BELL

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2016

BELL EQUIPMENT LIMITED • AUDITED ANNUAL FINANCIAL STATEMENTS

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GLOBAL CORPORATE STRUCTURE

BELL EQUIPMENT LIMITED

100% Bell Equipment Company SA (Pty) Limited

100% Bell Equipment International SA

100% Bell Equipment Company Swaziland (Pty) Limited

100% IA Bell Equipment Company Namibia (Pty) Limited

100% Bell Equipment Sales South Africa Limited

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
- Bell Euro Finance Limited
- Bell International Finance Limited

2 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 objectivity of the other information presented in these statements.

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

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

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

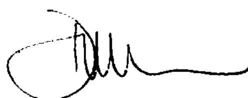
The annual financial statements of the group which appear on pages 3 to 6 and 11 to 70 were approved by the directors on 14 March 2017 and are signed on their behalf by:

JR Barton
Independent non-executive chairman

GW Bell
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
Company secretary

14 March 2017

DIRECTORS' REPORT

The directors submit the annual financial statements for the group (Bell Equipment Limited and its subsidiaries) for the year ended 31 December 2016.

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, TLBs, front-end loaders, sugar cane and timber-loading equipment, construction equipment such as graders, dozers and excavators, a complete range of compaction, crushing and screening machinery and related parts and services.

FINANCIAL RESULTS

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

The deterioration in the group's 2016 results is due to fraud and mismanagement in the group's operation in the DRC and the group's results in prior years have been restated. Further details of these restatements are disclosed in note 5 to the annual financial statements. Continued depressed conditions in the markets and industries in which the group operates and the stronger Rand in the second half of 2016 had a further declining impact on the results.

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 2016 comprised 95 296 885 (December 2015: 95 146 885) ordinary shares of no par value.

DIVIDENDS

During the 2016 financial year the directors declared an interim gross cash dividend of 15 cents per ordinary share. The total amount paid was R14,3 million (2015: Rnil). The directors have resolved not to declare a final dividend for the 2016 financial year (2015: Rnil).

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 30 to the annual financial statements.

DIRECTORS

The following changes in the composition of the board of directors took place:

DH Lawrance and HR van der Merwe were appointed as independent non-executive directors effective from 1 January 2016. DB Crandon was appointed as a non-executive director on 1 June 2016. He subsequently resigned on 28 September 2016 due to a potential conflict of interest. DJJ Vlok retired as director on 5 May 2016. Subsequent to year-end the board appointed two independent non-executive directors, R Naidu and M Ramathe, with effect from 20 March 2017.

Details of the current directors and GEC of the Bell Equipment group appear on pages 18 and 19 and pages 20 and 21 of the integrated annual report respectively.

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

	Number of shares held			
	Direct beneficial		Indirect beneficial	
	2016	**2015**	**2016**	**2015**
GW Bell	**253 600**	253 600	**8 671 264**	8 671 264
AJ Bell	**2 598**	2 598	**–**	–
L Goosen	**4 040**	4 040	**–**	–

There has been no change in the shareholding of directors as reflected above between the end of the financial year and 14 March 2017.

MAJOR SHAREHOLDERS

The major shareholders in Bell Equipment Limited as at 31 December 2016 were:

		2016	**2015**
IA Bell & Company Proprietary Limited	(%)	**37,49**	37,55
John Deere Construction and Forestry Company	(%)	**31,48**	31,53

4 DIRECTORS' REPORT (CONTINUED)

GROUP COMPANY SECRETARY

D McIlrath, BCom LLB, was appointed as the group company secretary in place of Highway Corporate Services Proprietary Limited on 1 March 2016. Her particulars appear on the inside back cover of the integrated annual report.

SUBSIDIARIES

Details of the company's interest in its subsidiary companies are contained on pages 66 and 67 of this report. The principal subsidiaries are BECSA and BESSA, both of which are incorporated in South Africa.

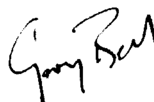
SUBSEQUENT EVENTS

Subsequent to year-end the board approved a BBBEE ownership transaction for BESSA. In terms of this transaction, a selected BBBEE partner and a newly formed broad based trust will acquire 22,5% and 7,5% respectively of the issued share capital of BESSA. After this transaction, BESSA will qualify as a 30% black women owned entity. The conclusion of this transaction is expected to be announced in the first half of 2017.

No other facts or circumstances material to the appreciation of this report has occurred between 31 December 2016 and the date of this report.

Signed on behalf of the board

JR Barton
Independent non-executive chairman



GW Bell
Chief executive

14 March 2017

AUDIT COMMITTEE REPORT

This report is presented by the audit committee ('the committee') and approved by the board in respect of the financial year ended 31 December 2016. It is prepared in accordance with the recommendations of King III, the requirements of the Companies Act and the JSE Listings Requirements.

The committee's operation is guided by a formal detailed charter that is in line with the Companies Act and is annually reviewed and approved by the board. The 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 Mr DH Lawrance, and further comprises two independent non-executive directors, whose qualifications are disclosed on pages 18 and 19 of the integrated annual report. Mr JR Barton, the independent non-executive chairman of the board is a member of the committee. Both Mr JR Barton and Ms B Harie will step down as committee members at the AGM on 3 May 2017, subject to the appointment by the board of two additional independent non-executive directors as audit committee members and the election of such directors by the shareholders at the AGM.

The board has subsequently assessed the experience and qualifications of the committee members 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 is satisfied that all members of the committee act independently in compliance with the Companies Act.

During the reporting period four committee meetings were held as more fully detailed on page 45 of the integrated annual report. Meetings are scheduled to coincide with the key dates in the group's financial reporting and audit cycle.

OBJECTIVE AND SCOPE

The committee carried out the following functions during the year:

- reviewed the interim and annual results to ensure that the financial results are valid, accurate and fairly represent the group's performance;
- reviewed the report of the external auditors to the shareholders on the audited financial statements, with specific emphasis on the following key audit matters identified and reported on by the external auditors, namely:
  - revenue recognition of structured sales and rental arrangements;
  - recoverability of African trade receivables, excluding South Africa, Namibia and Swaziland; and
  - taxation;

  and considered the above key audit matters and agreed that the items are important enough to the group to be raised as key audit matters and are satisfied that these matters have the necessary attention of management and that management are putting appropriate measures in place to sufficiently address these issues;
- 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;
- following the fraud and mismanagement uncovered in the group's operation in the DRC in the first quarter of 2016 and reported to the shareholders, the committee has reviewed the findings of the independent forensic investigation, has met with the internal auditors, external auditors and management on this matter and has made appropriate recommendations to the board of directors regarding the corrective actions to be taken as a consequence of the findings and regarding the group's future presence in this challenging country;
- 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;
- considered the report of the JSE's Financial Reporting Investigations Panel on its findings arising from the Panel's monitoring of the financial reports published by JSE-listed companies during 2015 and 2016;
- 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.

AUDIT COMMITTEE REPORT (CONTINUED)

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 group's external auditors are Deloitte & Touche and the individual designated auditor is Mrs C Howard-Browne for the 2016 financial year ended 31 December 2016, who replaced Mr BJ Botes due to his retirement. Deloitte & Touche have been auditors of the group since July 1993. The committee gave due consideration to the independence of the external auditors, and the external auditors' independence was not prejudiced by any consultancy, advisory or other work undertaken. The committee is satisfied that in discharging its duties in terms of its mandate, together with the rotation of the group audit partner every five years, that Deloitte & Touche's independence is maintained and has not been impacted by the tenure.

The committee, in consultation with executive management, agreed to an audit fee for the 2016 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Audit and other services' fees are disclosed in note 27 to the financial statements.

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

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

The committee has reviewed the terms of engagement, independence, expertise, audit quality, objectivity and performance of the external auditors, and nominated, for approval at the AGM, Deloitte & Touche as the external auditor for the 2017 financial year.

EXPERTISE AND EXPERIENCE OF THE GROUP FINANCE DIRECTOR AND FINANCE FUNCTION

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

ANNUAL FINANCIAL STATEMENTS AND INTEGRATED ANNUAL REPORT

The committee reviewed the financial statements of the group and is satisfied that they comply with IFRS and the requirements of the Companies Act. In addition the committee reviewed management's assessment of going concern and recommended to the board that the going concern concept be adopted by the group.

The committee fulfils an oversight role in respect of Bell Equipment's integrated annual report and has recommended the group's 2016 audited annual financial statements (of which this report forms part), and the 2016 integrated annual report, to the board for approval.

CONCLUSION

The committee confirms that it has functioned in accordance with its charter for the reporting period and that its report to shareholders was approved by the board on 14 March 2017. Management undertook to implement appropriate corrective actions to mitigate weaknesses in specific controls where identified.

DH Lawrance
Chairman
Audit committee

14 March 2017

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BELL EQUIPMENT LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Bell Equipment Limited (the group) set out on pages 11 to 70, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 31 December 2016, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRS') and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Revenue recognition on structured sales and rental arrangements</td></tr>
<tr><td>The group enters into various sales and rental arrangements, including those with guaranteed residual values buy-back options, sales agreements where the group carries certain credit risks ('Bell backed finance') and specific structured deals.

The accounting treatment in respect of these arrangements involves significant assumptions and complexities due to the varying terms and conditions which impact on whether such transactions should result in the recognition of revenue in accordance with IAS 18 – Revenue or be treated as operating leases in accordance with IAS 17 – Leases.

The above assumptions impacts the carrying value of inventory, property, plant and equipment, finance lease liabilities and deferred leased income.
The revenue recognition policy is disclosed in notes 2.14 to 2.15 and 4.1, and revenue is disclosed in note 26.

Due to the significance and complexity of these transactions and the impact on the financial statements as a whole this has been noted as a key audit matter.</td><td>We evaluated whether the directors had appropriately applied the requirements of IAS 18 – Revenue ('IAS 18') and IAS 17 – Leases ('IAS 17') in respect of contracts with a higher risk of material misstatement, such as Bell backed finance, specific structured deals, sale or rental agreements with buy back options and sales contracts having guaranteed residual values by performing the following procedures:

▪ Understanding the revenue recognition process in respect of these transactions to assess compliance with IFRS both from the recognition and measurement perspective as well as in terms of the presentation and disclosure requirements of IFRS.
▪ Assessing the design and implementation of key controls in the revenue business cycle as well as testing the operating effectiveness of relevant controls at selected business operations.
▪ Inspecting a sample of the underlying contracts and assessing the accounting treatment adopted, which included the following procedures:
– Assessing if the significant risks and rewards have passed to the buyer by considering the probability of the return of the goods/units based on the terms of the contract and assessing this in terms of IAS 18.
– Determining if the entity retains effective control or managerial involvement over the goods/units by inspection of the terms of the contract.
– Assessing the significant assumptions used by the directors relating to the probability of return of equipment based on past experience and other relevant factors.
– Determining if the arrangement is a finance lease or operating lease in terms of IAS 17 by considering whether risks and rewards have transferred from the lessee to the lessor.
– Assessing if the amount of revenue can be reliably measured.
– Determining if the future economic benefits from the transaction flow to the entity and if the cost of the transaction can be reliably measured.
– Assessing the significance of the impact of any guaranteed residual value on the transaction and the accounting thereof by inspection of the contract.

We also assessed the adequacy of the group's disclosures in relation to the significant assumptions applied to these transactions. The revenue recognition has been appropriately applied and disclosed on structured sales, Bell backed finance, sales with guaranteed residual values, buy-back options and rental agreements.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter	How the matter was addressed in the audit
Taxation	
The assessment of the group's taxation exposures in all jurisdictions is a key area of judgement particularly with respect to transfer pricing policies and the appropriateness of the recognition of deferred taxation assets. Transfer pricing has been an area of focus by group management in recent times, with focus within the group primarily on South Africa, Germany and the United Kingdom. This has resulted in the directors placing emphasis on ensuring that transfer pricing policies and practices are aligned with the requirements of the relevant legislation. Aligning the transfer pricing policies within each country that the group operates in, has posed a challenge, as the practices of the different taxation authorities are not always consistent. Accordingly, a policy which may be acceptable to one taxation authority may be challenged by another taxation authority. The transfer pricing requires judgement and is therefore a key audit matter. The income tax disclosures are contained in note 28.1 and the accounting policy note is disclosed in 2.12. As disclosed in notes 11 and 28.1 the group has recognised deferred taxation assets in respect of certain entities to the extent that it is probable that historical assessed tax losses will be utilised. This requires the directors' judgement in estimating future taxable income and is a key audit matter.	We evaluated the recognition and measurement of the current taxation and deferred taxation assets and liabilities which included the following: ▪ Assessing the current and deferred taxation calculations for compliance with the relevant taxation legislation. ▪ Evaluating the directors' assessment of the estimated manner in which the temporary differences, including the recoverability of the deferred taxation assets, would be realised by comparing this to evidence obtained in respect of other areas of the audit, including cash flow forecasts, budgets, and minutes of directors' meetings and our knowledge of the business. ▪ Challenging the assumptions made by the directors for uncertain current and deferred taxation positions to assess whether appropriate current taxation and deferred taxation provisions have been recognised and are based on the most probable outcome. With regard to transfer pricing: ▪ We reviewed the operating margins achieved by each of the significant subsidiaries against the most recent transfer pricing benchmarking analysis undertaken by the directors' taxation expert. ▪ We assessed the reliance of the use of the work of the directors' taxation expert. ▪ For the Germany assembly line, we assessed the return on value added costs against the most recent transfer pricing benchmarking analysis undertaken by the directors' taxation expert. We found the recognition and measurement criteria as well as the disclosure requirements applied to current taxation and deferred taxation balances to be appropriate. We also found that the group has applied the principles of its transfer pricing policy in place.

