made for estimated irrecoverable amounts from the sale of goods and has been determined by reference to past default experience and the value of the underlying security.

With the exception of the credit risk disclosed in note 32.1, the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's and company's maximum exposure to credit risk. At 31 December 2015, the group and company do not consider there to be any material credit risk that has not been adequately provided for.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Included in the group's trade receivable balance are debtors with a carrying amount of R181,5 million (2014: R154,5 million) which are past the original expected collection date (past due) at the reporting date, for which the group has not provided against as there has not been a significant change in credit quality and the amounts are still considered recoverable.

	GROUP	
	2015 R000	2014 R000
A summarised age analysis of past due debtors is set out below.		
Ageing of past due but not impaired		
60 to 90 days	**77 478**	50 298
90 to 120 days	**35 751**	41 953
120+ days	**68 313**	62 240
Total	**181 542**	154 491
A summarised age analysis of impaired debtors is set out below.		
Ageing of impaired debtors		
Current	**445**	461
30 to 60 days	**162**	2 988
60 to 90 days	**427**	96
90 to 120 days	**1 476**	633
120+ days	**89 371**	74 368
Total	**91 881**	78 546
Movement in the allowance for doubtful debts		
Balance at beginning of the year	**78 546**	8 659
Translation differences	**6 923**	–
Amounts written off as uncollectible	**(11 924)**	(1 245)
Amounts recovered during the year	**–**	(969)
Increase in allowance	**18 336**	72 101
Balance at end of the year	**91 881**	78 546

Transfer of financial assets

Rental income streams from an operating lease agreement with a customer were discounted to a financial institution during the prior year. In terms of the discounting arrangement, the group was obliged to reimburse the financial institution when called upon to do so. A liability was recognised in interest-bearing liabilities on the statement of financial position for the secured borrowings and the carrying amount at the end of the prior year amounted to R1,3 million. This was settled during the current year. Refer to note 19. The group did not enter into such arrangements in the current year.

36. FINANCIAL INSTRUMENTS (CONTINUED)

36.4 MARKET RISK

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and residual value 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.

36.4.1 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 2015 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:

	GROUP			
	Foreign amount 000	Rate R	Market value in Rands R000	Fair value gain (loss) R000
2015				
Import contracts				
British Pound	**934**	**22,07**	**21 632**	**1 019**
Euro	**4 682**	**16,18**	**79 741**	**3 986**
United States Dollar	**13 610**	**15,06**	**212 664**	**7 697**
Export contracts				
Euro	**1 000**	**15,82**	**17 012**	**(1 192)**
United States Dollar	**17 652**	**14,52**	**275 624**	**(19 317)**
2014				
Import contracts				
British Pound	1 996	18,03	36 182	194
Euro	5 976	14,35	84 675	(1 081)
United States Dollar	938	11,56	10 907	64
Japanese Yen	7 017	10,24	683	(2)
Export contracts				
Euro	466	14,46	6 563	175
United States Dollar	8 350	11,55	97 625	(1 183)

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36. FINANCIAL INSTRUMENTS (CONTINUED)
36.4 MARKET RISK (CONTINUED)
36.4.1 Currency risk (continued)

The group is mainly exposed to the United States Dollar and the Euro. The analysis below details the group's sensitivity to a 20% 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 20% change in foreign currency rates. A 20% strengthening or weakening in the South African Rand represents management's assessment of the reasonably possible change in foreign exchange rates.

For a 20% weakening 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 2015 would have increased by R4,4 million (2014: decrease in profit before taxation of R15,1 million); and
- other equity at the year-end would have increased by R19,2 million (2014: R32,6 million).

For a 20% strengthening, there would have been an equal and opposite impact on the profit and other equity.

