BELL

STRONG RELIABLE MACHINES • STRONG RELIABLE SUPPORT

2017

BELL EQUIPMENT LIMITED •AUDITED ANNUAL FINANCIAL STATEMENTS

Contents

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 2 to 6 and 12 to 79 were approved by the directors on 14 March 2018 and are signed on their behalf by:

JR Barton
Independent non-executive chairman

GW Bell
Chief executive

14 March 2018

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 2018

Preparation of the Annual Financial Statements

The preparation of the annual financial statements for the year ended 31 December 2017, which appear on pages 2 to 6 and 12 to 79, has been supervised by the group finance director of Bell Equipment Limited, Mrs KJ van Haght.

KJ van Haght CA(SA)
Group finance director

14 March 2018

Directors' Report

The directors submit the annual financial statements for the group (Bell Equipment Limited and its subsidiaries) for the year ended 31 December 2017.

NATURE OF BUSINESS

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

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

FINANCIAL RESULTS

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

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

STATED CAPITAL

The company's authorised share capital remains at 100 000 000 ordinary shares of no par value. The stated capital account as at 31 December 2017 comprised 95 306 885 (December 2016: 95 296 885) ordinary shares of no par value.

DIVIDENDS

During the 2017 financial year the directors declared an interim gross cash dividend of 20 cents per ordinary share. The total amount paid was R19,1 million (2016: interim dividend of R14,3 million).

The directors have resolved to declare a final gross cash dividend of 25 cents per share for the 2017 financial year (2016: Rnil).

Final dividend number 12 of 25 cents per share.

Dividend declared
16 March 2018

Last day to trade cum dividend
Tuesday 3 April 2018

Shares trade ex dividend
Wednesday 4 April 2018

Record date
Friday 6 April 2018

Payment date
Monday 9 April 2018

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

PROPERTY, PLANT AND EQUIPMENT

The group's accounting policy in respect of property, plant and equipment is recorded in note 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' REPORT CONTINUED

DIRECTORS

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

R Naidu and M Ramathe were appointed as independent non-executive directors effective 20 March 2017. TO Tsukudu retired as an independent non-executive director on 21 August 2017. On 27 November 2017 B Harie resigned as non-executive director and A Goordeen was appointed an alternate director to executive director L Goosen.

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

Details of the current directors and GEC of the Bell Equipment group appear on pages 16 to 19 of the integrated annual report.

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

	Number of shares held			
	Direct beneficial		Indirect beneficial	
	2017	2016	**2017**	2016
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 2018.

MAJOR SHAREHOLDERS

The major shareholders in Bell Equipment Limited as at 31 December 2017 were:

		2017	2016
IA Bell & Company Proprietary Limited	(%)	**37,48**	37,49
John Deere Construction and Forestry Company	(%)	**31,48**	31,48

GROUP COMPANY SECRETARY

The group company secretary is D McIlrath. Her particulars appear on page 84 of this report.

SUBSIDIARIES

Details of the company's interest in its subsidiary companies are contained on pages 74 and 75 of this report. The principal subsidiaries are BECSA and BESSA, both of which are incorporated in South Africa.

SUBSEQUENT EVENTS

No facts or circumstances material to the appreciation of this report have occurred between 31 December 2017 and the date of this report.

Signed on behalf of the board

JR Barton
Independent non-executive chairman

GW Bell
Chief executive

14 March 2018

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 2017. The report is in compliance with the requirements of the Companies Act, the JSE Listings Requirements and King IV.

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

COMPOSITION

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, Ms M Ramathe and Mr R Naidu whose qualifications are disclosed on page 17 of the integrated annual report and whose appointments are subject to the shareholders' approval at the next AGM to be held on 15 May 2018. Mr JR Barton, the independent non-executive chairman of the board, remained as an invitee on the committee for continuity purposes during the reporting period. He will be reappointed as a committee member with effect from 1 June 2018, once he steps down as chairman of the board and assumes the role of lead independent non-executive director, and subject to the shareholders' approval at the next AGM to be held on 15 May 2018.

Following a self-evaluation exercise undertaken in November 2017, the committee assessed the performance of the committee and was satisfied that it was effectively carrying out its responsibilities. 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.

FREQUENCY AND ATTENDANCE OF MEETINGS

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

AUDIT COMMITTEE	14 March 2017	3 May 2017	29 August 2017	16 November 2017
DH Lawrance (chairman)	✔	✔	✔	✔
M Ramathe (appointed 3 May 2017)		✔	✔	✔
R Naidu (appointed 3 May 2017)		✔	✔	✔
B Harie (resigned 3 May 2017)	✔	✔		
JR Barton (stepped down 3 May 2017)	✔	✔		

OBJECTIVE AND SCOPE

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

COMBINED ASSURANCE

The committee is of the view that the arrangements in place for combined assurance are adequate and the model was applied to provide a coordinated approach to all assurance activities; and in particular ensuring that the combined assurance received is appropriate to address all the significant risks facing the group. The committee has monitored the relationship between the external assurance providers and the group.

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

EXTERNAL AUDIT

Having reviewed the external auditor's terms of engagement, independence, expertise, audit quality, objectivity and performance, the committee nominated and recommended the re-appointment of the group's external auditor, Deloitte & Touche, to the shareholders in compliance with the Companies Act and the JSE Listings Requirements and the appointment of Mrs C Howard-Browne as designated auditor for the 2018 financial year. The committee satisfied itself that the audit firm and designated auditor are accredited and do not appear on the JSE list of disqualified auditors. Deloitte & Touche has been the auditor of the group since July 1993.

AUDIT COMMITTEE REPORT CONTINUED

The committee gave due consideration to the independence of the external auditor, and the external auditor's independence was not prejudiced by any consultancy, advisory or other work undertaken. 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 and the designated auditor's independence is maintained and has not been impacted by the tenure, which includes consideration of compliance with criteria relating to independence proposed by the Independent Regulatory Board for Auditors.

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

- Revenue recognition of structured sales and rental agreements;
- Recoverability of African trade receivables (Zambia and DRC); and
- Taxation (transfer pricing).

The committee is comfortable that these have been adequately addressed and disclosed. Those items which required significant judgement are reflected in note 4 to the consolidated annual financial statements.

The committee, in consultation with executive management, agreed to an audit fee for the 2017 financial year. The committee is satisfied that the auditors do not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefits from the company. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. In addition the committee has satisfied itself that the auditor's independence was not prejudiced by any consultancy, advisory or other work undertaken or as a result of any previous appointment as auditor. 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 auditor is considered for the provision of non-audit services, and the allocation of such work is reviewed by the committee.

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

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

INTERNAL AUDIT

The committee oversaw the activities of internal audit and considered the effectiveness of internal audit, approved the internal audit charter and the annual internal audit plan and monitored adherence of internal audit to its annual plan. The committee reviewed the reports of internal auditors detailing their concerns arising out of their audits and requested appropriate responses from management. The committee received and reviewed reports from internal auditors concerning the effectiveness of the internal control environment, systems and processes.

INTERNAL FINANCIAL CONTROL

The committee is responsible for reviewing the effectiveness of systems for internal control, financial reporting and financial risk management and considering the major findings of any internal investigations into control weaknesses, fraud or misconduct and management's response thereto. Nothing has come to the attention of the committee that caused it to believe that the company's system of controls is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

The committee considered the report of the JSE's Financial Reporting Investigations Panel on its findings arising from the Panel's monitoring of the financial reports published by JSE-listed companies during 2017 and has taken appropriate action to apply the findings.

FRAUD PREVENTION

An anonymous ethics line is in place and is independently managed by Deloitte & Touche. All calls are in total anonymity and without fear of discrimination. Following the fraud and mismanagement uncovered in the group's operation in the DRC in the first quarter of 2016 and as reported to the shareholders, the committee, together with internal audit, continues to monitor and review the adequacy of the internal controls within this challenging environment.

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 skills, 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.

GOING CONCERN, ANNUAL FINANCIAL STATEMENTS AND INTEGRATED ANNUAL REPORT

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

In the committee's opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the company and its subsidiaries as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS and the requirements of the Companies Act.

The committee fulfils an oversight role in respect of the preparation of Bell Equipment's integrated annual report. The committee has reviewed the changes required by King IV and is committed to incorporating these in the preparation of this year's integrated annual report.

The committee recommends the group's 2017 audited annual financial statements (of which this report forms part), and the 2017 integrated annual report, to the board for approval.

CONCLUSION

The committee confirms that it has performed the statutory requirements for an audit committee as set out in the Companies Act as well as the functions set out in its charter. It has therefore complied with its legal, regulatory and other responsibilities as have been assigned by the board.

DH Lawrance
Chairman

Audit committee
13 March 2018

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 12 to 79, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 value 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 is complex and involves significant judgements by the directors 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 (IAS 18) or be treated as leases in accordance with IAS 17 – Leases (IAS 17).
The above judgement impacts the carrying value of inventory, property, plant and equipment, finance lease liabilities and deferred leasing income. The revenue recognition policy is disclosed in notes 2.13 to 2.14 and 4.1 and revenue is disclosed in note 26 of the consolidated financial statements. The notes for property, plant and equipment, inventory and leases are disclosed in notes 7, 12 and 20 respectively of the consolidated financial statements.
Due to the significant judgement required and complexity of these transactions and the impact on the financial statements as a whole this has been identified as a key audit matter.
</td><td>
We evaluated whether the directors had appropriately applied the requirements of IAS 18 and 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 and this was found to be appropriate. The revenue recognition has been appropriately applied and disclosed.
</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT CONTINUED

Key Audit Matter	How the matter was addressed in the audit
Taxation (transfer pricing)	
Transfer pricing has been an area of focus by group directors in recent times primarily in 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 due to the complexities within transfer pricing. The transfer pricing requirements requires judgement and is therefore considered a key audit matter.	With regard to transfer pricing: ▪ We tested the design and assessed the implementation associated with the controls in place relating 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 competence, capability and integrity 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 group has applied the principles of its transfer pricing policy.

Key Audit Matter	How the matter was addressed in the audit
Recoverability of African trade receivables (Zambia and DRC)	
Included in gross trade receivables of R629 million (2016: R676 million) in note 13 of the consolidated financial statements is R122 million (2016: R329 million) relating to African trade receivables (Zambia and DRC) which makes up 19% (2016: 49%) 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 of the consolidated financial statements. As a result, the recoverability of trade receivables from African customers (Zambia and DRC), is considered a key audit matter.	We focused our testing on the valuation of trade receivables in respect of African customers (Zambia and DRC) and the adequacy of the provision for bad debts in respect of these, which included the following procedures: ▪ Assessing the design and implementation of key controls relating to the recoverability of debtors. ▪ 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 committee to ensure that potentially unrecoverable debtors have been adequately provided. ▪ 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. Based on the testing performed the directors' estimate of the provision for doubtful debts for these debtors and the related disclosures in terms of IFRS are 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.

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 controls 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 controls.
- 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

- 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 24 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per: C Howard-Browne
Partner

14 March 2018

Deloitte & Touche
Registered Auditors
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Consolidated Statement of Financial Position

as at 31 December 2017

	Notes	2017 R'000	2016 R'000
ASSETS			
Non-current assets		**1 111 406**	1 029 444
Property, plant and equipment	7	**691 429**	704 295
Intangible assets	8	**224 766**	216 419
Investments	9	**574**	568
Interest-bearing long-term receivables	10	**92 774**	16 964
Deferred taxation	11	**101 863**	91 198
Current assets		**4 246 208**	3 477 504
Inventory	12	**3 047 119**	2 427 921
Trade and other receivables	13	**778 555**	751 672
Current portion of interest-bearing long-term receivables	10	**96 053**	56 546
Prepayments		**51 912**	21 828
Other financial assets	14	**13 139**	5 641
Current taxation assets		**9 179**	29 601
Cash and bank balances	15	**250 251**	184 295
TOTAL ASSETS		**5 357 614**	4 506 948
EQUITY AND LIABILITIES			
Capital and reserves		**2 988 602**	2 758 247
Stated capital	16	**232 244**	232 139
Non-distributable reserves	17	**530 281**	553 298
Retained earnings		**2 214 236**	1 972 810
Attributable to owners of Bell Equipment Limited		**2 976 761**	2 758 247
Non-controlling interest	18	**11 841**	–
Non-current liabilities		**351 819**	321 787
Interest-bearing liabilities	19	**113 183**	103 175
Repurchase obligations and deferred leasing income	20	**1 243**	2 034
Deferred income	21	**106 568**	84 083
Lease escalation	22	**38 350**	44 088
Provisions	23	**3 724**	3 693
Deferred taxation	11	**88 751**	84 714
Current liabilities		**2 017 193**	1 426 914
Trade and other payables	24	**1 094 742**	759 463
Current portion of interest-bearing liabilities	19	**215 414**	51 268
Current portion of repurchase obligations and deferred leasing income	20	**746**	763
Current portion of deferred income	21	**94 171**	82 903
Current portion of lease escalation	22	**8 447**	5 931
Current portion of provisions	23	**52 378**	63 631
Other financial liabilities	25	**20 272**	952
Current taxation liabilities		**25 675**	15 615
Bank overdrafts and borrowings on call	35.2	**505 348**	446 388
TOTAL EQUITY AND LIABILITIES		**5 357 614**	4 506 948

Consolidated Statement of Profit or Loss

for the year ended 31 December 2017

		Notes	2017 R'000	2016 R'000
Revenue		26	**6 766 586**	6 002 341
Cost of sales			**(5 328 636)**	(4 604 486)
Gross profit			**1 437 950**	1 397 855
Other operating income			**221 431**	168 448
Distribution costs			**(832 034)**	(887 532)
Administration expenses			**(119 504)**	(124 064)
Other operating expenses			**(274 597)**	(406 459)
Profit from operating activities		27	**433 246**	148 248
Interest expense			**(43 350)**	(48 174)
Interest income			**13 462**	15 617
Profit before taxation			**403 358**	115 691
Taxation		28.1	**(131 308)**	(77 072)
Profit for the year			**272 050**	38 619
Profit for the year attributable to:				
– Owners of Bell Equipment Limited			**260 209**	37 472
– Non-controlling interest			**11 841**	1 147
Earnings per share				
Basic	(cents)	29.1	**273**	39
Diluted	(cents)	29.2	**273**	39

