BELL

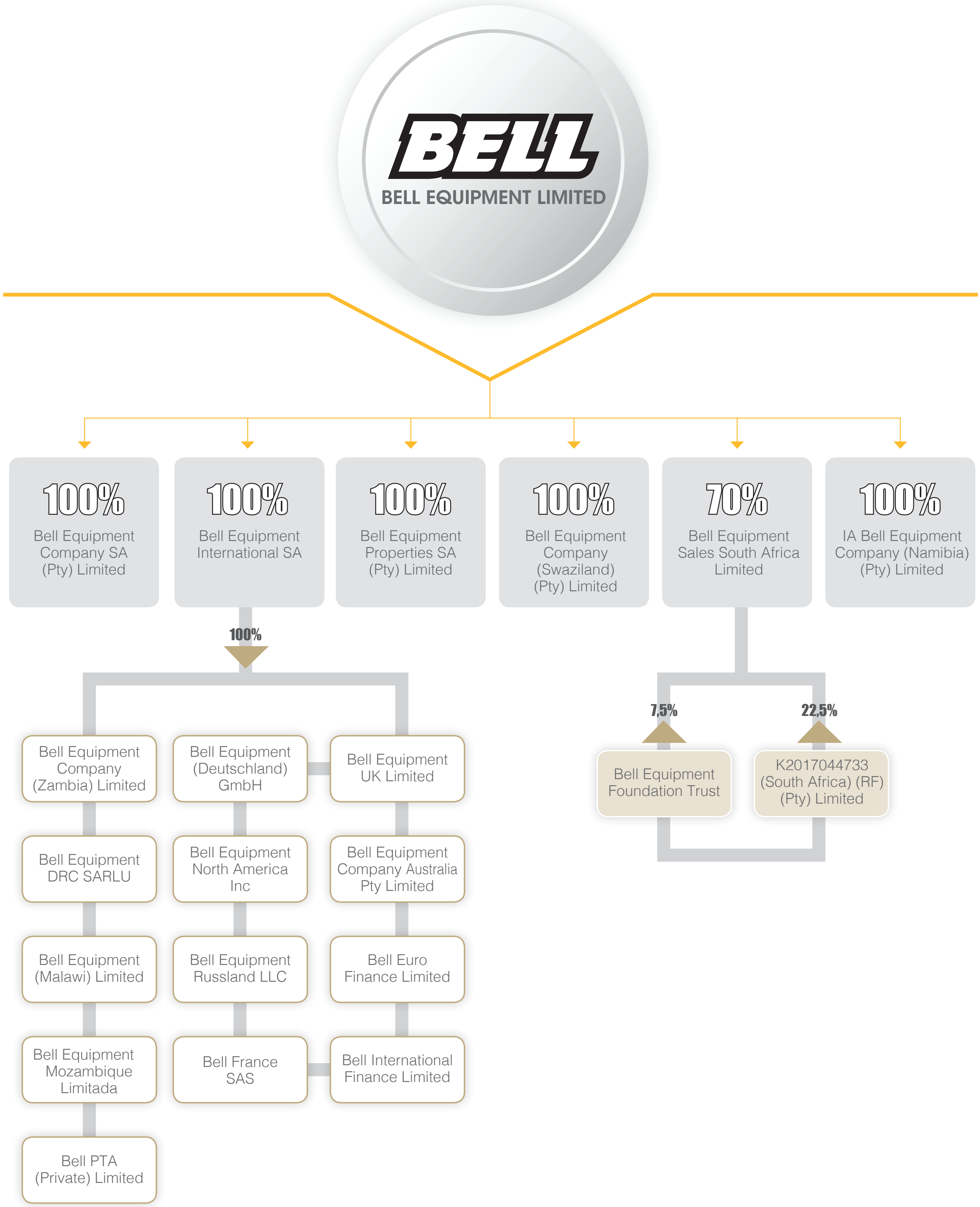
STRONG RELIABLE MACHINES • STRONG RELIABLE SUPPORT

2018

BELL EQUIPMENT LIMITED • AUDITED ANNUAL FINANCIAL STATEMENTS

Contents

Global corporate structure



Approval of the annual financial statements

for the year ended 31 December 2018

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

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

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

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

The annual financial statements of the group which appear on pages 3 to 7 and 12 to 84 were approved by the directors on 14 March 2019 and are signed on their behalf by:

GW Bell
Non-executive chairman

L Goosen
Chief executive

14 March 2019

Certification by the group company secretary

for the year ended 31 December 2018

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 2019

Preparation of the annual financial statements

for the year ended 31 December 2018

The preparation of the annual financial statements for the year ended 31 December 2018, which appear on pages 3 to 7 and 12 to 84, 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 2019

Directors' report

for the year ended 31 December 2018

The directors submit the annual financial statements for the group (Bell Equipment Limited and its subsidiaries) for the year ended 31 December 2018.

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, the finance director's report and in the joint chairman and chief executive's report in the integrated annual report.

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

STATED CAPITAL

The company's authorised share capital remains at 100 000 000 ordinary shares of no par value. The stated capital account as at 31 December 2018 comprised 95 629 385 (December 2017: 95 306 885) ordinary shares of no par value.

DIVIDENDS

During the 2018 financial year, the directors declared an interim gross cash dividend of 20 cents per ordinary share. The total amount paid was R19,1 million (2017: interim dividend of 20 cents, amount paid R19,1 million).

The directors have resolved to declare a final gross cash dividend of 25 cents per share for the 2018 financial year (2017: final dividend of 25 cents, amount paid R23,8 million).

The final dividend number 14 is 25 cents per share. The net final dividend is 20 cents per share for ordinary shareholders who are not exempt from dividends tax.

Dividend declared	Monday, 18 March 2019
Last day to trade *cum* dividend	Tuesday, 2 April 2019
Shares trade *ex* dividend	Wednesday, 3 April 2019
Record date	Friday, 5 April 2019
Payment date	Monday, 8 April 2019

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE-BASED PAYMENT SCHEMES WITH EMPLOYEES

The company operated two employee share-based payment schemes during the year. Details of these schemes are set out in note 30 to the annual financial statements.

DIRECTORS

With effect from 1 June 2018, Gary Bell stepped down from his role as chief executive officer and remained with the group, having been appointed by the board of directors as the non-executive chairman of the board. Leon Goosen assumed the position of chief executive officer and John Barton stepped down as chairman of the board, having been appointed by the board as the lead independent non-executive director.

Following the acquisition of Matriarch Equipment CC on 1 February 2019, Ashley Bell's designation changed from a non-executive director to executive director.

John Barton, Mamokete Ramathe and Rajendran Naidu 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 24 to 27 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	
	2018	2017	**2018**	2017
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 2019.

MAJOR SHAREHOLDERS

The major shareholders in Bell Equipment Limited as at 31 December 2018 were:

		2018	2017
IA Bell & Company Proprietary Limited	(%)	**37,36**	37,48
John Deere Construction and Forestry Company	(%)	**31,37**	31,48

GROUP COMPANY SECRETARY

The group company secretary is Diana McIlrath. Her particulars and business address appear on the inside back cover of the integrated annual report.

SUBSIDIARIES

Details of the company's interest in its subsidiary companies are contained on pages 78 and 79 of this report. The principal subsidiaries are BECSA and BESSA, both of which are incorporated in South Africa.

SUBSEQUENT EVENTS

On 1 February 2019, Bell Equipment Company SA Proprietary Limited, a wholly owned subsidiary of the company, acquired the business of Matriarch Equipment CC as a going concern. As Matriarch was effectively controlled by Ashley Bell, a non-executive director of the company at the time, in terms of the JSE Listings Requirements the transaction was deemed to be a small related party transaction. The related party transaction was deemed to be fair by the expert Deloitte & Touche.

No other facts or circumstances material to the appreciation of this report have occurred between 31 December 2018 and the date of this report.

Signed on behalf of the board

GW Bell
Non-executive chairman

L Goosen
Chief executive

14 March 2019

Audit committee report

for the year ended 31 December 2018

This report is presented by the audit committee ('the committee') and approved by the board in respect of the financial year ended 31 December 2018. 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 Derek Lawrance, and further comprises three independent non-executive directors, Mamokete Ramathe, John Barton and Rajendran Naidu whose profiles including their qualifications are disclosed on pages 24 and 25 of the integrated annual report. John Barton's appointment was effective from 1 June 2018, on his appointment as the lead independent non-executive director. On the recommendation of the board, all four members of the committee shall stand for re-appointment by the shareholders at the AGM to be held on 15 May 2019.

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

Following the formal self-assessment of the committee in the form of a questionnaire that took place at the end of 2017 and the one on one discussions between each director and the chairman following the results from a further questionnaire undertaken in 2018, the committee remains satisfied that it is effectively carrying out its responsibilities. A further formal evaluation of the board and committee's performance will be undertaken in the 2019 financial year.

The board has also 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 and have, as a whole, the necessary financial literacy, skills and experience to execute their duties effectively in terms of King IV.

The board is satisfied that all members of the committee act independently in compliance with the Companies Act and in terms of the independence requirements of King IV.

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	13 March 2018	15 May 2018	28 August 2018	8 November 2018
Derek Lawrance (chairman)	✔	✔	✔	✔
Mamokete Ramathe	✔	✔	✔	✔
Rajendran Naidu	✔	✔	✔	✔
John Barton (appointed 1 June 2018)				✔

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. Further information on the combined assurance process is provided in the corporate governance report under risk management on pages 36 to 45 of the integrated annual report.

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

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

EXTERNAL AUDIT

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. 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:

- Zimbabwean currency – Real Time Gross Settlement (RTGS) recognised as a separate currency;
- revenue recognition and accounting for complex revenue transactions; and
- recoverability of trade receivables and long-term receivables (Bell Equipment Sales South Africa).

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

The committee, in consultation with executive management, agreed to an audit fee for the 2018 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 auditors' 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 the internal audit function, undertaken by Ernst & Young as the appointed internal auditors, and considered the effectiveness of internal audit, approved the internal audit charter and the annual internal audit plan and monitored adherence of internal audit to its annual plan. The 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.

EXPERTISE AND EXPERIENCE OF THE GROUP FINANCE DIRECTOR AND FINANCE FUNCTION

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

GOING CONCERN, ANNUAL FINANCIAL STATEMENTS AND INTEGRATED ANNUAL REPORT

The committee considered the report of the JSE's Financial Reporting Investigations Panel on its findings arising from the Panel's monitoring of the financial reports published by JSE-listed companies during 2018 and has taken appropriate action to apply the findings.

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

The committee reviewed management's assessment of the going concern status of the group at year-end and for the foreseeable future. The committee concurred with management's assessment that the group is a going concern and recommended the adoption of the going concern 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 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS and the requirements of the Companies Act.

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

The committee recommends the group's 2018 audited annual financial statements (of which this report forms part), and the 2018 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 2019

Independent auditor's report

to the shareholders of Bell Equipment Limited

Report on the Audit of the Consolidated Financial Statements

OPINION

We have audited the consolidated financial statements of Bell Equipment Limited and its subsidiaries (the group) set out on pages 12 to 84, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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.

Key Audit Matter	How the matter was addressed in the audit
Zimbabwean Currency – Real Time Gross Settlement (RTGS) recognised as a separate currency	
The US dollar ("USD") has been the primary means of exchange in Zimbabwe since the demonetisation in 2009. Consequently Bell Zimbabwe adopted the USD as its functional currency. The Reserve bank of Zimbabwe (RBZ) legally introduced bond notes as a form of exchange in October 2016 and encouraged the increased use of the other mechanisms such as the Real Time Gross Settlement (RTGS) as electronic settlement. This resulted in the emergence of a parallel market which imposed a premium on USD relative to RTGS balances and bond notes which was historically pegged at 1:1. Liquidity issues and currency trading on the black market resulted in the deterioration of the RTGS. In October 2018, RBZ instructed banks to separate USD bank accounts from RTGS bank accounts. During February 2019 the RBZ introduced the RTGS dollars as the new local currency in Zimbabwe. The RBZ also announced that the rate of 1:1 between the USD dollar and RTGS dollars that had been maintained for nearly 3 years was no longer applicable. Significant estimates applied by the directors in determining the rate to translate transactions and monetary items denominated in RTGS to USD as well as there being judgements used in the reassessment of the functional currency of Bell Zimbabwe in terms of *IAS 21 Effects of Changes in Foreign Exchange Rates* ("IAS 21") results in this being a key audit matter.	We evaluated whether the directors appropriately applied the requirements of IAS 21 relating to the translation of the transactions and monetary items denominated in RTGS and USD as well as the reassessment of the functional currency by performing the following procedures: • We assessed the design and tested the implementation of the control on the determination of the rate to be used in the translation of all transactions and monetary items denominated in RTGS to USD at year-end and the control on the director's reassessment of the Bell Zimbabwe functional currency. • We reviewed the director's assessment of the functional currency of Bell Zimbabwe with emphasis placed on the primary and secondary indicators. Sales prices, parts purchases and cost of sales and other operating costs are primarily driven by the USD. Operating costs have increased to compensate for payments made in RTGS. The operation is funded by an intergroup loan denominated in USD as well as the business performance being measured in USD. We concur with the director's assessment that the functional currency currently remains the USD. • We reviewed the director's assessment of the rate to be used in the translation of all transactions and monetary items denominated in RTGS subsequent to 1 October 2018 as well as the underlying calculation. In the absence of an observable rate the directors have used the Old Mutual Implied Rate of 5.1948 as the rate of exchange in converting RTGS to USD. This has resulted in the group recognising a currency exchange loss of R87.4 million. We found the recognition and measurement criteria used as well as the disclosure requirements applied to be appropriate.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><th colspan="2">Revenue recognition and accounting for complex revenue transactions</th></tr>
<tr><td>
The group enters into various sales and rental arrangements, including those with guaranteed residual values buy-back options, sales agreements where the group carries certain credit risks ("Bell-backed finance") and specific structured deals.
The accounting treatment in respect of these arrangements 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 IFRS 15 Revenue from Contracts with Customers ("IFRS 15") 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 leased income. The revenue recognition policy is disclosed in note 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 22 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 appropriately applied the requirements of IFRS 15 and/or 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 control has passed to the buyer by considering the probability of the return of the goods/units based on the terms of the contract and assessing this in terms of IFRS 15.
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 was found to be appropriate. The revenue recognition has been appropriately applied and disclosed.
</td></tr>
</table>

Key Audit Matter	How the matter was addressed in the audit
Recoverability of trade and long-term receivables in Bell Equipment Sales South Africa Limited ("BESSA")	
Included in gross trade receivables of R683 million (2017: R629 million) in note 13 of the consolidated financial statements is R170 million (2017: R197 million) relating to BESSA trade receivables. BESSA also has a further R154 million (2017: R162 million) of long-term receivables included in interest-bearing receivables of R279 million (2017: R189 million) as disclosed in note 10 of the consolidated financial statements. The sustained downturn in the current economic environment relating to both mining and construction sectors along with customers taking a longer period to settle contractual obligations and debtors looking for alternative financing solutions increases 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 in BESSA is considered a key audit matter.	We focused our testing on the valuation of trade receivables and long-term receivables in BESSA and the adequacy of the provision raised 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 and long-term receivables. • Assessing the directors' assessment of the ability of the significant past due debtors to meet their outstanding commitments. • Assessing the directors' estimates and assumptions used to raise the doubtful debt provision and bad debts expense as well as the data on which this is based. • Assessing the doubtful debt provision raised against the policy followed by the group. • Reviewing minutes of meetings of the credit risk committee to ensure that potentially unrecoverable debtors have been adequately provided. • Reviewing correspondence of legal advisors for a sample of long outstanding debtors and confirming whether a provision has been raised for customers where the possibility of recovery is considered to be low or remote. • 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 control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Bell Equipment Limited for 25 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per: C Howard-Browne
Partner

14 March 2019

National Executive: *LL Bam Chief Executive Officer *TMM Jordan Deputy Chief Executive Officer; Clients & Industries *MJ Jarvis Chief Operating Officer *AF Mackie Audit & Assurance *N Sing Risk Advisory DP Ndlovu Tax & Legal TP Pillay Consulting *JK Mazzocco Talent & Transformation MG Dicks Risk Independence & Legal *KL Hudson Financial Advisory *TJ Brown Chairman of the Board
Regional leader: *R Redfearn