36.4.2 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 2015, is as follows:

		GROUP			
		Net overdraft and call balances	Trade finance	Long-term borrowings	Total borrowings
2015					
Borrowings	(R000)	**199 572**	**307 453**	**169 604**	**676 629**
Rate profile		**Floating**	**Floating**	**Floating**	
Percentage of total borrowings	(%)	**30**	**45**	**25**	

		GROUP			
		Net cash and call balances	Trade finance	Long-term borrowings	Total borrowings
2014					
Borrowings	(R000)	(125 176)	301 949	127 465	304 238
Rate profile		Floating	Floating	Floating	
Percentage of total borrowings	(%)	(41)	99	42	

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 presents 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 2015 would have decreased by R6,8 million (2014: decrease in profit before taxation of R3,0 million)
- profit after taxation for the year ended 31 December 2015 would have decreased by R4,9 million (2014: decrease in profit after taxation of R2,2 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.

36. FINANCIAL INSTRUMENTS (CONTINUED)

36.4 MARKET RISK (CONTINUED)

36.4.3 Residual value risk

Residual value risks are attributable to transactions combined with buy-back agreements and 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 2.17 and 4.1 for information on the various transaction types 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.

The group's maximum exposure to residual value risk is disclosed in notes 32.2 and 32.3.

37. RELATED PARTY TRANSACTIONS

Details of transactions between the group and other related parties are disclosed below.

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.

All transactions are carried out on an arm's length basis. The nature and value of the transactions concluded during the year and balances at the year-end are detailed below:

	GROUP		COMPANY	
	2015 R000	2014 R000	2015 R000	2014 R000
Shareholders				
I A Bell & Company Proprietary Limited				
– property rental paid	**–**	58	**–**	–
John Deere Construction and Forestry Company				
– sales	**106 458**	185 029	**–**	–
– purchases	**565 492**	611 230	**–**	–
– royalties received	**4 447**	4 647	**–**	–
– royalties paid	**6 427**	7 398	**–**	–
– warranty claims received	**1 419**	2 210	**–**	–
– interest paid	**2**	7	**–**	–
– commission paid	**–**	8	**–**	–
– computer licence fees, training and related expenses	**319**	574	**–**	–
– legal settlement expenses	**–**	641	**–**	–
– export rebate expenses	**4 075**	5 453	**–**	–
– amounts owing to – trade and other payables	**51 961**	153 836	**–**	–
– amounts owing by – trade and other receivables	**25 216**	34 944	**–**	–
PA Bell				
– property rental paid	**54**	–	**–**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
37. RELATED PARTY TRANSACTIONS (CONTINUED)				
Enterprises over which directors and shareholders are able to exercise significant influence and/or in which directors and shareholders have a beneficial interest				
Ario Properties Limited				
– property rental paid	**7 918**	8 448	**–**	–
– property related expenses	**37**	340	**–**	–
Loinette Company Leasing Limited				
– commission paid	**552**	–	**–**	–
– amounts owing by	**2 172**	1 805	**–**	–
Minosucra SARL				
– sales	**3 016**	17 446	**–**	–
– purchases	**73**	–	**–**	–
– warranty claims paid	**–**	88	**–**	–
– transport related income	**20**	–	**–**	–
– amounts owing by	**–**	371	**–**	–
Triumph International Madagascar SARL				
– sales	**1 226**	916	**–**	–
– amounts owing by	**12**	48	**–**	–
Tractor and Equipment (Mauritius) Limited				
– sales	**540**	2 939	**–**	–
– amounts owing by	**–**	81	**–**	–
Castle Crest Properties 33 Proprietary Limited				
– property rental paid	**544**	635	**–**	–
– property related expenses	**98**	–	**–**	–
– amounts owing by	**49**	49	**–**	–
Matriarch Trading Close Corporation				
– sales	**2 314**	1 840	**–**	–
– purchases	**9 298**	2 057	**–**	–
– royalties paid	**84**	64	**–**	–
– warranty claims received	**43**	–	**–**	–
– amounts owing to	**22**	770	**–**	–
– amounts owing by	**150**	342	**–**	–
BAC Aviation Close Corporation				
– aircraft rebuild expenses	**2 692**	644	**–**	–
– aircraft hangar, maintenance and related expenses	**420**	286	**–**	–
– amounts owing to	**–**	2	**–**	–
Latin Equipment Group				
– sales	**43 728**	8 908	**–**	–
– transport related income	**1 264**	–	**–**	–
– warranty claims paid	**31**	370	**–**	–
– amounts owing to	**1 783**	–	**–**	–
– amounts owing by	**2 585**	978	**–**	–