Key Audit Matter	How the matter was addressed in the audit
Recoverability of African trade receivables, excluding South Africa, Namibia and Swaziland	
Included in gross trade receivables of R676 million (2015: R672 million) is R325 million (2015: R374 million) relating to African trade receivables (excluding South Africa, Namibia and Swaziland receivables) which make up 49% (2015: 56%) of gross trade receivables. The downturn in the current economic environment relating to both mining and construction sectors in Africa along with customers taking a longer period to settle contractual obligations has increased the risk of default by these customers. The valuation of trade receivables from such African customers therefore requires high levels of assumptions and estimates and is subject to potential bias by the directors. The directors have detailed the process implemented in respect of recovery of these balances in note 35.3. As a result, the recoverability of trade receivables from African customers (excluding South Africa, Namibia and Swaziland) is considered a key audit matter.	We focused our testing on the valuation of trade receivables in respect of African customers (excluding South Africa, Namibia and Swaziland) and the adequacy of the provision for bad debts in respect of these, which included the following procedures: ▪ Assessing the directors' assessment of the ability of the significant past due debtors to meet their outstanding commitments. ▪ Assessing the directors' estimates and assumptions used to raise the doubtful debt provision and bad debts expense as well as the data on which this is based. ▪ Assessing the doubtful debt provision raised against the policy followed by the group. ▪ Reviewing minutes of meetings of the credit risk committee to ensure that potentially unrecoverable debtors have been adequately provided for. ▪ Reviewing correspondence of legal advisors for a sample of long outstanding debtors and confirming if provision has been raised for customers where the possibility of recovery is considered to be low or remote. ▪ Performing an assessment of the current aging of debtors in relation to that of the previous year and following up on significant deviations. ▪ Assessing the subsequent receipts received post year-end in relation to the long outstanding balances at year-end as well as assessing the payment history on a sample basis. ▪ Assessing the directors' review performed at a group level to ascertain if additional provision was required at group level in respect of components. ▪ Performing a retrospective review of the actual bad debt write offs in 2016 compared to the provision raised in 2015. Based on the testing performed the directors' estimate of the provision and the related disclosures in terms of IFRS is considered appropriate.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Certification by the Group Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

10 INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Bell Equipment Limited for 23 years.

Deloitte & Touche
Registered Auditor

Per: C Howard-Browne
Partner

14 March 2017

National Executive: **LL Bam *Chief Executive Officer* *TMM Jordan *Deputy Chief Executive Officer*
*MJ Jarvis *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 Comber *Reputation & Risk*
*TJ Brown *Chairman of the Board*
Region Leader: *R Redfearn

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

BBBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

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

Deloitte & Touche
Registered Auditors
Audit – KZN
Unit S01 Second Floor
Mzingazi Office Park
15 Club Road
Mzingazi Golf Estate
Meerensee 3901

PO Box 101679
Meerensee 3901
South Africa

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	31 December 2016 R'000	Restated* 31 December 2015 R'000	Restated* 1 January 2015 R'000
ASSETS				
Non-current assets		**1 029 444**	1 032 725	1 011 357
Property, plant and equipment	7	**704 295**	686 608	672 106
Intangible assets	8	**216 419**	213 305	203 078
Investments	9	**568**	665	548
Interest-bearing long-term receivables	10	**16 964**	35 573	45 357
Deferred taxation	11	**91 198**	96 574	90 268
Current assets		**3 477 504**	3 855 778	3 483 147
Inventory	12	**2 427 921**	2 862 652	2 403 437
Trade and other receivables	13	**751 672**	737 964	728 638
Current portion of interest-bearing long-term receivables	10	**56 546**	77 331	42 519
Prepayments		**21 828**	34 352	25 346
Other financial assets	14	**5 641**	12 783	2 071
Non-current assets held for sale		**–**	–	11 850
Current taxation assets		**29 601**	26 475	10 331
Cash and bank balances	15	**184 295**	104 221	258 955
TOTAL ASSETS		**4 506 948**	4 888 503	4 494 504
EQUITY AND LIABILITIES				
Capital and reserves		**2 758 247**	2 947 416	2 518 457
Stated capital	16	**232 139**	230 567	230 567
Non-distributable reserves	17	**553 298**	752 269	465 551
Retained earnings		**1 972 810**	1 957 219	1 814 703
Attributable to owners of Bell Equipment Limited		**2 758 247**	2 940 055	2 510 821
Non-controlling interest	18	**–**	7 361	7 636
Non-current liabilities		**321 787**	293 056	214 273
Interest-bearing liabilities	19	**103 175**	117 695	87 161
Repurchase obligations and deferred leasing income	20	**2 034**	3 820	–
Deferred income	21	**84 083**	66 543	65 616
Lease escalation	22	**44 088**	45 995	42 935
Provisions	23	**3 693**	5 381	1 878
Deferred taxation	11	**84 714**	53 622	16 683
Current liabilities		**1 426 914**	1 648 031	1 761 774
Trade and other payables	24	**759 463**	1 068 804	1 386 621
Current portion of interest-bearing liabilities	19	**51 268**	90 344	40 304
Current portion of repurchase obligations and deferred leasing income	20	**763**	1 042	34 980
Current portion of deferred income	21	**82 903**	71 774	59 079
Current portion of lease escalation	22	**5 931**	3 747	1 493
Current portion of provisions	23	**63 631**	50 036	64 448
Other financial liabilities	25	**952**	20 593	4 404
Current taxation liabilities		**15 615**	37 898	36 666
Bank overdrafts and borrowings on call	35.2	**446 388**	303 793	133 779
TOTAL EQUITY AND LIABILITIES		**4 506 948**	4 888 503	4 494 504
Number of shares in issue ('000)		**95 297**	95 147	95 147
Net asset value per share (cents)		**2 894**	3 098	2 647

** Refer to restatements of prior periods in note 5.*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2016

		Notes	2016 R'000	Restated* 2015 R'000
Revenue		26	**6 002 341**	5 901 431
Cost of sales			**(4 604 486)**	(4 556 343)
Gross profit			**1 397 855**	1 345 088
Other operating income			**168 448**	184 523
Distribution costs			**(887 532)**	(902 408)
Administration expenses			**(124 064)**	(95 490)
Other operating expenses			**(406 459)**	(263 297)
Profit from operating activities		27	**148 248**	268 416
Interest expense			**(48 174)**	(77 384)
Interest income			**15 617**	16 020
Profit before taxation			**115 691**	207 052
Taxation		28.1	**(77 072)**	(65 308)
Profit for the year			**38 619**	141 744
Profit for the year attributable to:				
– Owners of Bell Equipment Limited			**37 472**	141 169
– Non-controlling interest			**1 147**	575
Earnings per share				
Basic	(cents)	29.1	**39**	148
Diluted	(cents)	29.2	**39**	148

** Refer to restatements of prior periods in note 5.*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 R'000	Restated* 2015 R'000
Profit for the year		**38 619**	141 744
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising during the year		**(221 639)**	285 630
Exchange differences on translating foreign operations	17	**(210 970)**	272 161
Exchange differences on foreign reserves	17	**(10 669)**	13 469
Items that may not be reclassified subsequently to profit or loss:		**17 340**	–
Surplus arising on revaluation of properties	17	**24 300**	–
Taxation relating to surplus arising on revaluation of properties	28.2	**(6 960)**	–
Other comprehensive (loss) income for the year, net of taxation		**(204 299)**	285 630
Total comprehensive (loss) income for the year		**(165 680)**	427 374
Total comprehensive (loss) income attributable to:			
– Owners of Bell Equipment Limited		**(166 827)**	426 799
– Non-controlling interest		**1 147**	575

** Refer to restatements of prior periods in note 5.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

		Attributable to owners of Bell Equipment Limited					
	Notes	Stated capital R'000	Non-distributable reserves R'000	Retained earnings R'000	Total R'000	Non-controlling interest R'000	Total capital and reserves R'000
Balance at 31 December 2014 (restated)*		230 567	465 551	1 814 703	2 510 821	7 636	2 518 457
Total comprehensive income for the year (restated)*		–	285 630	141 169	426 799	575	427 374
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 (restated)*		230 567	752 269	1 957 219	2 940 055	7 361	2 947 416
Total comprehensive (loss) income for the year		–	(204 299)	37 472	(166 827)	1 147	(165 680)
Transfer between reserves relating to expired share options		–	(3 220)	3 220	–	–	–
Decrease in equity-settled employee benefits reserve relating to forfeited share options		–	(702)	–	(702)	–	(702)
Share options exercised		1 572	–	–	1 572	–	1 572
Increase in statutory reserves of foreign subsidiaries	17	–	9 250	(9 250)	–	–	–
Dividends paid		–	–	(14 273)	(14 273)	–	(14 273)
Transactions with non-controlling interest	18	–	–	(1 578)	(1 578)	(8 508)	(10 086)
Balance at 31 December 2016		**232 139**	**553 298**	**1 972 810**	**2 758 247**	**–**	**2 758 247**

** Refer to restatements of prior periods in note 5.*

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 R'000	Restated* 2015 R'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from (utilised in) operations	A	197 667	(241 880)
Interest paid	B	(43 450)	(62 309)
Interest received	C	11 073	7 940
Taxation paid	D	(76 951)	(54 141)
Net cash generated from (utilised in) operating activities		88 339	(350 390)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of additional property, plant and equipment and intangible assets		(131 367)	(72 485)
Purchase of replacement property, plant and equipment and intangible assets		(4 086)	(9 636)
Proceeds on disposal of non-current assets held for sale		–	18 923
Proceeds on disposal of property, plant and equipment and intangible assets		908	11 773
Decrease (increase) in interest-bearing long-term receivables		17 155	(2 769)
Net cash utilised in investing activities		(117 390)	(54 194)
CASH FLOW FROM FINANCING ACTIVITIES			
Interest-bearing liabilities raised	E	45 959	136 554
Interest-bearing liabilities repaid	E	(56 642)	(56 718)
Proceeds from share options exercised		1 572	–
Payments to non-controlling interest		(10 086)	–
Dividends paid		(14 273)	–
Net cash (utilised in) generated from financing activities		(33 470)	79 836
Net decrease in cash for the year		(62 521)	(324 748)
Net (bank overdrafts and borrowings on call) cash at beginning of the year		(199 572)	125 176
Net bank overdrafts and borrowings on call at end of the year	F	(262 093)	(199 572)

** Refer to restatements of prior periods in note 5.*

16 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 R'000	Restated* 2015 R'000
A. CASH GENERATED FROM (UTILISED IN) OPERATIONS		
Profit from operating activities	148 248	268 416
Adjustments for:		
Amortisation of intangible assets	33 229	25 374
Depreciation	110 985	143 304
Impairment loss recognised on rental assets	8 262	–
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	(26)	(6 041)
Amounts written off as uncollectible	33 898	11 924
(Decrease) increase in provision for doubtful debts	(6 728)	6 412
Increase in provision for inventory write-downs	27 173	–
Impairment loss recognised on retention deposits	–	2 072
Increase (decrease) in provision for credit risk	1 535	(1 520)
Decrease in provision for residual value risk	–	(670)
Increase (decrease) in warranty provision	14 060	(21 330)
Increase in lease escalation	277	5 314
(Decrease) increase in equity-settled employee benefits reserve	(702)	1 585
Loss (gain) arising on financial assets at fair value through profit or loss	7 142	(10 712)
(Gain) loss arising on financial liabilities at fair value through profit or loss	(19 641)	16 189
Exchange differences on translation of foreign subsidiaries	21 689	(55 703)
Increase in deferred income	28 669	13 622
Decrease in repurchase obligations and deferred leasing income	(2 065)	(30 118)
Cash generated from operations before working capital changes	406 005	361 045
Decrease (increase) in inventory	201 636	(221 192)
(Increase) decrease in trade and other receivables and prepayments	(83 414)	86 740
Decrease in trade and other payables	(272 884)	(392 979)
Increase in finance lease receivables	(6 521)	(14 064)
Transfers of inventory to rental assets	(47 155)	(61 430)
Total cash generated from (utilised in) operations	197 667	(241 880)
B. INTEREST PAID		
Interest expense	48 174	77 384
Less: Unwinding of discounts	(2 486)	(4 134)
Less: Accrued	(2 238)	(10 941)
Total interest paid	43 450	62 309
C. INTEREST RECEIVED		
Interest income	15 617	16 020
Less: Unwinding of discounts	(2 486)	(4 134)
Less: Accrued	(2 058)	(3 946)
Total interest received	11 073	7 940
D. TAXATION PAID		
Net taxation owing at beginning of the year	(11 423)	(26 335)
Taxation charge for the year:		
South African normal taxation	(29 081)	(3 662)
Foreign taxation	(21 564)	(21 904)
Withholding taxation	(1 992)	(3 852)
Other corporate taxation	(4 606)	(2 988)
Translation differences	5 701	(6 823)
Net taxation (refund due) owing at end of the year	(13 986)	11 423
Total taxation paid	(76 951)	(54 141)