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

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

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

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Consolidated statement of financial position

as at 31 December 2018

	Notes	2018 R'000	2017 R'000
ASSETS			
Non-current assets		**1 344 560**	1 111 406
Property, plant and equipment	7	**885 966**	691 429
Intangible assets	8	**237 964**	224 766
Investments	9	**23 584**	574
Interest-bearing receivables	10	**69 226**	92 774
Deferred taxation	11	**127 820**	101 863
Current assets		**5 183 673**	4 246 208
Inventory	12	**3 905 188**	3 047 119
Trade and other receivables	13	**868 519**	778 555
Current portion of interest-bearing receivables	10	**209 781**	96 053
Prepayments		**31 636**	51 912
Other financial assets	14	**6 757**	13 139
Current taxation assets		**13 347**	9 179
Cash and bank balances	15	**148 445**	250 251
TOTAL ASSETS		**6 528 233**	5 357 614
EQUITY AND LIABILITIES			
Capital and reserves		**3 371 509**	2 988 602
Stated capital	16	**232 499**	232 244
Non-distributable reserves	17	**679 411**	530 281
Retained earnings		**2 440 926**	2 214 236
Attributable to owners of Bell Equipment Limited		**3 352 836**	2 976 761
Non-controlling interest	18	**18 673**	11 841
Non-current liabilities		**606 095**	351 819
Interest-bearing liabilities	19	**385 044**	113 183
Repurchase obligations and deferred leasing income	20	**–**	1 243
Deferred income	21	**118 897**	106 568
Lease escalation	22	**29 469**	38 350
Provisions	23	**3 855**	3 724
Deferred taxation	11	**68 830**	88 751
Current liabilities		**2 550 629**	2 017 193
Trade and other payables	24	**1 142 521**	1 094 742
Current portion of interest-bearing liabilities	19	**750 381**	215 414
Current portion of repurchase obligations and deferred leasing income	20	**–**	746
Current portion of deferred income	21	**135 243**	94 171
Current portion of lease escalation	22	**11 631**	8 447
Current portion of provisions	23	**59 316**	52 378
Other financial liabilities	25	**10 648**	20 272
Current taxation liabilities		**23 194**	25 675
Bank overdrafts and borrowings on call	35.2	**417 695**	505 348
TOTAL EQUITY AND LIABILITIES		**6 528 233**	5 357 614

Consolidated statement of profit or loss

for the year ended 31 December 2018

	Notes	2018 R'000	2017 R'000 Restated*
Revenue	26	**7 534 438**	6 873 471
Cost of sales		**(6 049 887)**	(5 526 784)
Gross profit		**1 484 551**	1 346 687
Other operating income		**195 514**	137 477
Distribution costs		**(831 527)**	(739 807)
Administration expenses		**(108 640)**	(119 504)
Factory operating expenses		**(286 147)**	(221 396)
Profit from operating activities	27	**453 751**	403 457
Interest expense		**(89 101)**	(43 350)
Interest income		**40 631**	43 251
Profit before taxation		**405 281**	403 358
Taxation	28.1	**(128 864)**	(131 308)
Profit for the year		**276 417**	272 050
Profit for the year attributable to:			
– Owners of Bell Equipment Limited		**269 585**	260 209
– Non-controlling interest		**6 832**	11 841

	Notes	Cents	Cents
Earnings per share			
Basic	29.1	**283**	273
Diluted	29.2	**281**	273

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

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2018

	Notes	2018 R'000	2017 R'000
Profit for the year		**276 417**	272 050
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising during the year		**134 602**	(22 311)
Exchange differences on translating foreign operations	17	**131 351**	(23 744)
Exchange differences on foreign reserves	17	**3 251**	1 433
Items that may not be reclassified subsequently to profit or loss:		**15 384**	(3 124)
Surplus arising on revaluation of properties	17	**–**	258
Taxation relating to revaluation of properties	28.2	**–**	(3 382)
Fair value gain on investments designated as at fair value through other comprehensive income	17	**15 384**	–
Other comprehensive income (loss) for the year, net of taxation		**149 986**	(25 435)
Total comprehensive income for the year		**426 403**	246 615
Total comprehensive income attributable to:			
– Owners of Bell Equipment Limited		**419 571**	234 774
– Non-controlling interest		**6 832**	11 841

Consolidated statement of changes in equity

for the year ended 31 December 2018

	Attributable to owners of Bell Equipment Limited					
	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 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
Total comprehensive income for the year	**–**	**149 986**	**269 585**	**419 571**	**6 832**	**426 403**
Decrease in equity-settled employee benefits reserve	**–**	**(856)**	**–**	**(856)**	**–**	**(856)**
Share options exercised	**255**	**–**	**–**	**255**	**–**	**255**
Dividends paid	**–**	**–**	**(42 895)**	**(42 895)**	**–**	**(42 895)**
Balance at 31 December 2018	**232 499**	**679 411**	**2 440 926**	**3 352 836**	**18 673**	**3 371 509**

Consolidated statement of cash flows

for the year ended 31 December 2018

	Notes	2018 R'000	2017 R'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash (utilised in) generated from operations	A	**(109 990)**	131 700
Interest paid	B	**(75 701)**	(40 561)
Interest received	C	**45 916**	10 926
Taxation paid	D	**(182 945)**	(112 262)
Net cash utilised in operating activities		**(322 720)**	(10 197)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of additional property, plant and equipment and intangible assets		**(257 194)**	(121 762)
Purchase of replacement property, plant and equipment and intangible assets		**(8 739)**	(14 080)
Proceeds on disposal of property, plant and equipment and intangible assets		**7 600**	7 975
Purchase of listed investments		**(7 560)**	–
Increase in interest-bearing receivables		**(22 474)**	(9 303)
Net cash utilised in investing activities		**(288 367)**	(137 170)
CASH FLOW FROM FINANCING ACTIVITIES			
Interest-bearing liabilities raised	E	**1 359 836**	247 316
Interest-bearing liabilities repaid	E	**(720 262)**	(73 996)
Proceeds from share options exercised		**255**	105
Dividends paid		**(42 895)**	(19 062)
Net cash generated from financing activities		**596 934**	154 363
Net (decrease) increase in cash for the year		**(14 153)**	6 996
Net bank overdrafts and borrowings on call at beginning of the year		**(255 097)**	(262 093)
Net bank overdrafts and borrowings on call at end of the year	F	**(269 250)**	(255 097)

Notes to the consolidated statement of cash flows

for the year ended 31 December 2018

		2018 R'000	2017 R'000 Restated*
A	**CASH (UTILISED IN) GENERATED FROM OPERATIONS**		
	Profit from operating activities	**453 751**	403 457
	Adjustments for:		
	Amortisation of intangible assets	**26 072**	33 240
	Depreciation	**119 776**	152 902
	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	**(5 716)**	(3 038)
	Amounts written off as uncollectible	**1 535**	13 618
	(Reversal) impairment of WesBank cash collateral	**(1 549)**	1 549
	Increase (decrease) in provision for doubtful debts	**6 176**	(9 598)
	Decrease in provision for credit risk	**–**	(1 797)
	Decrease in provision for inventory write-downs	**(13 941)**	(3 346)
	Increase (decrease) in warranty provision	**5 741**	(9 087)
	Decrease in lease escalation	**(5 697)**	(3 222)
	(Decrease) increase in equity-settled employee benefits reserve	**(856)**	498
	Share-based payment relating to BBBEE ownership transaction	**–**	2 199
	Loss (gain) arising on financial assets at fair value through profit or loss	**6 382**	(7 498)
	(Gain) loss arising on financial liabilities at fair value through profit or loss	**(9 624)**	19 320
	Exchange differences on translation of foreign subsidiaries	**12 051**	12 483
	Unrealised exchange differences on trade and other receivables and payables	**21 959**	–
	Increase in deferred income	**43 659**	63 542
	Decrease in repurchase obligations and deferred leasing income	**(1 989)**	(808)
	Cash generated from operations before working capital changes	**657 730**	665 069
	Increase in inventory	**(655 210)**	(638 675)
	Increase in trade and other receivables and prepayments	**(4 520)**	(76 706)
	(Decrease) increase in trade and other payables	**(48 775)**	345 581
	Increase in finance lease receivables	**(43 885)**	(95 045)
	Decrease (increase) in supplier recovery	**17 089**	(17 089)
	Transfers of inventory to rental assets	**(32 419)**	(51 435)
	Total cash (utilised in) generated from operations	**(109 990)**	131 700
B	**INTEREST PAID**		
	Interest expense	**89 101**	43 350
	Less: unwinding of discount on borrowings relating to discounted receivables	**–**	(66)
	Less: accrued	**(13 400)**	(2 723)
	Total interest paid	**75 701**	40 561
C	**INTEREST RECEIVED**		
	Interest income	**40 631**	43 251
	Less: unwinding of discount on discounted receivables	**–**	(66)
	Less: deferred finance income recognised	**(16 363)**	(29 789)
	Less: accrued	**(4 457)**	(2 470)
	Add: interest received on deferred income contracts	**26 105**	–
	Total interest received	**45 916**	10 926
D	**TAXATION PAID**		
	Net taxation (owing) refund due at beginning of the year	**(16 496)**	13 986
	Taxation charge for the year:		
	South African normal taxation	**(140 892)**	(112 507)
	Foreign taxation	**(28 399)**	(27 372)
	Withholding taxation	**(3 063)**	(2 393)
	Other corporate taxation	**(1 204)**	(635)
	Translation differences	**(2 738)**	163
	Net taxation owing at end of the year	**9 847**	16 496
	Total taxation paid	**(182 945)**	(112 262)

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

for the year ended 31 December 2018

		2018 R'000	2017 R'000
E	**INTEREST-BEARING LIABILITIES**		
	Long-term portion of interest-bearing liabilities at beginning of the year	**113 183**	103 175
	Add: current portion at beginning of the year	**215 414**	51 268
	Total interest-bearing liabilities at beginning of the year	**328 597**	154 443
	Translation differences	**10 605**	(5 831)
	Unwinding of borrowings related to discounted receivables	**–**	(4 571)
	Finance leases raised to fund the purchase of additional property, plant and equipment	**31 307**	11 236
	Supplier extended payment terms	**125 342**	–
	Interest-bearing liabilities raised	**1 359 836**	247 316
	Interest-bearing liabilities repaid	**(720 262)**	(73 996)
	Total interest-bearing liabilities at end of the year	**1 135 425**	328 597
	Less: current portion at end of the year	**(750 381)**	(215 414)
	Long-term portion of interest-bearing liabilities at end of the year	**385 044**	113 183
F	**NET BANK OVERDRAFTS AND BORROWINGS ON CALL**		
	Bank overdrafts and borrowings on call	**(417 695)**	(505 348)
	Cash and bank balances	**148 445**	250 251
	Net bank overdrafts and borrowings on call at end of the year	**(269 250)**	(255 097)

Notes to the consolidated annual financial statements

for the year ended 31 December 2018

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

2. ACCOUNTING FRAMEWORK

2.1 Statement of compliance

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

Basis of accounting

The financial statements have been prepared on the historical cost basis, except for the revaluation of properties and financial instruments. The accounting policies are consistent with those applied to the previous year, except for the mandatory adoption of *IFRS 9 Financial Instruments* and *IFRS 15 Revenue from Contracts with Customers* which became effective 1 January 2018 and the adoption of amended standards per note 3.

Prior period restatements

The adoption of *IFRS 15 Revenue from Contracts with Customers* resulted in certain reclassifications in the group's consolidated statement of profit and loss as detailed in note 5. The prior period reporting has been restated accordingly.

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

2.2 Principal accounting policies

2.2.1 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. The composition of the group is disclosed in note 38.

Control is achieved when the company:

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

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

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

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

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

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. ACCOUNTING FRAMEWORK (CONTINUED)

2.2 Principal accounting policies (continued)

2.2.2 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').

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

Such translation differences are reclassified to profit or loss in the period in which the foreign operation is disposed of.

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

In the current year the group has adopted all of the new and amended standards issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2018.

3.1 New and amended standards and interpretations adopted

The following new and amended standards and interpretations have been adopted in these financial statements:

New

IFRS 9 – Financial Instruments (2014)
IFRS 15 – Revenue from Contracts with Customers
IFRIC 22 – Foreign Currency Transactions and Advance Consideration

Amended

IFRS 2 – Share-based Payment: Amendments to clarify the classification and measurement of share-based payment transactions
IFRS 7 – Financial Instruments Disclosures: Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures

The group adopted IFRS 15 and IFRS 9 from 1 January 2018. The adoption of these new standards did not have a significant impact on the results of the group. IFRS 15 resulted in changes to the classification and disclosure of certain information in the financial statements. These changes are disclosed in note 5. The group's accounting policies for revenue are disclosed in note 26. The adoption of IFRS 9 resulted in changes to the group's measurement of its unlisted equity investment and the manner in which the group recognises impairments in financial assets. With regards to IFRS 9, the comparative periods have not been restated because the impact of adoption was not significant. The accounting policies for these financial instruments are disclosed in notes 9, 10 and 13.

All other new and amended standards and interpretations listed above had no significant impact on the group's financial statements.

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

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 and interpretations relevant to the group, were in issue but not yet effective. The group plans to adopt these new and amended standards and interpretations when they become effective.

	Effective date for annual periods beginning on or after:
New	
IFRS 16 – Leases	1 January 2019
IFRIC 23 – Uncertainty over Income Tax Treatments	1 January 2019
Amended	
IFRS 3 – Business Combinations: Amendments resulting from annual improvements 2015-2017 cycle (remeasurement of previously held interest)	1 January 2019
IFRS 3 – Business Combinations: Amendments to clarify the definition of a business	1 January 2020
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 1 – Presentation of Financial Statements: Amendments regarding the definition of material	1 January 2020
IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: Amendments regarding the definition of material	1 January 2020
IAS 12 – Income Taxes: Amendments resulting from annual improvements 2015-2017 cycle (income tax consequences of dividends)	1 January 2019
IAS 19 – Employee Benefits: Amendments regarding plan amendments, curtailments or settlements	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 16 Leases* on the financial statements of the group is disclosed below. The impact on the group's financial statements is expected to be significant when the group adopts IFRS 16 in future periods.

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

3.2.1 Requirements under *IFRS 16 Leases* and impact on the group consolidated financial statements

IFRS 16 brings about significant changes in lease accounting and includes new requirements for the identification of lease arrangements as well as their accounting treatment, for both lessors and lessees. The new standard also introduces extended disclosure requirements. IFRS 16 replaces the current standard on leases, IAS 17, and the related interpretations. The new standard identifies a lease as a contract that conveys the right to control the use of an identified asset. The new standard will become effective for the group on 1 January 2019.

The group has elected the modified approach upon adoption and initial application. As a result, the group will not restate comparative information and will not reassess whether an existing contract on initial application is or contains a lease. Accordingly, leases entered into before 1 January 2019 and classified as leases under IAS 17, will continue to be classified as leases under IFRS 16. The group will apply the new definition of a lease under IFRS 16 to all lease contracts entered into on or after 1 January 2019. The group does not expect the new definition to significantly change the scope of contracts that meet the definition of a lease.

Impact on the group as a lessee

A single accounting model will apply for all leases where the group is a lessee, except where the underlying asset is of low-value and for leases classified as short-term in nature. The group will be required to recognise assets and liabilities for all leases which are not short-term in nature and where the assets are not of low-value. Previously under IAS 17, expenses from operating leases were straight-lined over the lease term and included in distribution costs and factory operating expenses in the statement of profit or loss.

Operating leases

Leases previously classified as operating leases under IAS 17, which were expensed on a straight-line basis, will be recognised in the statement of financial position as right-of-use assets and lease liabilities. The lease liability is initially measured at the present value of the future lease payments. The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives and initial direct costs.