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017

	Notes	2017 R'000	2016 R'000
Profit for the year		**272 050**	38 619
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising during the year		**(22 311)**	(221 639)
Exchange differences on translating foreign operations	17	**(23 744)**	(210 970)
Exchange differences on foreign reserves	17	**1 433**	(10 669)
Items that may not be reclassified subsequently to profit or loss:		**(3 124)**	17 340
Surplus arising on revaluation of properties	17	**258**	24 300
Taxation relating to revaluation of properties	28.2	**(3 382)**	(6 960)
Other comprehensive loss for the year, net of taxation		**(25 435)**	(204 299)
Total comprehensive income (loss) for the year		**246 615**	(165 680)
Total comprehensive income (loss) attributable to:			
– Owners of Bell Equipment Limited		**234 774**	(166 827)
– Non-controlling interest		**11 841**	1 147

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

		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 2015		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 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)	–	(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
Total comprehensive (loss) income for the year		**–**	**(25 435)**	**260 209**	**234 774**	**11 841**	**246 615**
Transfer between reserves		**–**	**(172)**	**172**	**–**	**–**	**–**
Transfer to retained earnings relating to expired share options		**–**	**(107)**	**107**	**–**	**–**	**–**
Increase in equity-settled employee benefits reserve		**–**	**498**	**–**	**498**	**–**	**498**
Share-based payment relating to BBBEE ownership transaction		**–**	**2 199**	**–**	**2 199**	**–**	**2 199**
Share options exercised		**105**	**–**	**–**	**105**	**–**	**105**
Dividends paid		**–**	**–**	**(19 062)**	**(19 062)**	**–**	**(19 062)**
Balance at 31 December 2017		**232 244**	**530 281**	**2 214 236**	**2 976 761**	**11 841**	**2 988 602**

Consolidated Statement of Cash Flows

for the year ended 31 December 2017

	Notes	2017 R'000	2016 R'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	A	**131 700**	197 667
Interest paid	B	**(40 561)**	(43 450)
Interest received	C	**10 926**	11 073
Taxation paid	D	**(112 262)**	(76 951)
Net cash (utilised in) generated from operating activities		**(10 197)**	88 339
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of additional property, plant and equipment and intangible assets		**(121 762)**	(131 367)
Purchase of replacement property, plant and equipment and intangible assets		**(14 080)**	(4 086)
Proceeds on disposal of property, plant and equipment and intangible assets		**7 975**	908
(Increase) decrease in interest-bearing long-term receivables		**(9 303)**	17 155
Net cash utilised in investing activities		**(137 170)**	(117 390)
CASH FLOW FROM FINANCING ACTIVITIES			
Interest-bearing liabilities raised	E	**247 316**	45 959
Interest-bearing liabilities repaid	E	**(73 996)**	(56 642)
Proceeds from share options exercised		**105**	1 572
Payments to non-controlling interest		**–**	(10 086)
Dividends paid		**(19 062)**	(14 273)
Net cash generated from (utilised in) financing activities		**154 363**	(33 470)
Net increase (decrease) in cash for the year		**6 996**	(62 521)
Net bank overdrafts and borrowings on call at beginning of the year		**(262 093)**	(199 572)
Net bank overdrafts and borrowings on call at end of the year	F	**(255 097)**	(262 093)

Notes to the Consolidated Statement of Cash flows

for the year ended 31 December 2017

		2017 R'000	2016 R'000
A.	**Cash generated from operations**		
	Profit from operating activities	**433 246**	148 248
	Adjustments for:		
	Amortisation of intangible assets	**33 240**	33 229
	Depreciation	**152 902**	110 985
	Impairment loss recognised on rental assets	**–**	8 262
	Reversal of impairment loss recognised on rental assets	**(1 942)**	–
	Impairment loss recognised on revaluation of buildings	**2 597**	–
	Net surplus on disposal of property, plant and equipment and intangible assets	**(3 038)**	(26)
	Amounts written off as uncollectible	**13 618**	33 898
	Impairment of WesBank cash collateral	**1 549**	–
	Decrease in provision for doubtful debts	**(9 598)**	(6 728)
	(Decrease) increase in provision for credit risk	**(1 797)**	1 535
	(Decrease) increase in provision for inventory write-downs	**(3 346)**	27 173
	(Decrease) increase in warranty provision	**(9 087)**	14 060
	(Decrease) increase in lease escalation	**(3 222)**	277
	Increase (decrease) in equity-settled employee benefits reserve	**498**	(702)
	Share-based payment relating to BBBEE ownership transaction	**2 199**	–
	(Gain) loss arising on financial assets at fair value through profit or loss	**(7 498)**	7 142
	Loss (gain) arising on financial liabilities at fair value through profit or loss	**19 320**	(19 641)
	Exchange differences on translation of foreign subsidiaries	**12 483**	21 689
	Increase in deferred income	**33 753**	28 669
	Decrease in repurchase obligations and deferred leasing income	**(808)**	(2 065)
	Cash generated from operations before working capital changes	**665 069**	406 005
	(Increase) decrease in inventory	**(638 675)**	201 636
	Increase in trade and other receivables and prepayments	**(76 706)**	(83 414)
	Increase (decrease) in trade and other payables	**345 581**	(272 884)
	Increase in finance lease receivables	**(95 045)**	(6 521)
	Increase in supplier recovery	**(17 089)**	–
	Transfers of inventory to rental assets	**(51 435)**	(47 155)
	Total cash generated from operations	**131 700**	197 667
B.	**Interest paid**		
	Interest expense	**43 350**	48 174
	Less: unwinding of discount on borrowings relating to discounted finance lease receivables	**(66)**	(2 486)
	Less: accrued	**(2 723)**	(2 238)
	Total interest paid	**40 561**	43 450
C.	**Interest received**		
	Interest income	**13 462**	15 617
	Less: unwinding of discount on discounted finance lease receivables	**(66)**	(2 486)
	Less: accrued	**(2 470)**	(2 058)
	Total interest received	**10 926**	11 073
D.	**Taxation paid**		
	Net taxation refund due (owing) at beginning of the year	**13 986**	(11 423)
	Taxation charge for the year:		
	South African normal taxation	**(112 507)**	(29 081)
	Foreign taxation	**(27 372)**	(21 564)
	Withholding taxation	**(2 393)**	(1 992)
	Other corporate taxation	**(635)**	(4 606)
	Translation differences	**163**	5 701
	Net taxation owing (refund due) at end of the year	**16 496**	(13 986)
	Total taxation paid	**(112 262)**	(76 951)

		2017 R'000	2016 R'000
E.	**Interest-bearing liabilities**		
	Long-term portion of interest-bearing liabilities at beginning of the year	**103 175**	150 320
	Add: current portion at beginning of the year	**51 268**	57 719
	Total interest-bearing liabilities at beginning of the year	**154 443**	208 039
	Translation differences	**(5 831)**	(14 153)
	Unwinding of borrowings related to discounted finance lease receivables	**(4 571)**	(28 760)
	Finance leases raised to fund the purchase of additional property, plant and equipment	**11 236**	–
	Interest-bearing liabilities raised	**247 316**	45 959
	Interest-bearing liabilities repaid	**(73 996)**	(56 642)
	Total interest-bearing liabilities at end of the year	**328 597**	154 443
	Less: current portion at end of the year	**(215 414)**	(51 268)
	Long-term portion of interest-bearing liabilities at end of the year	**113 183**	103 175
F.	**Net bank overdrafts and borrowings on call**		
	Bank overdrafts and borrowings on call	**(505 348)**	(446 388)
	Cash and bank balances	**250 251**	184 295
	Net bank overdrafts and borrowings on call at end of the year	**(255 097)**	(262 093)

Notes to the Consolidated Annual Financial Statements

for the year ended 31 December 2017

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 84 of this report. The principal activities of the company and its subsidiaries (the group) are described in the directors' report under the heading nature of business.

2. 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

In the current period the group corrected a calculation error in the group's December 2016 headline earnings per share. Details of this prior period correction are disclosed in note 5.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 BASIS OF CONSOLIDATION (CONTINUED)

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.

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

2.3 PROPERTY, PLANT AND EQUIPMENT

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

Revaluations, on the fair value in continuation of existing use basis, are undertaken every three years and are classified as Level 3 fair value measurements under IFRS 13. Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or disposal of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. Depreciation on revalued buildings is recognised in profit or loss.

Depreciation of assets commences when the asset is available for use and is expensed in the statement of profit or loss. The depreciable values of leasehold buildings are depreciated over the shorter of their expected useful lives and the period of the lease. 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 12 months. Equipment that is held for sale but is incidentally rented out under short-term rentals until a buyer is found, is classified as inventory. Rental assets are depreciated based on the hours utilised while on rental. For rental assets under buy-back agreements, refer to note 2.17. 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 CONTINUED

for the year ended 31 December 2017

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS (CONTINUED)

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.

2.6 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 2.14 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 2.8.1 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 2.17 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2017

2.6 LEASES (CONTINUED)

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.

2.7 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.

2.8 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.

2.8.1 Financial assets

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

- financial assets at fair value through profit or loss;
- loans and receivables;
- available for sale financial assets.

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

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

Financial assets at fair value through profit or loss

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 FINANCIAL INSTRUMENTS (CONTINUED)

2.8.1 Financial assets (continued)

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 using the effective interest rate method, less provision for impairment. The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset.

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 individually 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.

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 (refer to notes 10 and 19).

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2017

2.8 FINANCIAL INSTRUMENTS (CONTINUED)

2.8.2 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 rate method. The effective interest rate 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.

2.9 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 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.

2.11 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 the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2017

2.12 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.

2.13 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.

2.14 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 2.16 for subsequent treatment of the group's exposure to residual value risk.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 REVENUE RECOGNITION (CONTINUED)

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 2.17 for the accounting treatment of these transactions.

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 2.16 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 2.17 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 2.7) 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 2.8 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 2.6 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2017

2.14 REVENUE RECOGNITION (CONTINUED)

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.

2.15 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.

2.16 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 2.14), 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 2.17 for the accounting treatment of these transactions.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 PROVISIONS (CONTINUED)

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 2.14).

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.

Provision for credit risk

Transactions financed through financial institutions where the group carries some 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2017

2.17 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.

2.18 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.

2.19 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 2017.

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

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

Amended

IFRS 12 – Disclosure of Interests in Other Entities: Amendments resulting from annual improvements 2014–2016 cycle (clarifying scope)

IAS 7 – Statement of Cash Flows: Amendments as result of the disclosure initiative

IAS 12 – Income Taxes: Amendments regarding the recognition of deferred tax assets for unrealised losses

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
IFRIC 23	– Uncertainty over Income Tax Treatments	1 January 2019
Amended		
IFRS 2	– Share-based Payment: Amendments to clarify the classification and measurement of share-based payment transactions	1 January 2018
IFRS 3	– Business Combinations: Amendments resulting from annual improvements 2015-2017 cycle (remeasurement of previously held interest)	1 January 2019
IFRS 7	– Financial Instruments Disclosures: Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	1 January 2018
IFRS 9	– Financial Instruments: Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	1 January 2019
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
IAS 12	– Income Taxes: Amendments resulting from annual improvements 2015-2017 cycle (income tax consequences of dividends)	1 January 2019
IAS 23	– Borrowing Costs: Amendments resulting from annual improvements 2015-2017 cycle (borrowing costs eligible for capitalisation)	1 January 2019

Management's assessment of the impact of *IFRS 9 Financial Instruments* and *IFRS 15 Revenue from Contracts with Customers* on the financial statements of the group is disclosed below. Although these two standards are expected to result in a number of changes as set out in the assessment below, these changes are not expected to have a considerable impact on the results of the group in future periods.

The full impact of *IFRS 16 Leases* 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.

3.2.1 Requirements under *IFRS 9 Financial Instruments* and impact on the group consolidated financial statements

IFRS 9 includes new requirements for the classification and measurement of financial assets and financial liabilities and supersedes IAS 39 upon its effective date. It introduces a new approach to the classification of financial assets, a more forward-looking model for credit losses and new requirements on hedge accounting. A summary of the new requirements under IFRS 9 and the impact on the group is presented below.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2017

3.2 STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED (CONTINUED)

3.2.1 Requirements under *IFRS 9 Financial Instruments* and impact on the group consolidated financial statements (continued)

Financial assets

IFRS 9 classifies financial assets into three main measurement categories:

- amortised cost
- fair value through other comprehensive income (FVTOCI)
- fair value through profit or loss (FVTPL)

Classification is determined by both the entity's business model as well as the contractual cash flow characteristics of the asset. Upon initial recognition, IFRS 9 contains an option to designate equity investments as measured at FVTOCI and financial assets as measured at FVTPL in certain circumstances.

The term business model is used in the context of how financial assets are managed and the extent to which cash flows will result from collecting contractual cash flows, selling financial assets or both. An entity's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Accordingly, the assessment does not depend on management's intentions for individual instruments. The second test that determines the classification of a financial asset is the contractual cash flows. It must be determined whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest. It is only possible to classify a financial asset in the amortised cost or FVTOCI category where the test is met.

Impact on the group

Interest-bearing long-term receivables, trade and other receivables and cash and bank balances will continue to be measured at amortised cost, on the same basis as currently under IAS 39. The current business model objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Financial assets relating to forward foreign exchange contracts will continue to be measured at fair value through profit or loss.

The group's unlisted available-for-sale investment (refer to note 9) which is currently carried at cost, will qualify for designation and will be measured at FVTOCI under IFRS 9. This investment will be fair valued. The fair value gains and losses will accumulate in a revaluation reserve in equity and will not be subsequently reclassified to profit or loss.

Impairment of financial assets

An expected credit loss model is required for impairments that focuses on expected credit losses rather than incurred credit losses. Under this model expected credit losses represent possible outcomes weighted by the probability of their occurrence therefore representing the asset's credit risk. There are three stages that determine the amount of impairment to be recognised as expected credit losses at each reporting date:

Stage 1 – If credit risk has not increased significantly since initial recognition, recognise 12 months expected credit losses.

Stage 2 – If credit risk has increased significantly since initial recognition, recognise lifetime expected credit losses.

Stage 3 – If the financial asset is credit impaired, recognise lifetime expected credit losses.