** Refer to restatements of prior periods in note 5.*

		2016 R'000	Restated* 2015 R'000
E.	**INTEREST-BEARING LIABILITIES**		
	Long-term portion of interest-bearing liabilities at beginning of the year	**150 320**	87 161
	Add: Current portion at beginning of the year	**57 719**	40 304
	Total interest-bearing liabilities at beginning of the year	**208 039**	127 465
	Translation differences	**(14 153)**	738
	Unwinding of borrowings related to discounted finance lease receivables	**(28 760)**	–
	Interest-bearing liabilities raised	**45 959**	136 554
	Interest-bearing liabilities repaid	**(56 642)**	(56 718)
	Total interest-bearing liabilities at end of the year	**154 443**	208 039
	Less: Current portion at end of the year	**(51 268)**	(57 719)
	Long-term portion of interest-bearing liabilities at end of the year	**103 175**	150 320
F.	**NET BANK OVERDRAFTS AND BORROWINGS ON CALL**		
	Bank overdrafts and borrowings on call	**(446 388)**	(303 793)
	Cash and bank balances	**184 295**	104 221
	Net bank overdrafts and borrowings on call at end of the year	**(262 093)**	(199 572)

** Refer to restatements of prior periods in note 5.*

18 NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 74 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.

Prior period restatements

Due to fraud and mismanagement in the group's operation in the DRC, the group's results in prior periods have been restated. Comparative information has been restated and details of these adjustments are disclosed in note 5.

In the current period the group reclassified certain revenue transactions and related receivables balances from the South African manufacturing and logistics operation to the Rest of Africa operation. The operating segment information for the previous year has been restated accordingly. Refer to note 6.

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 amended standards per note 3.

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:

2.2 BASIS OF CONSOLIDATION

The consolidated 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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Depreciation on other assets is provided on a straight-line basis over the anticipated useful lives of the assets, taking residual values into account. Depreciation ceases on an asset only when the asset is derecognised or when it is classified as held for sale.

Rental assets are stated at cost less accumulated depreciation. Equipment is classified as rental assets under property, plant and equipment when they are held for rental to others and are expected to be used during more than one period. Equipment that is held for sale but is rented out under short-term rentals until a buyer is found, is classified as inventory. Rental assets are depreciated based on the hours utilised while on rental. For rental assets under buy-back agreements, refer to note 2.18. Depreciation on rental assets is classified as cost of sales.

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

The annual rates of depreciation currently used are:

Freehold buildings	2% to 3,33%
Leasehold buildings	5% to 20%
Plant and equipment	4% to 33%
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 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 and is recognised in profit or loss under other operating expenses. The estimated useful lives and amortisation methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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.

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 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. Refer to note 2.18 for operating leases combined with buy-back agreements. 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.

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.

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 is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it is 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 is 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 is recognised immediately.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 31.

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; and
- 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 and bank balances.

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 and bank balances 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 bank overdrafts and borrowings on call, trade and other payables and interest-bearing liabilities.

Bank overdrafts and borrowings on call are measured at amortised 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 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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; and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in equity in the group's foreign currency translation reserve.

Such translation differences are reclassified to profit or loss 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, net of sales taxation. Revenue includes deemed interest as a result of the discounting of non-cash revenue transactions. 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 31.2). 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 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 31.3. 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 31.1. 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. Subsequent to initial recognition, where sufficient information is available, revenue from these contracts is recognised 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 service contracts, revenue is not recognised until expiry of the contract.

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 31.3. 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 31.3.

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 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 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 PROVISIONS (CONTINUED)

Provision for credit risk

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

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. The group's exposure in terms of these arrangements is disclosed as a contingent liability in note 31.1. 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.

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 7. 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 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 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 2016.

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:

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

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

Amended

IFRS 5 – Non-Current Assets Held for sale and Discontinued Operations: Amendments resulting from September 2014 annual improvements to IFRSs

IFRS 7 – Financial Instruments Disclosures: Amendments resulting from September 2014 annual improvements to IFRSs

IFRS 10 – Consolidated Financial Statements: Amendments regarding the application of the consolidation exception

IFRS 12 – Disclosure of Interests in Other Entities: Amendments regarding the application of the consolidation exception

IAS 1 – Presentation of Financial Statements: Amendments resulting from the disclosure initiative

IAS 16 – Property, Plant and Equipment: Amendments regarding the clarification of acceptable methods of depreciation and amortisation

IAS 19 – Employee Benefits: Amendments resulting from September 2014 annual improvements to IFRSs

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

IAS 34 – Interim Financial Reporting: Amendments resulting from September 2014 annual improvements to IFRSs

IAS 38 – Intangible Assets: Amendments regarding the clarification of acceptable methods of depreciation and amortisation

3.2 STANDARDS AND INTERPRETATIONS 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 15	– Revenue from Contracts with Customers	1 January 2018
IFRS 16	– Leases	1 January 2019
IFRIC 22	– Foreign Currency Transactions and Advance Consideration	1 January 2018
Amended		
IFRS 2	– Share-based Payment: Amendments to clarify the classification and measurement of share-based payment transactions	1 January 2018
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 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 12	– Disclosure of Interests in Other Entities: Amendments resulting from annual improvements 2014-2016 cycle (clarifying scope)	1 January 2017
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 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 Revenue* 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 Leases* 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 31.3). 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 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 35.3.

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

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

Deferred income

Where management has sufficient information to reliably measure the expected costs of extended warranty contracts and service 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 and service 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 regards 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 and the value of foreign currency denominated monetary assets and monetary liabilities fluctuate on a daily basis and the actual amounts realised may differ materially from their value at the end of the reporting period. Refer to note 35.4.1.

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 7 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.

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5. PRIOR PERIOD RESTATEMENTS

As a result of fraud and mismanagement of the group's operation in the DRC which was uncovered in the current period, the group's results in prior years have been restated. This is due to the fact that:

i) A finance lease receivable had been discounted with a financial institution with recourse to the group and had been incorrectly derecognised. The outstanding receivable has been re-instated and the corresponding liability to the financial institution recognised (adjustment (a)).

ii) Employees taxation, corporate income taxation and related penalties and interest, as well as certain other less significant expenses, had been understated in prior years. Accordingly, the group's comparative information has been restated for these items (adjustment (b)).

R'000		As previously reported	Adjustment (a)	Adjustment (b)	Restated
December 2015					
Statement of financial position					
– Interest-bearing long-term receivables		29 763	5 810	–	35 573
– Trade and other receivables		740 911	(2 947)	–	737 964
– Current portion of interest-bearing long-term receivables		41 759	35 572	–	77 331
– Prepayments		36 992	–	(2 640)	34 352
– Current taxation assets		26 827	–	(352)	26 475
Net increase (decrease) in assets			38 435	(2 992)	
– Non-distributable reserves		765 277	–	(13 008)	752 269
– Retained earnings		2 001 086	–	(43 867)	1 957 219
– Interest-bearing liabilities		111 885	5 810	–	117 695
– Trade and other payables		1 014 921	–	53 883	1 068 804
– Current portion of interest-bearing liabilities		57 719	32 625	–	90 344
Net increase (decrease) in equity and liabilities			38 435	(2 992)	
Statement of profit or loss					
– Cost of sales		(4 554 157)	–	(2 186)	(4 556 343)
– Distribution costs*		(881 246)	–	(21 162)	(902 408)
– Interest expense		(70 787)	(4 134)	(2 463)	(77 384)
– Interest income		11 886	4 134	–	16 020
– Taxation		(64 008)	–	(1 300)	(65 308)
Net decrease in profit			–	(27 111)	
Statement of profit or loss and other comprehensive income					
– Exchange differences arising during the year		297 520	–	(11 890)	285 630
Statement of cash flows					
– Net cash utilised in operating activities		(311 955)	(38 435)	–	(350 390)
– Net cash generated from financing activities		41 401	38 435	–	79 836
Earnings per share (basic)	(cents)	177	–	(29)	148
Earnings per share (diluted)	(cents)	177	–	(29)	148
January 2015					
Statement of financial position					
– Non-distributable reserves		466 669	–	(1 118)	465 551
– Retained earnings		1 831 459	–	(16 756)	1 814 703
– Trade and other payables		1 376 773	–	9 848	1 386 621
– Current taxation liabilities		28 640	–	8 026	36 666
Net increase in equity and liabilities			–	–	

** The adjustment relates to staff costs (R12,1 million), penalties (R6,4 million) and other operating expenses (R2,6 million).*

6. 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.

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 and Mozambique. 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 basis of accounting for transactions within the reportable segments are the same as the group's accounting policies described in note 2.

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6. OPERATING SEGMENTS (CONTINUED)

R'000	South African sales operation	South African manufacturing and logistics operation
2016		
Revenue		
External revenue	2 718 145	431 099
Inter-segment revenue	13 325	2 903 525
Total revenue	2 731 470	3 334 624
Profit (loss) from operating activities	115 347	80 506
Net interest (expense) income	(30 707)	3 118
Taxation	(22 694)	(16 868)
Profit (loss) for the year	61 946	66 756
Segment assets	1 093 956	2 858 072
Segment liabilities	699 513	1 278 889
Other information		
Additions to property, plant and equipment and intangible assets	6 808	60 948
Depreciation and amortisation of intangibles	33 914	78 126
Other material items of income and expense:		
– Net foreign currency (gains) losses	–	(11 103)
– Staff costs (including directors' remuneration)	240 917	594 686
– (Decrease) increase in warranty provision	(2)	13 942
– Warranty expenditure	27 068	62 268
– Impairment on rental assets	–	–

R'000	South African sales operation	South African manufacturing and logistics operation Restated**
2015		
Revenue		
External revenue	2 392 063	628 342
Inter-segment revenue	43 862	2 943 307
Total revenue	2 435 925	3 571 649
Profit (loss) from operating activities	70 112	148 671
Net interest (expense) income	(36 696)	(19 829)
Taxation	(8 391)	(32 450)
Profit (loss) for the year	25 025	96 392
Segment assets	1 155 685	2 556 304
Segment liabilities	822 850	1 109 465
Other information		
Additions to property, plant and equipment and intangible assets	7 440	62 255
Depreciation and amortisation of intangibles	46 580	74 191
Other material items of income and expense:		
– Net foreign currency (gains) losses	(679)	37 419
– Staff costs (including directors' remuneration)	241 526	622 652
– Decrease in warranty provision	(4 668)	(12 622)
– Warranty expenditure	27 449	86 804

* *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.

** *Details of restatements are presented on page 36..*

European operation	Rest of Africa operation	North American operation	All other operations	Inter-segmental eliminations*	Consolidated
1 387 922	799 706	665 469	–	–	6 002 341
793 028	–	143	–	(3 710 021)	–
2 180 950	799 706	665 612	–	(3 710 021)	6 002 341
60 801	(185 805)	49 810	(163 390)	190 979	148 248
(19 166)	(15 600)	(4 642)	34 477	(37)	(32 557)
(7 853)	1 051	(7 144)	(7 685)	(15 879)	(77 072)
33 782	(200 354)	38 024	(136 598)	175 063	38 619
1 074 298	624 312	266 720	1 117 089	(2 527 499)	4 506 948
694 993	511 340	198 098	239 591	(1 873 723)	1 748 701
64 844	2 841	12	–	–	135 453
15 212	16 826	136	–	–	144 214
17 500	26 795	(336)	371	(2 286)	30 941
150 068	205 834	14 366	7 984	(153)	1 213 702
(1 133)	1 253	–	–	–	14 060
13 316	6 932	(243)	–	2 372	111 713
–	8 262	–	–	–	8 262

European operation	Rest of Africa operation Restated**	North American operation	All other operations	Inter-segmental eliminations*	Consolidated Restated**
1 197 007	1 123 733	560 286	–	–	5 901 431
609 913	3 746	127	–	(3 600 955)	–
1 806 920	1 127 479	560 413	–	(3 600 955)	5 901 431
65 273	(1 714)	301	(40 360)	26 133	268 416
(23 320)	(19 684)	(112)	38 277	–	(61 364)
(9 846)	(11 228)	2 202	(6 399)	804	(65 308)
32 107	(32 626)	2 391	(8 482)	26 937	141 744
1 130 113	909 980	95 996	1 342 185	(2 301 760)	4 888 503
692 910	785 352	29 152	153 523	(1 652 165)	1 941 087
7 321	4 957	148	–	–	82 121
18 218	29 575	114	–	–	168 678
(5 359)	(37 542)	1 740	1 507	(1 672)	(4 586)
144 758	223 849	11 902	6 470	265	1 251 422
(3 103)	(937)	–	–	–	(21 330)
12 686	11 138	–	–	(5 949)	132 128

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6. OPERATING SEGMENTS (CONTINUED)

In the current period the group reclassified certain revenue transactions and related receivables balances from the South African manufacturing and logistics operation to the Rest of Africa operation. Previously revenue from certain customers in Africa was reported to the group's chief operating decision maker under the South African manufacturing and logistics operation. This is now reported under the Rest of Africa operation. The operating segment information for the previous period has been restated accordingly. The effect of these reclassifications is presented below. Refer adjustment (a). This reclassification had no impact on the operating profit (loss) of the segments.