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

3.2 Standards and interpretations in issue not yet adopted (continued)

3.2.1 Requirements under *IFRS 16 Leases* and impact on the group consolidated financial statements (continued)

Subsequent to initial measurement, the lease liability is reduced to reflect lease payments made. Interest on the lease liabilities is presented in the statement of profit or loss as interest expensed. The lease liability is remeasured for changes in estimated lease terms or changes in variable rents based on an index or rate. The remeasurement is generally recognised as an adjustment to the right-of-use asset. The right-of-use asset is depreciated in accordance with *IAS 16 Property, Plant and Equipment* and is subject to impairment testing in terms of *IAS 36 Impairment of Assets.*

The group's non-cancellable operating lease commitments at 31 December 2018 amounted to R320,2 million as disclosed in note 33.1. Based on an initial assessment done by management, the group anticipates that it will recognise estimated lease liabilities at 1 January 2019 of approximately R260 million to R330 million in respect of these leases and right-of-use assets of similar amounts. The impact on the group's statement of profit or loss will be a decrease in operating lease expenses and an increase in the group's depreciation expense and interest expense. In the group's statement of cash flows, cash inflows from operations will increase and cash outflows from financing activities will increase. The group will derecognise its lease escalation provision which was R41,1 million at 31 December 2018. Refer to note 22. Management estimates that between R5 million and R20 million of the group's operating lease commitments at 31 December 2018 will qualify for exemption as either leases that are short-term in nature or leases where the underlying assets are of low-value. These leases will continue to be accounted for as operating lease expenses on a straight-line basis.

Finance leases

No significant change is expected to leases previously classified as finance leases under IAS 17. Assets under finance leases which were previously included in property, plant and equipment, will be presented within the line item right-of-use assets. The related lease liabilities will also be presented in a separate line.

Impact on the group as a lessor

The requirements for the group as a lessor are substantially unchanged. The group will continue to classify all leases between operating and finance leases, using the classification principles in IFRS 16 which are essentially the same as IAS 17. IFRS 16 has however changed and expanded the disclosure required in particular relating to how the lessor manages the risks arising from its residual interest in leased assets.

The group will continue to recognise the underlying asset under operating leases and recognise income from these leases on a straight-line basis over the term of the lease, unless another systematic basis is more representative.

Under finance leases, the group will continue to derecognise the underlying asset and record a receivable equal to the group's net investment in the lease. Finance 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.

Sale and leaseback transactions

Previously under IAS 17, the group assessed sale and leaseback transactions using the guidance in IAS 17 to determine whether the leaseback is an operating lease or a finance lease. Under IFRS 16, where the group is the seller-lessee, it will use the guidance in *IFRS 15 Revenue from Contracts with Customers* to determine whether a sale has occurred. If a sale has occurred, the group recognises the sale and derecognises the asset. The group accounts for the leaseback by recognising a right-of-use asset and related lease liability. If the transaction does not satisfy the requirements of IFRS 15 to be accounted for as a sale, the group accounts for it as a financing transaction with the underlying asset as security.

The group has chosen to apply the modified approach upon adoption. Consequently, the group will not reassess whether the transfer of the underlying assets under sale and leaseback transactions entered into before 1 January 2019 constitutes a sale or not under IFRS 15. The group does not anticipate a significant change to existing sale and leaseback transactions entered into before 1 January 2019.

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

Judgements in determining the timing of satisfaction of performance obligations

The group recognises revenue when it has satisfied its performance obligation in terms of the contract with the customer and when it transfers control of the product or service to the customer.

Performance obligations satisfied at a point in time

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

Where the group services a customer's equipment, job cards are maintained for each service keeping track of labour, parts and other costs incurred by the group on a particular job. Revenue is recognised upon completion of the service as this is when, in the group's judgement, the group has obtained the right to receive payment and the customer has obtained benefits from the service provided.

In bill-and-hold arrangements the group has invoiced the customer for the promised machines, but physical possession has been retained by the group. The group applies judgement in assessing whether control of the machine has passed to the customer. In its assessment, the group considers the reason for the arrangement. These arrangements are usually at request from the customer and arise where delivery of the machine is not practical, or the customer's site where the equipment is going to be used is not ready. The group also considers if significant risks and rewards of ownership has passed to the customer and assesses whether it has retained the ability to direct the use of the equipment to another customer, if the equipment is ready for physical transfer and if the customer has accepted the asset. Revenue is recognised where the group concludes that the reason for the arrangement is substantive and that the customer has obtained significant risks and rewards. At year-end, revenue recognised from bill-and-hold arrangements amounted to R29,7 million.

Performance obligations satisfied over time

Revenue from extended warranty contracts sold is released on a straight-line basis over the term of the contract as this, in the group's judgement, depicts the customer's right to access this service.

Revenue from rentals is recognised over time based on the hours utilised on the machine as this, in the group's judgement, depicts the transfer of benefits to the customer.

Judgements in determining whether the group is a principal or an agent

Performance obligations with regards to transport services

In many instances where machines and parts are sold to customers, the group agrees to deliver the goods to the customer at an agreed price. The group uses another party to deliver the goods and has the ability to direct that party to provide the service to the customer on the group's behalf. The group applies judgement and considers that it acts as a principal in these transactions and therefore revenue from transport services is recognised on a gross basis with the related costs in cost of sales.

Judgements in determining the transaction price and the amounts allocated to performance obligations

The group uses judgement in determining the transaction price and the amounts allocated to performance obligations as described below.

Residual value guarantees

Where the group has guaranteed the residual value of equipment sold to customers or financial institutions, judgement is used in assessing the residual value risk in determining the transaction price of the equipment. 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. 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. Where a shortfall between the assessed market value of the equipment and the residual value guaranteed by the group is anticipated at inception, the transaction price is adjusted and a provision for residual value risk is recognised. The group reassesses the probable outcome of the residual value guarantee at each reporting period. The group's exposure to residual value risk is disclosed in note 31.2. No adjustment to revenue was made in terms of these contracts, and no provision for residual value risk recognised as no shortfall is anticipated.

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

4.1 Judgements made by management in applying accounting policies (continued)

Effects of the time value of money

Secure service contracts are contracts where the group has the obligation to service a customer's machine over the contract period and where the cash was received upfront. Where the contract period is for more than 12 months, the group applies judgement and adjusts the transaction price for the effects of the time value of money using an appropriate discount rate. A deferred income liability is recognised at inception based on the discounted amount. Revenue is released based on the expected gross margin. In estimating the expected gross margin, assumptions are made on the total expected costs to be incurred under the contract, using historical data where available and including a forfeiture rate. The group applies judgement in determining the forfeiture rate which is the number of service intervals a customer is anticipated to forfeit.

Where extended warranty contracts are sold by the group and the cash is received upfront, the transaction price is adjusted for the effects of the time value of money using an appropriate discount rate. A deferred income liability is recognised at inception based on the discounted amount.

Where a product is sold to customers under a finance lease and the contract provides a significant financing benefit to the customer, the group adjusts the transaction price for the financing component. Refer to note 10 for the group's accounting policy on finance leases.

The transaction price was not adjusted for the effects of the time value of money in transactions where the period between delivery of the promised goods or services and the payment from the customer is one year or less.

Trade-ins

In certain transactions, the group agrees to trade in used equipment from a customer as part of the consideration receivable for the sale of new equipment. The transaction price for the new equipment sale is adjusted for any difference between the fair value and the agreed upon price of the used equipment traded in. The group uses judgement in determining the fair value of the used equipment and consideration is given to the age and condition of the equipment and residual values achieved in the market for similar products.

Allocation of the transaction price

Where a combination of products and services are promised to a customer, the group applies judgement and uses approved price listings to allocate the total transaction price proportionately to each performance obligation promised in the contract.

Classification of leases

Where lease agreements are concluded with customers, management applies judgement and uses the guidance from *IAS 17 Leases* with regards to the classification of the lease as either a finance lease or an operating lease.

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

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 31.2). 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. No provisional for residual value risk was recognised as no shortfall is anticipated.

The group applies judgement in assessing residual value risk. Significant assumptions are made based on past experience and take into account expected future market conditions and projected disposal values.

Impairment of financial assets

In assessing financial assets for impairment, the group uses judgement to fragment its financial assets into categories that reflect the risks of default and loss. Categories used in fragmentation are country risk, secured debt versus unsecured debt, transaction type and customer type.

When assessing credit risk, customers are considered to be in default when they have exceeded their approved credit terms and where no specific arrangement has been made to rectify this position or where a commitment to bring the account within terms has not been met. When the value outstanding from the customer is material and this is combined with a change in the economic circumstances of the customer, such as a loss of contract or a change in the industry in which the customer operates, then this will be considered to be a high risk. Significant overdue customer balances are handed over to attorneys for legal collection. A customer balance will be written off in full once legal means of recovery has failed and it is believed that the likelihood of recovery is remote.

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

4.1 Judgements made by management in applying accounting policies (continued)

Translation of transactions and balances in the group's operation in Zimbabwe

On 1 October 2018 the Reserve Bank of Zimbabwe (RBZ) instructed all banks to operationalise the ring-fencing policy on nostro foreign currency accounts by separating nostro foreign currency accounts from the real time gross settlement (RTGS) deposits. However, the RBZ maintained that the rate to the United States Dollar (USD) was still 1:1. At the time of the announcement, the group had a substantial amount of cash in RTGS bank accounts.

The announcement prompted the group to reassess the functional currency of this operation. The group's assessment indicated that the USD is the currency that still significantly influences sales prices and a significant portion of costs in this operation. A significant portion of this entity's funding is also denominated in USD. The group applied judgement and concluded that the USD still faithfully reflects the primary economic environment in which this entity operates.

As a result, the group identified all transactions and monetary items denominated in RTGS subsequent to 1 October 2018 and retranslated these items into USD. In the absence of an observable exchange rate between RTGS and USD, the group applied judgement and used the Old Mutual Implied Rate (OMIR) of 5.1948. The OMIR is a comparison of the price of shares of Old Mutual in London and Harare.

The retranslation of transactions and monetary items as explained above, resulted in the group recognising a currency exchange loss of R87,4 million in the group's results.

Control over WesBank financing venture

Management applied judgement and has used the guidance in IFRS 11 and IFRS 10 in assessing whether the group has a controlling interest in the WesBank financing venture. Consideration is given to the terms of the agreement and the group's decision making rights with regards to the relevant activities of the financing venture. 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 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 in 2017 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. The group also considers the customer's profile and specific circumstances and any forward looking factors which may impact the customer's ability to pay.

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

4.2 Key sources of estimation uncertainty (continued)

Recoverable value of inventory

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

Impairment of assets

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

Valuation of financial instruments

The value of derivative financial instruments and the value of foreign currency denominated monetary assets and monetary liabilities fluctuate on a daily basis and the actual amounts realised may differ materially from their value at the end of the reporting period.

Refer to note 35.4.1. A change in the market prices or any observable inputs used in the valuation of equity investments as disclosed in note 9, may also impact the value of these investments substantially within the next financial year.

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. The next revaluation of properties will be performed within the next financial year.

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. Where a deferred taxation asset exists within a subsidiary, the group uses profit forecasts and information specific to the subsidiary's business in determining whether a deferred taxation asset should be recognised. Changes in forecast information may impact the carrying amount of deferred taxation assets materially.

5. PRIOR PERIOD RESTATEMENTS AND CORRECTION OF ERRORS

In the current year, the group has applied *IFRS 15 Revenue from Contracts with Customers* which is effective for annual periods beginning on or after 1 January 2018.

The group's accounting policies for its revenue streams are disclosed in detail in note 26.

The group applied the standard retrospectively and used the following practical expedients:

- contracts that began and ended in 2017 were not restated.
- contracts that were completed contracts at 1 January 2017 were not restated.
- for extended warranty contracts and service contracts with remaining performance obligations at 1 January 2018, no disclosure was made of the financing component included in the transaction price. Refer to note 21.

The restatement adjustments below only relate to reclassifications of the following transactions within the group's statement of profit or loss:

(i) income from extended warranty contracts sold has been reclassified from other operating income to revenue;

(ii) warranty expenses relating to standard warranties and extended warranties have been reclassified from distribution costs and factory operating expenses to cost of sales;

(iii) where it was identified that the group acted as principal in transport revenue transactions, income and expenses from transport services relating to the sale of goods, previously included in cost of sales, distribution costs and factory operating expenses on a net basis, have been reclassified to revenue and cost of sales on a gross basis; and

(iv) the interest component on extended warranty contracts and service contracts sold, where the contract periods exceed twelve months, has been reclassified from revenue and other operating income to interest income.

5. PRIOR PERIOD RESTATEMENTS AND CORRECTION OF ERRORS (CONTINUED)

In addition, in the current year the group has corrected the following errors in the consolidated statement of cash flows for June 2018 and in the operating segmental analysis for December 2017:

- unrealised exchange differences have been reclassified from cash generated from operations before working capital changes to cash generated from operations.
- the allocation of revenue to operating segments was adjusted.

There was no impact on the statement of financial position.

5.1 The IFRS 15 reclassifications have the following impacts on the consolidated statement of profit or loss:

	As previously reported R'000	Adjustment R'000	Restated R'000
December 2017			
Revenue	6 766 586	106 885	6 873 471
Cost of sales	(5 328 636)	(198 148)	(5 526 784)
Gross profit	1 437 950	(91 263)	1 346 687
Other operating income (refer to (i) above)	221 431	(83 954)	137 477
Expenses	(1 226 135)	145 428	(1 080 707)
Distribution costs (refer to (ii) and (iii) above)	(832 034)	92 227	(739 807)
Administration expenses	(119 504)	–	(119 504)
Factory operating expenses (refer to (ii) and (iii) above)	(274 597)	53 201	(221 396)
Profit from operating activities	433 246	(29 789)	403 457
Interest expense	(43 350)	–	(43 350)
Interest income (refer to (iv) above)	13 462	29 789	43 251
Profit before taxation	403 358	–	403 358

5.2 The following items within the consolidated statement of cash flows were impacted by the IFRS 15 reclassifications in the previous period:

	As previously reported R'000	Adjustment R'000	Restated R'000
December 2017			
Cash generated from operations before working capital changes	665 069	–	665 069
Within which the following were impacted:			
Profit from operating activities	433 246	(29 789)	403 457
Increase in deferred income	33 753	29 789	63 542

5.3 The IFRS 15 reclassifications have the following impacts on the operating segmental analysis:

	As previously reported at December 2017 R'000	Restatement adjustment R'000	As reported at June 2018 R'000	Adjustment* R'000	Restated R'000
December 2017					
Revenue					
South African sales operation	2 991 387	(34 438)	2 956 949	31 465	2 988 414
South African manufacturing and logistics operation	4 376 792	102 795	4 479 587	–	4 479 587
European operation	2 324 683	614	2 325 297	(14 160)	2 311 137
Rest of Africa operation	618 845	665	619 510	362	619 872
North American operation	1 151 199	(24)	1 151 175	46 841	1 198 016
Inter-segmental eliminations	(4 696 320)	37 273	(4 659 047)	(64 508)	(4 723 555)
Total	6 766 586	106 885	6 873 471	–	6 873 471

** This adjustment relates to the correction of an error in the June 2018 interim announcement.*

5. PRIOR PERIOD RESTATEMENTS AND CORRECTION OF ERRORS (CONTINUED)

5.3 The IFRS 15 reclassifications have the following impacts on the operating segmental analysis: (continued)

	As previously reported R'000	Adjustment R'000	Restated R'000
December 2017			
Operating profit (loss)			
South African sales operation	159 513	(2 157)	157 356
South African manufacturing and logistics operation	223 581	(27 632)	195 949
European operation	84 913	–	84 913
Rest of Africa operation	(70 000)	–	(70 000)
North American operation	49 980	–	49 980
All other operations	(83 267)	–	(83 267)
Inter-segmental eliminations	68 526	–	68 526
Total	433 246	(29 789)	403 457
December 2017			
Net interest (expense) income			
South African sales operation	(40 748)	2 157	(38 591)
South African manufacturing and logistics operation	(4 393)	27 632	23 239
European operation	(21 391)	–	(21 391)
Rest of Africa operation	(11 987)	–	(11 987)
North American operation	(4 065)	–	(4 065)
All other operations	52 768	–	52 768
Inter-segmental eliminations	(72)	–	(72)
Total	(29 888)	29 789	(99)

5.4 The following items within the consolidated statement of cash flows were impacted by the correction of a prior period error:

	As previously reported R'000	Correction of error: Reclassification of unrealised exchange differences R'000	Restated R'000
June 2018			
Cash operating profit before working capital changes	374 146	71 194	445 340
Cash utilised in working capital	(238 971)	(71 194)	(310 165)

6. OPERATING SEGMENTS

Accounting policy

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

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

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 and Zimbabwe. The Customer Service Centre in the Democratic Republic of the Congo ceased trading in 2018 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, intergroup loan investment companies, property investment company and BBBEE company and trust.