Impact on the group

The impairment requirements will affect financial assets measured at amortised cost and finance lease receivables (note 10). Management anticipates that the application of the expected credit loss model under IFRS 9 will result in earlier recognition of credit losses.

Financial liabilities

The basic classifications for a financial liability under IFRS 9 are:

- amortised cost
- fair value through profit or loss (FVTPL)

Financial liabilities accounted for at FVTPL fall into two categories - those held for trading and those designated at FVTPL on inception. The option to, on inception, designate financial liabilities as measured at FVTPL is limited to situations involving embedded derivatives and where it provides more relevant information.

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

3.2 STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED (CONTINUED)

3.2.1 Requirements under *IFRS 9 Financial Instruments* and impact on the group consolidated financial statements (continued)

Impact on the group

Interest-bearing liabilities, trade and other payables and bank overdrafts and borrowings on call will continue to be measured at amortised cost, on the same basis as currently under IAS 39. Financial liabilities relating to forward foreign exchange contracts will continue to be measured at fair value through profit or loss.

Financial guarantee contracts as disclosed in note 31.1, will be carried at fair value through profit or loss under IFRS 9. The fair value of a financial guarantee contract is the present value of the difference between the net contractual cash flows required under the debt instrument, and the net contractual cash flows that would have been required without the guarantee. Currently these contracts are accounted for as contingent liabilities and a provision for residual credit risk is made where customers are in arrears and there is a shortfall between the estimated realisation values of equipment and the balance due by the customers to the financial institutions.

Hedge accounting

IFRS 9 allows more exposures to be hedged and establishes new criteria for hedge accounting that are somewhat less complex. The group does not apply hedge accounting and therefore these changes will not impact the group consolidated financial statements.

3.2.2 Requirements under *IFRS 15 Revenue from Contracts with Customers* and impact on the group consolidated financial statements

IFRS 15 establishes a single and comprehensive framework which sets out when revenue arises from contracts with customers and how much revenue is to be recognised. The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The application of the core principle in IFRS 15 is carried out in five steps:

Step 1 - Identify the contract with the customer
Step 2 - Identify the performance obligations in the contract
Step 3 - Determine the transaction price
Step 4 - Allocate the transaction price to the performance obligations in the contract
Step 5 - Recognise revenue as or when each performance obligation is satisfied by the entity. The principle is based around the point at which the customer obtains control of the good or service.

The new standard also introduces an overall disclosure objective with significantly extended disclosure requirements.

Impact on the group

The group recognises revenue from the following major resources:

- sale of finished goods (manufactured, branded, used), including standard and extended warranties
- sales of parts
- service contract income
- rental income

Sale of finished goods (manufactured, branded, used), including standard and extended warranties

In certain instances the group enters into sales contracts where a combination of finished goods and services are promised to the customer such as manufactured and branded equipment together with extended warranties and/or service contracts. The group also often agrees to arrange shipment of the equipment and recovers these freight costs from the customer. Under IFRS 15, the group will be required to allocate the total transaction price proportionately to each performance obligation (good or service) promised in the contract, based on the stand-alone price of each good or service. Revenue will be recognised on each performance obligation when that performance obligation has been satisfied and when control has passed.

Standard warranties on the equipment are not separately sold by the group in its ordinary course of business and are not separately priced. These are considered to be assurance type warranties and the group will continue to account for these in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets,* consistent with the current accounting treatment (note 2.16).

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for the year ended 31 December 2017

3.2 STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED (CONTINUED)

3.2.2 Requirements under *IFRS 15 Revenue from Contracts with Customers* and impact on the group consolidated financial statements (continued)

Extended warranty contracts sold to customers, however, are separately priced and sold by the group. These contracts will be accounted for as separate performance obligations and the total transaction price will be allocated proportionately based on stand-alone prices where the sale of these contracts are combined with the sale of finished goods and/or other services. The contracts will be discounted where the contract terms are greater than 12 months and where the financing component is material. The group will continue to release revenue on these contracts over time.

In certain instances the group agrees to trade in used equipment from a customer as part of the consideration receivable for the sale of new equipment. Currently the difference between the fair value of the used equipment traded in and the agreed upon price of such trade in is accounted for in cost of sales. Under IFRS 15, this difference will be accounted for as an adjustment to revenue.

Where the group enters into a buy-back agreement with the customer, the group is obliged to repurchase the equipment at a future date at a predetermined price if the customer opts to return the goods. Where there is evidence that the customer has an economic incentive to exercise its option, IFRS 15 clarifies that this type of transaction should be accounted for as a lease. This is consistent with current accounting treatment (note 2.17) and no change is expected to the treatment of these transactions. Where the customer does not appear to have an economic incentive to exercise its put option at inception, the transaction will be accounted for as a sale with the right of return under IFRS 15. Revenue will be recognised upfront and the customer's put option will be assessed at each subsequent reporting period. When it becomes probable that the customer will exercise its put option due to a change in circumstances, a liability will be recognised. Currently the group recognises the full revenue amount upfront as the probability of return is assessed as remote and the group's repurchase commitment is disclosed as a contingent liability. No significant change in accounting treatment is expected on these transactions.

Where the sale of goods is combined with the group guaranteeing a predetermined residual value, revenue is recognised upfront where significant risks and rewards of ownership have transferred to the buyer and the group's exposure to the residual value is disclosed as a contingent liability (note 31.3). Under IFRS 15, these transactions will be classified as a sale with the right of return. This means that the probable outcome of the residual value commitment will be assessed at inception and each reporting period and recognised as an obligation in the statement of financial position with a corresponding adjustment to revenue.

Transactions financed through financial institutions where the group carries some or all of the credit risk will continue to be accounted for as financial guarantee contracts. The impact of IFRS 9 on financial guarantee contracts is disclosed in note 3.2.1.

Sale of parts

The group sometimes enters into contracts with customers where the customer is offered a volume rebate should the customer's parts purchases exceed a certain threshold. Under IFRS 15, the group will need to assess the probability of the volume discount upfront and account for a refund liability with a corresponding adjustment to revenue. This refund liability will be assessed at each reporting period for any changes.

The group also sells parts to customers and provide the customers with the right to return parts under certain conditions. Under IFRS 15, the group will need to assess the probability of parts returns upfront and account for a refund liability with a corresponding adjustment to revenue. This refund liability will be assessed at each reporting period for any changes.

Service contract income

No significant impact is expected on the timing of revenue recognition under service contracts. However, the group often provides the labour component together with the service parts. Under IFRS 15 the transaction price will need to be allocated to the different components based on stand-alone selling prices.

In some instances the group receives the consideration receivable upfront. Where the service contract term is more than 12 months, the contract will be discounted under IFRS 15 where the financing component is material. Revenue from these contracts will continue to be released over time.

Rental income

Where the group enters into a rental agreement with a customer, the group will continue to account for these arrangements under *IAS 17 Leases* until the group adopts the new standard on leases *IFRS 16 Leases.*

Where the group enters into a rental agreement and also sells a service contract to the customer under the same agreement, then the revenue from the service contract will be accounted for under IFRS 15 and the rental income under IAS 17.

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 2.14.

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 2.17 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 2.17 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 2.6.

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.

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). 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 between the assessed market value of the equipment and the residual value guaranteed by the group.

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

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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.

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

The group established this entity with the sole purpose to acquire and maintain BBBEE credentials for Bell Equipment Sales South Africa Limited (Bessa) (see note 18). The activities of this entity are predetermined and it is designed in such a way that any amendment to the mandate in terms of the Memorandum of Incorporation requires Bell Equipment Limited's (the company's) approval. Even though all the ordinary shares in the entity are held by external shareholders, the BEE SPV cannot effect any transaction that affects the BEE SPV's shareholding in Bessa and its BBBEE credentials without the written consent from the company. As such, management concludes that the group has power over the BEE SPV and has the ability to direct and affect the variable returns from its involvement with the BEE SPV. The group controls the BEE SPV and the results have therefore been consolidated.

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

The trust was founded by the group and the sole purpose of the trust is to hold shares in Bessa (see note 18) and to distribute dividends earned to participating beneficiaries. In terms of the trust deed, the group may at any time appoint or remove trustees. The group also directs the activities by determining the approved list of beneficiaries to whom distributions should be made by the trust in order to achieve the trust objectives. The decision making powers around the design and the purpose of the trust remains with the group. These activities allow the group to obtain variable returns from the BBBEE credentials in the trust. The group therefore controls the trust and the results have therefore been consolidated.

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.

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

4.2 KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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.

Fair value of BBBEE shareholding

The BBBEE shareholding in Bell Equipment Sales South Africa Limited was fair valued as disclosed in note 18.
The amount is based on the average fair value using three different valuation methodologies. Inputs into these models were based on available market data and various assumptions were made in determining forecast results and dividends.

5. PRIOR PERIOD RESTATEMENTS

During the JSE proactive monitoring process it was identified that the impairment loss recognised in respect of the group's property, plant and equipment rental assets had not been added back in the calculation of headline earnings per share in the December 2016 results.

This calculation error has been corrected and the impact on the group's December 2016 headline earnings per share is as follows:

		As previously reported	Adjustment	Restated
Headline earnings per share (basic)				
Headline earnings per share is arrived at as follows:				
Profit for the year attributable to owners of Bell Equipment Limited	(R'000)	37 472	–	37 472
Net surplus on disposal of property, plant and equipment and intangible assets	(R'000)	(26)	–	(26)
Taxation effect of net surplus on disposal of property, plant and equipment and intangible assets	(R'000)	7	–	7
Impairment loss in respect of property, plant and equipment rental assets	(R'000)	–	8 262	8 262
Headline earnings	(R'000)	37 453	8 262	45 715
Weighted average number of ordinary shares in issue during the period	('000)	95 159	95 159	95 159
Headline earnings per share (basic) (cents)		**39**	**9**	**48**
Headline earnings per share (diluted)				
Headline earnings as recalculated above	(R'000)	37 453	8 262	45 715
Fully converted weighted average number of shares	('000)	95 289	95 289	95 289
Headline earnings per share (diluted) (cents)		**39**	**9**	**48**

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for the year ended 31 December 2017

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 Customer Service Centre in Mozambique ceased trading in 2017 after an agreement was reached with an independent dealer to distribute the group's product in that country.

The North American operation includes the results of distribution to the United States of America and Canada.

All other operations include the results of the group's holding companies, intra-group loan investment companies, property investment company, BEE SPV and broad-based trust.

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.

6. OPERATING SEGMENTS (CONTINUED)

	South African Sales operation R'000	South African Manufacturing and Logistics operation R'000	European operation R'000	Rest of Africa operation R'000	North American operation R'000	All Other operations R'000	Inter-segmental eliminations* R'000	Consolidated R'000
2017								
Revenue								
External revenue	2 976 023	725 043	1 295 825	618 845	1 150 850	–	–	6 766 586
Inter-segment revenue	15 364	3 651 749	1 028 858	–	349	–	(4 696 320)	–
Total revenue	2 991 387	4 376 792	2 324 683	618 845	1 151 199	–	(4 696 320)	6 766 586
Profit (loss) from operating activities	159 513	223 581	84 913	(70 000)	49 980	(83 267)	68 526	433 246
Net interest (expense) income	(40 748)	(4 393)	(21 391)	(11 987)	(4 065)	52 768	(72)	(29 888)
Taxation (expense) credit	(41 824)	(49 937)	(17 842)	(8 804)	(14 390)	(5 363)	6 852	(131 308)
Profit (loss) for the year	76 941	169 251	45 680	(90 791)	31 525	(35 862)	75 306	272 050
Segment assets	1 516 718	3 408 012	1 010 515	421 968	233 896	2 040 945	(3 274 440)	5 357 614
Segment liabilities	1 369 180	1 795 870	587 383	405 072	170 066	113 310	(2 071 869)	2 369 012
Other information								
Additions to property, plant and equipment and intangible assets	13 141	117 448	16 377	66	46	–	–	147 078
Depreciation and amortisation	91 010	76 708	8 378	9 736	127	183	–	186 142
Other material items of income and expense:								
– Net foreign currency losses (gains)	–	2 906	(2 439)	(1 368)	726	(1 170)	2 410	1 065
– Staff costs (including directors' remuneration)	285 484	709 074	155 182	113 956	12 342	4 809	8	1 280 855
– Decrease in warranty provision	(588)	(8 285)	(9)	(205)	–	–	–	(9 087)
– Warranty expenditure	24 135	80 475	8 245	6 333	527	–	(4 863)	114 852

* *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.*

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6. OPERATING SEGMENTS (CONTINUED)

	South African Sales operation R'000	South African Manufacturing and Logistics operation R'000	European operation R'000	Rest of Africa operation R'000	North American operation R'000	All other operations R'000	Inter-segmental eliminations* R'000	Consolidated R'000
2016								
Revenue								
External revenue	2 718 145	431 099	1 387 922	799 706	665 469	–	–	6 002 341
Inter-segment revenue	13 325	2 903 525	793 028	–	143	–	(3 710 021)	–
Total revenue	2 731 470	3 334 624	2 180 950	799 706	665 612	–	(3 710 021)	6 002 341
Profit (loss) from operating activities	115 347	80 506	60 801	(185 805)	49 810	(163 390)	190 979	148 248
Net interest (expense) income	(30 707)	3 118	(19 166)	(15 600)	(4 642)	34 477	(37)	(32 557)
Taxation (expense) credit	(22 694)	(16 868)	(7 853)	1 051	(7 144)	(7 685)	(15 879)	(77 072)
Profit (loss) for the year	61 946	66 756	33 782	(200 354)	38 024	(136 598)	175 063	38 619
Segment assets	1 093 956	2 858 072	1 074 298	624 312	266 720	1 117 089	(2 527 499)	4 506 948
Segment liabilities	699 513	1 278 889	694 993	511 340	198 098	239 591	(1 873 723)	1 748 701
Other information								
Additions to property, plant and equipment and intangible assets	6 808	60 948	64 844	2 841	12	–	–	135 453
Depreciation and amortisation	33 914	78 126	15 212	16 826	136	–	–	144 214
Other material items of income and expense:								
– Net foreign currency (gains) losses	–	(11 103)	17 500	26 795	(336)	371	(2 286)	30 941
– Staff costs (including directors' remuneration)	240 917	594 686	150 068	205 834	14 366	7 984	(153)	1 213 702
– (Decrease) increase in warranty provision	(2)	13 942	(1 133)	1 253	–	–	–	14 060
– Warranty expenditure	27 068	62 268	13 316	6 932	(243)	–	2 372	111 713
– Impairment on rental assets	–	–	–	8 262	–	–	–	8 262