The segment information for the Rest of Africa operation has been further adjusted for the prior period restatements as disclosed in note 5. Refer adjustment (b) below.

	South African manu-facturing and logistics operation	Rest of Africa operation	South African manu-facturing and logistics operation	Rest of Africa operation	Rest of Africa operation	South African manu-facturing and logistics operation	Rest of Africa operation
R'000	As previously reported	As previously reported	Adjustment[a]	Adjustment[a]	Adjustment[b]	Restated	Restated
December 2015							
Revenue							
External revenue	839 011	913 064	(210 669)	210 669	–	628 342	1 123 733
Inter-segment revenue	2 943 307	3 746	–	–	–	2 943 307	3 746
Total revenue	3 782 318	916 810	(210 669)	210 669	–	3 571 649	1 127 479
Profit (loss) from operating activities	148 671	21 634	–	–	(23 348)	148 671	(1 714)
Net interest expense	(19 829)	(17 221)	–	–	(2 463)	(19 829)	(19 684)
Taxation	(32 450)	(9 928)	–	–	(1 300)	(32 450)	(11 228)
Profit (loss) for the year	96 392	(5 515)	–	–	(27 111)	96 392	(32 626)
Segment assets	2 558 768	872 073	(2 464)	2 464	35 443	2 556 304	909 980
Segment liabilities	1 109 465	693 034	–	–	92 318	1 109 465	785 352
Other information							
Other material items of income and expense:							
– Staff costs (including directors' remuneration)	622 652	211 732	–	–	12 117	622 652	223 849

7. PROPERTY, PLANT AND EQUIPMENT

R'000	Cost/ valuation 2016	Accumulated depreciation and impairments 2016	Net book value 2016	Cost/ valuation 2015	Accumulated depreciation and impairments 2015	Net book value 2015
Owned						
Freehold land and buildings	**416 646**	**4 741**	**411 905**	372 777	23 842	348 935
Leasehold buildings	**13 916**	**6 315**	**7 601**	17 388	4 785	12 603
Plant and equipment	**524 005**	**395 124**	**128 881**	505 291	364 567	140 724
Rental assets	**160 728**	**46 050**	**114 678**	204 264	72 274	131 990
Aircraft	**6 366**	**2 009**	**4 357**	5 263	1 812	3 451
Vehicles	**80 966**	**66 031**	**14 935**	87 540	67 638	19 902
Leased						
Plant and equipment	**28 496**	**10 985**	**17 511**	33 587	9 061	24 526
Vehicles	**8 542**	**4 115**	**4 427**	7 610	3 133	4 477
Total	**1 239 665**	**535 370**	**704 295**	1 233 720	547 112	686 608

R'000	Freehold land and buildings	Leasehold buildings	Plant and equipment*	Rental assets	Aircraft	Vehicles*	Total
Movement in property, plant and equipment 2016							
Net book value at beginning of the year	**348 935**	**12 603**	**165 250**	**131 990**	**3 451**	**24 379**	**686 608**
Surplus on revaluation	**24 300**	**–**	**–**	**–**	**–**	**–**	**24 300**
Additions	**63 723**	**248**	**25 541**	**–**	**1 103**	**8 788**	**99 403**
Disposals	**–**	**–**	**(97)**	**–**	**–**	**(797)**	**(894)**
Depreciation	**(13 014)**	**(679)**	**(42 995)**	**(42 737)**	**(197)**	**(11 363)**	**(110 985)**
Impairment loss recognised (i)	**–**	**–**	**–**	**(8 262)**	**–**	**–**	**(8 262)**
Transfers	**1 647**	**(3 196)**	**1 097**	**47 155**	**–**	**159**	**46 862**
Translation differences	**(13 686)**	**(1 375)**	**(2 404)**	**(13 468)**	**–**	**(1 804)**	**(32 737)**
Net book value at end of the year	**411 905**	**7 601**	**146 392**	**114 678**	**4 357**	**19 362**	**704 295**
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

* *Owned and leased*

(i) *The impairment loss relates to certain rental equipment in the DRC. The market value of these machines has deteriorated significantly due to low commodity prices and depressed market conditions. The recoverable amount of these machines is R11,4 million and represents the fair value less costs of disposal. The fair value was determined with reference to the current market price adjusted for the age and condition of the machines. In terms of the fair value hierarchy as required by IFRS 13 Fair Value Measurement, the fair value measurement has been classified as Level 3. Level 3 fair value measurements use significant inputs that are not based on observable market data. In determining the fair value, management made assumptions relating to the market price of the machines using comparable prices recently achieved in the market for similar products. The impairment loss has been included in the segment results of the Rest of Africa operation (refer to note 6).*

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.

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	2016 R'000	2015 R'000
7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
Freehold land and buildings at cost/valuation comprise:		
Lot 1892 Alton Industrial Township, Richards Bay	**21 400**	21 488
Lot 1894 Alton Industrial Township, Richards Bay	**57 200**	57 223
Lot 10024 Alton Industrial Township, Richards Bay	**130 700**	132 734
Portion 45 Lot 11063, Extension 33, Middelburg	**39 669**	43 939
Oberste-Elpersweide 4, Alsfeld, Germany*	**68 544**	4 938
Plot 4096/95, Kitwe Chingola Road, Kitwe, Zambia*	**99 133**	112 455
Total freehold land and buildings at cost/valuation	**416 646**	372 777

* *The property in Germany is still under construction and will be included in the revaluation cycle once completed. The property in Zambia will be revalued during 2017.*

The freehold land and buildings in Richards Bay and Middelburg were valued by the Mills Fitchet group, independent registered valuers, on the fair value in continuation of existing use basis. The date of the valuation was 22 July 2016 for the property in Middelburg and 31 December 2016 for the properties in Richards Bay.

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.

The valuation method used was the capitalisation of net annual income. Information about the fair value measurements is as follows:

	Level 3 fair value R'000	Unobservable inputs	Range	Relationship of unobservable inputs to fair value
Richards Bay Manufacturing plant and administration buildings in Alton Industrial Township, Richards Bay (i)	209 300	Rental per square metre	R15 to R50	The higher the rental per square metre, the higher the fair value
		Capitalisation rate	10,50% 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 current period and the resultant surpluses of R23,7 million were credited to the revaluation reserve through other comprehensive income.

	Level 3 fair value R'000	Unobservable inputs	Range	Relationship of unobservable inputs to fair value
Middelburg Customer service centre which includes warehousing, a workshop and administration buildings in Middelburg (ii)	39 669	Rental per square metre	R8 to R80	The higher the rental per square metre, the higher the fair value
		Capitalisation rate	9,50% per annum	The higher the capitalisation rate, the lower the fair value

The book value of this property was adjusted to its valuation during the current period and the resultant net surplus of R0,6 million was credited to the revaluation reserve through other comprehensive income.

(i) *The properties in Richards Bay comprise a very large development and as a result it is unlikely to be let in the open market in its entirety to a single tenant. This limits evidence of comparable similar industrial rentals for valuation purposes.*

(ii) *The property in Middelburg is a specialist property and specifically designed to the group's requirements. This limits the number of other potential users and for this reason the valuation assumes that the group remains in occupation and enters into a 15 year lease with a listed fund. Based on the value of the lease, the property then becomes relatively saleable. The rental is based on a fair return on the cost of the investment.*

	2016 R'000	Restated* 2015 R'000
7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
The comparable amounts under the historical cost convention for the freehold land and buildings were:		
Historical cost	**303 525**	238 155
8. INTANGIBLE ASSETS		
Capitalised software		
Cost		
At beginning of the year	**75 902**	71 444
Transfers	**293**	4 263
Disposals	**(16)**	–
Translation differences	**(111)**	195
At end of the year	**76 068**	75 902
Accumulated amortisation		
At beginning of the year	**45 910**	38 681
Charge for the year	**6 716**	7 048
Disposals	**(16)**	–
Translation differences	**(111)**	181
At end of the year	**52 499**	45 910
Carrying amount at end of the year	**23 569**	29 992
Capitalised engineering development expenditure		
Cost		
At beginning of the year	**261 221**	229 897
Capitalised – current year	**36 050**	31 324
At end of the year	**297 271**	261 221
Accumulated amortisation		
At beginning of the year	**77 908**	59 582
Charge for the year	**26 513**	18 326
At end of the year	**104 421**	77 908
Carrying amount at end of the year	**192 850**	183 313
Total intangible assets	**216 419**	213 305
9. INVESTMENTS		
Available for sale financial asset		
Unlisted equity investment	**568**	665
The investment, measured at cost, represents a 10% interest in the equity of an unlisted entity registered in the United States of America.		
10. INTEREST-BEARING LONG-TERM RECEIVABLES		
WesBank cash collateral (i)	**39 356**	55 678
Environmental Protection Agency cash collateral (ii)	**6 196**	7 029
Finance lease receivables (iii) (restated)*	**27 958**	50 197
	73 510	112 904
Less: Current portion (restated)*	**(56 546)**	(77 331)
Total interest-bearing long-term receivables	**16 964**	35 573

* *Refer to restatements of prior periods in note 5.*

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10. INTEREST-BEARING LONG-TERM RECEIVABLES (CONTINUED)

(i) 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 2016 was 6,9% (2015: 5,9%) per annum.

(ii) 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% (2015: 0,4%) per annum.

(iii) Finance lease receivables for the amount of R27,9 million (2015: R50,2 million) relate to financing arrangements for equipment sold to customers. The amounts are repayable in instalments by:

	Average interest rate per annum	2016 R'000	Restated* 2015 R'000
2016	11,5%	–	35 572
2017	6,0%	**27 958**	14 625
Total		**27 958**	50 197
Less: Current portion		**(27 958)**	(40 487)
Long-term portion		–	9 710

The following details an analysis of these finance lease receivables:

R'000	Less than one year	Two to five years	Total
2016			
Gross investment	**28 699**	–	**28 699**
Less: Unearned finance income	**(741)**	–	**(741)**
Present value of minimum lease payments	**27 958**	–	**27 958**
2015 (restated)*			
Gross investment	43 558	9 893	53 451
Less: Unearned finance income	(3 071)	(183)	(3 254)
Present value of minimum lease payments	40 487	9 710	50 197

Finance lease receivables include an amount of R5,1 million (2015 (restated): R41,4 million) which was discounted to a financial institution with recourse to the group. The corresponding liability to the financial institution is disclosed in note 19.

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.

* *Refer to restatements of prior periods in note 5.*

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:

R'000	Net deferred taxation assets in group companies at beginning of the year	Net deferred taxation liabilities in group companies at beginning of the year	Translation differences	Recognised in other comprehensive income for the year	Recognised in profit or loss for the year	Net deferred taxation assets in group companies at end of the year	Net deferred taxation liabilities in group companies at end of the year
2016							
Accrual for audit fees	18	303	(2)	–	139	15	443
Accrual for leave pay	4 274	5 410	(365)	–	1 277	4 233	6 363
Accrual for severance pay	126	–	–	–	15	–	141
Accrual for unit additional costs	257	–	–	–	3 639	3 896	–
Capitalised engineering development expenditure	–	(67 660)	–	–	(3 591)	–	(71 251)
Deferred income	–	35 155	–	–	11 252	9 117	37 290
Excess taxation allowances over depreciation charge	(687)	(42 384)	(167)	–	7 377	(2 850)	(33 011)
Finance leases	–	(161)	–	–	1	–	(160)
Future expenditure allowance	–	(4 330)	–	–	145	–	(4 185)
Import duty rebates	–	(8 616)	–	–	(5 107)	–	(13 723)
Investment subsidies	57	–	(3)	–	(54)	–	–
Other allowances	(2 624)	(4 262)	237	–	1 777	(4 907)	35
Other provisions	4 339	326	(47)	–	(2 236)	2 382	–
Prepayments	(797)	(1 649)	25	–	853	(593)	(975)
Provision for doubtful debts	9 649	12 874	(3 209)	–	(5 896)	9 002	4 416
Provision for lease escalation	3 059	10 882	–	–	72	3 707	10 306
Provision for stock obsolescence	302	3 905	(327)	–	(3 254)	532	94
Provision for warranty expenditure	3 805	9 187	131	–	2 540	2 926	12 737
Revaluation of properties	(2 186)	(31 731)	–	(6 960)	–	(2 510)	(38 367)
Sales in advance	3 036	14 331	(77)	–	(10 499)	4 667	2 124
Taxable losses	1 375	23 549	(745)	–	(8 960)	11 149	4 070
Unrealised foreign currency gains and losses	11 895	(8 751)	(4 389)	–	3 903	3 719	(1 061)
Unrealised profit in inventory	60 676	–	(741)	–	(13 222)	46 713	–
Totals	96 574	(53 622)	(9 679)	(6 960)	(19 829)	91 198	(84 714)

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11. DEFERRED TAXATION (CONTINUED)

R'000	Net deferred taxation assets in group companies at beginning of the year	Net deferred taxation liabilities in group companies at beginning of the year	Translation differences	Recognised in other comprehensive income for the year	Recognised in profit or loss for the year	Net deferred taxation assets in group companies at end of the year	Net deferred taxation liabilities in group companies at end of the year
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)

Further information on the group's estimated taxation losses and the recognition of deferred taxation assets for these losses is set out in note 28.1.