Each reportable segment, except for the All other operations 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 the related notes to the consolidated annual financial statements.

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
2018								
Revenue								
External revenue	3 276 316	1 021 007	1 573 385	673 076	990 654	–	–	7 534 438
Inter-segment revenue	21 216	4 134 222	835 937	–	4 348	–	(4 995 723)	–
Total revenue	3 297 532	5 155 229	2 409 322	673 076	995 002	–	(4 995 723)	7 534 438
Profit (loss) from operating activities	115 895	307 963	73 235	(25 716)	18 695	(42 124)	5 803	453 751
Interest expense	(93 379)	(54 372)	(31 561)	(17 040)	(3 237)	(11 449)	121 937	(89 101)
Interest income	27 851	55 438	3 931	2 241	2 024	71 073	(121 927)	40 631
Taxation (expense) credit	(20 434)	(83 659)	(12 834)	(10 631)	(4 616)	(6 018)	9 328	(128 864)
Profit (loss) for the year	29 933	225 370	32 771	(51 146)	12 866	11 482	15 141	276 417
Segment assets	1 736 469	3 877 173	1 865 348	352 101	115 190	2 082 949	(3 500 997)	6 528 233
Segment liabilities	1 573 991	2 023 168	1 360 782	358 486	35 373	49 596	(2 244 672)	3 156 724
Other information								
Additions to property, plant and equipment and intangible assets	31 638	61 490	199 745	4 069	300	–	–	297 242
Depreciation and amortisation of intangibles	70 446	61 889	8 253	4 480	108	672	–	145 848
Other material items of income and expense:								
– Net foreign currency losses (gains)	–	38 073	(303)	86 748	(1 004)	1 486	2 380	127 380
– Staff costs (including directors' remuneration)	306 163	771 821	177 478	59 352	14 471	5 496	(998)	1 333 783
– Increase in warranty provision	2 740	2 541	307	153	–	–	–	5 741
– Warranty expenditure	29 391	92 878	8 853	3 618	5 478	–	1 549	141 767

* *Included in the North American operation are sales to a specific dealer in the United States of America which represent more than 10% of the group's external revenue.*

** *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.

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 (restated***)	2 973 050	805 648	1 277 234	619 872	1 197 667	–	–	6 873 471
Inter-segment revenue (restated***)	15 364	3 673 939	1 033 903	–	349	–	(4 723 555)	–
Total revenue (restated*)**	2 988 414	4 479 587	2 311 137	619 872	1 198 016	–	(4 723 555)	6 873 471
Profit (loss) from operating activities (restated*)**	157 356	195 949	84 913	(70 000)	49 980	(83 267)	68 526	403 457
Interest expense	(67 060)	(41 028)	(27 512)	(16 028)	(5 941)	(9 451)	123 670	(43 350)
Interest income (restated***)	28 469	64 267	6 121	4 041	1 876	62 219	(123 742)	43 251
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 of intangibles	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

* *Included in the North American operation are sales to a specific dealer in the United States of America which represent more than 10% of the group's external revenue.*

** *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.*

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

7. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

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 of freehold land and buildings, 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. 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.

Impairment of property, plant and equipment

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Cost/ valuation 2018 R'000	Accumulated depreciation and impairments 2018 R'000	Net book value 2018 R'000	Cost/ valuation 2017 R'000	Accumulated depreciation and impairments 2017 R'000	Net book value 2017 R'000
Owned						
Freehold land and buildings	**634 001**	**34 488**	**599 513**	403 373	15 579	387 794
Leasehold buildings	**12 908**	**5 292**	**7 616**	15 332	6 656	8 676
Plant and equipment	**523 140**	**346 654**	**176 486**	574 660	395 958	178 702
Rental assets	**92 448**	**42 636**	**49 812**	154 808	76 113	78 695
Aircraft	**7 051**	**3 611**	**3 440**	6 842	2 791	4 051
Vehicles	**43 942**	**33 866**	**10 076**	57 064	48 568	8 496
Leased						
Plant and equipment	**11 228**	**6 651**	**4 577**	42 272	29 967	12 305
Vehicles	**44 668**	**10 222**	**34 446**	17 267	4 557	12 710
Total	**1 369 386**	**483 420**	**885 966**	1 271 618	580 189	691 429

	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							
2018							
Net book value at beginning of the year	**387 794**	**8 676**	**191 007**	**78 695**	**4 051**	**21 206**	**691 429**
Additions	**204 362**	**1 372**	**19 213**	**–**	**254**	**32 727**	**257 928**
Disposals	**–**	**–**	**(994)**	**–**	**–**	**(387)**	**(1 381)**
Depreciation	**(16 074)**	**(995)**	**(30 134)**	**(62 167)**	**(865)**	**(9 541)**	**(119 776)**
Transfers	**2 079**	**(1 937)**	**(142)**	**32 419**	**–**	**–**	**32 419**
Translation differences	**21 352**	**500**	**2 113**	**865**	**–**	**517**	**25 347**
Net book value at end of the year	**599 513**	**7 616**	**181 063**	**49 812**	**3 440**	**44 522**	**885 966**
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	–	–	–	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

** Owned and leased.*

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.

	2018 R'000	2017 R'000
7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
Freehold land and buildings at valuation/cost comprise:		
Lot 1892 Alton Industrial Township, Richards Bay*	**21 528**	21 400
Lot 1894 Alton Industrial Township, Richards Bay*	**57 534**	57 534
Lot 10024 Alton Industrial Township, Richards Bay*	**139 687**	132 659
Portion 45 Lot 11063, Extension 33, Middelburg*	**39 669**	39 669
Plots 839 and 954, Extensions 2 and 3 respectively, Oranjemund, Namibia	**104**	104
Oberste-Elpersweide 4, Alsfeld, Germany**	**81 857**	73 424
– at cost	**72 694**	72 694
– translation differences	**9 163**	730
Industriestraße 8, Hörselberg-Hainich, 99820, Germany (construction in progress)***	**201 729**	–
Plots 4095 and 4096, Chingola Road, Kitwe, Zambia****	**91 893**	78 583
– at valuation	**89 251**	89 251
– translation differences	**2 642**	(10 668)
Total freehold land and buildings at cost/valuation	**634 001**	403 373

* *The freehold land and buildings in Richards Bay and Middelburg were valued by the Mills Fitchet group, independent qualified valuers, on the fair value in continuation of existing use basis. These valuations were carried out in 2016. Additions subsequent to the last valuation are at cost.*

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

*** *This comprises purchased freehold land and buildings and building extensions which were still in progress at year-end. The property will be included in the revaluation cycle upon completion.*

**** *The freehold land and buildings in Zambia were valued by Mak Associates Consulting Limited, independent qualified valuers during 2017.*

The directors are satisfied that there have been no material changes to the information used and assumptions applied by the registered valuers.

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

	2018 R'000	2017 R'000
Historical carrying amount	**477 629**	259 087

8. INTANGIBLE ASSETS

Accounting policy

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

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 factory 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.

Impairment of intangible assets

At the end of the reporting period, the group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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.

	2018 R'000	2017 R'000
8. INTANGIBLE ASSETS (CONTINUED)		
Capitalised software		
Cost		
At beginning of the year	**79 154**	76 068
Additions	**1 860**	3 417
Disposals	**(16 302)**	(285)
Translation differences	**68**	(46)
At end of the year	**64 780**	79 154
Accumulated amortisation		
At beginning of the year	**55 561**	52 499
Charge for the year	**3 084**	3 393
Disposals	**(16 302)**	(285)
Translation differences	**68**	(46)
At end of the year	**42 411**	55 561
Carrying amount at end of the year	**22 369**	23 593
Capitalised engineering development expenditure		
Cost		
At beginning of the year	**335 441**	297 271
Capitalised – current year	**37 454**	38 170
Disposals	**(21 479)**	–
At end of the year	**351 416**	335 441
Accumulated amortisation		
At beginning of the year	**134 268**	104 421
Charge for the year	**22 988**	29 847
Disposals	**(21 435)**	–
At end of the year	**135 821**	134 268
Carrying amount at end of the year	**215 595**	201 173
Total intangible assets	**237 964**	224 766

9. INVESTMENTS

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

Investments are classified as at fair value through other comprehensive income and comprise of listed and unlisted equity instruments which are not held for trading. On initial recognition, the group may make an irrevocable election, on an instrument-by-instrument basis, to designate such equity instrument as at fair value through other comprehensive income. The group has elected to designate the investments below as at fair value through other comprehensive income as these are strategic investments and the group considers this classification to be more relevant.

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

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

	2018 R'000	2017 R'000
Financial assets at fair value through other comprehensive income		
Listed equity investments not held for trading*		
Opening balance	**–**	–
Additions at cost	**7 560**	–
Fair value losses	**(637)**	–
Closing balance	**6 923**	–
Unlisted equity investment not held for trading**		
Opening balance	**574**	568
Translation difference	**66**	6
Fair value gains	**16 021**	–
Closing balance	**16 661**	574
Total investments	**23 584**	574

* *The listed investments are investments in companies which are listed on the Zimbabwean Stock Exchange. They have no fixed maturity. These investments have been fair valued using the quoted closing market prices at 31 December 2018 which resulted in a loss of R0,6 million which was accounted for in other comprehensive income. These have been classified as Level 1 fair value measurements. No dividend income has been received on these investments in 2018.*

** *The unlisted equity investment represents a 10% interest in the equity of an entity registered in the United States of America. The entity operates within the dealer and distribution network of the heavy equipment industry. The group does not have access to future forecast information with regards to this entity and has used the market approach to estimate the fair value of its investment. In estimating the fair value, the group used an average price to book ratio of 1,81 applied to the estimated net asset value of the entity as at 31 December 2018. The price to book ratio of 1,81 represents an average of observable price to book ratios of a number of entities within the heavy equipment industry. The fair value measurement has been classified as a Level 3 measurement. For a 10% change in the price to book ratio, there would have been an equal impact on the fair value of the investment. The fair value gain of R16,0 million was accounted for in other comprehensive income.*

10. INTEREST-BEARING RECEIVABLES

Accounting policy

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

Recognition

Interest-bearing 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. Cash flows from interest-bearing receivables are solely payments of principal and interest and the group's objective is to collect the contractual cash flows that arise from these assets. Interest-bearing receivables are classified as financial assets at amortised cost.

Amounts due from customers under finance leases are recognised as interest-bearing receivables at the amount of the group's net investment in the leases. 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. 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 26 for the group's accounting policy on revenue recognition.

Impairment

Interest-bearing receivables are individually assessed for indicators of impairment at the end of each reporting period. Interest-bearing receivables 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 effected.

Where indicators of impairment exist, management estimate the expected credit losses. In determining the amount, management consider any forward looking factors which may impact the risk of default and loss as well as any other relevant factors. For finance lease receivables and credit risk relating to the WesBank cash collateral, the group also considers current industry conditions, customer profile and customer specific circumstances. In addition to this, the group uses an expected default and loss rate based on historical trends. The group fragments these receivables into categories that reflect the risks of default and loss and track the historical loss rates on these categories. Categories used in fragmentation is country risk, secured debt versus unsecured debt, transaction type and customer type.

The carrying amount of the financial asset is reduced directly by the impairment loss, with the exception of finance lease receivables, 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

The group derecognises interest-bearing receivables when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received (refer below and note 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 is recognised in profit or loss. On derecognition of a financial asset other than in its entirety, the group allocates the previous carrying amount between the part it continues to recognise under continuing involvement and the part it no longer recognises on the basis of the relative fair values on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received is recognised in profit or loss.

	2018 R'000	2017 R'000
10. INTEREST-BEARING RECEIVABLES (CONTINUED)		
WesBank cash collateral (i)	**71 800**	49 325
Less: impairment of cash collateral (note 31.1)	**–**	(1 549)
	71 800	47 776
Environmental Protection Agency cash collateral (ii)	**6 466**	5 530
Supplier recovery (iii)	**–**	17 089
Long term receivable (iv)	**38 424**	–
Finance lease receivables (v)	**162 317**	118 432
	279 007	188 827
Less: current portion	**(209 781)**	(96 053)
Total long-term portion of interest-bearing receivables	**69 226**	92 774

(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 receivables on the statement of financial position. The average interest rate for the year was 6,6% (2017: 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 1,0% (2017: 0,04%) per annum.

(iii) In the prior year the group was entitled to recover an amount of R17,1 million from a certain component supplier. This related to costs incurred by the group on equipment fitted with this supplier's components. The amount was fully recovered during 2018.

(iv) The group's operation in the Democratic Republic of the Congo ceased trading in October 2018. Inventory and fixed assets were sold to an independent dealer on extended payment terms to September 2020. The amounts are repayable in instalments by:

	2018 R'000	2017 R'000
– September 2019	**21 237**	–
– March 2020	**10 618**	–
– September 2020	**10 618**	–
	42 473	–
Less: unearned finance income	**(4 049)**	–
	38 424	–
Less: current portion	**(18 113)**	–
Long-term portion	**20 311**	–

The above amount was discounted using a discount rate of 9% per annum.

10. INTEREST-BEARING RECEIVABLES (CONTINUED)

(v) Finance lease receivables for the amount of R162,3 million (2017: R118,4 million) relate to financing arrangements for equipment sold to customers. The amounts are repayable in instalments by:

	Average interest rate per annum	2018 R'000	2017 R'000
2018	13,7%	–	6 053
2019	12,8%	140 545	65 769
2020	13,3%	21 772	46 610
Total		162 317	118 432
Less: current portion		(142 832)	(50 630)
Long-term portion		19 485	67 802

The following details an analysis of these finance lease receivables:

	Less than one year R'000	Two to five years R'000	Total R'000
2018			
Gross investment	152 772	20 017	172 789
Less: unearned finance income	(9 940)	(532)	(10 472)
Present value of minimum lease payments	142 832	19 485	162 317
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

Finance lease receivables include an amount of R25,9 million (2017: R46,7 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.

Finance lease receivables of R2,9 million (2017: Rnil) included above were past due at the reporting date. The group has not provided for these as the amounts are still considered recoverable and there has not been a significant change in credit quality.

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

11. DEFERRED TAXATION

Accounting policy

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

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

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

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

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

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 compre-hensive 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 year R'000
2018							
Accruals	8 758	12 839	51	–	(2 874)	9 946	8 828
Capitalised engineering development expenditure	–	(66 820)	–	–	(4 713)	–	(71 533)
Deferred income	16 332	40 924	95	–	10 713	17 546	50 518
Excess taxation allowances over depreciation charge	(15 782)	(27 916)	(71)	–	3 364	(14 757)	(25 648)
Finance leases	21 938	(161)	–	–	(16 487)	5 450	(160)
Future expenditure allowance	–	(5 720)	–	–	(1 847)	–	(7 567)
Production incentives	–	(15 460)	–	–	(1 784)	–	(17 244)
Other allowances	(6 427)	–	(5)	–	1 704	(4 728)	–
Other provisions	3 806	44	3	–	13 084	16 997	(60)
Prepayments	(855)	(9 939)	(28)	–	9 650	(447)	(725)
Provision for doubtful debts	6 306	533	85	–	17 104	11 965	12 063
Provision for lease escalation	4 169	8 941	–	–	2 431	9 607	5 934
Provision for stock obsolescence	5 439	96	145	–	2 789	8 259	210
Provision for warranty expenditure	2 062	9 615	(46)	–	3 778	4 311	11 098
Revaluation of properties	(1 367)	(41 658)	130	–	(7 468)	(8 705)	(41 658)
Sales in advance	6 126	3 844	305	–	689	5 089	5 875
Taxable losses	10 200	–	(611)	–	(9 074)	86	429
Unrealised foreign currency gains and losses	(9 010)	2 087	815	–	14 011	7 093	810
Unrealised profit in inventory	50 168	–	316	–	9 624	60 108	–
Totals	**101 863**	**(88 751)**	**1 184**	**–**	**44 694**	**127 820**	**(68 830)**

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 comprehensive 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 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)
Production incentives	–	(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)

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.