* *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.*

7. PROPERTY, PLANT AND EQUIPMENT

	Cost/ valuation 2017 R'000	Accumulated depreciation and impairments 2017 R'000	Net book value 2017 R'000	Cost/ valuation 2016 R'000	Accumulated depreciation and impairments 2016 R'000	Net book value 2016 R'000
Owned						
Freehold land and buildings	**403 373**	**15 579**	**387 794**	416 646	4 741	411 905
Leasehold buildings	**15 332**	**6 656**	**8 676**	13 916	6 315	7 601
Plant and equipment	**574 660**	**395 958**	**178 702**	524 005	395 124	128 881
Rental assets	**154 808**	**76 113**	**78 695**	160 728	46 050	114 678
Aircraft	**6 842**	**2 791**	**4 051**	6 366	2 009	4 357
Vehicles	**57 064**	**48 568**	**8 496**	80 966	66 031	14 935
Leased						
Plant and equipment	**42 272**	**29 967**	**12 305**	28 496	10 985	17 511
Vehicles	**17 267**	**4 557**	**12 710**	8 542	4 115	4 427
Total	**1 271 618**	**580 189**	**691 429**	1 239 665	535 370	704 295

	Freehold land and buildings R'000	Leasehold buildings R'000	Plant and equipment* R'000	Rental assets R'000	Aircraft R'000	Vehicles* R'000	Total R'000
Movement in property, plant and equipment							
2017							
Net book value at beginning of the year	**411 905**	**7 601**	**146 392**	**114 678**	**4 357**	**19 362**	**704 295**
Net loss on revaluation	**(2 340)**	**–**	**–**	**–**	**–**	**–**	**(2 340)**
Additions	**7 992**	**2 274**	**82 690**	**–**	**476**	**12 059**	**105 491**
Disposals	**(3 263)**	**(159)**	**(606)**	**–**	**–**	**(1 090)**	**(5 118)**
Depreciation	**(16 131)**	**(769)**	**(38 490)**	**(88 233)**	**(782)**	**(8 497)**	**(152 902)**
Reversal of impairment loss recognised (i)	**–**	**–**	**–**	**1 942**	**–**	**–**	**1 942**
Transfers	**(1 176)**	**(306)**	**1 482**	**51 435**	**–**	**–**	**51 435**
Translation differences	**(9 193)**	**35**	**(461)**	**(1 127)**	**–**	**(628)**	**(11 374)**
Net book value at end of the year	**387 794**	**8 676**	**191 007**	**78 695**	**4 051**	**21 206**	**691 429**
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

* *Owned and leased.*

(i) *An impairment loss of R8,3 million relating to certain rental equipment in the Democratic Republic of the Congo was recognised in the prior year. The market value of these machines had deteriorated significantly due to low commodity prices and depressed market conditions. In the current year R1,9 million of this loss was reversed after the rental equipment was sold at a higher market price than estimated. The reversal of the impairment loss has been included in the segment results of the Rest of Africa operation (refer to note 6).*

The group accounting policy for property, plant and equipment is included in note 2.3. Certain property, plant and equipment is encumbered as indicated in note 19. Certain rental assets are subject to collateralised borrowings as reflected in note 19 and repurchase obligations as reflected in note 20.

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	2017 R'000	2016 R'000
7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
Freehold land and buildings at valuation/cost comprise:		
Lot 1892 Alton Industrial Township, Richards Bay*	**21 400**	21 400
Lot 1894 Alton Industrial Township, Richards Bay*	**57 534**	57 200
Lot 10024 Alton Industrial Township, Richards Bay*	**132 659**	130 700
Portion 45 Lot 11063, Extension 33, Middelburg*	**39 669**	39 669
Plots 839 and 954, Extensions 2 and 3 respectively, Oranjemund, Namibia	**104**	–
Oberste-Elpersweide 4, Alsfeld, Germany**	**73 424**	68 544
– at cost	**72 694**	69 267
– translation differences	**730**	(723)
Plots 4095 and 4096, Chingola Road, Kitwe, Zambia***	**78 583**	99 133
– at valuation/cost	**89 251**	112 455
– translation differences	**(10 668)**	(13 322)
Total freehold land and buildings at valuation/cost	**403 373**	416 646

* *The freehold land and buildings in Richards Bay and Middelburg were valued by the Mills Fitchet group, independent qualified valuers, on the fair value in continuation of existing use basis. These valuations were carried out during the prior year.*

** *The construction of the property in Germany was completed during the current period and will be revalued within the next cycle.*

*** *The freehold land and buildings in Zambia were valued by Mak Associates Consulting Limited, independent qualified valuers. The date of the valuation was 6 November 2017.*

The valuation in Zambia was undertaken in accordance with the requirements of the Royal Institute of Chartered Surveyors' Appraisal and Valuation Standards and International Financial Reporting Standards (IFRS), in particular *IFRS 13 Fair Value Measurement.*

The fair value of the freehold land in Zambia was determined based on the market comparable approach that reflects recent sales transaction prices for similar land. The fair value of the buildings was determined using the depreciated cost approach. This method reflects the amount that would be required to replace the asset, adjusted for the age and condition of the asset. In estimating the fair value of the freehold land and buildings, the highest and best use of the property is its current use. In terms of the fair value hierarchy as required by *IFRS 13 Fair Value Measurement,* the fair value measurement has been classified as a Level 3. Level 3 fair value measurements use significant inputs that are not based on observable market data.

Information about the fair value measurements is as follows:

Zambia	**Level 3 Fair value R'000**	**Unobservable inputs**	**Range**	**Relationship of unobservable inputs to fair value**
Customer service centre which includes warehousing, a workshop and administration buildings in Kitwe (i)	60 033	Depreciated cost per square metre	R11 300 to R15 000	The higher the cost per square metre, the higher the fair value
		Depreciation rate	50 to 60 years	The higher the range, the higher the fair value
Freehold land in Kitwe (i)	18 550	Price per square metre	R517	The higher the price, the higher the fair value

(i) The property is located in an industrial location with easy access to main roads and adequate services.

The book value of the property was adjusted to its valuation during the current period. A loss of R2,6 million was recognised on the buildings and charged to profit or loss. A surplus of R0,3 million was recognised on the freehold land and was credited to the revaluation reserve through other comprehensive income.

The directors confirm that there have been no material changes to the information used and assumptions applied by the valuer.

	2017 R'000	2016 R'000

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2017 R'000	2016 R'000
Historical carrying amount	**259 087**	273 741

8. INTANGIBLE ASSETS

	2017 R'000	2016 R'000
Capitalised software		
Cost		
At beginning of the year	**76 068**	75 902
Additions	**3 417**	293
Disposals	**(285)**	(16)
Translation differences	**(46)**	(111)
At end of the year	**79 154**	76 068
Accumulated amortisation		
At beginning of the year	**52 499**	45 910
Charge for the year	**3 393**	6 716
Disposals	**(285)**	(16)
Translation differences	**(46)**	(111)
At end of the year	**55 561**	52 499
Carrying amount at end of the year	**23 593**	23 569
Capitalised engineering development expenditure		
Cost		
At beginning of the year	**297 271**	261 221
Capitalised – current year	**38 170**	36 050
At end of the year	**335 441**	297 271
Accumulated amortisation		
At beginning of the year	**104 421**	77 908
Charge for the year	**29 847**	26 513
At end of the year	**134 268**	104 421
Carrying amount at end of the year	**201 173**	192 850
Total intangible assets	**224 766**	216 419

The group accounting policy for intangible assets is included in note 2.4.

9. INVESTMENTS

	2017 R'000	2016 R'000
Available-for-sale financial asset		
Unlisted equity investment	**574**	568

The investment, measured at cost, represents a 10% interest in the equity of an unlisted entity registered in the United States of America.

The group accounting policy for investments is included in note 2.8.1.

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	2017 R'000	2016 R'000
10. INTEREST-BEARING LONG-TERM RECEIVABLES		
WesBank cash collateral (i)	**49 325**	39 356
Less: impairment of cash collateral (note 31.1)	**(1 549)**	–
	47 776	39 356
Environmental Protection Agency cash collateral (ii)	**5 530**	6 196
Supplier recovery (iii)	**17 089**	–
Finance lease receivables (iv)	**118 432**	27 958
	188 827	73 510
Less: current portion	**(96 053)**	(56 546)
Total interest-bearing long-term receivables	**92 774**	16 964

The group accounting policy for interest-bearing receivables is included in note 2.8.1.

(i) The group has a financing venture with WesBank, a division of FirstRand Bank Limited, in order to assist customers with the financing of equipment purchased from the group. Refer to note 40 for further information on the financing venture.

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 the year was 6,9% (2016: 6,9%) per annum.

(ii) The amount represents cash held as security for a bond held by the Environmental Protection Agency in the United States of America (USA) for certain sales transactions into the USA. The amount earns interest at 0,04% (2016: 0,4%) per annum.

(iii) The group is entitled to recover an amount of R17,1 million (2016: nil) from a certain component supplier. This relates to costs incurred by the group on equipment fitted with these components. The amount is recoverable over 18 months and has been discounted using a discount rate of 10,0% (2016: nil) per annum.

(iv) Finance lease receivables for the amount of R118,4 million (2016: R27,9 million) relate to financing arrangements for equipment sold to customers. The amounts are repayable in instalments by:

	Average interest rate per annum %	2017 R'000	2016 R'000
2017	6,0	**–**	27 958
2018	13,7	**6 053**	–
2019	12,9	**65 769**	–
2020	12,8	**46 610**	–
Total		**118 432**	27 958
Less: current portion		**(50 630)**	(27 958)
Long-term portion		**67 802**	–

The following details an analysis of these finance lease receivables:

	Less than one year R000	Two to five years R000	Total R000
2017			
Gross investment	**62 447**	**74 314**	**136 761**
Less: unearned finance income	**(11 817)**	**(6 512)**	**(18 329)**
Present value of minimum lease payments	**50 630**	**67 802**	**118 432**
2016			
Gross investment	28 699	–	28 699
Less: unearned finance income	(741)	–	(741)
Present value of minimum lease payments	27 958	–	27 958

Finance lease receivables include an amount of R46,7 million (2016: R5,1 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.

11. DEFERRED TAXATION

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

	Net deferred taxation assets in group companies at beginning of the year R'000	Net deferred taxation liabilities in group companies at beginning of the year R'000	Translation differences R'000	Recognised in other com-prehensive income for the year R'000	Recognised in profit or loss for the year R'000	Net deferred taxation assets in group companies at end of the year R'000	Net deferred taxation liabilities in group companies at end of the year R'000
2017							
Accruals	8 144	6 947	(83)	–	6 589	8 758	12 839
Capitalised engineering development expenditure	–	(71 251)	–	–	4 431	–	(66 820)
Deferred income	9 117	37 290	–	–	10 849	16 332	40 924
Excess taxation allowances over depreciation charge	(2 850)	(33 011)	313	–	(8 150)	(15 782)	(27 916)
Finance leases	–	(160)	–	–	21 937	21 938	(161)
Future expenditure allowance	–	(4 185)	–	–	(1 535)	–	(5 720)
Import duty rebates	–	(13 723)	–	–	(1 737)	–	(15 460)
Other allowances	(4 907)	35	1	–	(1 556)	(6 427)	–
Other provisions	2 382	–	(2)	–	1 470	3 806	44
Prepayments	(593)	(975)	35	–	(9 261)	(855)	(9 939)
Provision for doubtful debts	9 002	4 416	(715)	–	(5 864)	6 306	533
Provision for lease escalation	3 707	10 306	–	–	(903)	4 169	8 941
Provision for stock obsolescence	532	94	(335)	–	5 244	5 439	96
Provision for warranty expenditure	2 926	12 737	45	–	(4 031)	2 062	9 615
Revaluation of properties	(2 510)	(38 367)	–	(3 382)	1 234	(1 367)	(41 658)
Sales in advance	4 667	2 124	(260)	–	3 439	6 126	3 844
Taxable losses	11 149	4 070	(1 182)	–	(3 837)	10 200	–
Unrealised foreign currency gains and losses	3 719	(1 061)	544	–	(10 125)	(9 010)	2 087
Unrealised profit in inventory	46 713	–	50	–	3 405	50 168	–
Totals	91 198	(84 714)	(1 589)	(3 382)	11 599	101 863	(88 751)

The group accounting policy for deferred taxation is included in note 2.11.

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.

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11. DEFERRED TAXATION (CONTINUED)

	Net deferred taxation assets in group companies at beginning of the year R'000	Net deferred taxation liabilities in group companies at beginning of the year R'000	Translation differences R'000	Recognised in other com-prehensive income for the year R'000	Recognised in profit or loss for the year R'000	Net deferred taxation assets in group companies at end of the year R'000	Net deferred taxation liabilities in group companies at end of the year R'000
2016							
Accruals	4 675	5 713	(367)	–	5 070	8 144	6 947
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)

	2017 R'000	2016 R'000

12. INVENTORY

	2017 R'000	2016 R'000
Finished goods		
– manufactured	**802 346**	637 043
– branded	**235 328**	235 490
– used	**211 052**	174 331
Merchandise spares, components and raw materials	**1 436 301**	1 081 987
Work-in-progress	**362 092**	299 070
Total inventory	**3 047 119**	2 427 921

The group accounting policy for inventory is included in note 2.9.

Included above is inventory of R308,7 million (2016: R293,4 million) carried at net realisable value.

Total inventory expensed, included in cost of sales, amounts to R5 136,3 million (2016: R4 382,8 million).

Cost of sales includes an amount of R115,6 million (2016: R121,6 million) in respect of write-downs of inventory and has been reduced by R5,0 million (2016: Rnil million) in respect of the reversal of write-downs to net realisable value. Included in the amount of R115,6 million (2016: R121,6 million) above, is an amount of R17,2 million (2016: R30,7 million) relating to write-downs of inventory in the group's operation in the DRC.