	2016 R'000	Restated* 2015 R'000
12. INVENTORY		
Finished goods		
– manufactured	**637 043**	830 541
– branded	**235 490**	330 549
– used	**174 331**	238 132
Merchandise spares, components and raw materials	**1 081 987**	1 215 123
Work-in-progress	**299 070**	248 307
Total inventory	**2 427 921**	2 862 652

Included above is inventory of R293,4 million (2015: R388,3 million) carried at net realisable value.

Total inventory expensed, included in cost of sales, amounts to R4 382,8 million (2015: R4 301,4 million).

Cost of sales includes an amount of R121,6 million (2015: R98,3 million) in respect of write-downs of inventory to net realisable value, and has been reduced by Rnil million (2015: R2,0 million) in respect of the reversal of such write-downs. Included in the amount of R121,6 million (2015: R98,3 million) above, is an amount of R30,7 million (2015: R9,2 million) relating to current year write-downs of inventory in the group's operation in the DRC. This related to the mismanagement identified in this operation as further reported on in note 5.

Cost of sales also includes notional interest amounting to R23,7 million (2015: R20,0 million) in respect of non-cash purchase transactions.

Certain inventory is encumbered as indicated in note 24.

	2016 R'000	Restated* 2015 R'000
13. TRADE AND OTHER RECEIVABLES		
Amounts receivable from the sale of goods and services	**675 856**	671 836
Allowance for estimated irrecoverable amounts (refer note 35.3)	**(75 583)**	(91 881)
	600 273	579 955
Sundry receivables (restated)*	**151 399**	158 009
Total trade and other receivables	**751 672**	737 964

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 35.3.

* *Refer to restatements of prior periods in note 5.*

	2016 R'000	Restated* 2015 R'000
14. OTHER FINANCIAL ASSETS		
Financial assets carried at fair value through profit or loss		
Forward foreign exchange contracts (Level 2)	**5 641**	12 783

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.

	2016 R'000	Restated* 2015 R'000
15. CASH AND BANK BALANCES		
Cash on hand and cash bank balances	**184 295**	104 221

Included in cash and bank balances is an amount of R43,7 million (2015: Rnil) relating to the drawdown of the mortgage loan on the buildings under construction in Germany as disclosed in note 19. Access to these funds is restricted and dependent on the finalisation of the security on the loan.

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	2016 R'000	2015 R'000
16. STATED CAPITAL		
Authorised		
100 000 000 (2015: 100 000 000) ordinary shares of no par value		
Issued		
95 296 885 (2015: 95 146 885) ordinary shares of no par value	**232 139**	230 567

The increase in issued share capital relates to 150 000 (2015: nil) share options exercised at an average share price of R10,48 per share.

Five million ordinary shares have been reserved for Employee Share Option Scheme 2. At 31 December 2016, the company had granted options in terms of this scheme to executive directors and employees to subscribe for 2 902 272 (2015: 4 036 444) shares in the company as set out in note 30.3.

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.

	2016 Number of shares	2015 Number of shares
Reconciliation of authorised but unissued shares		
Authorised ordinary shares	**100 000 000**	100 000 000
Less: Ordinary shares issued	**(95 296 885)**	(95 146 885)
Less: Share options granted but unexercised (Share Option Scheme 2)	**(2 902 272)**	(4 036 444)
Less: Shares reserved but not granted (Share Option Scheme 2)	**(1 774 843)**	(790 671)
Number of authorised but unissued shares, excluding shares reserved for Share Option Scheme 2	**26 000**	26 000

17. NON-DISTRIBUTABLE RESERVES

R'000	Net surplus arising from revaluation of freehold land and buildings	Statutory reserves of foreign subsidiaries	Foreign currency translation reserve of foreign subsidiaries	Equity-settled employee benefits reserve	Total
Balance at 31 December 2014 (restated)*	106 864	15 279	323 994	19 414	465 551
Other comprehensive income (restated)*	–	3 187	282 443	–	285 630
– exchange differences on translating foreign operations	–	–	272 161	–	272 161
– exchange differences on foreign reserves	–	3 187	10 282	–	13 469
Recognition of share-based payments**	–	–	–	1 585	1 585
Decrease in statutory reserves of foreign subsidiaries	–	(497)	–	–	(497)
Balance at 31 December 2015 (restated)*	106 864	17 969	606 437	20 999	752 269
Other comprehensive income	**–**	**(3 499)**	**(218 140)**	**–**	**(221 639)**
– exchange differences on translating foreign operations	**–**	**–**	**(210 970)**	**–**	**(210 970)**
– exchange differences on foreign reserves	**–**	**(3 499)**	**(7 170)**	**–**	**(10 669)**
Transfer to retained earnings relating to expired share options**	**–**	**–**	**–**	**(3 220)**	**(3 220)**
Decrease in equity-settled employee benefits reserve relating to forfeited share options**	**–**	**–**	**–**	**(702)**	**(702)**
Increase in statutory reserves of foreign subsidiaries	**–**	**9 250**	**–**	**–**	**9 250**
Current year surplus on revaluation	**24 300**	**–**	**–**	**–**	**24 300**
Deferred taxation on current year surplus on revaluation	**(6 960)**	**–**	**–**	**–**	**(6 960)**
Balance at 31 December 2016	**124 204**	**23 720**	**388 297**	**17 077**	**553 298**

* *Refer to restatements of prior periods in note 5.*
** *Details of the employee share option plan are set out in note 30.*

Certain foreign subsidiaries are required in terms of local legislation to set aside a portion of their retained earnings in a non-distributable reserve. This has been presented as statutory reserves above.

	2016 R'000	2015 R'000
18. NON-CONTROLLING INTEREST		
Balance at beginning of the year	**7 361**	7 636
Share of total comprehensive income for the year	**1 147**	575
Transactions with group employees	**(8 508)**	(850)
Employees who exited prior to call option (i)	**(2 548)**	(850)
Call option to repurchase shares (ii)	**(5 960)**	–
Balance at end of the year	**–**	7 361

The non-controlling interest at the end of the prior year represented the 3,1% interest of group employees in BESSA.

(i) 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 BECSA from employees who have exited the group. These transactions occurred before the company exercised its call option in November 2016.

(ii) During November 2016, the company exercised its call option to repurchase all shares in BESSA held by group employees and BECSA. This increased the company's shareholding in BESSA to 100% (2015: 96,9%). A total of 4 937 830 shares were held by employees and were bought back by the company at R1,48 per share which represents the fair value per share plus a premium. A total of 17 562 170 shares were held by BECSA and were bought back by the company at fair value of R1,29 per share. The difference between the consideration paid and the carrying amount of BECSA's investment in BESSA was eliminated on consolidation.

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 %	2016 R'000	2015 R'000
19. INTEREST-BEARING LIABILITIES			
Secured			
Finance lease liabilities repayable in instalments by:			
2016	–	**–**	1 282
2017	9,8	**705**	1 348
2018	9,8	**7 378**	11 496
2019	9,6	**8 694**	9 636
Total secured liabilities		**16 777**	23 762
Less: Current portion		**(8 524)**	(8 592)
Long-term portion		**8 253**	15 170

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 R17,5 million (2015: R24,5 million)

– vehicles in South Africa and France R4,4 million (2015: R4,5 million)

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	Average variable/ fixed rate of interest per annum %	2016 R'000	Restated* 2015 R'000
19. INTEREST-BEARING LIABILITIES (CONTINUED)			
Secured			
Long-term mortgage loans from financial institutions repayable in instalments by:			
February 2019 (i)	4,7	**53 462**	77 975
December 2023 (ii)	9,9	**18 604**	20 367
September 2031 (iii)**	1,7	**42 978**	–
		115 044	98 342
Less: Current portion		**(20 122)**	(19 127)
Long-term portion		**94 922**	79 215

*** Fixed rate of interest.*

The following properties at net book value are encumbered as security for the secured borrowings above:

(i) Freehold land and buildings in Kitwe, Zambia R95,5 million (2015: R110,3 million).

(ii) Freehold land and buildings in Middelburg, South Africa R38,6 million (2015: R39,9 million).

(iii) Freehold land and buildings under construction in Alsfeld, Germany R68,5 million.

Secured			
Collateralised borrowings**	11,5	**5 122**	38 435
Less: Current portion		**(5 122)**	(32 625)
Long-term portion		**–**	5 810

Collateralised borrowings comprise amounts payable to financial institutions where certain finance lease receivables have been discounted to financial institutions with recourse to the group. Refer to note 10.

** Refer to restatements of prior periods in note 5.*
*** Fixed rate of interest.*

Unsecured			
Industrial Development Corporation of South Africa – medium-term loan repayable in monthly instalments by:			
July 2017	11,4	**17 500**	47 500
Less: Current portion		**(17 500)**	(30 000)
Long-term portion		**–**	17 500

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 BECSA is required to maintain a ratio of shareholders' interest to total assets of at least 40%. The actual ratio at 31 December 2016 was 56% (2015: 57%). Bell Equipment Limited has provided suretyship for the repayment of this loan.

Total current portion of interest-bearing liabilities		**51 268**	90 344
Total long-term portion of interest-bearing liabilities		**103 175**	117 695

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

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

	2016 R'000	2015 R'000
20. REPURCHASE OBLIGATIONS AND DEFERRED LEASING INCOME		
Repurchase obligations		
Total repurchase obligations	**824**	1 081
Less: Current portion	**(225)**	(232)
Long-term portion	**599**	849
Deferred leasing income		
Total deferred leasing income	**1 973**	3 781
Less: Current portion	**(538)**	(810)
Long-term portion	**1 435**	2 971
Total current portion of repurchase obligations and deferred leasing income	**763**	1 042
Total long-term portion of repurchase obligations and deferred leasing income	**2 034**	3 820

Repurchase obligations are in respect of rental assets with a net book value of R2,9 million (2015: R4,7 million) reflected in note 7 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.

	2016 R'000	2015 R'000
21. DEFERRED INCOME		
Deferred warranty income		
Balance at beginning of the year	**121 957**	124 695
Extended warranty contracts sold during the year	**54 139**	40 318
Costs in excess of contract value	**7 407**	8 571
Expired during the year	**(14 122)**	(14 674)
Utilised during the year	**(20 634)**	(24 119)
Revenue recognised during the year	**(16 008)**	(12 834)
	132 739	121 957
Less: Current portion	**(62 120)**	(55 414)
Long-term portion	**70 619**	66 543

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.

	2016 R'000	2015 R'000
Deferred service contract income		
Balance at beginning of the year	**16 360**	–
Service contracts sold during the year	**28 262**	22 418
Utilised during the year	**(10 375)**	(6 058)
	34 247	16 360
Less: Current portion	**(20 783)**	(16 360)
Long-term portion	**13 464**	–

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.

	2016 R'000	2015 R'000
Total current portion of deferred income	**82 903**	71 774
Total long-term portion of deferred income	**84 083**	66 543
22. LEASE ESCALATION		
Total lease escalation	**50 019**	49 742
Less: Current portion	**(5 931)**	(3 747)
Long-term portion of lease escalation	**44 088**	45 995

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.

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R'000	Warranty	Residual value risk	Credit risk	Total
23. PROVISIONS				
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
Balance at 31 December 2015	55 155	–	262	55 417
Increase during the year	**122 085**	**–**	**1 535**	**123 620**
Utilised during the year	**(111 713)**	**–**	**–**	**(111 713)**
Balance at 31 December 2016	**65 527**	**–**	**1 797**	**67 324**
Less: Current portion	**(61 834)**	**–**	**(1 797)**	**(63 631)**
Long-term provisions at 31 December 2016	**3 693**	**–**	**–**	**3 693**

The warranty provision represents management's best estimate of the group's warranty liability on products sold, based on past experience of the timing and value of this cost 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.
- 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 31.1.