12. INVENTORY

Accounting policy

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

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

Redundant and slow-moving inventory is identified and written down with regard to their estimated economic or realisable values. Net realisable value represents the estimated selling price, less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

	2018 R'000	2017 R'000
Finished goods		
– manufactured	**907 363**	802 346
– branded	**388 289**	235 328
– used	**307 837**	211 052
Merchandise spares, components and raw materials	**1 851 554**	1 436 301
Work-in-progress	**450 145**	362 092
Total inventory	**3 905 188**	3 047 119

Included above is inventory of R242,7 million (2017: R308,7 million) carried at net realisable value.

Total inventory expensed, included in cost of sales, amounts to R5 543,3 million (2017: R5 136,3 million).

12. INVENTORY (CONTINUED)

Cost of sales includes an amount of R79,5 million (2017: R115,6 million) in respect of write-downs of inventory and has been reduced by Rnil (2017: R5,0 million) in respect of the reversal of write-downs to net realisable value.

Inventory includes an amount of R57,2 million (2017: Rnil) relating to machines on short-term rental. The rental income stream has been discounted to a financial institution with recourse to the group. The corresponding liability to the financial institution is disclosed in note 19.

Inventory includes an amount of R125,3 million (2017: Rnil) relating to components supplied on extended credit terms. Refer to note 19.

13. Trade and other receivables

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

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

Impairment
Trade and other receivables are individually assessed for indicators of impairment at the end of each reporting period. Trade and other receivables 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 asset have been affected.

Where indicators of impairment exist, management estimate life time expected credit losses. In determining the amount, management consider any forward looking factors which may impact the risk of default and loss, current industry conditions, customer profile and customer specific circumstances as well as any other relevant factors. In addition to this, the group uses historical loss data to estimate a default rate which is applied to the amounts receivable on a portfolio basis. This is referred to as a general provision for doubtful debts. The group fragments its trade and other receivables into categories that reflect the risks of default and loss and track the historical loss rates on these categories. Categories used in fragmentation is country risk, secured debt versus unsecured debt, transaction type and customer type. Refer to note 35.3 for further details on the group's assessment of credit risk and further details on the group's allowance for doubtful debts.

The carrying amount of trade receivables 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
The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable 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 consideration received, is recognised in profit or loss.

	2018 R'000	2017 R'000
Amounts receivable from the sale of goods and services	**682 455**	628 830
Allowance for estimated irrecoverable amounts (refer note 35.3)	**(70 235)**	(59 221)
	612 220	569 609
Sundry receivables	**126 824**	83 850
Value added taxation receivable	**129 475**	125 096
Total trade and other receivables	**868 519**	778 555

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

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

Financial assets 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.

Other financial assets include derivative financial assets, principally forward foreign exchange contracts and 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.

	2018 R'000	2017 R'000
Financial assets carried at fair value through profit or loss		
Forward foreign exchange contracts (Level 2)	**6 757**	13 139

Level 2 fair value measurements are those derived from inputs other than quoted prices. The fair value of these contracts is based on the market approach which uses observable forward exchange rates at the end of the year. Further details on the group's exposure to currency risk is disclosed in note 35.4.1.

15. CASH AND BANK BALANCES

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

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

	2018 R'000	2017 R'000
Cash on hand and cash bank balances	**148 445**	250 251

In the group's cash and bank balances are cash and cash equivalents of R16,7 million which form part of the group's operation in Zimbabwe. Following the Zimbabwean government's designation of these bank balances as RTGS (real time gross settlement) dollars, these bank balances have been devalued by R63,6 million during the current year (2017: Rnil) through profit or loss.

The directors consider that the carrying amount of cash on hand and cash bank balances approximates their fair value.

	2018 R'000	2017 R'000
16. STATED CAPITAL		
Authorised		
100 000 000 (2017: 100 000 000) ordinary shares of no par value		
Issued		
95 629 385 (2017: 95 306 885) ordinary shares of no par value	**232 499**	232 244

The increase in issued share capital relates to 322 500 (2017: 10 000) share options exercised at an average share price of R11,34 per share.

Five million ordinary shares were reserved for the group's equity-settled employee share option scheme. At 31 December 2018, the company had granted options in terms of this scheme to executive directors and employees to subscribe for 2 357 272 (2017: 2 841 272) shares in the company as set out in note 30.1.3.

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.

	2018 Number of shares	2017 Number of shares
Reconciliation of authorised but unissued shares		
Authorised ordinary shares	**100 000 000**	100 000 000
Less: ordinary shares issued	**(95 629 385)**	(95 306 885)
Less: equity-settled share options granted but unexercised	**(2 357 272)**	(2 841 272)
Less: shares reserved but not granted	**(1 987 343)**	(1 825 843)
Number of authorised but unissued shares, excluding shares reserved for the group's equity-settled employee share option scheme	**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	Reserve for fair value gains on equity investments 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 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
– 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
Other comprehensive income	**28**	**2 735**	**–**	**131 839**	**–**	**–**	**134 602**
– exchange differences on translating foreign operations	**–**	**–**	**–**	**131 351**	**–**	**–**	**131 351**
– exchange differences on foreign reserves	**28**	**2 735**	**–**	**488**	**–**	**–**	**3 251**
Decrease in equity-settled employee benefits reserve*	**–**	**–**	**–**	**–**	**–**	**(856)**	**(856)**
Fair value gain through other comprehensive income	**–**	**–**	**15 384**	**–**	**–**	**–**	**15 384**
Balance at 31 December 2018	**121 108**	**26 683**	**15 384**	**497 425**	**2 199**	**16 612**	**679 411**

* *Details of the equity-settled employee share option plan are set out in note 30.1.*

** *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.

	2018 R'000	2017 R'000
18. NON-CONTROLLING INTEREST		
Balance at beginning of the year	**11 841**	–
Share of total comprehensive income for the year	**6 832**	11 841
Balance at end of the year	**18 673**	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 Bell Equipment Sales South Africa Limited (BESSA). Summarised financial information about BESSA is disclosed in note 38.

During the prior 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 were interest-free and repayable within 12 months. At year-end Rnil (2017: 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 were 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 5 years or at any time if:

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

The amount payable 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 are to acquire and hold investments and use trust income to support black women in South African communities by financially assisting them with their education or their businesses. The group has control over the trust in terms of its relevant activities and trustees and the results of the trust have therefore been consolidated (refer to note 4.1).

The BBBEE shareholding in BESSA was fair valued by an independent valuer in 2017 at R4,3 million. An IFRS 2 share-based payment charge of R2,2 million was recognised in profit or loss in the prior year being the difference between the fair value of R4,3 million and the subscription price of R2,1 million.

19. INTEREST-BEARING LIABILITIES

Accounting policy
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.

19.1 Finance Leases

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

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. 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. Lease finance costs are charged to profit or loss when incurred.

Derecognition of finance leases
The group derecognises finance leases 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.

	Average variable rate of interest per annum	**2018 R'000**	2017 R'000
Secured			
Finance lease liabilities repayable in instalments by:			
2018	9,6%	**–**	3 064
2019	9,8%	**1 803**	5 011
2020	9,3%	**6 826**	10 770
2021	9,3%	**24 009**	–
		32 638	18 845
Less: current portion		**(13 831)**	(10 398)
Long-term portion		**18 807**	8 447

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 R4,6 million (2017: R12,3 million).
- vehicles in South Africa and France R34,4 million (2017: R12,7 million).

19. INTEREST-BEARING LIABILITIES (CONTINUED)

19.2 Mortgage loans

Accounting policy

Mortgage loans 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. Interest expenses are recognised in profit or loss.

Derecognition of mortgage loans

The group derecognises mortgage loans 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.

	Average variable/ fixed rate of interest per annum	2018 R'000	2017 R'000
Secured			
Long-term mortgage loans from financial institutions repayable in instalments by:			
April 2020(i)	6,3%	**23 910**	34 078
December 2023(ii)	9,6%	**14 635**	16 811
August 2024(v)*	1,6%	**9 292**	–
September 2031(iii)*	1,7%	**41 900**	40 490
November 2032(iv)*	1,8%	**44 157**	–
August 2033(v)*	1,7%	**110 091**	–
		243 985	91 379
Less: current portion		**(24 772)**	(18 718)
Long-term portion		**219 213**	72 661

* *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 R90,2 million (2017: R78,6 million)

(ii) freehold land and buildings in Middelburg, South Africa R36,2 million (2017: R36,8 million)

(iii) freehold land and buildings in Alsfeld, Germany R77,8 million (2017: R72,0 million)

(iv) freehold land and buildings in Kindel, Germany purchased in 2018 R65,8 million (2017: Rnil)

(v) buildings under construction in Kindel, Germany R132,5 million (2017: Rnil)

19. INTEREST-BEARING LIABILITIES (CONTINUED)

19.3 Collateralised borrowings

Accounting policy

Discounted finance lease receivables

Refer to note 10 for the group's accounting policy on derecognition of finance lease receivables.

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.

Discounted short-term rentals

Where 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.

	Average variable rate of interest per annum	2018 R'000	2017 R'000
Secured			
Collateralised borrowings – discounted finance lease receivables*	11,0%	**25 904**	46 748
Collateralised borrowings – rental assets sold and leased back**	13,1%	**122 085**	88 814
Collateralised borrowings – discounted short-term rental***	12,8%	**64 361**	–
		212 350	135 562
Less: current portion		**(100 333)**	(103 487)
Long-term portion		**112 017**	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.*

** *This represents amounts payable to financial institutions where certain rental assets were sold and leased back under the same arrangement. The leaseback was 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 amounted to R47,5 million (2017: R58,2 million) and was included in property, plant and equipment as disclosed in note 7.*

*** *This represents amounts payable to financial institutions where certain inventory items are on short-term rental and these rental income streams have been discounted with recourse to the group. The book value of inventory subject to these borrowings amounted to R57,2 million (2017: Rnil).*

19. INTEREST-BEARING LIABILITIES (CONTINUED)

19.4 Trade loans

Accounting policy
Trade loans 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. Interest expenses are recognised in profit or loss.

Derecognition of trade loans
The group derecognises trade loans 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.

	Average variable rate of interest per annum	2018 R'000	2017 R'000
Unsecured			
Industrial Development Corporation (IDC) of South Africa*	11,6%	521 110	82 811
Supplier extended payment terms**	2,9%	125 342	–
		646 452	82 811
Less: current portion		(611 445)	(82 811)
Long-term portion		35 007	–

* *The IDC trade finance is unsecured and is a rolling credit facility, repayable six-monthly. Utilisation of the facility is restricted to the funding of working capital. The facility amount was R550 million (2017: R550 million) and was renewed in February 2019 at R750 million, which facility expires on 31 March 2021.*

** *This represents amounts payable to component suppliers over 18 months from February 2019 to July 2020. Refer to note 12.*

	2018 R'000	2017 R'000
Total current portion of interest-bearing liabilities	750 381	215 414
Total long-term portion of interest-bearing liabilities	385 044	113 183

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

	2018 R'000	2017 R'000
Repurchase obligations		
Total repurchase obligations	–	838
Less: current portion	–	(314)
Long-term portion	–	524
Deferred leasing income		
Total deferred leasing income	–	1 151
Less: current portion	–	(432)
Long-term portion	–	719
Total current portion of repurchase obligations and deferred leasing income	–	746
Total long-term portion of repurchase obligations and deferred leasing income	–	1 243

Repurchase obligations in the prior year were in respect of rental assets with a net book value of R2,3 million reflected in note 7 and related 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 was assessed as not remote. The repurchase obligation was the present value of the buy-back obligation.

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

21. DEFERRED INCOME

Accounting policy
The group accounting policy for deferred income is included in note 26.

	2018 R'000	2017 R'000
Deferred warranty income		
Balance at beginning of the year	**140 832**	132 739
Less: allocation to deferred finance income liability	**(23 004)**	–
Extended warranty contracts sold during the year	**80 520**	77 454
Costs in excess of contract value	**–**	12 062
Expired during the year	**–**	(26 864)
Utilised during the year	**–**	(23 832)
Revenue recognised during the year	**(62 292)**	(30 727)
	136 056	140 832
Less: current portion	**(59 990)**	(63 338)
Long-term portion	**76 066**	77 494
Deferred warranty income relates to extended warranty contracts sold. The extended warranty contract periods commence after expiry of the standard warranty period provided for in the standard conditions of sale of equipment and the liability is in respect of this extended period. Revenue on the long term portion is expected to be recognised over a period of two to five years.		
Deferred service contract income		
Balance at beginning of the year	**59 907**	34 247
Less: allocation to deferred finance income liability	**(9 121)**	–
Service contracts sold during the year	**62 870**	61 761
Costs in excess of contract value	**3 068**	–
Expired during the year	**(8 899)**	–
Utilised during the year	**(31 608)**	(36 101)
	76 217	59 907
Less: current portion	**(54 208)**	(30 833)
Long-term portion	**22 009**	29 074
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. Revenue on the long-term portion is expected to be recognised over a period of two to four years.		
Deferred finance income liability		
Balance at beginning of the year	**–**	–
Add: allocation from deferred warranty income	**23 004**	–
Add: allocation from deferred service contract income	**9 121**	–
Deferred finance income from:		
– Extended warranty contracts sold	**17 355**	–
– Service contracts sold	**8 750**	–
Less: deferred finance income recognised		
– Extended warranty contracts	**(13 068)**	–
– Service contracts	**(3 295)**	–
	41 867	–
Less: current portion	**(21 045)**	–
Long-term portion	**20 822**	–
The deferred finance income liability relates to the finance component on extended warranty contracts and service contracts sold with contract terms exceeding 12 months. The average discount rate applied to the extended warranty contracts was 10,5%and 10,0% on service contracts.		
Total current portion of deferred income	**135 243**	94 171
Total long-term portion of deferred income	**118 897**	106 568

22. LEASE ESCALATION

Accounting policy
Leases are classified as operating leases where substantially all of the risks and rewards of ownership are retained by the lessor. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Due to the effect of straight-lining a lease smoothing provision is recognised for those contracts with rental escalations.

	2018 R'000	2017 R'000
Total lease escalation	**41 100**	46 797
Less: current portion	**(11 631)**	(8 447)
Long-term portion of lease escalation	**29 469**	38 350

23. PROVISIONS

Accounting policy
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.

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.

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 when the group has satisfied its performance obligation in terms of the contract with the customer and control of the goods has passed to the customer.

The group's exposure to credit risk is accounted for as part of financial guarantee contracts and is 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 on a deal-by-deal basis to the extent of the group's liability towards the financial institution. In assessing the group's credit risk exposure relating to these transactions, the group also uses an expected default rate based on historical trends to measure expected credit losses on a portfolio basis. Refer to the group's accounting policy for financial guarantee contracts in note 31.1.

23. PROVISIONS (CONTINUED)

	Warranty provision R'000	Provision for credit risk R'000	Total R'000
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
Balance at 31 December 2017	56 102	–	56 102
Increase during the year	**147 508**	**–**	**147 508**
Utilised during the year	**(141 767)**	**–**	**(141 767)**
Translation differences	**1 328**	**–**	**1 328**
Balance at 31 December 2018	**63 171**	**–**	**63 171**
Less: current portion	**(59 316)**	**–**	**(59 316)**
Long-term provisions at 31 December 2018	**3 855**	**–**	**3 855**

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.

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

24. TRADE AND OTHER PAYABLES

Accounting policy

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.

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

	2018 R'000	2017 R'000
Trade creditors	**878 320**	857 931
Leave pay and other payroll accruals	**96 004**	120 875
Value added taxation payable	**19 807**	7 335
Other payables	**148 390**	108 601
Total trade and other payables	**1 142 521**	1 094 742

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

25. OTHER FINANCIAL LIABILITIES

Accounting policy
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.

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.

Other financial liabilities include derivative financial liabilities, principally forward foreign exchange contracts, and 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.

	2018 R'000	2017 R'000
Financial liabilities carried at fair value through profit or loss		
Forward foreign exchange contracts (Level 2)	**10 648**	20 272

Level 2 fair value measurements are those derived from inputs other than quoted prices. The fair value of these contracts is based on the market approach which uses observable forward exchange rates at the end of the year. Further details on the group's exposure to currency risk is disclosed in note 35.4.1.

26. REVENUE

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

The total transaction price, excluding sales taxation and net of any customer rebates, trade discounts and other similar allowances, are proportionately allocated to each performance obligation (good or service) promised in the contract, based on the stand-alone price of each good or service.