13. TRADE AND OTHER RECEIVABLES

	2017 R'000	2016 R'000
Amounts receivable from the sale of goods and services	**628 830**	675 856
Allowance for estimated irrecoverable amounts (refer note 35.3)	**(59 221)**	(75 583)
	569 609	600 273
Sundry receivables	**83 850**	89 567
Value added taxation receivable	**125 096**	61 832
Total trade and other receivables	**778 555**	751 672

The group accounting policy for trade and other receivables is included in note 2.8.1.

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.

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

Further information regarding the group's credit risk management is set out in note 35.3.

14. OTHER FINANCIAL ASSETS

	2017 R'000	2016 R'000
Financial assets carried at fair value through profit or loss		
Forward foreign exchange contracts (Level 2)	**13 139**	5 641

The group accounting policy for financial assets carried at fair value through profit or loss is included in note 2.8.1.

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.

15. CASH AND BANK BALANCES

	2017 R'000	2016 R'000
Cash on hand and cash bank balances	**250 251**	184 295

Cash and bank balances in the previous year included restricted funds amounting to R43,7 million relating to the drawdown of the mortgage loan on the buildings in Germany. No amounts included under cash and bank balances in the current year were restricted.

The group accounting policy for cash and bank balances is included in note 2.8.1.

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for the year ended 31 December 2017

	2017 R'000	2016 R'000
16. STATED CAPITAL		
Authorised		
100 000 000 (2016: 100 000 000) ordinary shares of no par value		
Issued		
95 306 885 (2016: 95 296 885) ordinary shares of no par value	**232 244**	232 139

The increase in issued share capital relates to 10 000 (2016: 150 000) 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 2017, the company had granted options in terms of this scheme to executive directors and employees to subscribe for 2 841 272 (2016: 2 902 272) 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.

	2017 Number of shares	2016 Number of shares
Reconciliation of authorised but unissued shares		
Authorised ordinary shares	**100 000 000**	100 000 000
Less: ordinary shares issued	**(95 306 885)**	(95 296 885)
Less: share options granted but unexercised (Share Option Scheme 2)	**(2 841 272)**	(2 902 272)
Less: shares reserved but not granted (Share Option Scheme 2)	**(1 825 843)**	(1 774 843)
Number of authorised but unissued shares, excluding shares reserved for Share Option Scheme 2	**26 000**	26 000

17. NON-DISTRIBUTABLE RESERVES

	Net surplus arising from revaluation of freehold land and buildings R'000	Statutory reserves of foreign subsidiaries R'000	Foreign currency translation reserve of foreign subsidiaries R'000	BBBEE share-based payment reserve R'000	Equity-settled employee benefits reserve R'000	Total R'000
Balance at 31 December 2015	106 864	17 969	606 437	–	20 999	752 269
Other comprehensive income (loss)	17 340	(3 499)	(218 140)	–	–	(204 299)
– exchange differences on translating foreign operations	–	–	(210 970)	–	–	(210 970)
– exchange differences on foreign reserves	–	(3 499)	(7 170)	–	–	(10 669)
– surplus on revaluation	24 300	–	–	–	–	24 300
– deferred taxation on surplus on revaluation	(6 960)	–	–	–	–	(6 960)
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
Balance at 31 December 2016	124 204	23 720	388 297	–	17 077	553 298
Other comprehensive (loss) income	**(3 124)**	**228**	**(22 539)**	**–**	**–**	**(25 435)**
– exchange differences on translating foreign operations	**–**	**–**	**(23 744)**	**–**	**–**	**(23 744)**
– exchange differences on foreign reserves	**–**	**228**	**1 205**	**–**	**–**	**1 433**
– current year surplus on revaluation	**258**	**–**	**–**	**–**	**–**	**258**
– deferred taxation on surplus on revaluation	**(3 382)**	**–**	**–**	**–**	**–**	**(3 382)**
Transfer to retained earnings	**–**	**–**	**(172)**	**–**	**–**	**(172)**
Transfer to retained earnings relating to expired share options*	**–**	**–**	**–**	**–**	**(107)**	**(107)**
Increase in equity-settled employee benefits reserve*	**–**	**–**	**–**	**–**	**498**	**498**
Share-based payment relating to BBBEE ownership transaction**	**–**	**–**	**–**	**2 199**	**–**	**2 199**
Balance at 31 December 2017	**121 080**	**23 948**	**365 586**	**2 199**	**17 468**	**530 281**

* *Details of the employee share option plan are set out in note 30.*

** *Details of the BBBEE ownership transaction are set out in note 18.*

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.

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for the year ended 31 December 2017

	2017 R'000	2016 R'000
18. NON-CONTROLLING INTEREST		
Balance at beginning of the year	–	7 361
Share of total comprehensive income for the year	**11 841**	1 147
Transactions with group employees	–	(8 508)
Employees who exited prior to call option	–	(2 548)
Call option to repurchase shares	–	(5 960)
Balance at end of the year	**11 841**	–

The group accounting policy for non-controlling interest is included in note 2.2.

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.

The non-controlling interest at the end of the year represented the 22,5% interest of the BBBEE partner in BESSA. Summarised financial information about BESSA is disclosed in note 38.

During the current year the group entered into a BBBEE ownership transaction for BESSA. In terms of this transaction, a selected BBBEE partner and a broad-based trust acquired 22,5% and 7,5% respectively of the issued share capital of BESSA. The structure is described below.

The BBBEE partner

A newly incorporated private ring-fenced company K2017044733 (South Africa) (RF) Proprietary Limited (the BEE SPV) subscribed for 22,5% of BESSA's ordinary shares. This BEE SPV is 100% owned by the selected BBBEE partner through a company named Sibi Capital Proprietary Limited (Sibi). Sibi is owned by black women. The subscription price of R2,1 million for the 22,5% interest in BESSA was funded by BESSA through loans to the shareholders of Sibi who loaned this to the BEE SPV. The loans receivable by BESSA of R2,1 million from the shareholders of Sibi are interest-free and repayable within 12 months. At year-end R0,5 million of these loans was outstanding from the shareholders of Sibi. The loans payable by the BEE SPV to the shareholders of Sibi are interest-free for the initial 12 months, thereafter accrue interest at a rate agreed to from time to time. These loans will only be repaid by the BEE SPV if and when the BEE SPV is in a financial position to do so.

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

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

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

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

The group has control over the BEE SPV in terms of its relevant activities and the results of the BEE SPV have therefore been consolidated (refer to note 4.1).

The broad-based trust

The broad-based trust was founded by the group and is known as the Bell Equipment Foundation (BEF). The trust holds 7,5% of the issued share capital in BESSA. The beneficiaries of the trust are black women. The consideration for the 7,5% interest in BESSA was funded by the group and eliminated on consolidation. The objectives of the trust is to acquire and hold investments and use trust income to support black women in South African communities by financially assisting them with their education or their businesses. The group has control over the trust in terms of its relevant activities and trustees and the results of the trust have therefore been consolidated (refer to note 4.1).

18. NON-CONTROLLING INTEREST (CONTINUED)

Fair value of the BBBEE shareholding

The BBBEE shareholding in BESSA was fair valued by an independent valuer.

The amount was based on the average fair value using three different valuation methodologies:

i) Inception carrying value

Under this methodology the equity value of BESSA was determined with reference to the discounted cash flow of forecast results prepared by management. This method reflects an equity value at inception of R19,0 million after adjusting for internal and external debt and a 10% liquidity discount. The 30% BBBEE shareholding amounts to R5,7 million of this equity value. This was further adjusted for an estimated lock-in discount of 30% giving an estimated BBBEE shareholding value of R4,0 million.

ii) Option valuation

A commercially available Black-Scholes model was used under this model to determine the equity value. Inputs into this valuation were:

- enterprise value, adjusted for current debt and excess assets, R306,8 million
- face value of outstanding debt R340,3 million
- dividend rate of 10%
- life of the option 10 years
- variance of 19,5%
- risk free rate 8,8%

Based on these inputs an equity value of R19,2 million was determined. The 30% BBBEE shareholding amounts to R5,8 million and after adjusting for the estimated lock-in discount of 30%, the fair value of the BBBEE shares was calculated at R4,0 million.

iii) Dividend discount model

Under this model the forecast ordinary dividends attributable to BBBEE shareholders were used to determine a present value of the BBBEE shares. Inputs into the valuation were:

- long term growth rate of 5,5%
- cost of equity 22,3%
- discount period 8,1 years

The present value of forecast dividends were calculated at R6,9 million and after adjusting for the estimated lock-in discount of 30%, the fair value of the BBBEE shares was calculated at R4,8 million.

The average fair value of the BBBEE shares based on the above three models amounted to R4,3 million. An IFRS 2 charge of R2,2 million was recognised in profit or loss being the difference between the average fair value of R4,3 million and the subscription price of R2,1 million.

19. INTEREST-BEARING LIABILITIES

	Average variable rate of interest per annum %	2017 R'000	2016 R'000
Secured			
Finance lease liabilities repayable in instalments by:			
2017	–	**–**	705
2018	9,6	**3 064**	7 378
2019	9,4	**5 011**	8 694
2020	9,0	**10 770**	–
		18 845	16 777
Less: current portion		**(10 398)**	(8 524)
Long-term portion		**8 447**	8 253

The group accounting policy for interest-bearing liabilities is included in note 2.8.2.

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 R12,3 million (2016: R17,5 million)
- vehicles in South Africa and France R12,7 million (2016: R4,4 million)

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19. INTEREST-BEARING LIABILITIES (CONTINUED)

	Average variable/fixed rate of interest per annum %	2017 R'000	2016 R'000
Secured			
Long-term mortgage loans from financial institutions repayable in instalments by:			
April 2020 (i)	5,0	**34 078**	53 462
December 2023 (ii)	9,9	**16 811**	18 604
September 2031 (iii)*	1,7	**40 490**	42 978
		91 379	115 044
Less: current portion		**(18 718)**	(20 122)
Long-term portion		**72 661**	94 922

* *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 R78,6 million (2016: R95,5 million)

(ii) freehold land and buildings in Middelburg, South Africa R36,8 million (2016: R38,6 million)

(iii) freehold land and buildings in Alsfeld, Germany R72,0 million (2016: R68,5 million)

	Average variable/fixed rate of interest per annum %	2017 R'000	2016 R'000
Secured			
Collateralised borrowings – discounted finance lease receivables**	12,5	**46 748**	5 122
Collateralised borrowings – rental assets sold and leased back***	13,0	**88 814**	–
		135 562	5 122
Less: current portion		**(103 487)**	(5 122)
Long-term portion		**32 075**	–

** *This represents amounts payable to financial institutions where certain finance lease receivables have been discounted with recourse to the group. Refer to note 10. The group accounting policy for these transactions is included in note 2.8.1.*

*** *This represents amounts payable to financial institutions where certain rental assets have been sold and leased back under the same arrangement. The leaseback is considered to be a finance lease as the group retained the significant risks and rewards of ownership of the assets. Consequently the sale of the assets was not recognised and a liability was recognised for the proceeds received with the assets as security. The net book value of rental assets subject to these borrowings amount to R58,2 million (2016: Rnil) and has been included in property, plant and equipment as disclosed in note 7. The group accounting policy for these transactions is included in note 2.6.*

	Average variable/fixed rate of interest per annum %	2017 R'000	2016 R'000
Unsecured			
Industrial Development Corporation of South Africa - medium-term loan repayable in monthly instalments by:			
July 2017	11,5	**–**	17 500
Less: current portion		**–**	(17 500)
Long-term portion		**–**	–

The medium-term loan from the Industrial Development Corporation of South Africa was repaid on 31 July 2017.

	Average variable rate of interest per annum %	2017 R'000	2016 R'000

19. INTEREST-BEARING LIABILITIES (CONTINUED)

	Average variable rate of interest per annum %	2017 R'000	2016 R'000
Unsecured			
Industrial Development Corporation of South Africa – trade loan repayable by:			
June 2018	11,8%	**82 811**	–
Less: current portion		**(82 811)**	–
Long-term portion		**–**	–

The trade finance is unsecured and is a rolling credit facility, repayable six-monthly. Utilisation of the facility is restricted to the funding of working capital.

The facility amount is R550 million (2016: R550 million) and expires on 31 March 2019.

		2017 R'000	2016 R'000
Total current portion of interest-bearing liabilities		**215 414**	51 268
Total long-term portion of interest-bearing liabilities		**113 183**	103 175

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

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

20. REPURCHASE OBLIGATIONS AND DEFERRED LEASING INCOME

	2017 R'000	2016 R'000
Repurchase obligations		
Total repurchase obligations	**838**	824
Less: current portion	**(314)**	(225)
Long-term portion	**524**	599
Deferred leasing income		
Total deferred leasing income	**1 151**	1 973
Less: current portion	**(432)**	(538)
Long-term portion	**719**	1 435
Total current portion of repurchase obligations and deferred leasing income	**746**	763
Total long-term portion of repurchase obligations and deferred leasing income	**1 243**	2 034

The group accounting policy for repurchase obligations and deferred leasing income is included in note 2.17.

Repurchase obligations are in respect of rental assets with a net book value of R2,3 million (2016: R2,9 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.

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21. DEFERRED INCOME

	2017 R'000	2016 R'000
Deferred warranty income		
Balance at beginning of the year	**132 739**	121 957
Extended warranty contracts sold during the year	**77 454**	54 139
Costs in excess of contract value	**12 062**	7 407
Expired during the year	**(26 864)**	(14 122)
Utilised during the year	**(23 832)**	(20 634)
Revenue recognised during the year	**(30 727)**	(16 008)
	140 832	132 739
Less: current portion	**(63 338)**	(62 120)
Long-term portion	**77 494**	70 619

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.

	2017 R'000	2016 R'000
Deferred service contract income		
Balance at beginning of the year	**34 247**	16 360
Service contracts sold during the year	**61 761**	28 262
Utilised during the year	**(36 101)**	(10 375)
	59 907	34 247
Less: current portion	**(30 833)**	(20 783)
Long-term portion	**29 074**	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.

	2017 R'000	2016 R'000
Total current portion of deferred income	**94 171**	82 903
Total long-term portion of deferred income	**106 568**	84 083

The group accounting policy for deferred income is included in note 2.14.

22. LEASE ESCALATION

	2017 R'000	2016 R'000
Total lease escalation	**46 797**	50 019
Less: current portion	**(8 447)**	(5 931)
Long-term portion of lease escalation	**38 350**	44 088

The group accounting policy for leases is included in note 2.6.