A provision for 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.

	2016 R'000	Restated* 2015 R'000
24. TRADE AND OTHER PAYABLES		
Trade creditors	**524 077**	441 362
Industrial Development Corporation of South Africa – trade finance (i)	**–**	307 453
Floor plan trade finance (ii)	**–**	17 013
Other payables (restated)*	**235 386**	302 976
Total trade and other payables	**759 463**	1 068 804

* *Refer to restatements of prior periods in note 5.*

(i) The trade finance is unsecured and is a rolling credit facility, repayable six-monthly. The interest rate is linked to prime and the average rate charged during the current period was 11,5% (2015: 10,4%) per annum. Utilisation of the facility is restricted to fund working capital. The facility amount is R550 million (2015: R300 million) and expires on 31 March 2018.

(ii) 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 the earlier of sale of the equipment or after 360 days. The interest rate is linked to prime and the average rate charged during the current period was 10,4% (2015: 9,4%) per annum. Inventory to the value of R14,8 million was encumbered as security for the outstanding liability at the end of the prior year. Refer to note 12.

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

	2016 R'000	Restated* 2015 R'000
25. OTHER FINANCIAL LIABILITIES		
Financial liabilities carried at fair value through profit or loss		
Forward foreign exchange contracts (Level 2)	**952**	20 593

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.

	2016 R'000	Restated* 2015 R'000
26. REVENUE		
Revenue represents		
Sale of machines	**4 229 600**	3 966 556
Sale of parts	**1 358 375**	1 451 345
Service income	**336 968**	352 528
Rental income	**77 398**	131 002
Total revenue	**6 002 341**	5 901 431

Related party sales are disclosed in note 36.

Included in revenue is notional interest amounting to R44,9 million (2015: R34,8 million) in respect of non-cash revenue transactions.

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	2016 R'000	Restated* 2015 R'000
27. PROFIT FROM OPERATING ACTIVITIES		
Profit from operating activities is arrived at after taking into account:		
Income		
Currency exchange gains	**388 753**	239 526
Deferred warranty income	**50 764**	51 627
Decrease in warranty provision	**–**	21 330
Import duty rebates	**65 020**	57 153
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	**26**	6 041
Expenditure		
Amortisation of intangible assets		
– capitalised software	**6 716**	7 048
– capitalised development expenditure	**26 513**	18 326
Amounts written off as uncollectible	**33 898**	11 924
Auditors' remuneration		
– audit fees – current	**9 773**	8 787
– prior	**211**	310
– other services	**788**	586
Consulting fees	**33 270**	30 353
Currency exchange losses	**419 694**	234 940
Depreciation		
– freehold buildings	**13 014**	12 107
– leasehold buildings	**679**	532
– plant and equipment	**42 995**	48 423
– rental assets	**42 737**	68 419
– aircraft	**197**	981
– vehicles	**11 363**	12 842
Directors' remuneration		
Paid by company:		
– non-executive directors' fees	**3 381**	2 329
Paid by subsidiaries:		
– executive directors – salaries	**7 567**	6 967
– benefits	**983**	831
Increase in warranty provision	**14 060**	–
Operating lease charges		
– equipment and vehicles	**35 767**	40 609
– land and buildings (restated)*	**91 603**	94 859
Research expenses (excluding staff costs)	**35 501**	29 978
Severance pay	**9 739**	26 240
Staff costs (restated)*	**1 192 734**	1 213 470

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

* *Refer to restatements of prior periods in note 5.*

28. TAXATION

28.1 TAXATION RECOGNISED IN PROFIT OR LOSS

	2016 R'000	Restated* 2015 R'000
South African normal taxation		
Current taxation		
– current year	**29 276**	4 459
– prior year	**(195)**	(797)
Deferred taxation		
– current year	**35 356**	26 820
– prior year	**(1 919)**	2 150
Withholding taxation	**55**	–
Foreign taxation		
Current taxation		
– current year (restated)*	**18 182**	26 909
– prior year	**3 382**	(5 005)
Deferred taxation		
– current year	**(11 936)**	4 147
– prior year	**(1 672)**	(215)
Withholding taxation	**1 937**	3 852
Other corporate taxation	**4 606**	2 988
Total taxation charge recognised in profit or loss	**77 072**	65 308

* *Refer to restatements of prior periods in note 5.*

	2016	2015
Reconciliation of rate of taxation (%)		
Standard rate of taxation	**28**	28
Adjustment for:		
Exempt income	**–**	(1)
Disallowable legal and consulting fees	**3**	–
Recoupments	**–**	1
Special allowances for taxation	**(4)**	(3)
Prior year taxation	**–**	(2)
Withholding and other corporate taxation	**6**	3
Taxation losses incurred by subsidiaries (mainly the DRC) where no deferred taxation assets have been recognised and to a lesser extent, different taxation rates of subsidiaries operating in other jurisdictions	**34**	**6**
Effective rate of taxation	**67**	32

The group's estimated taxation losses amount to approximately R329,3 million (2015: R223,5 million). Included in this amount are losses of R136,7 million (2015: R33,5 million) that will expire as set out below:

	2016	2015
Less than one year	**5 808**	–
Two to five years	**63 043**	29 680
Six to ten years	**53 825**	–
More than ten years	**13 986**	3 836
Total	**136 662**	33 516

Other losses may be carried forward indefinitely.

A deferred taxation asset of R15,2 million (2015: R24,9 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 R283,0 million (2015: R135,6 million). Of this amount R104,9 million (2015: R29,7 million) will expire as follows:

	2016	2015
Less than one year	**5 808**	–
Two to five years	**45 236**	29 680
Six to ten years	**53 825**	–
Total	**104 869**	29 680

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		2016 R'000	Restated* 2015 R'000
28. TAXATION (CONTINUED)			
28.2 TAXATION RECOGNISED IN OTHER COMPREHENSIVE INCOME			
Deferred taxation			
– property revaluation		**6 960**	–
Total taxation charge recognised in other comprehensive income		**6 960**	–
29. EARNINGS PER SHARE			
29.1 EARNINGS PER SHARE (BASIC)			
Profit attributable to owners of Bell Equipment Limited	(R'000)	**37 472**	141 169
Weighted average number of shares in issue	('000)	**95 159**	95 147
Earnings per share (basic)	(cents)	**39**	148
29.2 EARNINGS PER SHARE (DILUTED)			
Profit attributable to owners of Bell Equipment Limited	(R'000)	**37 472**	141 169
Fully converted weighted average number of shares	('000)	**95 289**	95 147
Earnings per share (diluted)	(cents)	**39**	148
The number of shares 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 30.3.			
29.3 HEADLINE EARNINGS PER SHARE (BASIC)			
Profit attributable to owners of Bell Equipment Limited	(R'000)	**37 472**	141 169
Net surplus on disposal of property, plant and equipment, intangible assets and non-current assets held for sale	(R'000)	**(26)**	(13 114)
Taxation effect of net surplus on disposal of property, plant and equipment, intangible assets and non-current assets held for sale	(R'000)	**7**	3 672
Headline earnings	(R'000)	**37 453**	131 727
Weighted average number of shares in issue	('000)	**95 159**	95 147
Headline earnings per share (basic)	(cents)	**39**	138
29.4 HEADLINE EARNINGS PER SHARE (DILUTED)			
Profit as calculated in 29.3 above	(R'000)	**37 453**	131 727
Fully converted weighted average number of shares per 29.2 above	('000)	**95 289**	95 147
Headline earnings per share (diluted)	(cents)	**39**	138

* *Refer to restatements of prior periods in note 5.*

30. SHARE-BASED PAYMENTS

30.1 EMPLOYEE SHARE OPTION PLAN

The group 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.

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

Grant date	Tranches	Number	Expiry date	Exercise price	Fair value at grant date
15 February 2010	Tranche 1	993 333	14 Feb 2020	R10,48	R5,39
15 February 2010	Tranche 2	993 333	14 Feb 2020	R10,48	R5,83
15 February 2010	Tranche 3	993 334	14 Feb 2020	R10,48	R6,18
15 April 2011	Tranche 1	510 000	14 Apr 2021	R13,06	R7,12
15 April 2011	Tranche 2	510 000	14 Apr 2021	R13,06	R7,71
15 April 2011	Tranche 3	510 000	14 Apr 2021	R13,06	R8,17
15 May 2012	Tranche 1	316 666	14 May 2022	R21,35	R12,79
15 May 2012	Tranche 2	316 667	14 May 2022	R21,35	R13,18
15 May 2012	Tranche 3	316 667	14 May 2022	R21,35	R13,54

30.2 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.			
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 years	10 years	10 years
Dividend yield	0,79%	0,67%	0,57%
Risk-free interest rate for the life of the option	8,88%	8,42%	7,79%

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30. SHARE-BASED PAYMENTS (CONTINUED)

30.3 SHARES RESERVED AND MOVEMENT IN SHARE OPTIONS FOR THE YEAR

	2016	2015
Total Number of shares reserved for Scheme 2	**5 000 000**	5 000 000
Less: Number of share options exercised	**(322 885)**	(172 885)
Less: Number of share options granted, but not exercised	**(2 902 272)**	(4 036 444)
Number of shares reserved for Scheme 2, but share options not granted	**1 774 843**	790 671

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

	2016 Number of options	2016 Weighted average exercise price R	2016 Weighted average share price R	2015 Number of options	2015 Weighted average exercise price R	2015 Weighted average share price R
Balance at beginning of the year	**4 036 444**	**13,30**	**–**	4 125 944	13,38	–
Forfeited during the year	**(200 500)**	**13,55**	**–**	(89 500)	16,98	–
Expired during the year	**(783 672)**	**14,17**	**–**	–	–	–
Exercised during the year	**(150 000)**	**10,48**	**12,14**	–	–	–
Balance at end of the year	**2 902 272**	**13,19**	**–**	4 036 444	13,30	–

The share options outstanding at the end of the year under Scheme 2 had a weighted average remaining contractual life of 3,9 years (2015: 4,9 years).

At year-end the number of options that had vested and that were exercisable was 1 803 606 (2015: 2 485 444).

31. CONTINGENT LIABILITIES

	2016 R'000	2015 R'000
31.1 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	**144 688**	211 581
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	**2 682**	1 997
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	**249 936**	319 208
Net contingent liability	**–**	–

	2016 R'000	2015 R'000
31. CONTINGENT LIABILITIES (CONTINUED)		
31.1 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	**3 146**	14 566
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	**1 413**	27 839
	1 733	(13 273)
Less: Provision for non-recovery	**(1 797)**	(262)
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.		
31.2 The repurchase of equipment sold to customers and financial institutions has been guaranteed by the group for an amount of	**467**	945
In the event of repurchase, it is estimated that the equipment would presently realise	**1 860**	3 404
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.		
31.3 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	**8 469**	28 335
Net contingent liability	**8 469**	28 335
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. 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
Less: Impairment of retention deposits	**–**	(2 072)
Net retention deposits and net contingent liability	**–**	–
Total net contingent liabilities	**8 469**	28 335
The transactions described in note 31.3 above relate 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.		
31.4 Performance guarantees have been provided to certain customers for an amount of	**2 468**	2 800
31.5 A retention guarantee was provided to a customer for an amount of	**–**	1 070
32. CAPITAL EXPENDITURE COMMITMENTS		
Contracted	**13 228**	3 827
Authorised, but not contracted	**88 508**	46 260
Total capital expenditure commitments	**101 736**	50 087

This capital expenditure is to be financed from internal resources and long-term facilities.

The amounts are expected to be spent in less than one year.

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	2016 R'000	2015 R'000
33. OPERATING LEASE ARRANGEMENTS		
33.1 OPERATING LEASE COMMITMENTS		
The group has commitments under non-cancellable operating leases as set out below:		
Land and buildings		
Less than one year	**81 499**	90 528
Two to five years	**230 600**	262 754
More than five years	**64 516**	76 942
Equipment and vehicles		
Less than one year	**13 185**	17 131
Two to five years	**8 518**	12 518
More than five years	**–**	27
Total operating lease commitments	**398 318**	459 900

Included in operating lease commitments above is an amount of R152,1 million (2015: R182,0 million) relating to a twelve 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, Cape Town and Johannesburg (South Africa) which are used as customer service centres. Operating lease commitments on these premises amount to R139,6 million (2015: R123,9 million) and escalate between 7% and 9% per annum. They expire between 2021 and 2026.

	2016 R'000	2015 R'000
33.2 OPERATING LEASE RECEIVABLES		
Non-cancellable operating lease receivables are set out below:		
Equipment		
Less than one year	**71 859**	41 997
Two to five years	**33 630**	476
Total operating lease receivables	**105 489**	42 473

Operating lease receivables above relate to certain rental assets reflected in note 7.