The group recognises revenue from the following major sources:

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

26. REVENUE (CONTINUED)

Accounting policy (continued)

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

Sale of finished goods

Revenue from the sale of finished goods is recognised when the group has satisfied its performance obligation in terms of the contract with the customer and control over the goods has transferred to the customer. Control is generally considered to be transferred where the group has obtained the right to receive payment, physical possession of the goods has transferred to the customer, significant risks and rewards of ownership have transferred to the customer and the customer has accepted the goods.

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. In these instances the group allocates the total transaction price proportionately to each performance obligation (good or service) promised in the contract, based on the stand-alone price of each good or service.

Standard warranties on the equipment are not separately sold by the group in its ordinary course of business and are not separately priced. These are considered to be assurance type warranties and the group accounts for these in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*. Refer to note 23.

Sale of extended warranties

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

Transactions with trade-ins

Where the group agrees to trade in used equipment from a customer as part of the consideration receivable for the sale of new equipment, the difference between the fair value of the used equipment traded in and the agreed upon price of such trade-in, is accounted for as an adjustment to revenue.

Transactions with residual value guarantees

Where the group has guaranteed the residual value of finished goods sold to financial institutions or customers, the group assesses the probable outcome of the residual value commitment at inception and each reporting period, and where there is a shortfall between the assessed market value of the equipment and the residual value guaranteed by the group, the group recognises a liability in the statement of financial position with a corresponding adjustment to revenue.

In some instances, a residual value estimate is made by the financial institution at the time of sale, 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 an adjustment to revenue. 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 and accounts for the loss as an adjustment to revenue.

Where there is no anticipated shortfall between the market value of the equipment and the residual value guaranteed by the group, the group's exposure is disclosed as a contingent liability. Refer to note 31.2.

Transactions with lease agreements

Where goods are sold as part of a lease arrangement, 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, and considers if significant risks and rewards of ownership have 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.

Where the group concludes that significant risks and rewards of ownership have transferred to the buyer, the lease is classified as a finance lease and the sale of goods is recognised as revenue. A finance lease receivable is recognised on the statement of financial position at the amount of the group's net investment in the lease. Refer to note 26.4 for leases classified as operating leases.

26. REVENUE (CONTINUED)

Accounting policy (continued)

26.2 Sale of parts

Revenue from the sale of parts is recognised when the group has satisfied its performance obligation in terms of the contract with the customer and control over the parts has transferred to the customer. Control is generally considered to be transferred where the group has obtained the right to receive payment, physical possession of the parts has transferred to the customer, significant risks and rewards of ownership have transferred to the customer and the customer has accepted the parts.

26.3 Service income

Service Contracts

Service contract income arises from transactions with customers where the group is obligated to service a customer's equipment over the contract period, at specified service intervals or as and when required by the customer. Each service period is by nature short-term.

The group often supplies the service parts as part of the agreement. In these instances, the total transaction price is proportionately allocated to each performance obligation in the contract, using stand-alone prices for each. Revenue is recognised at a point in time, when the services have been rendered, the benefit has passed to the customer and the group has obtained the right to receive payment.

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. Refer to note 21. Where the service contract term is more than 12 months, the contract is discounted where the financing component is material. Revenue is released each time a service has been rendered, based on the expected gross margin, taking into account an anticipated forfeiture rate. A customer may elect to enter into a new contract to extend the service period after the expiry of the initial service term.

Transport services

In many instances where machines and parts are sold to customers, the group agrees to deliver the goods to the customer at an agreed price. The group uses another party to deliver the goods to the customer on the group's behalf. Revenue from transport services is recognised when the group has satisfied its performance obligation and control has passed to the customer. Revenue is recorded on a gross basis with the related costs in cost of sales.

26.4 Rental income

Where the group enters into a lease arrangement, 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, and considers if significant risks and rewards of ownership have transferred to the customer.

Rental income relates to those lease arrangements that have been classified as operating leases and where risks and rewards associated with ownership of the asset have not transferred to the customer. 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.

In instances where the rental income streams from operating leases have been discounted to financial institutions with recourse to the group, the group recognises a liability on the statement of financial position. Refer to note 19.

26. REVENUE (CONTINUED)

Disaggregation of revenue

The group derives its revenue from the transfer of goods and services over time and at a point in time in the following major sources. This is consistent with the external revenue information that is disclosed for each reportable segment under IFRS 8 (refer to note 6) and the information that is provided to the group's chief operating decision maker on a regular basis.

	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	Consolidated R'000
2018						
Revenue						
Sale of machines	**2 238 356**	**677 645**	**1 247 486**	**351 388**	**943 185**	**5 458 060**
Sale of parts*	**723 860**	**220 983**	**266 927**	**288 502**	**16 551**	**1 516 823**
Service income	**189 624**	**57 303**	**51 071**	**32 625**	**28 632**	**359 255**
Extended warranty	**–**	**65 076**	**1 283**	**–**	**2 286**	**68 645**
Rental income	**124 476**	**–**	**6 618**	**561**	**–**	**131 655**
Total revenue	**3 276 316**	**1 021 007**	**1 573 385**	**673 076**	**990 654**	**7 534 438**
2017						
Revenue (restated)**						
Sale of machines	2 004 627	523 007	987 045	276 450	1 153 886	4 945 015
Sale of parts	669 680	202 035	239 044	291 489	9 454	1 411 702
Service income	168 847	26 815	36 031	46 455	34 327	312 475
Extended warranty	–	53 791	3 917	–	–	57 708
Rental income	129 896	–	11 197	5 478	–	146 571
Total revenue	2 973 050	805 648	1 277 234	619 872	1 197 667	6 873 471

	2018 R'000	2017 R'000 Restated**
Timing of revenue recognition		
At a point in time		
Sale of machines	**5 458 060**	4 945 015
Sale of parts	**1 516 823**	1 411 702
Service income	**359 255**	312 475
Total	**7 334 138**	6 669 192
Over time		
Extended warranty	**68 645**	57 708
Rental income	**131 655**	146 571
Total	**200 300**	204 279
Total revenue	**7 534 438**	6 873 471

* *The sale of parts reflected in the South African manufacturing and logistics operation and European operation segments includes parts sold from the group's warehouses in those locations to customers in the following segment:*

– North American operation R30,6 million (2017: R35,0 million).

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

The group had remaining and unsatisfied performance obligations in terms of extended warranty and service contracts as disclosed in note 21.

Related party sales are disclosed in note 36.

	2018 R'000	2017 R'000 Restated*
27. PROFIT FROM OPERATING ACTIVITIES		
Profit from operating activities is arrived at after taking into account:		
Income		
Currency exchange gains	**149 634**	156 361
Decrease in warranty provision	**–**	9 087
Production incentives	**120 418**	84 612
Net surplus on disposal of property, plant and equipment and intangible assets	**5 716**	3 038
Reversal of impairment loss recognised on rental assets	**–**	1 942
Expenditure		
Amortisation of intangible assets		
– capitalised software	**3 084**	3 393
– capitalised engineering development expenditure	**22 988**	29 847
Amounts written off as uncollectible	**1 535**	13 618
Auditors' remuneration		
– audit fees – current	**9 914**	8 594
– prior	**67**	51
– other services	**1 273**	1 094
BBBEE share-based payment charge	**–**	2 199
Consulting fees	**24 931**	27 844
Currency exchange losses**	**277 014**	157 426
Depreciation		
– freehold buildings	**16 074**	16 131
– leasehold buildings	**995**	769
– plant and equipment	**30 134**	38 490
– rental assets	**62 167**	88 233
– aircraft	**865**	782
– vehicles	**9 541**	8 497
Directors' remuneration		
Paid by company:		
– non-executive directors' fees	**5 436**	4 854
Paid by subsidiaries:		
– executive directors – salaries	**9 467**	9 993
– benefits	**2 347**	1 418
Impairment loss recognised on revaluation of buildings	**–**	2 597
Increase in warranty provision	**5 741**	–
Operating lease charges		
– equipment and vehicles	**22 647**	33 653
– land and buildings	**79 215**	82 803
Research expenses (excluding staff costs)	**43 364**	46 298
Severance pay	**1 565**	8 684
Staff costs	**1 314 968**	1 255 906

* *Deferred warranty income has been reclassified to revenue. Refer to restatements of prior periods in note 5.*

** *This includes the devaluation of R63,6 million in the Zimbabwean bank balances referred to in note 15.*

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

28. TAXATION

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

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

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

Deferred taxation
Refer to note 11 for the group's accounting policy on deferred taxation.

		2018 R'000	2017 R'000
28.1	Taxation recognised in profit or loss		
	South African normal taxation		
	Current taxation		
	– current year	**130 414**	114 183
	– prior year	**10 478**	(1 676)
	Deferred taxation		
	– current year	**(36 114)**	(11 155)
	– prior year	**(7 429)**	(7 889)
	Withholding taxation	**2 397**	1 446
	Other corporate taxation	**–**	75
	Foreign taxation		
	Current taxation		
	– current year	**28 901**	24 525
	– prior year	**(502)**	2 847
	Deferred taxation		
	– current year	**(1 151)**	7 764
	– prior year	**–**	(319)
	Withholding taxation	**666**	947
	Other corporate taxation	**1 204**	560
	Total taxation charge recognised in profit or loss	**128 864**	131 308

28. TAXATION (CONTINUED)

28.1 Taxation recognised in profit or loss (continued)

	2018 %	2017 %
Reconciliation of rate of taxation (%)		
Standard rate of taxation	**28**	28
Adjustment for:		
Disallowable share-based payments, legal and consulting fees	**–**	1
Special allowances for taxation	**(2)**	(2)
Prior year taxation	**1**	(2)
Withholding and other corporate taxation	**1**	1
Foreign currency losses on retranslation of transactions and monetary items in Zimbabwean operation	**6**	–
Losses incurred by subsidiaries where no deferred taxation assets have been recognised and different taxation rates of subsidiaries operating in other jurisdictions	**(2)**	7
Effective rate of taxation	**32**	33

	2018 R'000	2017 R'000
The group's estimated taxation losses amount to R389,3 million (2017: R394,0 million). Included in this amount are losses of R17,8 million (2017: R77,1 million) that will expire as set out below:		
Less than one year	**–**	32 476
Two to five years	**2 889**	37 918
Six to ten years	**14 890**	–
More than ten years	**–**	6 727
Total	**17 779**	77 121
Other losses may be carried forward indefinitely.		
A deferred taxation asset of R0,5 million (2017: R10,2 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 R388,9 million (2017: R363,7 million). Of this amount R17,3 million (2017: R48,3 million) will expire as follows:		
Less than one year	**–**	32 476
Two to five years	**2 444**	15 865
Six to ten years	**14 890**	–
Total	**17 334**	48 341

28.2 Taxation recognised in other comprehensive income

	2018 R'000	2017 R'000
Deferred taxation		
– property revaluation	**–**	3 382
Total taxation charge recognised in other comprehensive income	**–**	3 382

29. EARNINGS AND NET ASSET VALUE PER SHARE

		2018	2017
29.1 Earnings per share (basic)			
Profit attributable to owners of Bell Equipment Limited	(R'000)	**269 585**	260 209
Weighted average number of shares in issue	('000)	**95 403**	95 307
Earnings per share (basic)	(cents)	**283**	273
29.2 Earnings per share (diluted)			
Profit attributable to owners of Bell Equipment Limited	(R'000)	**269 585**	260 209
Fully converted weighted average number of shares	('000)	**95 778**	95 454
Earnings per share (diluted)	(cents)	**281**	273
The number of shares has been adjusted for the effect of the dilutive potential ordinary shares relating to the unexercised options in the group's equity-settled employee share option plan as set out in note 30.1.3.			
29.3 Headline earnings per share (basic)			
Profit attributable to owners of Bell Equipment Limited	(R'000)	**269 585**	260 209
Net surplus on disposal of property, plant and equipment and intangible assets	(R'000)	**(5 716)**	(3 038)
Taxation effect of net surplus on disposal of property, plant and equipment and intangible assets	(R'000)	**1 512**	237
Impairment loss recognised on revaluation of buildings	(R'000)	**–**	2 597
Taxation effect of impairment loss recognised on revaluation of buildings	(R'000)	**–**	(909)
Reversal of impairment loss in respect of property, plant and equipment rental assets	(R'000)	**–**	(1 942)
Headline earnings	(R'000)	**265 381**	257 154
Weighted average number of shares in issue	('000)	**95 403**	95 307
Headline earnings per share (basic)	(cents)	**278**	270
29.4 Headline earnings per share (diluted)			
Profit as calculated in 29.3 above	(R'000)	**265 381**	257 154
Fully converted weighted average number of shares per 29.2 above	('000)	**95 778**	95 454
Headline earnings per share (diluted)	(cents)	**277**	269
29.5 Net asset value per share			
Total capital and reserves	(R'000)	**3 371 509**	2 988 602
Number of shares in issue	('000)	**95 629**	95 307
Net asset value per share	(cents)	**3 526**	3 136

30. SHARE-BASED PAYMENT ARRANGEMENTS WITH EMPLOYEES

Accounting policy

Equity-settled share-based payments

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

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

Cash-settled share-based payments

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

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

30. SHARE-BASED PAYMENT ARRANGEMENTS WITH EMPLOYEES (CONTINUED)

30.1 Equity-settled employee share option plan

This scheme was approved by the shareholders and the board in 2009 and share options were granted to senior employees on 15 February 2010, 15 April 2011 and 15 May 2012.

Five million ordinary shares were reserved for this scheme. The option price was the thirty day volume weighted average of the closing market price of the share immediately preceding the grant date. The options are equity-settled, each year's allocation of options vests 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 maximum number of shares any employee may acquire in terms of this scheme may not exceed 200 000 shares. The options 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.

The board 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.

A new, cash-settled share award plan was implemented in 2018 as detailed in 30.2.

30.1.1 Share options granted

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

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

30.1.2 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 the equity-settled 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. At the time of valuation, the expected volatility was based on the historical share price volatility over 10 years. For options granted on 15 May 2012, it was assumed that executives and senior employees would exercise the options after vesting date when the share price is 3,3 times the exercise price. For options granted on 15 February 2010 and 15 April 2011, an exercise multiple of 2,2 times was assumed.

Inputs into the model	Grant date 15 Feb 2010	Grant date 15 Apr 2011	Grant date 15 May 2012
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. SHARE-BASED PAYMENT ARRANGEMENTS WITH EMPLOYEES (CONTINUED)

30.1 Equity-settled employee share option plan (continued)

30.1.3 Shares reserved and movement in share options for the year

	2018	2017
Total number of shares reserved for equity-settled share options	**5 000 000**	5 000 000
Less: number of share options exercised	**(655 385)**	(332 885)
Less: number of share options granted, but not exercised	**(2 357 272)**	(2 841 272)
Number of shares reserved, but share options not granted	**1 987 343**	1 825 843

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

	2018			2017		
	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	**2 841 272**	**13,21**	**–**	2 902 272	13,19	–
Forfeited during the year	**(161 500)**	**15,96**	**–**	(25 500)	12,52	–
Expired during the year	**–**	**–**	**–**	(25 500)	12,52	–
Exercised during the year	**(322 500)**	**11,34**	**14,56**	(10 000)	10,48	12,05
Balance at end of the year	**2 357 272**	**13,28**		2 841 272	13,21	

The share options outstanding at the end of the year under equity-settled share based payments had a weighted average remaining contractual life of 1,9 years (2017: 2,9 years). The exercise prices on options are presented in note 30.1.1.

At year-end the number of options that had vested and that were exercisable was 2 210 272 (2017: 2 400 439).

30.2 Cash-settled employee share award plan

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

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

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

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

The effective grant date of the awards and start date of the scheme was 1 January 2018. The strike price was the thirty day volume weighted average of the closing market share price immediately preceding the grant date of 1 January 2018, which was R13,53.

30. SHARE-BASED PAYMENT ARRANGEMENTS WITH EMPLOYEES (CONTINUED)

30.2 Cash-settled employee share award plan (continued)

30.2.1 Share awards granted

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

Grant date	Phantom share units with a strike price of R13,53	Phantom share units with a strike price of zero	Phantom share units vesting January 2021	Phantom share units vesting January 2022	Phantom share units vesting January 2023
1 January 2018	1 007 000	566 000	524 000	524 000	525 000

No provision has been made for this cash-settled employee share award plan as it has been assessed that there is no liability at year-end.