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.

23. PROVISIONS

	Warranty provision R'000	Provision for credit risk R'000	Total R'000
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
Balance at 31 December 2016	65 527	1 797	67 324
Increase (decrease) during the year	**105 765**	**(1 797)**	**103 968**
Utilised during the year	**(114 852)**	**–**	**(114 852)**
Translation differences	**(338)**	**–**	**(338)**
Balance at 31 December 2017	**56 102**	**–**	**56 102**
Less: current portion	**(52 378)**	**–**	**(52 378)**
Long-term provisions at 31 December 2017	**3 724**	**–**	**3 724**

The group accounting policy for provisions is included in note 2.16.

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 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.

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	2017 R'000	2016 R'000
24. TRADE AND OTHER PAYABLES		
Trade creditors	**857 931**	524 077
Other payables	**236 811**	235 386
Total trade and other payables	**1 094 742**	759 463

The group accounting policy for trade and other payables is included in note 2.8.2.

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

25. OTHER FINANCIAL LIABILITIES

	2017 R'000	2016 R'000
Financial liabilities carried at fair value through profit or loss		
Forward foreign exchange contracts (Level 2)	**20 272**	952

The group accounting policy for trade and other financial liabilities is included in note 2.8.2.

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.

26. REVENUE

	2017 R'000	2016 R'000
Revenue represents		
Sale of machines	**4 959 835**	4 229 600
Sale of parts	**1 413 156**	1 358 375
Service income	**243 021**	336 968
Rental income	**150 574**	77 398
Total revenue	**6 766 586**	6 002 341

The group accounting policy for revenue is included in notes 2.13 and 2.14.

Related party sales are disclosed in note 36.

	2017 R'000	2016 R'000

27. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is arrived at after taking into account:

	2017 R'000	2016 R'000
Income		
Currency exchange gains	**156 361**	388 753
Decrease in warranty provision	**9 087**	–
Deferred warranty income	**81 423**	50 764
Import duty rebates	**84 612**	65 020
Net surplus on disposal of property, plant and equipment and intangible assets	**3 038**	26
Reversal of impairment loss recognised on rental assets	**1 942**	–
Expenditure		
Amortisation of intangible assets		
– capitalised software	**3 393**	6 716
– capitalised engineering development expenditure	**29 847**	26 513
Amounts written off as uncollectible	**13 618**	33 898
Auditors' remuneration		
– audit fees – current	**8 594**	9 773
– prior	**51**	211
– other services	**1 094**	788
BBBEE share–based payment charge	**2 199**	–
Consulting fees	**27 844**	33 270
Currency exchange losses	**157 426**	419 694
Depreciation		
– freehold buildings	**16 131**	13 014
– leasehold buildings	**769**	679
– plant and equipment	**38 490**	42 995
– rental assets	**88 233**	42 737
– aircraft	**782**	197
– vehicles	**8 497**	11 363
Directors' remuneration		
Paid by company:		
– non–executive directors' fees	**4 854**	3 381
Paid by subsidiaries:		
– executive directors – salaries	**9 993**	7 567
– benefits	**1 418**	983
Impairment loss recognised on revaluation of buildings	**2 597**	–
Impairment loss recognised on rental assets	**–**	8 262
Increase in warranty provision	**–**	14 060
Operating lease charges		
– equipment and vehicles	**33 653**	35 767
– land and buildings	**82 803**	91 603
Research expenses (excluding staff costs)	**46 298**	35 501
Severance pay	**8 684**	9 739
Staff costs	**1 255 906**	1 192 734

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

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	2017 R'000	2016 R'000
28. TAXATION		
28.1 TAXATION RECOGNISED IN PROFIT OR LOSS		
South African normal taxation		
Current taxation		
– current year	**114 183**	29 276
– prior year	**(1 676)**	(195)
Deferred taxation		
– current year	**(11 155)**	35 356
– prior year	**(7 889)**	(1 919)
Withholding taxation	**1 446**	55
Other corporate taxation	**75**	–
Foreign taxation		
Current taxation		
– current year	**24 525**	18 182
– prior year	**2 847**	3 382
Deferred taxation		
– current year	**7 764**	(11 936)
– prior year	**(319)**	(1 672)
Withholding taxation	**947**	1 937
Other corporate taxation	**560**	4 606
Total taxation charge recognised in profit or loss	**131 308**	77 072
Reconciliation of rate of taxation (%)		
Standard rate of taxation	**28**	28
Adjustment for:		
Disallowable share-based payments, legal and consulting fees	**1**	3
Special allowances for taxation	**(2)**	(4)
Prior year taxation	**(2)**	–
Withholding and other corporate taxation	**1**	6
Losses incurred by subsidiaries where no deferred taxation assets have been recognised and different taxation rates of subsidiaries operating in other jurisdictions.	**7**	34
Effective rate of taxation	**33**	67

The group's estimated taxation losses amount to R394,0 million (2016: R329,3 million). Included in this amount are losses of R77,1 million (2016: R136,7 million) that will expire as set out below:

	2017 R'000	2016 R'000
Less than one year	**32 476**	5 808
Two to five years	**37 918**	63 043
Six to ten years	**–**	53 825
More than ten years	**6 727**	13 986
Total	**77 121**	136 662

Other losses may be carried forward indefinitely.

A deferred taxation asset of R10,2 million (2016: R15,2 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 based on future forecasts. Unused taxation losses for which no deferred taxation assets have been recognised are revenue in nature and amount to R363,7 million (2016: R283,0 million). Of this amount R48,3 million (2016: R104,9 million) will expire as follows:

	2017 R'000	2016 R'000
Less than one year	**32 476**	5 808
Two to five years	**15 865**	45 236
Six to ten years	**–**	53 825
Total	**48 341**	104 869

	2017 R'000	2016 R'000
28.2 TAXATION RECOGNISED IN OTHER COMPREHENSIVE INCOME		
Deferred taxation		
– property revaluation	**3 382**	6 960
Total taxation charge recognised in other comprehensive income	**3 382**	6 960

The group accounting policy for taxation is included in note 2.11.

29. EARNINGS AND NET ASSET VALUE PER SHARE

		2017	2016
29.1 EARNINGS PER SHARE (BASIC)			
Profit attributable to owners of Bell Equipment Limited	(R'000)	**260 209**	37 472
Weighted average number of shares in issue	('000)	**95 307**	95 159
Earnings per share (basic) (cents)		**273**	39
29.2 EARNINGS PER SHARE (DILUTED)			
Profit attributable to owners of Bell Equipment Limited	(R'000)	**260 209**	37 472
Fully converted weighted average number of shares	('000)	**95 454**	95 289
Earnings per share (diluted) (cents)		**273**	39
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)	**260 209**	37 472
Net surplus on disposal of property, plant and equipment and intangible assets	(R'000)	**(3 038)**	(26)
Taxation effect of net surplus on disposal of property, plant and equipment and intangible assets	(R'000)	**237**	7
Impairment loss recognised on revaluation of buildings	(R'000)	**2 597**	–
Taxation effect of impairment loss recognised on revaluation of buildings	(R'000)	**(909)**	–
Impairment loss in respect of property, plant and equipment rental assets (restated*)	(R'000)	**–**	8 262
Reversal of impairment loss in respect of property, plant and equipment rental assets	(R'000)	**(1 942)**	–
Headline earnings (restated*)	(R'000)	**257 154**	45 715
Weighted average number of shares in issue	('000)	**95 307**	95 159
Headline earnings per share (basic) (cents) (restated*)		**270**	48
29.4 HEADLINE EARNINGS PER SHARE (DILUTED)			
Profit as calculated in 29.3 above (restated*)	(R'000)	**257 154**	45 715
Fully converted weighted average number of shares per 29.2 above	('000)	**95 454**	95 289
Headline earnings per share (diluted) (cents) (restated*)		**269**	48
** Refer to restatements of prior periods in note 5.*			
29.5 NET ASSET VALUE PER SHARE			
Total capital and reserves	(R'000)	**2 988 602**	2 758 247
Number of shares in issue	('000)	**95 307**	95 297
Net asset value per share (cents)		**3 136**	2 894

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.

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30. SHARE-BASED PAYMENTS (CONTINUED)

30.1 EMPLOYEE SHARE OPTION PLAN (CONTINUED)

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 twelve 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

The group accounting policy for share-based payments is included in note 2.10.

30.2 FAIR VALUE OF SHARE OPTIONS GRANTED

The fair value of the share options was determined once-off at grant date and is expensed on a straight-line basis over the vesting period.

	Grant date 15 Feb 2010	Grant date 15 Apr 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 was adjusted based on management's best estimate of exercise restrictions and behavioural considerations. Expected volatility was based on the historical share price volatility over the past 10 years. For options granted on 15 May 2012, it was assumed that executives and senior employees would exercise the options after vesting date when the share price is 3,3 times the exercise price. For options granted on 15 February 2010 and 15 April 2011, an exercise multiple of 2,2 times was assumed.

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

30.3 SHARES RESERVED AND MOVEMENT IN SHARE OPTIONS FOR THE YEAR

	2017	2016
Total number of shares reserved for Scheme 2	**5 000 000**	5 000 000
Less: number of share options exercised	**(332 885)**	(322 885)
Less: number of share options granted, but not exercised	**(2 841 272)**	(2 902 272)
Number of shares reserved for Scheme 2, but share options not granted	**1 825 843**	1 774 843

30. SHARE-BASED PAYMENTS (CONTINUED)

30.3 SHARES RESERVED AND MOVEMENT IN SHARE OPTIONS FOR THE YEAR (CONTINUED)

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

	2017			2016		
	Number of options	Weighted average exercise price R	Weighted average share price R	Number of options	Weighted average exercise price R	Weighted average share price R
Balance at beginning of the year	**2 902 272**	**13,19**	**–**	4 036 444	13,30	–
Forfeited during the year	**(25 500)**	**12,52**	**–**	(200 500)	13,55	–
Expired during the year	**(25 500)**	**12,52**	**–**	(783 672)	14,17	–
Exercised during the year	**(10 000)**	**10,48**	**12,05**	(150 000)	10,48	12,14
Balance at end of the year	**2 841 272**	**13,21**		2 902 272	13,19	

The share options outstanding at the end of the year under Scheme 2 had a weighted average remaining contractual life of 2,9 years (2016: 3,9 years). The exercise prices on options are presented in note 30.1

At year-end the number of options that had vested and that were exercisable was 2 400 439 (2016: 1 803 606).

31. CONTINGENT LIABILITIES

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.

	2017 R'000	2016 R'000
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	**176 091**	144 688
At year-end the group's credit risk exposure to WesBank under Bell-shared risk deals, for which the group carries a portion of the credit risk, totalled	**1 872**	2 682
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	**228 782**	249 936
	(50 819)	(102 566)
Less: impairment of cash collateral	**(1 549)**	–
Net contingent liability	**–**	–
The group has entered into similar shared risk arrangements with various other institutions. These arrangements are first-loss undertakings and the group's exposure remains fixed until the capital is repaid. These are considered to be financial guarantee contracts.		
At year-end the group's credit risk exposure to these financial institutions totalled	**6 123**	3 146
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	**7 935**	1 413
	(1 812)	1 733
Less: provision for non-recovery	**–**	(1 797)
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.

The group accounting policy for financial guarantee contracts is included in note 2.7.

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31. CONTINGENT LIABILITIES (CONTINUED)

		2017 R'000	2016 R'000
31.2	The repurchase of equipment sold to customers and financial institutions has been guaranteed by the group for an amount of	**–**	467
	In the event of repurchase, it is estimated that the equipment would presently realise	**–**	1 860
	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. Refer to the group accounting policy in note 2.14.		
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	**41 952**	8 469
	Net contingent liability	**41 952**	8 469
	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.		
	Refer to the group accounting policy in notes 2.14 and 2.16.		
31.4	Performance guarantees have been provided to certain customers for an amount of	**–**	2 468
31.5	A cash-backed bond in favour of the Environmental Protection Agency in the United States of America is disclosed in note 10. The cash is restricted and the funds are repayable at such time as the bond is no longer needed.	**5 530**	6 196

	2017 R'000	2016 R'000

32. CAPITAL EXPENDITURE COMMITMENTS

	2017 R'000	2016 R'000
Contracted	**60 089**	13 228
Authorised, but not contracted	**282 774**	88 508
Total capital expenditure commitments	**342 863**	101 736

This capital expenditure is to be financed from internal resources and new long-term facilities. The amounts are expected to be spent over two years.

Authorised, but not contracted capital expenditure commitments above include an amount of R103,8 million relating to property developments in Germany, R86,8 million for production related workshop equipment in South Africa and Germany and R37,8 million for service vehicles in South Africa.

In addition to above, in November 2017 the group entered into a purchase agreement for the purchase of the assembly facility at Eisenach, Germany from Ario Properties Limited, a related party of the group. The purchase price is R51,5 million and has been included in contracted capital expenditure commitments above. At year-end the legal transfer of ownership was still pending registration of the property in the German land register and payment of the purchase price.

33. OPERATING LEASE ARRANGEMENTS

33.1 OPERATING LEASE COMMITMENTS

The group has commitments under non-cancellable operating leases as set out below:

	2017 R'000	2016 R'000
Land and buildings		
Less than one year	**73 840**	81 499
Two to five years	**174 722**	230 600
More than five years	**55 096**	64 516
Equipment and vehicles		
Less than one year	**8 507**	13 185
Two to five years	**11 271**	8 518
More than five years	**58**	–
Total operating lease commitments	**323 494**	398 318

Included in operating lease commitments above is an amount of R119,9 million (2016: R152,1 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 and Johannesburg (South Africa) which are used as customer service centres. Operating lease commitments on these premises amount to R108,0 million (2016: R139,6 million) and escalate between 8% and 9% per annum. They expire between 2021 and 2026.

33.2 OPERATING LEASE RECEIVABLES

Non-cancellable operating lease receivables are set out below:

	2017 R'000	2016 R'000
Equipment		
Less than one year	**56 915**	71 859
Two to five years	**–**	33 630
Total operating lease receivables	**56 915**	105 489

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.

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34. RETIREMENT BENEFIT INFORMATION (CONTINUED)

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 R84,0 million during the current year (2016: R82,9 million) and were charged to staff costs in profit or loss.