34. 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 R82,9 million during the current year (2015: R88,1 million) and were charged to staff costs in profit or loss.

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

35. FINANCIAL INSTRUMENTS

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

	2016 R'000	Restated* 2015 R'000
CATEGORIES OF FINANCIAL INSTRUMENTS		
Financial assets		
Loans and receivables at amortised cost		
– Interest-bearing long-term receivables (including current portion) (restated)*	**73 510**	112 904
– Trade and other receivables (restated)*	**689 840**	651 269
– Cash and bank balances	**184 295**	104 221
Available for sale financial assets		
– Investments	**568**	665
Financial assets at fair value through profit or loss	**5 641**	12 783
Total financial assets	**953 854**	881 842
Financial liabilities		
Financial liabilities at amortised cost		
– Interest-bearing liabilities (including current portion) (restated)*	**154 443**	208 039
– Trade and other payables (restated)*	**740 146**	1 051 764
– Bank overdrafts and borrowings on call	**446 388**	303 793
Financial liabilities at fair value through profit or loss	**952**	20 593
Total financial liabilities	**1 341 929**	1 584 189

* *Refer to restatements of prior periods in note 5.*

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 and bank balances 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 bank overdrafts and borrowings on call 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.

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35. FINANCIAL INSTRUMENTS (CONTINUED)

35.1 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

Management monitors the group borrowings with reference to a targeted net debt-to-equity ratio of not more than 20%.

	2016 R'000	Restated* 2015 R'000
The gearing ratio at year-end was as follows:		
Short-term and long-term borrowings	**600 831**	511 832
Cash and bank balances	**(184 295)**	(104 221)
Net debt	**416 536**	407 611
Total equity	**2 758 247**	2 947 416
Attributable to owners of Bell Equipment Limited	**2 758 247**	2 940 055
Non-controlling interest	**–**	7 361
Debt-to-equity ratio (excluding cash and bank balances) (%)	**21,8**	17,4
Net debt-to-equity ratio (including cash and bank balances) (%)	**15,1**	13,8

* *Refer to restatements of prior periods in note 5.*

35.2 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 2016 is as follows:

	Facilities 2016 R'000	Utilisation 2016 R'000	Facilities 2015 R'000	Utilisation 2015 R'000
General banking facilities	**901 451**	**446 388**	930 517	303 793
Bank overdrafts and borrowings on call are unsecured and floating interest rates linked to prime are charged. In terms of undertakings by the group in certain bank facility agreements, limits are in place for permitted security over group assets, the provision of guarantees or indemnities to any person and for the raising of additional borrowings. Transactions in excess of these limits, require the consent of the banks concerned.				
The utilisation at 31 December 2016 on facilities made available by the Industrial Development Corporation of South Africa is as follows:				
Industrial Development Corporation of South Africa				
Trade finance	**550 000**	**–**	300 000	300 000
Interest accrued	**–**	**–**	–	7 453
	550 000	**–**	300 000	307 453
Medium-term loan	**17 500**	**17 500**	47 500	47 500
Total	**567 500**	**17 500**	347 500	354 953

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.2 LIQUIDITY RISK (CONTINUED)

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

R'000	Less than one year	One to two years	Two to three years	More than three years	Total
Non-derivative financial liabilities					
2016					
Secured interest-bearing liabilities	**38 214**	**30 099**	**25 045**	**59 593**	**152 951**
Unsecured interest-bearing liabilities	**18 121**	**–**	**–**	**–**	**18 121**
Trade and other payables	**740 146**	**–**	**–**	**–**	**740 146**
Bank overdrafts and borrowings on call	**446 388**	**–**	**–**	**–**	**446 388**
Total	**1 242 869**	**30 099**	**25 045**	**59 593**	**1 357 606**
2015 (restated)*					
Secured interest-bearing liabilities	62 847	32 212	23 332	72 680	191 071
Unsecured interest-bearing liabilities	33 634	18 122	–	–	51 756
Trade and other payables	1 051 764	–	–	–	1 051 764
Bank overdrafts and borrowings on call	303 793	–	–	–	303 793
Total	1 452 038	50 334	23 332	72 680	1 598 384

* *Refer to restatements of prior periods in note 5.*

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.

R'000	2016	2015
Derivative financial instruments		
Less than one year		
Gross-settled forward foreign exchange contracts – imports	**(58 521)**	(301 254)
Gross-settled forward foreign exchange contracts – exports	**234 859**	272 043
Total	**176 338**	(29 211)

35.3 CREDIT RISK

Credit risk arises when a counterparty defaults on its contractual obligations resulting in a financial loss to the group. Credit risk consists mainly of short-term cash deposits, interest-bearing long-term receivables, trade receivables and indebtedness by subsidiaries and the credit risk exposure described in note 31.1 and note 40. The group only deposits short-term cash with approved financial institutions.

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. As part of its function the committee assesses credit limits by customer and customers' credit quality.

The average credit period on sales of goods and services is 30 days (2015: 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 31.1, the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk. At 31 December 2016, the group does not consider there to be any material credit risk that has not been adequately provided for. An analysis of financial assets that are past due but that have not been provided for is set out on page 60.

Amounts outstanding from customers to WesBank under Bell-backed and Bell-shared risk deals (refer to note 31.1), included an amount of R4,3 million (2015: R7,4 million) which was past due. No provision for credit risk was raised and no impairment loss recognised against the group's cash collateral included under interest-bearing receivables (refer to note 10) as there has not been a significant change in credit quality. The amounts are still considered recoverable. In terms of the group's shared risk arrangements with other institutions, there were no past due amounts under these arrangements that were not provided for.

Finance lease receivables included under interest-bearing long-term receivables were neither past due nor impaired at the reporting date (refer to note 10).

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35. FINANCIAL INSTRUMENTS (CONTINUED)

35.3 CREDIT RISK (CONTINUED)

Included in the group's trade receivable balance are debtors with a carrying amount of R171,2 million (2015: R181,5 million) which are past due at the reporting date, for which the group has not provided against as the amounts are still considered recoverable and there has not been a significant change in credit quality. Of this amount, R110,1 million (2015: R92,1 million) relates to a few customers in the group's operation in the DRC. These customer accounts are being managed by senior group management with regular visits, review of business activities and business plans and in some cases the debts have been rescheduled and revised repayment agreements entered into. Subsequent to year-end scheduled repayments have been received in terms of these agreements.

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

A summarised age analysis of past due trade receivables is set out below.

	2016 R'000	2015 R'000
Ageing of past due but not impaired		
60 to 90 days	**27 010**	77 478
90 to 120 days	**30 401**	35 751
120+ days	**113 833**	68 313
Total	**171 244**	181 542
A summarised age analysis of impaired trade receivables is set out below.		
Ageing of impaired debtors		
Current	**152**	445
30 to 60 days	**295**	162
60 to 90 days	**591**	427
90 to 120 days	**2 675**	1 476
120+ days	**71 870**	89 371
Total	**75 583**	91 881
Movement in the allowance for doubtful debts		
Balance at beginning of the year	**91 881**	78 546
Translation differences	**(9 570)**	6 923
Amounts written off as uncollectible	**(33 898)**	(11 924)
Increase in allowance	**27 170**	18 336
Balance at end of the year	**75 583**	91 881

Transfer of financial assets

In the current year, the group discounted certain finance lease receivables to financial institutions for cash. In terms of these arrangements, the group has no obligation to reimburse the financial institution for any unsettled balances or amounts due by default customers. In certain instances, the group acts as an agent on behalf of the financial institution for payment collections and is obliged to remit the cash flows to the financial institution without material delay. The group no longer controls the financial assets and has ceded its rights to future economic benefits associated with the transferred financial assets. The group considered that risks and rewards of ownership relating to these financial assets have transferred and has derecognised these finance lease receivables. The amount of finance lease receivables discounted under these arrangements was R11,5 million (2015: Rnil). Of this amount, R4,2 million (2015: Rnil) relates to an arrangement with a related party as disclosed in note 36. The group's accounting policy on derecognition of financial assets is disclosed in note 2.9.

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.4 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.

35.4.1 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 2016 are listed below. These contracts will be utilised during the next six months. These contracts have been fair valued at year-end as follows:

	Foreign amount 000	Rate R	Market value in Rands R'000	Fair value gain/(loss) R'000
2016				
Import contracts				
British Pound	**990**	**17,02**	**16 930**	**80**
Euro	**2 198**	**14,71**	**32 340**	**7**
United States Dollar	**651**	**14,34**	**9 060**	**(275)**
Export contracts				
Euro	**1 823**	**14,89**	**26 881**	**263**
United States Dollar	**14 658**	**14,17**	**203 993**	**3 711**
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)

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35. FINANCIAL INSTRUMENTS (CONTINUED)

35.4 MARKET RISK (CONTINUED)

35.4.1 Currency risk (continued)

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

R'000	Euro	United States Dollar	British Pound	Other currencies
2016				
Financial assets				
– Interest-bearing long-term receivables (including current portion)	11 318	–	–	–
– Trade and other receivables	153 293	232 374	19 272	3 902
– Cash and bank balances	86 517	48 566	14 289	1 697
– Investments	568	–	–	–
– Financial assets at fair value through profit or loss	1 449	4 060	132	–
Financial liabilities				
– Interest-bearing liabilities (including current portion)	103 079	–	–	–
– Trade and other payables	151 089	207 247	54 770	9 714
– Bank overdrafts and borrowings on call	49 133	55 111	–	–
– Financial liabilities at fair value through profit or loss	311	581	60	–
2015				
Financial assets				
– Interest-bearing long-term receivables (including current portion)	57 226	–	–	–
– Trade and other receivables	278 465	182 703	31 898	6 849
– Cash and bank balances	33 195	28 240	139	898
– Investments	665	–	–	–
– Financial assets at fair value through profit or loss	4 000	7 766	1 017	–
Financial liabilities				
– Interest-bearing liabilities (including current portion)	118 885	–	–	–
– Trade and other payables	109 816	256 916	70 064	13 051
– Bank overdrafts and borrowings on call	8 886	87 082	8 426	–
– Financial liabilities at fair value through profit or loss	1 193	19 400	–	–

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 2016 would have increased by R42,6 million (2015: R4,4 million); and
- other equity at year-end would have increased by R16,7 million (2015: R19,2 million).

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

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.4 MARKET RISK (CONTINUED)

35.4.2 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 2016, is as follows:

	Restricted cash and bank balances	Net overdraft and call balances (excluding restricted cash and bank balances)	Trade finance	Long-term borrowings	Long-term borrowings	Total borrowings
2016						
Borrowings (R'000)	**(43 706)**	**305 799**	**–**	**42 978**	**111 465**	**416 536**
Rate profile	**Interest free**	**Floating**	**Floating**	**Fixed**	**Floating**	
% of total borrowings	**(10)**	**73**	**–**	**10**	**27**	
2015 (restated)						
Borrowings (R'000)	–	199 572	307 453	–	208 039	715 064
Rate profile	–	Floating	Floating	Fixed	Floating	
% of total borrowings	–	28	43	–	29	

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

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

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

- profit before taxation for the year ended 31 December 2016 would have decreased by R4,2 million (2015: R7,2 million); and
- profit after taxation for the year ended 31 December 2016 would have decreased by R3,0 million (2015: R5,1 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.

35.4.3 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 31.2 and 31.3.

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36. 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 year-end are detailed below:

	2016 R'000	2015 R'000
Shareholders		
John Deere Construction and Forestry Company		
– sales	**17 302**	106 458
– purchases	**392 769**	565 492
– royalties received	**1 385**	4 447
– royalties paid	**6 035**	6 427
– warranty claims received	**3 045**	1 419
– interest paid	**–**	2
– computer licence fees, training and related expenses	**485**	319
– export rebate related expenses	**–**	4 075
– amounts owing to – trade and other payables	**57 020**	51 961
– amounts owing by – trade and other receivables	**3 664**	25 216
PA Bell		
– property rental paid	**64**	54
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	**8 106**	7 918
– property related expenses	**–**	37
Loinette Company Leasing Limited		
– commission paid	**390**	552
– amounts owing by	**–**	2 172
– amounts owing to	**527**	–
Minosucra SARL		
– sales	**4 608**	3 016
– purchases	**–**	73
– transport related income	**207**	20
Triumph International Madagascar SARL		
– sales	**1 213**	1 226
– amounts owing by	**355**	12
Tractor and Equipment (Mauritius) Limited		
– sales	**1 925**	540
– amounts owing by	**1 492**	–
Castle Crest Properties 33 Proprietary Limited		
– property rental paid	**730**	544
– property related expenses	**–**	98
– amounts owing by	**49**	49
Matriarch Trading Close Corporation		
– sales	**404**	2 314
– purchases	**4 001**	9 298
– royalties paid	**46**	84
– warranty claims received	**22**	43
– transport related income	**9**	–
– amounts owing to	**–**	22
– amounts owing by	**36**	150

	2016 R'000	2015 R'000
36. 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 (continued)		
BAC Aviation Close Corporation		
– aircraft rebuild expenses	**–**	2 692
– aircraft hangar, maintenance and related expenses	**1 135**	420
Latin Equipment Group		
– sales	**29 332**	43 728
– transport related income	**882**	1 264
– warranty claims paid	**–**	31
– training related income	**95**	–
– amounts owing to	**–**	1 783
– amounts owing by	**1 115**	2 585

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.