31. CONTINGENT LIABILITIES

Accounting policy

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.

31.1 Financial guarantee contracts

Accounting policy

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.

Financial guarantee contracts arise out of transactions where the sale of goods to customers has been financed through financial institutions and where the group has a credit risk undertaking with that financial institution for some or all of the credit risk. In these transactions the group's credit backing enables the customer to obtain funding from the financial institution. The group's credit backing provides no interest benefit to the customer and therefore there is no interest differential upon initial recognition. Revenue is recognised if control over the goods has passed to the customer and the group has satisfied its performance obligation in terms of its contract with the customer.

The group's exposure to this credit risk is disclosed as a contingent liability in the note below. 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 on an individual contract basis and a provision for any residual credit risk is made to the extent of the group's liability towards the financial institution. In assessing the group's credit risk exposure relating to these transactions, the group also uses an expected default rate based on historical trends to measure expected credit losses on a portfolio basis.

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 receivables (refer to note 10). A provision for non-recovery is raised against the cash investment to the extent that there is a shortfall between the estimated realisation values of the equipment and the balances due by customers to WesBank. See note 10 for the group's accounting policy on interest-bearing receivables.

	2018 R'000	2017 R'000

31. CONTINGENT LIABILITIES (CONTINUED)

31.1 Financial guarantee contracts (continued)

31.1.1 WesBank – credit risk

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.

	2018 R'000	2017 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	**264 235**	176 091
At year-end the group's credit risk exposure to WesBank under Bell-shared risk deals, for which the group carries a portion of the credit risk, totalled	**2 208**	1 872
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	**323 892**	228 782
	(57 449)	(50 819)
Less: impairment of cash collateral	**–**	(1 549)
Net contingent liability	**–**	–

31.1.2 Other institutions – credit risk

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.

	2018 R'000	2017 R'000
At year-end the group's credit risk exposure to these financial institutions totalled	**3 089**	6 123
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	**2 289**	7 935
	800	(1 812)
Less: provision for non-recovery	**–**	–
Net contingent liability	**800**	–

31.2 Transactions with residual value guarantees

Accounting policy

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. Revenue was recognised upfront on the transaction where control over the goods has passed to the customer and the group has satisfied its performance obligation in terms of its contract with the customer.

In some instances, a residual value estimate is made by the financial institution at the time of sale, 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 an adjustment to revenue. 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 and accounts for the loss as an adjustment to revenue.

At each reporting period, management re-assess the market values of the underlying equipment and determines the probable outcome of residual values guaranteed by the group. In doing so, management considers anticipated market conditions, product development, environmental regulations, competitor actions and any other factors that may have a potential impact on the residual value.

The group's net exposure to residual value risks is disclosed as contingent liabilities below. No provision has been raised at 31 December 2018 in respect of these transactions.

	2018 R'000	2017 R'000
31. CONTINGENT LIABILITIES (CONTINUED)		
31.2 Transactions with residual value guarantees (continued)		
In the event of a residual value shortfall on this equipment, the group would be exposed to a maximum amount of	**19 775**	41 952
Net contingent liability	**19 775**	41 952
The above amounts 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.		
31.3 A cash-backed bond of USD450,000 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.	**6 466**	5 530

31.4 Warranties and indemnities limited to USD3 million have been provided relating to the sale of assets of the DRC operation.

32. CAPITAL EXPENDITURE COMMITMENTS

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

	2018 R'000	2017 R'000
Contracted	**45 393**	60 089
Authorised, but not contracted	**126 973**	282 774
Total capital expenditure commitments	**172 366**	342 863

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 in the prior year included 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.

During the prior year 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 of R51,5 million was included in contracted capital expenditure commitments in the prior year. The legal transfer of ownership was concluded during 2018.

	2018 R'000	2017 R'000
33. OPERATING LEASE ARRANGEMENTS		
33.1 Operating lease commitments		
The group has commitments under non-cancellable operating leases as set out below:		
Land and buildings		
Less than one year	**86 219**	73 840
Two to five years	**161 761**	174 722
More than five years	**42 655**	55 096
Equipment and vehicles		
Less than one year	**13 662**	8 507
Two to five years	**15 887**	11 271
More than five years	**32**	58
Total operating lease commitments	**320 216**	323 494

Included in operating lease commitments above is an amount of R85,1 million (2017: R119,9 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 R93,7 million (2017: R108,0 million) and escalate between 8% and 9% per annum. They expire between 2021 and 2026.

	2018 R'000	2017 R'000
33.2 Operating lease receivables		
The minimum lease payments in non-cancellable operating lease receivables are set out below:		
Equipment		
Less than one year	**82 443**	56 915
Two to five years	**36 071**	–
Total operating lease receivables	**118 514**	56 915

Operating lease receivables above relate to certain rental assets reflected in note 7 and machines in inventory as reflected in note 12.

34. RETIREMENT BENEFIT INFORMATION

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

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

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

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

The group's employer contributions to retirement funds were R92,5 million during the current year (2017: R84,0 million) and were charged to staff costs in profit or loss.

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

35. FINANCIAL INSTRUMENTS

Financial assets

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

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

Classification is determined by both the group's business model as well as the contractual cash flow characteristics of the asset. Financial assets carried on the statement of financial position include cash and bank balances, investments, interest-bearing receivables, trade and other receivables and forward foreign exchange contracts.

The group's business model for each category is disclosed in notes 9, 10, 13 and 14.

Financial liabilities

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

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

Financial liabilities as disclosed in the statement of financial position include interest-bearing liabilities, trade and other payables, bank overdrafts and borrowings on call and forward foreign exchange contracts.

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.

	2018 R'000	2017 R'000
Categories of financial instruments		
Financial assets		
Financial assets at amortised cost		
– Interest-bearing receivables (including current portion)	**279 007**	188 827
– Trade and other receivables	**739 044**	653 459
– Cash and bank balances	**148 445**	250 251
Financial assets at fair value through other comprehensive income		
– Investments	**23 584**	574
Financial assets at fair value through profit or loss	**6 757**	13 139
Total financial assets	**1 196 837**	1 106 250
Financial liabilities		
Financial liabilities at amortised cost		
– Interest-bearing liabilities (including current portion)	**1 135 425**	328 597
– Trade and other payables	**1 122 714**	1 087 407
– Bank overdrafts and borrowings on call	**417 695**	505 348
Financial liabilities at fair value through profit or loss	**10 648**	20 272
Total financial liabilities	**2 686 482**	1 941 624

Fair value of financial instruments

Financial assets comprising interest-bearing receivables, trade and other receivables and cash and bank balances are measured at amortised cost. The directors consider that the carrying amount of financial assets 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.

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

35. FINANCIAL INSTRUMENTS (CONTINUED)

Investments carried at fair value through other comprehensive income include listed and unlisted equity instruments. These investments are measured at fair value on a recurring basis. The fair value of listed investments is based on quoted market prices (Level 1). For its unlisted investment, the group used an average of observable price to book ratios of a number of entities within the industry which was applied to the estimated net asset value of the investment entity (Level 3). Refer to note 9. During the current year the group measured its unlisted investment (Level 3) at fair value for the first time as a result of the adoption of IFRS 9.

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

Financial risk management

The group's approach to risk management includes being able to identify, describe and analyse risks at all levels throughout the group, with mitigating actions being implemented at the appropriate point of activity. The very significant, high impact risk areas and the related mitigating action plans are monitored by the 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 between 30% and 40%. The gearing ratio at the year-end was as follows:

		2018 R'000	2017 R'000
Short-term and long-term borrowings		**1 553 120**	833 945
Cash and bank balances		**(148 445)**	(250 251)
Net debt		**1 404 675**	583 694
Total equity		**3 371 509**	2 988 602
Attributable to owners of Bell Equipment Limited		**3 352 836**	2 976 761
Non-controlling interest		**18 673**	11 841
Debt-to-equity ratio (excluding cash and bank balances)	(%)	**46,1**	27,9
Net debt-to-equity ratio (including cash and bank balances)	(%)	**41,7**	19,5

35. FINANCIAL INSTRUMENTS (CONTINUED)

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 2018 is as follows:

	Facilities 2018 R'000	**Utilisation 2018 R'000**	Facilities 2017 R'000	Utilisation 2017 R'000
General banking facilities	**1 030 521**	**417 695**	936 756	505 348

Bank overdrafts and borrowings on call are measured at amortised cost.

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

The utilisation at 31 December 2018 on facilities made available by the Industrial Development Corporation of South Africa is as follows:

	Facilities 2018 R'000	**Utilisation 2018 R'000**	Facilities 2017 R'000	Utilisation 2017 R'000
Industrial Development Corporation of South Africa				
Trade finance and interest accrued	**550 000**	**521 110**	550 000	82 811

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					
2018					
Secured interest-bearing liabilities	**174 138**	**144 382**	**46 025**	**189 040**	**553 585**
Unsecured interest-bearing liabilities	**540 605**	**–**	**–**	**–**	**540 605**
Trade and other payables	**1 122 714**	**–**	**–**	**–**	**1 122 714**
Bank overdrafts and borrowings on call	**417 695**	**–**	**–**	**–**	**417 695**
Total	**2 255 152**	**144 382**	**46 025**	**189 040**	**2 634 599**
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

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.

	2018 R'000	2017 R'000
Derivative financial instruments		
Less than one year		
Gross settled forward foreign exchange contracts - imports	**(168 317)**	(281 634)
Gross settled forward foreign exchange contracts - exports	**250 416**	136 484
Total	**82 099**	(145 150)

35. FINANCIAL INSTRUMENTS (CONTINUED)

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 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.

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.

When assessing credit risk customers are considered to be in default when they have exceeded their approved credit terms and where no specific arrangement has been made to rectify this position or where a commitment to bring the account within terms has not been met. When the value outstanding from the customer is material and this is combined with a change in the economic circumstances of the customer, such as a loss of contract or a change in the industry in which the customer operates, then this will be considered to be a high risk. Significant overdue customer balances are handed over to attorneys for legal collection. A customer balance will be written off in full once legal means of recovery has failed and it is believed that the likelihood of recovery is remote.

The average credit period on sales of goods and services is 30 days (2017: 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 2018, 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 R7,6 million (2017: R7,1 million) which was past due. No impairment loss (2017: R1,5 million) 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 receivables of R2,9 million (2017: Rnil) were past due at the reporting date. The group has not provided for these as the amounts are still considered recoverable and there has not been a significant change in credit quality.

Included in the group's trade receivable balance are debtors with a carrying amount of R56,3 million (2017: R85,1 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.

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

	2018 R'000	2017 R'000
Ageing of past due but not impaired		
Current	**101**	–
30 to 60 days	**8 132**	–
60 to 90 days	**18 118**	46 531
90 to 120 days	**11 317**	19 473
120+ days	**18 640**	19 105
Total	**56 308**	85 109

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.3 Credit risk (continued)

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

	2018 R'000	2017 R'000
Ageing of impaired debtors		
Current	**1**	93
30 to 60 days	**231**	124
60 to 90 days	**8**	180
90 to 120 days	**223**	638
120+ days	**69 772**	58 186
Total	**70 235**	59 221
Movement in the allowance for doubtful debts		
Balance at beginning of the year	**59 221**	75 583
Translation differences	**4 838**	(6 764)
Amounts written off as uncollectible	**(1 535)**	(13 618)
Increase in allowance	**7 711**	4 020
Balance at end of the year	**70 235**	59 221

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 2018 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 gain (loss) R'000
2018				
Import contracts				
British Pound	**450**	**18,25**	**8 317**	**113**
Euro	**9 551**	**16,76**	**158 264**	**(1 849)**
Export contracts				
Euro	**13 146**	**16,48**	**218 582**	**(1 909)**
United States Dollar	**2 276**	**14,82**	**32 990**	**753**
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

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
2018				
Financial assets				
Financial assets at amortised cost				
– Interest-bearing receivables (including current portion)	**–**	**53 029**	**–**	**–**
– Trade and other receivables	**307 317**	**72 802**	**37 084**	**1 964**
– Cash and bank balances	**53 418**	**50 322**	**7 826**	**897**
Financial assets at fair value through other comprehensive income				
– Investments	**–**	**23 584**	**–**	**–**
Financial assets at fair value through profit or loss	**1 325**	**5 222**	**210**	**–**
Financial liabilities				
Financial liabilities at amortised cost				
– Interest-bearing liabilities (including current portion)	**331 554**	**23 910**	**–**	**–**
– Trade and other payables	**319 121**	**233 804**	**55 557**	**189 509**
– Bank overdrafts and borrowings on call	**52 596**	**11 451**	**18 158**	**–**
Financial liabilities at fair value through profit or loss	**1 616**	**8 828**	**204**	**–**
2017				
Financial assets				
Financial assets at amortised cost				
– Interest-bearing 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
Financial assets at fair value through other comprehensive income				
– Investments	574	–	–	–
Financial assets at fair value through profit or loss	3 664	7 974	1 501	–
Financial liabilities				
Financial liabilities at amortised cost				
– 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

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.

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.4 Market risk (continued)

35.4.1 Currency risk (continued)

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 2018 would have increased by R63,3 million (2017: decrease in profit before taxation R43,9 million); and
- other equity at year-end would have decreased by R57,1 million (2017: R29,0 million increase).

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

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 2018, is as follows:

		Net overdraft and call balances	Trade finance	Long-term borrowings	Long-term borrowings	Total borrowings
2018						
Borrowings	(R'000)	**269 250**	**521 110**	**205 440**	**408 875**	**1 404 675**
Rate profile		**Floating**	**Floating**	**Fixed**	**Floating**	
Percentage of total borrowings	(%)	**19**	**37**	**15**	**29**	
2017						
Borrowings	(R'000)	255 097	82 811	40 490	205 296	583 694
Rate profile		Floating	Floating	Fixed	Floating	
Percentage of total borrowings	(%)	44	14	7	35	

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 2018 would have decreased by R12,0 million (2017: R5,8 million)
- profit after taxation and equity for the year ended 31 December 2018 would have decreased by R8,6 million (2017: R4,2 million)

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

35.4.3 Residual value risk

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

Residual value risks are the risks that the assessed market value of the equipment is less than what was expected when the contracts were entered into. Refer to notes 4.1 and 31 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 note 31.2.

36. RELATED PARTY TRANSACTIONS

Accounting policy
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

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

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

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:

	2018 R'000	2017 R'000
Shareholders		
John Deere Construction and Forestry Company		
– sales	**20 298**	22 101
– purchases	**511 298**	594 738
– royalties paid	**7 152**	6 994
– warranty claims paid	**442**	3 877
– interest paid	**42**	14
– computer licence fees, training and related expenses	**1 042**	873
– amounts owing to – trade and other payables	**57 724**	136 858
– amounts owing by – trade and other receivables	**4 476**	5 144
GW Bell		
– amounts owing by	**4**	51
PA Bell		
– property rental paid	**6**	71
PC Bell		
– amounts owing by	**1**	–
BBBEE shareholders*		
B Harie		
– director fees	**150**	–
– amounts owing to, by BEE SPV	**1 060**	1 039
SN Mabaso-Koyana		
– amounts owing to, by BEE SPV	**1 039**	1 039
– amounts owing to	**50**	–
– amounts owing by	**–**	489
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	**2 615**	6 831
– property purchase commitment (see note 32)	**–**	51 537
– property purchase	**52 330**	–
Loinette Company Leasing Limited		
– commission received	**66**	–
– commission paid	**52**	66
– amounts owing to	**235**	818

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

36. RELATED PARTY TRANSACTIONS (CONTINUED)

Enterprises over which directors and shareholders are able to exercise significant influence and/or in which directors and shareholders have a beneficial interest (continued)

	2018 R'000	2017 R'000
Minosucra SARL		
– sales	–	2 617
– transport related income	–	46
– amounts owing by	–	16
Triumph International Madagascar SARL		
– sales	–	1 338
– amounts owing by	–	818
Castle Crest Properties 33 Proprietary Limited		
– property rental paid	231	693
– property related expenses	33	100
– amounts owing to	–	66
– amounts owing by	–	49
Matriarch Equipment Close Corporation		
– sales	2 473	1 984
– purchases	24 164	11 157
– royalties paid	105	671
– warranty claims received	54	16
– training received	1	–
– amounts owing to	97	49
– amounts owing by	443	238
BAC Aviation Close Corporation		
– aircraft repairs, maintenance and related expenses	–	497
BAC Maintenance Proprietary Limited		
– aircraft repairs, maintenance and related expenses	63	–
Latin Equipment Group		
– sales	17 088	14 449
– transport related income	337	275
– amounts owing to	1 370	–
– amounts owing by	8 068	2 351

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

No amount has been recognised in the current period (2017: Rnil) 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

On 1 February 2019 a wholly-owned subsidiary of the company acquired the business of Matriarch Equipment Close Corporation as a going concern. As Matriarch was effectively controlled by Ashley Bell, a non-executive director of the company at the time, in terms of the JSE Listings Requirements the transaction was deemed to be a small related party transaction. The related party transaction was deemed to be fair by the expert Deloitte & Touche.