	GROUP		COMPANY	
	2015 R000	2014 R000	2015 R000	2014 R000
37. RELATED PARTY TRANSACTIONS (CONTINUED)				
Subsidiaries				
Bell Equipment Company SA Proprietary Limited				
– management fee received	**–**	–	**1 500**	1 500
– administration fee paid	**–**	–	**466**	466
– amounts owing to	**–**	–	**92 592**	91 014
– amounts owing by	**–**	–	**868**	–
Bell Equipment (Deutschland) GmbH				
– bank guarantee fee received	**–**	–	**528**	492
– amounts owing by	**–**	–	**–**	485
Bell Equipment International SA				
– bank guarantee fee received	**–**	–	**615**	501
– amounts owing by	**–**	–	**–**	514
Bell Equipment UK Limited				
– bank guarantee fee received	**–**	–	**36**	31
– amounts owing by	**–**	–	**–**	30
Bell Equipment Mozambique Limitada				
– bank guarantee fee received	**–**	–	**99**	81
– amounts owing by	**–**	–	**–**	83
Bell Equipment (DRC) SPRL				
– bank guarantee fee received	**–**	–	**209**	170
– amounts owing by	**–**	–	**–**	175
Bell Equipment (Zambia) Limited				
– bank guarantee fee received	**–**	–	**156**	128
– amounts owing by	**–**	–	**–**	131
Bell PTA (Pvt) Limited				
– bank guarantee fee received	**–**	–	**104**	85
– amounts owing by	**–**	–	**–**	87

Amounts owing by related parties that are in respect of the sale of equipment by the group, are secured by the underlying second-hand equipment. Other amounts outstanding are unsecured. Amounts will be settled in cash.

No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Compensation of key management personnel

The remuneration of executive directors and prescribed officers is reflected in note 41.

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

38. SUBSEQUENT EVENTS

No fact or circumstance material to the appreciation of these annual financial statements has occurred between the financial year-end and the date of this report.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

39. COMPOSITION OF THE GROUP

The group structure is presented on page 1 of this report.

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

SUBSIDIARIES	Business type	Principal activity	Issued share capital 2015 R	Issued share capital 2014 R
Southern Africa				
Bell Equipment Company SA Proprietary Limited	O	M	2	2
– amounts owing to – non-interest-bearing liabilities				
– amounts owing to – trade and other payables				
– amounts owing by – trade and other receivables				
Bell Equipment Sales South Africa Limited	O	S	2 325 000	2 325 000
I A Bell Equipment Company (Namibia) (Proprietary) Limited	O	S	4	4
Bell Equipment Company (Swaziland) (Proprietary) Limited	O	S	2	2
Bell Equipment Finance Company Proprietary Limited	D	D	–	–
Other Africa				
Bell Equipment (Zambia) Limited	O	S	21 425 814	17 658 776
Bell PTA (Pvt) Limited	O	S	6 356 486	5 238 903
Bell Equipment (Malawi) Limited	O	S	2	2
Bell Equipment Mozambique Limitada	O	S	28 774 910	1 211 770
Bell Equipment (DRC) SPRL	O	S	129 236	106 514
Europe				
Bell Equipment International SA	H	H	1 023 924 000	843 900 000
Bell France SAS	O	S	58 252 641	48 010 793
Bell Equipment UK Limited	O	S	97 258 889	80 159 051
Bell Equipment Switzerland SA	R	R	–	–
Bell Equipment (Deutschland) GmbH	O	A	76 794 300	63 292 500
Bell Equipment Spain SA	R	R	–	1 406 500
LLC Bell Equipment Russland	O	S	96 423 554	2 113 083
United States of America				
Bell Equipment North America Inc	O	S	81 913 920	67 512 000
Australasia				
Bell Equipment Australia (Proprietary) Limited	O	S	34	28
Interest in subsidiary companies				

D Dormant companies
H Holding companies
O Operating companies
S Sales operation
R Deregistered
A Assembly plant, sales and logistics operation
M Manufacturing plant, sales and logistics operation

The group's control is exercised directly by holding the majority of the voting rights of the ordinary shares in all its subsidiaries as indicated above.