During the current year, an amount of R2,0 million receivable from Loinette Company Leasing Limited was written off as uncollectible. This related to a financing arrangement with a certain customer, where the agreement was that Loinette Company Leasing Limited would pay the group as and when the customer paid Loinette Company Leasing Limited. The customer has not settled Loinette Company Leasing Limited and accordingly the receivable was expensed. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by other related parties.

The group also discounted a certain finance lease receivable of R4,2 million (2015: Rnil) to Loinette Company Leasing Limited during the current year. The arrangement is without recourse to the group (refer to note 35.3). The loss recognised on discounting was R0,03 million (2015: Rnil).

A co-operation agreement is in place between the company and its subsidiaries and Loinette Company Leasing Limited in terms of which the group has undertaken to refer prospective customers, who wish to acquire equipment from the group for use in agreed territories and which customers require external financing, to Loinette Company Leasing Limited. The group has undertaken to recommend Loinette Company Leasing Limited as a possible financier of such equipment.

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.

37. SUBSEQUENT EVENTS

Subsequent to year-end the board approved a BBBEE ownership transaction for BESSA. In terms of this transaction, a selected BBBEE partner and a newly formed broad based trust will acquire 22,5% and 7,5% respectively of the issued share capital of BESSA. After this transaction, BESSA will qualify as a 30% black women owned entity. The conclusion of this transaction is expected to be announced in the first half of 2017.

No other facts or circumstances material to the appreciation of this report has occurred between 31 December 2016 and the date of this report.

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38. 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 2016 R	Issued share capital 2015 R
Southern Africa				
Bell Equipment Company SA Proprietary Limited	O	M	**2**	2
– amounts owing to – non–interest–bearing liabilities				
– amounts owing by – trade and other receivables				
Bell Equipment Sales South Africa Limited	O	S	**2 325 000**	2 325 000
IA Bell Equipment Company (Namibia) (Proprietary) Limited	O	S	**4**	4
Bell Equipment Company (Swaziland) (Proprietary) Limited	O	S	**2**	2
Vasloscape Proprietary Limited	D	D	**–**	–
Bell Equipment Finance Company Proprietary Limited	D	D	**–**	–
Other Africa				
Bell Equipment (Zambia) Limited	O	S	**18 291 178**	21 425 814
Bell PTA (Pvt) Limited	O	S	**5 426 520**	6 356 486
Bell Equipment (Malawi) Limited	O	S	**2**	2
Bell Equipment Mozambique Limitada	O	S	**26 130 216**	28 774 910
Bell Equipment (DRC) SPRL	O	S	**187 592 448**	129 236
Europe				
Bell Equipment International SA	H	H	**874 122 000**	1 023 924 000
Bell International Finance Limited	I	I	**97 864 091**	–
Bell Euro Finance Limited	I	I	**349 648 800**	–
Bell France SAS	O	S	**49 730 170**	58 252 641
Bell Equipment UK Limited	O	S	**83 029 731**	97 258 889
Bell Equipment (Deutschland) GmbH	O	A	**65 559 150**	76 794 300
LLC Bell Equipment Russland	O	S	**82 316 608**	96 423 554
United States of America				
Bell Equipment North America Inc	O	S	**69 929 760**	81 913 920
Australasia				
Bell Equipment Australia (Proprietary) Limited	O	S	**30**	34
Interest in subsidiary companies				

A – Assembly plant, sales and logistics operation
D – Dormant companies
H – Holding companies
I – Intergroup loan investment companies
M – Manufacturing plant, sales and logistics operation
O – Operating companies
R – Deregistered
S – Sales 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.

Effective holding 2016 %	Effective holding 2015 %	Profit/(loss) for the year 2016 R'000	Profit/(loss) for the year 2015 R'000	Interest of Bell Equipment Limited			
				Book value of shares 2016 R'000	Book value of shares 2015 R'000	Amounts owing (to)/by 2016 R'000	Amounts owing (to)/by 2015 R'000
100	100	**92 031**	91 311	**22 567**	26 019		
						(137 051)	(92 592)
						–	868
100	96,9	**54 842**	18 441	**34 814**	5 554	**–**	–
100	100	**7 945**	6 578	**43 812**	43 812	**–**	–
100	100	**(841)**	5	**–**	–	**–**	–
100	–	**–**	–	**–**	–	**–**	–
100	100	**–**	–	**–**	–	**–**	–
100	100	**(23 557)**	28 711	**–**	–	**156**	–
100	100	**(12 921)**	(12 596)	**–**	–	**104**	–
100	100	**(2 917)**	(3 044)	**–**	–	**–**	–
100	100	**(16 804)**	(7 964)	**–**	–	**98**	–
100	100	**(144 152)**	(10 805)	**–**	–	**208**	–
100	100	**(143 551)**	(6 503)	**616 084**	615 940	**–**	–
100	–	**2 646**	–	**–**	–	**–**	–
100	–	**6 405**	–	**–**	–	**–**	–
100	100	**3 025**	(7 823)	**–**	–	**–**	–
100	100	**6 016**	48 914	**–**	–	**28**	–
100	100	**16 249**	1 775	**–**	–	**503**	–
100	100	**7 119**	(12 640)	**–**	–	**–**	–
100	100	**10 293**	5 941	**–**	–	**–**	–
100	100	**2 488**	1 014	**–**	–	**–**	–
				717 277	691 325	**(135 954)**	(91 724)

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39. SIGNIFICANT RESTRICTIONS

In terms of a general banking facility held by BESSA, the repayment of intra-group loans as well as interest and dividend payments require approval from the relevant financial institution before such payments are made. At year-end the carrying amount of the intra-group loan in BESSA was R271,6 million (2015: 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.

	2016 R'000	2015 R'000
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	**3 877**	1 966
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 31.1. 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	**39 356**	55 678
– 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 31.1.		
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 credit pricing of all approved deals for all categories of financing provided. The financial assets within the financing venture are managed by WesBank and the financing venture is dependent on WesBank for critical services such as finance and credit expertise.		
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 31.1.		

41. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

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

	Salary R	Pension/ Provident fund R	Other benefits and allowances R	2016 Total R	2015 Total R
Executive directors					
GW Bell	3 050 107	–	130 393	3 180 500	3 047 668
L Goosen	2 417 274	326 726	222 775	2 966 775	2 601 242
KJ van Haght	2 099 894	276 106	27 000	2 403 000	2 149 330
Total	7 567 275	602 832	380 168	8 550 275	7 798 240
Paid to prescribed officers of the company's subsidiaries by the company's subsidiaries:					
Prescribed officers					
Executive A (expatriate salary)	3 926 845	111 950	179 738	4 218 533	3 697 693
Executive B (retrenched 31 January 2015)	–	–	–	–	2 460 534
Executive C (retired 31 December 2016)	2 085 308	287 610	142 082	2 515 000	2 327 319
Executive D (expatriate salary)	4 169 046	313 990	907 759	5 390 795	4 866 455
Total	10 181 199	713 550	1 229 579	12 124 328	13 352 001

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.

	2016 Total R	2015 Total R
Paid to non-executive directors of the company by the company:		
Non-executive directors		
JR Barton	868 833	539 690
AJ Bell	397 550	243 270
B Harie	479 650	422 310
DH Lawrance (appointed 1 January 2016)	487 750	–
MA Mun-Gavin (resigned 4 May 2015)	–	233 099
TO Tsukudu	446 650	375 365
HR van der Merwe (appointed 1 January 2016)	408 150	–
DJJ Vlok (retired 5 May 2016)	292 850	515 000
Total	3 381 433	2 328 734

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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:

		Balance at 31 December 2014	Exercised	Forfeited	Balance at 31 December 2015	Exercised	Forfeited	Balance at 31 December 2016
Executive directors and prescribed officers	**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 (retired 31 December 2016)*	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	**–**	**(180 000)**	**795 000**

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

SHAREHOLDER INFORMATION

Register date: 30 December 2016
Issued share capital: 95 296 885

	Number of shareholdings	%	Number of shares	%
SHAREHOLDER SPREAD				
1 – 1 000 shares	564	50,58	208 940	0,22
1 001 – 10 000 shares	391	35,07	1 469 296	1,54
10 001 – 100 000 shares	116	10,40	3 353 262	3,52
100 001 – 1 000 000 shares	37	3,32	11 926 878	12,52
1 000 001 shares and over	7	0,63	78 338 509	82,20
Totals	1 115	100,00	95 296 885	100,00
DISTRIBUTION OF SHAREHOLDERS				
Banks/brokers	18	1,61	4 907 803	5,15
Close corporations	10	0,90	2 833 036	2,97
Endowment funds	3	0,27	19 634	0,02
Individuals	888	79,64	3 702 138	3,88
Insurance companies	7	0,63	6 087 634	6,39
Medical schemes	1	0,09	70 000	0,07
Mutual funds	25	2,24	5 482 419	5,75
Other corporations	6	0,54	22 340	0,02
Private companies	30	2,69	36 400 648	38,20
Public company	2	0,18	30 097 102	31,59
Retirement funds	60	5,38	5 325 918	5,59
Trusts	65	5,83	348 213	0,37
Totals	1 115	100,00	95 296 885	100,00
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	6	0,54	65 985 807	69,24
Directors and associates of the company	4	0,36	262 238	0,28
Strategic holders of more than 10%	2	0,18	65 723 569	68,96
Public shareholders	1 109	99,46	29 311 078	30,76
Totals	1 115	100,00	95 296 885	100,00
RESIDENT/NON-RESIDENT				
Resident	1 075	96,41	60 210 747	63,18
Non-resident	40	3,59	35 086 138	36,82
Totals	1 115	100,00	95 296 885	100,00

	Number of shares	%
TOP 10 BENEFICIAL SHAREHOLDERS		
I A Bell And Company (Pty) Ltd	35 723 569	37,49
John Deere	30 000 000	31,48
Sanlam	6 834 466	7,17
Allan Gray	2 721 832	2,86
Clark, IAJ	2 710 000	2,84
UBS (Custodian)	2 478 131	2,60
Government Employees Pension Fund	1 606 377	1,69
Eskom Pension & Provident Fund	1 005 231	1,05
Citibank (Custodian)	846 854	0,89
Investment Solutions	776 048	0,81
Totals	84 702 508	88,88
TOP 10 INSTITUTIONS		
Sanlam Investment Management	6 834 466	7,17
Allan Gray Asset Management	5 778 377	6,06
UBS (Custodian)	2 478 131	2,60
Investec Asset Management	2 151 170	2,26
Public Investment Corporation	1 606 377	1,69
Citibank (Custodian)	846 854	0,89
SIX SIS (Custodian)	422 825	0,44
Melville Douglas Investment Management	318 000	0,33
RMB Morgan Stanley	309 839	0,33
Clearstream Banking SA Luxembourg	241 506	0,25
Totals	20 987 545	22,02

GLOSSARY

ADT	Articulated Dump Truck
AGM	Annual General Meeting
APDP	Automotive Production and Development Programme
Bell Equipment or Bell or the group	Bell Equipment Limited and its subsidiaries
BEE or BBBEE	Black Economic Empowerment or Broad-Based Black Economic Empowerment
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 and Zimbabwe
BESSA	Bell Equipment Sales South Africa Limited
COBIT	Control Objectives for Information and Related Technology
Companies Act	Companies Act of South Africa No 71 of 2008 (as amended)
CRM	Customer Relations Management
CSC	Customer Service Centre
CSDP	Central Securities Depository Participant
DRC	Democratic Republic of the Congo
GDP	Gross Domestic Product
GEC	Group Executive Committee
IDC	Industrial Development Corporation
IFRS	International Financial Reporting Standards
ISO	International Standards Organisation
IT	Information Technology
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
KPI	Key Performance Indicators
LTIFR	Lost Time Injury Frequency Rate
LTRS	Lifetime Revenue Stream
Matriarch	Matriarch Trading Close Corporation
MOI	Memorandum of Incorporation
NPAT	Net Profit after Tax
NUMSA	National Union of Metalworkers of South Africa
OEM	Original Equipment Manufacturer
OROA	Operating Return on Assets
SENS	Stock Exchange News Service
SVA	Shareholder Value-Add
TLB	Tractor Loader Backhoe
TMP cycle	Trough, mid and peak cycle
1-BELL	Bell initiative used to unite the greater Bell organisation through the adoption of a number of common areas of focus and key values associated therewith

CORPORATE INFORMATION

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COMPANY REGISTRATION NUMBER
1968/013656/06

ISIN CODE
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