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

The group accounting policy for retirement benefit costs is included in note 2.15.

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.

	2017 R'000	2016 R'000
Categories of financial instruments		
Financial assets		
Loans and receivables at amortised cost		
– Interest-bearing long-term receivables (including current portion)	**188 827**	73 510
– Trade and other receivables	**653 459**	689 840
– Cash and bank balances	**250 251**	184 295
Available for sale financial assets		
– Investments	**574**	568
Financial assets at fair value through profit or loss	**13 139**	5 641
Total financial assets	**1 106 250**	953 854
Financial liabilities		
Financial liabilities at amortised cost		
– Interest-bearing liabilities (including current portion)	**328 597**	154 443
– Trade and other payables	**1 087 407**	740 146
– Bank overdrafts and borrowings on call	**505 348**	446 388
Financial liabilities at fair value through profit or loss	**20 272**	952
Total financial liabilities	**1 941 624**	1 341 929

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 was not readily available.

35. FINANCIAL INSTRUMENTS (CONTINUED)

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.

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 bank balances, 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%.

		2017 R'000	2016 R'000
The gearing ratio at the year-end was as follows:			
Short-term and long-term borrowings		**833 945**	600 831
Cash and bank balances		**(250 251)**	(184 295)
Net debt		**583 694**	416 536
Total equity		**2 988 602**	2 758 247
Attributable to owners of Bell Equipment Limited		**2 976 761**	2 758 247
Non-controlling interest		**11 841**	–
Debt-to-equity ratio (excluding cash and bank balances)	(%)	**27,9**	21,8
Net debt-to-equity ratio (including cash and bank balances)	(%)	**19,5**	15,1

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 2017 is as follows:

	Facilities 2017 R'000	**Utilisation 2017 R'000**	Facilities 2016 R'000	Utilisation 2016 R'000
General banking facilities	**936 756**	**505 348**	901 451	446 388

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

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35. FINANCIAL INSTRUMENTS (CONTINUED)

35.2 LIQUIDITY RISK (CONTINUED)

The utilisation at 31 December 2017 on facilities made available by the Industrial Development Corporation of South Africa is as follows:

	Facilities 2017 R'000	**Utilisation 2017 R'000**	Facilities 2016 R'000	Utilisation 2016 R'000
Industrial Development Corporation of South Africa				
Trade finance	**550 000**	**82 439**	550 000	–
Interest accrued	**–**	**372**	–	–
	550 000	**82 811**	550 000	–
Medium-term loan	**–**	**–**	17 500	17 500
Total	**550 000**	**82 811**	567 500	17 500

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.

	Less than one year R'000	**One to two years R'000**	**Two to three years R'000**	**More than three years R'000**	**Total R'000**
Non-derivative financial liabilities					
2017					
Secured interest-bearing liabilities	**146 658**	**47 028**	**34 291**	**45 581**	**273 558**
Unsecured interest-bearing liabilities	**87 195**	**–**	**–**	**–**	**87 195**
Trade and other payables	**1 087 407**	**–**	**–**	**–**	**1 087 407**
Bank overdrafts and borrowings on call	**505 348**	**–**	**–**	**–**	**505 348**
Total	**1 826 608**	**47 028**	**34 291**	**45 581**	**1 953 508**
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

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.

	2017 R'000	2016 R'000
Derivative financial instruments		
Less than one year		
Gross settled forward foreign exchange contracts – imports	**(281 634)**	(58 521)
Gross settled forward foreign exchange contracts – exports	**136 484**	234 859
Total	**(145 150)**	176 338

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 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.

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.3 CREDIT RISK (CONTINUED)

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 (2016: 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 this 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 2017, 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 below.

Amounts outstanding from customers to WesBank under Bell-backed and Bell-shared risk deals (refer to note 31.1), included an amount of R7,1 million (2016: R4,3 million) which was past due. An impairment loss of R1,5 million (2016: Rnil) was recognised against the group's cash collateral included under interest-bearing receivables (refer to note 10). In terms of the group's shared risk arrangements with other institutions, there were no past due amounts under these arrangements and no provision for credit risk was raised.

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

Included in the group's trade receivable balance are debtors with a carrying amount of R85,1 million (2016: R171,2 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, R6,0 million (2016: R110,1 million) relates to a few customers in the group's operation in the Democratic Republic of the Congo. These customer accounts have reduced substantially from the previous year.

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.

	2017 R'000	2016 R'000
Ageing of past due but not impaired		
60 to 90 days	**46 531**	27 010
90 to 120 days	**19 473**	30 401
120+ days	**19 105**	113 833
Total	**85 109**	171 244

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

	2017 R'000	2016 R'000
Ageing of impaired debtors		
Current	**93**	152
30 to 60 days	**124**	295
60 to 90 days	**180**	591
90 to 120 days	**638**	2 675
120+ days	**58 186**	71 870
Total	**59 221**	75 583
Movement in the allowance for doubtful debts		
Balance at beginning of the year	**75 583**	91 881
Translation differences	**(6 764)**	(9 570)
Amounts written off as uncollectable	**(13 618)**	(33 898)
Increase in allowance	**4 020**	27 170
Balance at end of the year	**59 221**	75 583

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35. FINANCIAL INSTRUMENTS (CONTINUED)

35.3 CREDIT RISK (CONTINUED)

Transfer of financial assets

In the prior year, the group discounted R11,5 million of certain finance lease receivables to financial institutions for cash of which R4,2 million related to an arrangement with a related party (refer to note 36). These financial assets were derecognised as the group considered that risks and rewards of ownership relating to these financial assets had transferred. No such arrangements were entered into by the group during the current year. The group's accounting policy on derecognition of financial assets is disclosed in note 2.8.1.

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 2017 are listed below. These contracts will be utilised during the next six months. These contracts have been fair valued at the year-end as follows:

	Foreign amount '000	Rate R	Market value in Rands R'000	Fair value (loss) gain R'000
2017				
Import contracts				
British Pound	**1 039**	**18,60**	**17 393**	**(1 932)**
Euro	**12 711**	**15,58**	**189 091**	**(8 946)**
United States Dollar	**2 783**	**13,92**	**34 445**	**(4 294)**
Japanese Yen	**205 000**	**8,02**	**22 663**	**(2 898)**
Export contracts				
British Pound	**348**	**18,58**	**5 814**	**652**
Euro	**1 177**	**16,33**	**17 545**	**1 675**
United States Dollar	**8 313**	**13,33**	**102 827**	**7 985**
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

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:

	Euro R'000	United States Dollar R'000	British Pound R'000	Other currencies R'000
2017				
Financial assets				
– Interest-bearing long-term receivables (including current portion)	**17 089**	**11 583**	**–**	**–**
– Trade and other receivables	**221 985**	**92 627**	**28 744**	**2 216**
– Cash and bank balances	**43 104**	**147 453**	**21 719**	**524**
– Investments	**574**	**–**	**–**	**–**
– Financial assets at fair value through profit or loss	**3 664**	**7 974**	**1 501**	**–**
Financial liabilities				
– Interest-bearing liabilities (including current portion)	**41 661**	**34 078**	**–**	**–**
– Trade and other payables	**320 459**	**262 650**	**93 928**	**70 202**
– Bank overdrafts and borrowings on call	**24 099**	**717**	**–**	**–**
– Financial liabilities at fair value through profit or loss	**9 454**	**4 285**	**3 647**	**2 886**
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	–

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 2017 would have decreased by R43,9 million (2016: increase in profit before taxation R42,6 million); and
- other equity at year-end would have increased by R29,0 million (2016: R16,7 million).

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

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for the year ended 31 December 2017

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 2017, 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
2017							
Borrowings	(R'000)	**–**	**255 097**	**82 811**	**40 490**	**205 296**	**583 694**
Rate profile		**Interest free**	**Floating**	**Floating**	**Fixed**	**Floating**	
% of total borrowings		**–**	**44**	**14**	**7**	**35**	
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	

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 2017 would have decreased by R5,8 million (2016: R4,2 million);
- profit after taxation for the year ended 31 December 2017 would have decreased by R4,2 million (2016: R3,0 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 2.16 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.

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 arms length basis.

The nature and value of the transactions concluded during the year and balances at the year-end are detailed below:

	2017 R'000	2016 R'000
Shareholders		
John Deere Construction and Forestry Company		
– sales	**22 101**	17 302
– purchases	**594 738**	392 769
– royalties received	**–**	1 385
– royalties paid	**6 994**	6 035
– warranty claims paid	**3 877**	3 045
– interest paid	**14**	–
– computer licence fees, training and related expenses	**873**	485
– amounts owing to – trade and other payables	**136 858**	57 020
– amounts owing by – trade and other receivables	**5 144**	3 664
GW Bell		
– amounts owing by	**51**	–
PA Bell		
– property rental paid	**71**	64
BBBEE shareholders*		
B Harie		
– amounts owing to	**1 039**	–
SN Mabaso-Koyana		
– amounts owing to	**1 039**	–
– amounts owing by	**489**	–
** Details of the BBBEE ownership transaction are included in note 18.*		
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	**6 831**	8 106
– property purchase commitment (see note 32)	**51 537**	–
Loinette Company Leasing Limited		
– commission paid	**66**	390
– amounts owing to	**818**	527
Minosucra SARL		
– sales	**2 617**	4 608
– transport related income	**46**	207
– amounts owing by	**16**	–
Triumph International Madagascar SARL		
– sales	**1 338**	1 213
– amounts owing by	**818**	355

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36. RELATED PARTY TRANSACTIONS (CONTINUED)

	2017 R'000	2016 R'000
Enterprises over which directors and shareholders are able to exercise significant influence and/or in which directors and shareholders have a beneficial interest (continued)		
Tractor and Equipment (Mauritius) Limited		
– sales	–	1 925
– amounts owing by	–	1 492
Castle Crest Properties 33 Proprietary Limited		
– property rental paid	693	730
– property related expenses	100	–
– amounts owing to	66	–
– amounts owing by	49	49
Matriarch Trading Close Corporation		
– sales	1 984	404
– purchases	11 157	4 001
– royalties paid	671	46
– warranty claims received	16	22
– transport related income	–	9
– amounts owing to	49	–
– amounts owing by	238	36
BAC Aviation Close Corporation		
– aircraft repairs, maintenance and related expenses	497	1 135
Latin Equipment Group		
– sales	14 449	29 332
– transport related income	275	882
– training related income	–	95
– amounts owing by	2 351	1 115

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.

An amount of Rnil has been recognised in the current period (2016: R2,0 million) for bad or doubtful debts in respect of the amounts owed by related parties.

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 to Loinette Company Leasing Limited as a possible financier of Bell 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

No fact or circumstance material to the appreciation of this report has occurred between 31 December 2017 and the date of this report.

38. COMPOSITION OF THE GROUP

The group structure is presented on page 80 of this report.

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

Subsidiaries	Business type	Principal activity	Issued share capital 2017 R	Issued share capital 2016 R
Southern Africa				
Bell Equipment Company SA Proprietary Limited	O	M	**2**	2
– amounts owing to – non-interest-bearing liabilities				
– amounts owing to – trade and other payables				
– amounts owing by – trade and other receivables				
Bell Equipment Sales South Africa Limited	O	S	**4 403 600**	2 325 000
– amounts owing by – cumulative redeemable preference shares				
– amounts owing by – non-interest-bearing loan				
I A Bell Equipment Company (Namibia) (Proprietary) Limited	O	S	**4**	4
Bell Equipment Company (Swaziland) (Proprietary) Limited	O	S	**2**	2
K2017044733 (South Africa) (RF) Proprietary Limited	O	B	**2**	–
Bell Equipment Foundation	O	T	**–**	–
Vasloscape Proprietary Limited	O	P	**–**	–
Bell Equipment Finance Company Proprietary Limited	D	D	**–**	–
Other Africa				
Bell Equipment (Zambia) Limited	O	S	**18 485 782**	18 291 178
Bell PTA (Pvt) Limited	O	S	**5 484 254**	5 426 520
Bell Equipment (Malawi) Limited	D	S	**2**	2
Bell Equipment Mozambique Limitada	D	S	**26 408 222**	26 130 216
Bell Equipment (DRC) SPRL	O	S	**189 588 291**	187 592 448
Europe				
Bell Equipment International SA	H	H	**883 422 000**	874 122 000
Bell International Finance Limited	I	I	**98 905 292**	97 864 091
Bell Euro Finance Limited	I	I	**353 368 800**	349 648 800
Bell France SAS	O	S	**50 259 262**	49 730 170
Bell Equipment UK Limited	O	S	**83 913 105**	83 029 731
Bell Equipment (Deutschland) GmbH	O	A	**66 256 650**	65 559 150
LLC Bell Equipment Russland	O	S	**83 192 395**	82 316 608
United States of America				
Bell Equipment North America Inc	O	S	**70 673 760**	69 929 760
Australasia				
Bell Equipment Australia (Proprietary) Limited	O	S	**29**	30
Interest in subsidiary companies				

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

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				Interest of Bell Equipment Limited			
Effective holding 2017 %	Effective holding 2016 %	**Profit (loss) for the year 2017 R'000**	Profit (loss) for the year 2016 R'000	**Book value of shares 2017 R'000**	Book value of shares 2016 R'000	**Amounts owing (to) by 2017 R'000**	Amounts owing (to) by 2016 R'000
100	100	**216 016**	92 031	**22 828**	22 567		
						(1 175)	(137 051)
						(73)	–
						1 710	–
78	100	**80 357**	54 842	**34 801**	34 814	**–**	–
						294 407	–
						56 588	–
100	100	**(2 279)**	7 945	**43 812**	43 812	**–**	–
100	100	**(1 070)**	(841)	**–**	–	**–**	–
–	–	**–**	–	**–**	–	**–**	–
100	–	**(125)**	–	**–**	–	**126**	–
100	–	**(59)**	–	**–**	–	**–**	–
100	100	**–**	–	**–**	–	**–**	–
100	100	**(18 194)**	(23 557)	**–**	–	**1 055**	156
100	100	**11 507**	(12 921)	**–**	–	**93**	104
100	100	**(657)**	(2 917)	**–**	–	**–**	–
100	100	**(23 025)**	(16 804)	**–**	–	**176**	98
100	100	**(60 492)**	(144 152)	**–**	–	**371**	208
100	100	**(74 654)**	(143 551)	**616 227**	616 084	**388**	–
100	100	**3 597**	2 646	**–**	–	**53**	–
100	100	**15 836**	6 405	**–**	–	**105**	–
100	100	**1 352**	3 025	**–**	–	**–**	–
100	100	**(857)**	6 016	**–**	–	**28**	28
100	100	**36 503**	16 249	**–**	–	**813**	503
100	100	**5 947**	7 119	**–**	–	**–**	–
100	100	**2 642**	10 293	**–**	–	**–**	–
100	100	**1 086**	2 488	**–**	–	**–**	–
				717 668	717 277	**354 665**	(135 954)

38. COMPOSITION OF THE GROUP (CONTINUED)

The group accounting policy on the basis of consolidation is included in note 2.2.