39.1 SIGNIFICANT RESTRICTIONS

In terms of a general banking facility held by Bell Equipment Sales South Africa Limited (BESSA), the repayment of intra-group loans as well as interest payments and dividend payments need 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 (2014: 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.

				Interest of Bell Equipment Limited			
Effective holding 2015 %	Effective holding 2014 %	Profit (loss) for the year 2015 R000	Profit (loss) for the year 2014 R000	Book value of shares 2015 R000	Book value of shares 2014 R000	Amounts owing (to) by 2015 R000	Amounts owing (to) by 2014 R000
100	100	**91 311**	(11 900)	**26 019**	24 985		
						(92 592)	(90 781)
						–	(233)
						868	–
96,9	96,6	**18 441**	58 486	**5 554**	5 317	**–**	–
100	100	**6 578**	3 434	**43 812**	43 812	**–**	–
100	100	**5**	962	**–**	–	**–**	–
100	100	**–**	–	**–**	–	**–**	–
100	100	**28 711**	(2 296)	**–**	–	**–**	131
100	100	**(12 596)**	(16 104)	**–**	–	**–**	87
100	100	**(3 044)**	(1 217)	**–**	–	**–**	–
100	100	**(7 964)**	(13 789)	**–**	–	**–**	83
100	100	**(10 805)**	(2 242)	**–**	–	**–**	175
100	100	**(6 503)**	(52)	**615 940**	615 626	**–**	514
100	100	**(7 823)**	(4 028)	**–**	–	**–**	–
100	100	**48 914**	35 001	**–**	–	**–**	30
–	100	**–**	(116)	**–**	–	**–**	–
100	100	**1 775**	20 785	**–**	–	**–**	485
–	100	**–**	(3 171)	**–**	–	**–**	–
100	100	**(12 640)**	(49 773)	**–**	–	**–**	–
100	100	**5 941**	3 804	**–**	–	**–**	–
100	100	**1 014**	2 258	**–**	–	**–**	–
				691 325	689 740	**(91 724)**	(89 509)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

	GROUP 2015 R000	GROUP 2014 R000	COMPANY 2015 R000	COMPANY 2014 R000
40. FINANCING VENTURE WITH WESBANK				
A financing venture has been entered into with WesBank, a division of FirstRand Bank Limited, in order to assist customers with the financing of equipment purchased from the group.				
The group is entitled to a share of the profits from transactions financed through the financing venture. The group's profit share for the year included in other operating income amounted to	**1 966**	1 573	**–**	–
In terms of this arrangement, the following categories of financing are provided for:				
– transactions where the risks and rewards are for WesBank. All credit applications are subject to approval by WesBank in its sole discretion. The group carries no credit risk on these transactions.				
– specific transactions where the risks and rewards are for the group (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. This is considered to be a financial guarantee contract and the contingent liability is reflected in note 32.1. 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 interest-bearing long-term receivables on the statement of financial position. The carrying amount of this cash collateral at year-end was	**55 678**	53 937	**–**	–
– specific transactions for which WesBank requires support (Bell-shared risk deals), 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 with WesBank, 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, with the risk category determining the level of risk shared by the group. No collateral investment is required by the group to support these transactions. The risk of customer default described above is considered to be a financial guarantee contract and the contingent liability is reflected in note 32.1.				

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

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 (refer above). WesBank is responsible for ensuring that sufficient capital is made available.

WesBank determines the 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.

An advisory management board, represented by both WesBank and the group, facilitates the interaction between WesBank and the group. This board acts in an advisory capacity only and neither party is bound by its recommendations.

The group is responsible for promoting financing of equipment through this financing venture and for assisting with the market strategy.

The group's maximum exposure to loss is reflected in note 32.1.

41. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

	GROUP					
	Salary R	Pension/ Provident fund R	Other benefits and allowances R	Severance pay R	2015 Total R	2014 Total R
Paid to executive directors of the company by the company's subsidiary:						
Executive directors						
GW Bell	2 905 434	–	142 234	–	3 047 668	3 003 000
L Goosen	2 182 761	291 445	127 036	–	2 601 242	2 472 995
KJ van Haght	1 878 655	241 593	29 082	–	2 149 330	2 002 112
Total	6 966 850	533 038	298 352	–	7 798 240	7 478 107
Paid to prescribed officers of the company's subsidiaries by the company's subsidiaries:						
Prescribed officers						
Executive A (expatriate salary)	3 441 110	96 995	159 588	–	3 697 693	3 619 635
Executive B (retrenched 31 January 2015)	130 444	18 695	173 895	2 137 500	2 460 534	2 103 849
Executive C	1 905 943	261 965	159 411	–	2 327 319	2 207 467
Executive D (expatriate salary)	3 660 503	343 897	862 055	–	4 866 455	3 935 291
Total	9 138 000	721 552	1 354 949	2 137 500	13 352 001	11 866 242

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

	COMPANY	
	2015 Total R	2014 Total R
Paid to non-executive directors of the company by the company:		
Non-executive directors		
JR Barton	539 690	440 902
AJ Bell	243 270	–
B Harie	422 310	319 012
PJC Horne (retired 7 May 2008)	–	168 300
MA Mun-Gavin (resigned 4 May 2015)	233 099	559 310
DJJ Vlok	515 000	424 572
TO Tsukudu	375 365	391 352
Total	2 328 734	2 303 448

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

41. 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		Balance at 31 December 2013	Exercised	Forfeited	Balance at 31 December 2014	Exercised	Forfeited	Balance at 31 December 2015
	Exercise price	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options
L Goosen	10,48	100 000	–	–	100 000	–	–	100 000
	13,06	50 000	–	–	50 000	–	–	50 000
	21,35	30 000	–	–	30 000	–	–	30 000
Total		180 000	–	–	180 000	–	–	180 000
KJ van Haght	10,48	100 000	–	–	100 000	–	–	100 000
	13,06	50 000	–	–	50 000	–	–	50 000
	21,35	30 000	–	–	30 000	–	–	30 000
Total		180 000	–	–	180 000	–	–	180 000
Executive A	10,48	100 000	–	–	100 000	–	–	100 000
	13,06	50 000	–	–	50 000	–	–	50 000
	21,35	30 000	–	–	30 000	–	–	30 000
Total		180 000	–	–	180 000	–	–	180 000
Executive B (retrenched 31 January 2015)*	10,48	100 000	–	–	100 000	–	–	100 000
	13,06	50 000	–	–	50 000	–	–	50 000
	21,35	30 000	–	–	30 000	–	–	30 000
Total		180 000	–	–	180 000	–	–	180 000
Executive C	10,48	100 000	–	–	100 000	–	–	100 000
	13,06	50 000	–	–	50 000	–	–	50 000
Total		150 000	–	–	150 000	–	–	150 000
Executive D	10,48	60 000	–	–	60 000	–	–	60 000
	13,06	30 000	–	–	30 000	–	–	30 000
	21,35	15 000	–	–	15 000	–	–	15 000
Total		105 000	–	–	105 000	–	–	105 000
Grand total		975 000	–	–	975 000	–	–	975 000

** A retired or retrenched employee is entitled to exercise their options in full within 12 months after becoming a retired or retrenched employee. If not exercised within such period, the options lapse.*

GLOSSARY

ADT	Articulated Dump Truck
AGM	Annual General Meeting
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
BECSA	Bell Equipment Company SA Proprietary Limited
BEEO	Bell Equipment European Operations comprising the Bell operations in Germany, UK, France and Russia
BENA	Bell Equipment North America
BESA	Bell Equipment Sales Africa comprising BESSA and the Bell operations in Zambia, DRC, Mozambique, Zimbabwe and Malawi
BESSA	Bell Equipment Sales South Africa Limited
Companies Act	Companies Act of South Africa No 71 of 2008 (as amended)
IDC	Industrial Development Corporation
IFRS	International Financial Reporting Standards
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
MOI	Memorandum of Incorporation

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1968/013656/06

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