No other fact or circumstance material to the appreciation of this report has occurred between 31 December 2018 and the date of this report.

38. COMPOSITION OF THE GROUP

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

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

Subsidiaries	Business type	Principal activity	Issued share capital 2018 R	Issued share capital 2017 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**	4 403 600
– amounts owing by – cumulative redeemable preference shares				
– amounts owing by – non-interest-bearing loan				
– amounts owing by – trade and other receivables				
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**	2
Bell Equipment Foundation	O	T	**–**	–
Bell Equipment Properties SA Proprietary Limited	O	P	**–**	–
Other Africa				
Bell Equipment Company (Zambia) Limited	O	S	**20 629 975**	18 485 782
Bell PTA (Private) Limited	O	S	**6 120 381**	5 484 254
Bell Equipment (Malawi) Limited	D	S	**–**	2
Bell Equipment Mozambique Limitada	D	S	**59 159 284**	26 408 222
Bell Equipment DRC SARLU	D	S	**211 578 911**	189 588 291
Europe				
Bell Equipment International SA	H	H	**985 891 395**	883 422 000
Bell International Finance Limited	I	I	**110 377 459**	98 905 292
Bell Euro Finance Limited	I	I	**394 356 558**	353 368 800
Bell France SAS	O	S	**56 088 906**	50 259 262
Bell Equipment UK Limited	O	S	**93 646 307**	83 913 105
Bell Equipment (Deutschland) GmbH	O	A	**73 941 855**	66 256 650
Bell Equipment Russland LLC	O	S	**92 842 001**	83 192 395
United States of America				
Bell Equipment North America Inc	O	S	**78 871 312**	70 673 760
Australasia				
Bell Equipment Company Australia Pty Limited	O	S	**30**	29
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

				Interest of Bell Equipment Limited			
Effective holding 2018 %	Effective holding 2017 %	**Profit (loss) for the year 2018 R'000**	Profit (loss) for the year 2017 R'000	**Book value of shares 2018 R'000**	Book value of shares 2017 R'000	**Amounts owing by (to) 2018 R'000**	Amounts owing (to) by 2017 R'000
100	100	**233 191**	216 016	**22 827**	22 828		
						36 618	(1 175)
						–	(73)
						–	1 710
78	78	**30 364**	80 357	**34 257**	34 801	**–**	–
						275 000	294 407
						48 844	56 588
						2 239	–
100	100	**(2 485)**	(2 279)	**43 812**	43 812	**(25 118)**	–
100	100	**2 604**	(1 070)	**–**	–	**15 930**	–
–	–	**(19)**	–	**–**	–	**–**	–
100	100	**(217)**	(125)	**–**	–	**313**	126
100	100	**4 240**	(59)	**–**	–	**–**	–
100	100	**18 889**	(18 194)	**–**	–	**601**	1 055
100	100	**(80 234)**	11 507	**–**	–	**–**	93
100	100	**182**	(657)	**–**	–	**–**	–
100	100	**(3 204)**	(23 025)	**–**	–	**–**	176
100	100	**12 711**	(60 492)	**–**	–	**108**	371
100	100	**(14 894)**	(74 654)	**615 915**	616 227	**–**	388
100	100	**16 881**	3 597	**–**	–	**–**	53
100	100	**(23 404)**	15 836	**–**	–	**–**	105
100	100	**5 635**	1 352	**–**	–	**–**	–
100	100	**(1 395)**	(857)	**–**	–	**127**	28
100	100	**23 378**	36 503	**–**	–	**–**	813
100	100	**5 613**	5 947	**–**	–	**–**	–
100	100	**4 849**	2 642	**–**	–	**–**	–
100	100	**1 201**	1 086	**–**	–	**–**	–
				716 811	717 668	**354 662**	354 665

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 on pages 78 and 79. Refer to note 4.1 for the group's control over the BEE SPV.

During the prior year the group entered into a BBBEE ownership transaction for Bell Equipment Sales South Africa Limited (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:

	2018 R'000	2017 R'000
Non-current assets	**303 516**	330 072
Current assets	**1 399 446**	1 160 048
Non-current liabilities	**769 522**	392 827
Current liabilities	**806 438**	1 000 111
Revenue (restated*)	**3 286 862**	2 918 644
Profit for the year	**30 364**	80 357
Total comprehensive income for the year	**30 364**	80 081

** Revenue in BESSA has been restated for the impact of the adoption of IFRS 15.*

39. SIGNIFICANT RESTRICTIONS

In terms of a general banking facility held by Bell Equipment Sales South Africa Limited (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 (2017: 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 (refer to note 15), there are no other significant restrictions on cash transfers and capital distributions to and from group companies.

40. FINANCING VENTURE WITH WESBANK

Accounting policy

For transactions that have been financed through the WesBank financing venture (refer below), 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 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 10 for the group's accounting policy on interest-bearing receivables.

	2018 R'000	2017 R'000
The group has a financing venture with WesBank, a division of FirstRandBank 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	**958**	2 333
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 receivables on the statement of financial position. The carrying amount of this cash collateral at year-end was	**71 800**	47 776
– 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	Total 2018 R'000	Total 2017 R'000
Paid to executive directors of the company by the company's subsidiary:					
Executive directors					
GW Bell (retired 31 May 2018)	1 401	–	384	1 785	3 383
A Goordeen (alternate)	2 050	260	237	2 547	2 320
L Goosen	3 525	441	504	4 470	3 104
KJ van Haght	2 491	307	214	3 012	2 604
Total	9 467	1 008	1 339	11 814	11 411
Paid to prescribed officers of the company's subsidiaries by the company's subsidiaries:					
Prescribed officers					
M Schurmann (expatriate salary, resigned 31 August 2018)	3 033	111	121	3 265	4 225
N Paynter (expatriate salary)	3 977	298	941	5 216	4 969
M Dumisa (resigned 28 February 2018)	388	48	182	618	2 620
D Morris (appointed 1 April 2018)	1 659	202	13	1 874	–
Total	9 057	659	1 257	10 973	11 814

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.

	Retirement grant 2018 R'000	Fees 2018 R'000	Retirement grant 2017 R'000	Fees 2017 R'000
Paid to non-executive directors of the company by the company:				
Non-executive directors				
JR Barton	–	641	–	762
AJ Bell	–	465	–	396
GW Bell (appointed 1 June 2018)	–	496	–	–
DB Crandon (resigned 29 September 2016)	–	–	–	27
B Harie (resigned 27 November 2017)	–	47	–	328
DH Lawrance	–	651	–	537
R Naidu	–	503	–	285
ME Ramathe	–	530	–	312
TO Tsukudu (retired 21 August 2017)	1 629	–	–	313
HR van der Merwe	–	474	–	410
DJJ Vlok (retired 5 May 2016)	–	–	1 484	–
Total	1 629	3 807	1 484	3 370

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

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

		Balance at 31 December 2016	Exercised	Forfeited	Balance at 31 December 2017	**Exercised**	**Forfeited**	**Balance at 31 December 2018**
Executive directors and prescribed officers	**Exercise price**	Number of options	Number of options	Number of options	Number of options	**Number of options**	**Number of options**	**Number of options**
L Goosen	**10,48**	100 000	–	–	100 000	**–**	**–**	**100 000**
	13,06	50 000	–	–	50 000	**–**	**–**	**50 000**
	21,35	30 000	–	–	30 000	**–**	**–**	**30 000**
Total		180 000	–	–	180 000	**–**	**–**	**180 000**
A Goordeen	**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**
M Schurmann (resigned 31 August 2018)	**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	**(150 000)**	**(30 000)**	**–**
N Paynter	**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**
M Dumisa (resigned 28 February 2018)	**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	**(150 000)**	**(115 000)**	**645 000**

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

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

		Balance at 31 December 2017	Granted	Forfeited	Balance at 31 December 2018
Executive directors and prescribed officers	**Strike price**	Number of awards	**Number of awards**	**Number of awards**	**Number of awards**
L Goosen	**13,53**	–	**247 000**	**–**	**247 000**
	–	–	**138 000**	**–**	**138 000**
Total		–	**385 000**	**–**	**385 000**
KJ van Haght	**13,53**	–	**132 000**	**–**	**132 000**
	–	–	**74 000**	**–**	**74 000**
Total		–	**206 000**	**–**	**206 000**
A Goordeen	**13,53**	–	**132 000**	**–**	**132 000**
	–	–	**74 000**	**–**	**74 000**
Total		–	**206 000**	**–**	**206 000**
D Morris	**13,53**	–	**62 000**	**–**	**62 000**
	–	–	**35 000**	**–**	**35 000**
Total		–	**97 000**	**–**	**97 000**
N Paynter	**13,53**	–	**62 000**	**–**	**62 000**
	–	–	**35 000**	**–**	**35 000**
Total		–	**97 000**	**–**	**97 000**
Grand total		–	**991 000**	**–**	**991 000**

42. GOVERNMENT GRANTS

Accounting policy

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

Government grants 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.

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

	2018 R'000	2017 R'000
Profit from operating activities includes the following government grants:		
– The Automotive Production Development Programme (APDP)*	**120 418**	84 612
Included in property, plant and equipment are the following government grants:		
– The Automotive Investment Scheme (AIS)**	**25 950**	–
– Improvement of Regional Economic Structures Programme (GRW)***	**14 244**	–

* *This South African production incentive is in the form of duty credits which can be used to offset duties incurred on imports for local production.*

** *This represents a cash incentive grant from the South African government to the automotive sector to incentivise production and employment and is based on capital expenditure incurred on enhancing production capacity.*

*** *The programme is a cash incentive grant from the German authorities to advance current capital projects. The investment grant is earmarked for a period of five years for specific capital items and may only be used for the building construction at the group's assembly facility in Germany.*

Shareholder analysis

Company: Bell Equipment Limited
Register date: 28 December 2018
Issued share capital: 95 629 385

	Number of shareholdings	%	Number of shares	%
SHAREHOLDER SPREAD				
1 – 1 000 shares	566	53,15	188 902	0,20
1 001 – 10 000 shares	340	31,92	1 296 252	1,35
10 001 –100 000 shares	115	10,80	3 593 797	3,76
100 001 – 1 000 000 shares	35	3,29	10 635 502	11,12
1 000 001 shares and over	9	0,84	79 914 932	83,57
Total	1 065	100,00	95 629 385	100,00
DISTRIBUTION OF SHAREHOLDERS				
Banks/Brokers	26	2,44	7 546 790	7,89
Close Corporations	14	1,32	2 863 243	2,99
Endowment Funds	3	0,28	19 634	0,02
Government	1	0,09	17 022	0,02
Individuals	846	79,44	3 520 281	3,68
Insurance Companies	7	0,66	2 524 298	2,64
Medical Schemes	1	0,09	70 000	0,07
Mutual Funds	26	2,44	9 943 289	10,40
Other Corporations	6	0,56	53 585	0,06
Own Holdings	1	0,09	70 398	0,07
Private Companies	25	2,35	36 228 798	37,89
Public Companies	2	0,19	30 000 001	31,37
Retirement Funds	47	4,42	2 326 119	2,43
Trusts	60	5,63	445 927	0,47
Total	1 065	100,00	95 629 385	100,00
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	9	0,85	66 058 205	69,08
Directors of the Company	4	0,38	262 238	0,28
Associates of the Company	2	0,19	2 000	0,00
Own Holdings	1	0,09	70 398	0,07
Strategic Holders of more than 10%	2	0,19	65 723 569	68,73
Public shareholders	1 056	99,15	29 571 180	30,92
Total	1 065	100,00	95 629 385	100,00
RESIDENT/NON-RESIDENT				
Resident	1 026	96,34	57 699 827	60,34
Non-resident	39	3,66	37 929 558	39,66
Total	1 065	100,00	95 629 385	100,00
TOP 10 BENEFICIAL SHAREHOLDERS				
I A Bell And Company (Pty) Ltd			35 723 569	37,36
John Deere			30 000 000	31,37
Investec			4 051 235	4,24
Sanlam			3 842 225	4,02
Allan Gray			3 147 175	3,29
Clark, IAJ			2 710 000	2,83
UBS (Custodian)			2 628 069	2,75
Pershing			1 939 352	2,03
Investment Solutions			707 848	0,74
Lombard Odier & Cie			614 946	0,64
Total			85 364 419	89,27
TOP 10 INSTITUTIONAL SHAREHOLDERS				
Allan Gray Asset Management			6 011 205	6,29
Investec Asset Management			4 594 759	4,80
Sanlam Investment Management			3 842 764	4,02
UBS (Custodian)			2 628 069	2,75
Pershing Llc			1 939 352	2,03
Lombard Odier & Cie			614 946	0,64
Citibank (Custodian)			515 749	0,54
HSBC (Custodian)			497 300	0,52
Clearstream Banking SA Luxembourg			384 528	0,40
Melville Douglas Investment Management			314 929	0,33
Total			21 343 601	22,32

Shareholder analysis continued

		Number of shareholdings	%	Number of shares	%
BREAKDOWN OF NON-PUBLIC HOLDINGS					
Directors					
Bell, GW	CEO			253 600	0,28
Goosen, L	Executive director			4 040	0,00
Bell, AJ	Non-executive director			2 598	0,00
Mayer, A	Subsidiary director			2 000	0,00
Total				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
Total				2 000	0,00
OWN HOLDINGS					
Bell Equipment				70 398	0,07
				70 398	0,07
STRATEGIC HOLDERS OF MORE THAN 10%					
I A Bell & Company (Pty) Ltd				35 723 569	37,36
John Deere				30 000 000	31,37
Total				65 723 569	68,73
RESIDENT/NON-RESIDENT SPLIT					
South Africa		1 026	96,34	57 699 827	60,34
United States		9	0,85	32 636 401	34,13
United Kingdom		6	0,56	2 653 932	2,78
Switzerland		4	0,38	1 096 399	1,15
Germany		3	0,28	652 400	0,68
Luxembourg		1	0,09	384 528	0,40
Namibia		4	0,38	185 068	0,19
Swaziland		2	0,19	141 960	0,15
France		2	0,19	116 500	0,12
Netherlands		1	0,09	45 500	0,05
New Zealand		5	0,47	13 600	0,01
Mauritius		1	0,09	3 000	0,00
Botswana		1	0,09	270	0,00
Total		1 065	100,00	95 629 385	100,00

Glossary

ADT	Articulated Dump Truck
AGM	Annual General Meeting
AIS	Automotive Investment Scheme
APDP	Automotive Production and Development Programme
Bell Equipment or Bell or the group	Bell Equipment Limited and its subsidiaries
BEE or BBBEE	Black Economic Empowerment or Broad-Based Black Economic Empowerment
BECSA	Bell Equipment Company SA Proprietary Limited
BESSA	Bell Equipment Sales South Africa Limited
Companies Act	Companies Act of South Africa No 71 of 2008 (as amended)
CSC	Customer Service Centre
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 IV	King IV Report on Corporate Governance in South Africa 2016
Matriarch	Matriarch Equipment Close Corporation
MOI	Memorandum of Incorporation
NPAT	Net Profit after Tax
RTGS Dollar	New currency announced in February 2019 for RTGS (real time gross settlement) balances, bond notes and coins in circulation in Zimbabwe
SENS	Stock Exchange News Service
TLB	Tractor Loader Backhoe

Corporate information

BELL EQUIPMENT LIMITED

Registration number: 1968/013656/06
JSE share code: BEL
ISIN: ZAE000028304

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