Except for K2017044733 (South Africa) (RF) Proprietary Limited (the BEE SPV), 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. Refer to note 4.1 for the group's control over the BEE SPV.

During the current year the group entered into a BBBEE ownership transaction for BESSA. Details of the transaction are disclosed in note 18. BESSA's principal place of business is South Africa. Summarised financial information about BESSA is presented below and represents amounts before intra-group eliminations:

	2017 R'000
Non-current assets	**330 072**
Current assets	**1 160 048**
Non-current liabilities	**392 827**
Current liabilities	**1 000 111**
Revenue	**2 953 082**
Profit for the year	**80 357**
Total comprehensive income for the year	**80 081**

39. SIGNIFICANT RESTRICTIONS

In terms of a general banking facility held by BESSA, the repayment of capital and interest on intra-group loans as well as dividend payments require approval from the relevant financial institution before such payments are made. At year-end the carrying amount of the intra-group loan in BESSA was R271,6 million (2016: 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.

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	2017 R'000	2016 R'000
40. FINANCING VENTURE WITH WESBANK		
The group has a financing venture with WesBank, a division of FirstRand Bank Limited, in order to assist customers with the financing of equipment purchased from the group.		
The group 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	**2 333**	3 877
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	**47 776**	39 356
▪ 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

	Salary R'000	Pension/ Provident fund R'000	Other benefits and allowances R'000	2017 Total R'000	2016 Total R'000
Paid to executive directors of the company by the company's subsidiary:					
Executive directors					
GW Bell	3 255	–	128	3 383	3 180
A Goordeen (appointed as an alternate director 27 November 2017)	1 814	231	275	2 320	–
L Goosen	2 647	334	123	3 104	2 967
KJ van Haght	2 277	280	47	2 604	2 403
Total	9 993	845	573	11 411	8 550
Paid to prescribed officers of the company's subsidiaries by the company's subsidiaries:					
Prescribed officers					
Executive A (expatriate salary)	3 944	107	174	4 225	4 218
Executive C (retired 31 December 2016)	–	–	–	–	2 515
Executive D (expatriate salary)	3 868	290	811	4 969	5 391
Executive E (appointed 1 January 2017)	2 250	281	89	2 620	–
Total	10 062	678	1 074	11 814	12 124

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.

	2017 Retirement grant R'000	2017 Fees R'000	2016 Fees R'000
Paid to non-executive directors of the company by the company:			
Non-executive directors			
JR Barton	–	762	869
AJ Bell	–	396	397
DB Crandon (resigned 29 September 2016)	–	27	–
B Harie (resigned 27 November 2017)	–	328	480
DH Lawrance	–	537	488
R Naidu (appointed 20 March 2017)	–	285	–
ME Ramathe (appointed 20 March 2017)	–	312	–
TO Tsukudu (retired 21 August 2017)	–	313	446
HR van der Merwe	–	410	408
DJJ Vlok (retired 5 May 2016)	1 484	–	293
Total	1 484	3 370	3 381

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2017

41. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (CONTINUED)

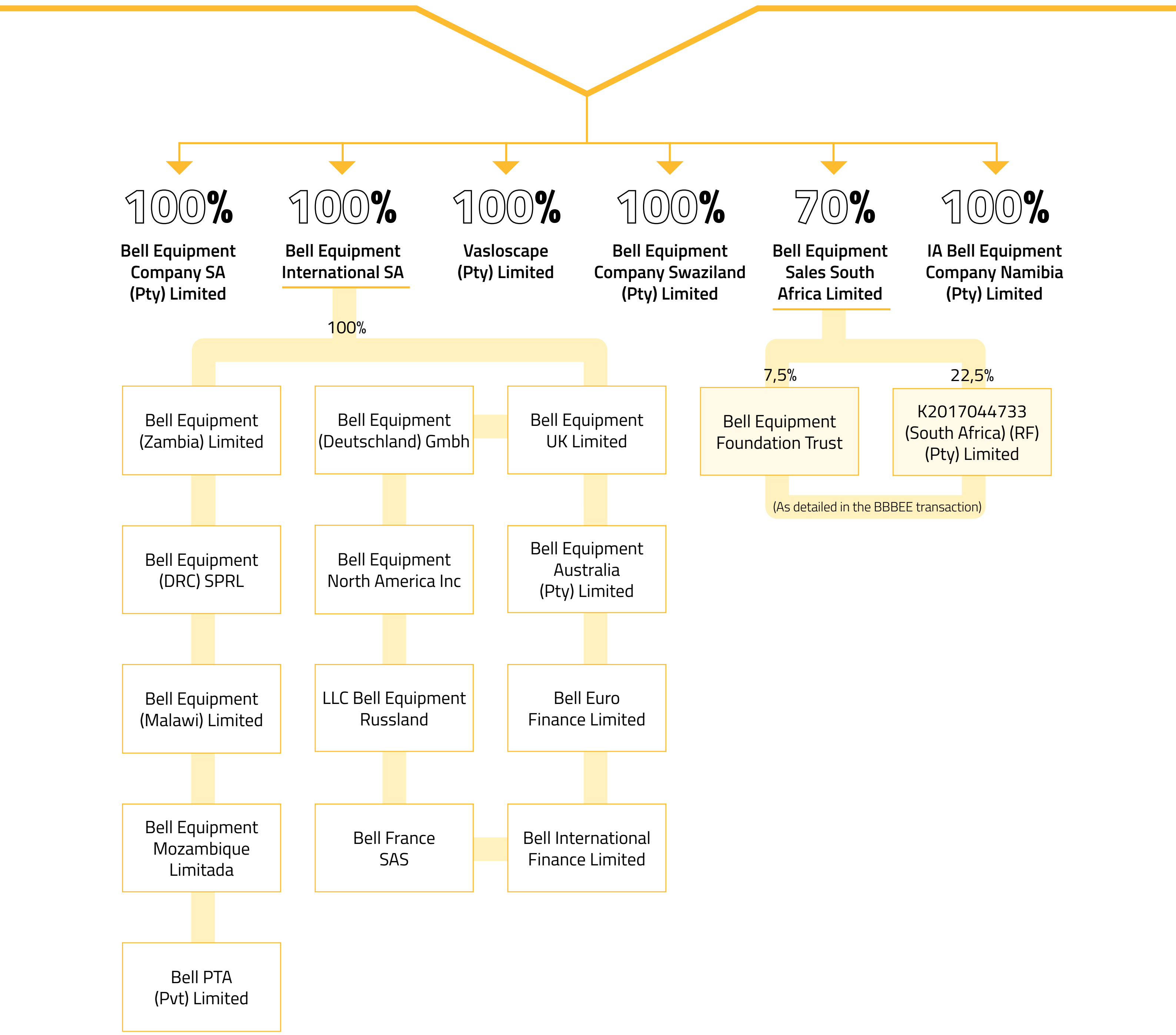
The following reconciles the number of unexercised share options held by directors and prescribed officers at the end of the year:

Executive directors and prescribed officers	Exercise price	Balance at 31 December 2015 Number of options	Exercised Number of options	Forfeited Number of options	Balance at 31 December 2016 Number of options	**Exercised Number of options**	**Forfeited Number of options**	**Balance at 31 December 2017 Number of options**
A Goordeen 1	**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**
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 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**
Executive E 2	**10,48**	25 000	–	–	25 000	**–**	**–**	**25 000**
	13,06	30 000	–	–	30 000	**–**	**–**	**30 000**
	21,35	30 000	–	–	30 000	**–**	**–**	**30 000**
Total		85 000	–	–	85 000	**–**	**–**	**85 000**
Grand total		910 000	–	–	910 000	**–**	**–**	**910 000**

1 *Appointed as an alternate director 27 November 2017.*
2 *Appointed 1 January 2017.*

Global Corporate Structure

BELL EQUIPMENT LIMITED



Shareholder Analysis

Company: Bell Equipment Limited
Register date: 29 December 2017
Issued share capital: 95 306 885

	Number of shareholdings	%	Number of shares	%
SHAREHOLDER SPREAD				
1 - 1 000 shares	562	51,75	202 350	0,21
1 001 - 10 000 shares	361	33,24	1 365 114	1,43
10 001 - 100 000 shares	120	11,05	3 543 160	3,72
100 001 - 1 000 000 shares	34	3,13	10 210 408	10,71
1 000 001 shares and over	9	0,83	79 985 853	83,93
Totals	1 086	100,00	95 306 885	100,00
DISTRIBUTION OF SHAREHOLDERS				
Banks/Brokers	21	1,93	6 924 079	7,27
Close Corporations	16	1,47	2 859 607	3,00
Endowment Funds	4	0,37	19 664	0,02
Individuals	862	79,37	3 689 407	3,87
Insurance Companies	8	0,74	5 176 783	5,43
Medical Schemes	1	0,09	70 000	0,07
Mutual Funds	29	2,67	7 796 369	8,18
Other Corporations	6	0,55	22 946	0,02
Private Companies	25	2,30	35 829 798	37,60
Public Companies	2	0,19	30 000 001	31,48
Retirement Funds	50	4,61	2 461 437	2,58
Trusts	62	5,71	456 794	0,48
Totals	1 086	100,00	95 306 885	100,00
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	8	0,74	65 987 807	69,24
Directors of the Company	4	0,38	262 238	0,28
Associates of the Company	2	0,18	2 000	0,00
Strategic holders of more than 10%	2	0,18	65 723 569	68,96
Public shareholders	1 078	99,26	29 319 078	30,76
Totals	1 086	100,00	95 306 885	100,00
RESIDENT/NON-RESIDENT				
Resident	1 048	96,50	58 663 783	61,55
Non-resident	38	3,50	36 643 102	38,45
Totals	1 086	100,00	95 306 885	100,00
TOP 10 BENEFICIAL SHAREHOLDERS				
I A Bell & Company (Pty) Ltd			35 723 569	37,48
John Deere			30 000 000	31,48
Sanlam			6 584 795	6,91
Allan Gray			3 102 743	3,26
Clark, IAJ			2 710 000	2,84
UBS (Custodian)			2 478 131	2,60
Pershing LIC			1 874 823	1,97
Investec			1 578 643	1,66
Alexander Forbes Investments			776 630	0,81
Peregrine Equities			648 210	0,68
Totals			85 477 544	89,69
TOP 10 INSTITUTIONAL SHAREHOLDERS				
Sanlam Investment Management			6 585 377	6,91
Allan Gray Asset Management			6 138 048	6,44
UBS (Custodian)			2 478 131	2,60
Investec Asset Management			2 134 410	2,24
Pershing LIC			1 874 823	1,97
Peregrine Equities			648 210	0,68
Citibank (Custodian)			491 249	0,51
SIX SIS (Custodian)			420 000	0,44
Melville Douglas Investment Management			318 000	0,33
Clearstream Banking SA Luxembourg			272 879	0,29
Totals			21 361 127	22,41

		Number of shareholdings	%	Number of shares	%
BREAKDOWN OF NON-PUBLIC HOLDINGS					
Directors					
Bell, GW	CEO			253 600	0,27
Goosen, L	Executive director			4 040	0,01
Bell, AJ	Non-executive director			2 598	0,00
Mayer, A	Subsidiary director			2 000	0,00
Totals				**262 238**	**0,28**
ASSOCIATE OF THE COMPANY					
Harie, B	Shareholder in subsidiary			1 000	0,00
Mabaso-Koyana, SN	Shareholder in subsidiary			1 000	0,00
Totals				**2 000**	**0,00**
STRATEGIC HOLDERS OF MORE THAN 10%					
I A Bell & Company (Pty) Ltd				35 723 569	37,48
John Deere				30 000 000	31,48
Totals				**65 723 569**	**68,96**
RESIDENT/NON-RESIDENT SPLIT					
South Africa		1 048	96,50	58 663 783	61,55
United Kingdom		7	0,64	32 487 153	34,09
United States		8	0,74	2 621 772	2,75
Switzerland		1	0,09	420 000	0,44
Germany		3	0,28	358 400	0,38
Luxembourg		1	0,09	272 879	0,29
Namibia		4	0,37	185 068	0,20
Swaziland		3	0,28	146 960	0,15
France		1	0,09	86 000	0,09
Netherlands		1	0,09	45 500	0,05
New Zealand		5	0,46	13 600	0,01
Mauritius		1	0,09	3 000	0,00
Zambia		1	0,09	1 500	0,00
Botswana		2	0,19	1 270	0,00
Totals		**1 086**	**100,00**	**95 306 885**	**100,00**

Glossary

ADT	Articulated Dump Truck
AGM	Annual General Meeting
BEE SPV	K2017044733 (South Africa) (RF) Proprietary Limited
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
BESSA	Bell Equipment Sales South Africa Limited
Companies Act	Companies Act of South Africa No 71 of 2008 (as amended)
DRC	Democratic Republic of the Congo
GEC	Group Executive Committee
IDC	Industrial Development Corporation
IFRS	International Financial Reporting Standards
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
King IV	King IV Report on Corporate Governance in South Africa 2016
MOI	Memorandum of Incorporation
TLB	Tractor Loader Backhoe

Corporate Information

Bell Equipment Limited

COMPANY REGISTRATION NUMBER
1968/013656/06

SHARE CODE
BEL

ISIN CODE
ZAE000028304

GROUP COMPANY SECRETARY
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AUDITORS
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ATTORNEYS
Edward Nathan Sonnenberg Inc.

JSE SPONSORS
Investec Bank Limited

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INVESTOR RELATIONS WEB ADDRESS
www.bellir.co.za