STRONG RELIABLE MACHINES
STRONG RELIABLE SUPPORT

2021

BELL EQUIPMENT LIMITED
PROVISIONAL AUDITED RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Joint report by the chairman and chief executive

Overview

Bell Equipment ended the 2021 financial year positioned considerably stronger than the previous year in many respects. This was largely due to the commitment and resilience of our global team which collectively put their full weight behind our strategy and focused on sales, efficiency improvement, working capital management and cost-containment initiatives.

The group stood firm, believing in our initiatives and our long term future, resisting any retrenchment drive. We kept connected with our people and communicated with our customers, recognising that they are our most important capital and that they needed our support. Customer support has traditionally been one of our mainstays so when production and sales volumes dropped in 2020, we acknowledged that we have an established customer base relying on Bell support and technical backup. This stood us in good stead when the market started rebounding in 2021.

Sadly, we lost four employees to COVID-19 and our condolences and thoughts remain with their families and loved ones. As a business, we strived to navigate COVID-19 with a responsible approach to policies to minimise the impact on the business while looking after our people and our customers. To further ensure sustainability, the group has continued its investment in IP and its focus on dealer development and strong alliances with other global manufacturers and as a result has emerged looking forward to buoyant market conditions in 2022 with a strong order book and recovered profitability for shareholders.

During 2021 we experienced increased demand for our equipment in most markets. Investment in infrastructure and government stimulus packages benefited developed markets, particularly in the northern hemisphere. Improved commodity prices and demand also resulted in some improvement in certain African markets.

The group managed supply chain challenges and logistics issues - largely brought about by COVID-19 on the global supply chain - as best we could. Civil unrest in KwaZulu-Natal and Gauteng in July 2021 exacerbated the situation and forced the closure of the Richards Bay factory and several sales branches for the duration. Bell recognises the challenges being faced in South Africa and is well positioned to ensure the future sustainability of the group through our strategy as a global manufacturer and our ongoing investment in people and IT to remain relevant and resilient.

North America, traditionally the world's largest ADT market, came back strongly in 2021, most noticeably in the residential construction and rental sectors. This trend looks set to continue into 2022. Bell's investment in developing the tracked carrier market and securing supplementary applications for this product as an alternative to the suppressed oil and gas sector, was converted into sales.

The Canadian ADT market saw a moderate increase in sales. While the distributor network was able to reduce its equipment inventory, Bell market share remains unsatisfactory. The possibility of supplying the tracked carrier into this market will be investigated in 2022.

Despite the ongoing pandemic Europe showed strong signs of recovery driven by infrastructure development. Bell UK had a record year reporting revenue of over R1 billion for the first time and was supported by the single largest order to a single customer. The long-awaited High Speed Railway (HS2) project commenced, and the first trucks were delivered for this project, with demand ramping up in 2022.

The German economy was more stable during 2021 and the market ended on an all-time high. Orders at the end of December 2021 were roughly double compared to the previous financial year. Similarly, Bell France had a good year and managed to achieve budget forecasts and recover margin despite the arrival of a new ADT competitor in that country. During 2022 the operation will focus on reorganising its dealer model to strengthen its position.

South East Asia has been depressed for the past two years but a consignment of large ADTs was shipped to Indonesia in late 2021, signalling an uptick in that market. Agriculture and forestry in the region remain price sensitive and a competitive space but the distribution network showed demand for loaders and loggers with a higher volume planned for shipment to Thailand in 2022. The first ever Matriarch slew loader was sold into Sri Lanka and additional machines will be shipped to this market in the first half of 2022.

New Zealand was also hard hit by lockdowns and a local recession in 2021, with the market only absorbing F-series loggers and the first Matriarch LogPro for the country. The group anticipates a rebound in 2022.

By comparison Australia, in which market share losses were experienced over the past few years, recovered well due to a refocus and consolidation by our dealer in that region. Sales volumes increased and the distributor network experienced notable success with the newly designed Versatruck water tankers. In 2022 these water tankers will be exported as a complete OEM product with pumps and accessories. The first F-series tri-wheelers were also shipped to Australia in 2021 where they have found a market due to the rollover protection structure (ROPS) and falling object protective structure (FOPS) certification and updated ergonomics.

Although a small market for the group, the Bell distribution network in South America showed good results in mining and construction. Forestry and agriculture performed consistently, and new routes to market are being investigated for the Matriarch range as part of our strategy to develop the brand as a lower cost mechanisation solution for medium sized timber and whole stalk cane loading.

Performance in African markets was varied. Following the dissolution of Bell Namibia at the end of 2020, the new in-country dealer has bedded down, showing pleasing growth in machine and parts sales, thus validating the migration to an independent dealer model.

The ADT population in Ghana grew well and the first Matriarch skogger and FastFell arrived in-country. Another unit of each will follow in 2022. The Democratic Republic of Congo likewise performed well, taking delivery of new Bell 27 000l water tankers.

The Kenyan sugar industry has picked up and as a result the delivery of Bell cane and Matriarch slew loaders has been well received. Changes to the country's timber regulations have had a positive impact on business opportunities. Neighbouring

Tanzania enjoyed a strong year in mining and construction as well as agriculture and forestry where new series V tractors, Matriarch slew loaders and cane loaders were placed on a new sugar estate.

Supply chain constraints and meeting machine delivery dates were major concerns across all regions. These challenges are expected to continue into 2022 but Bell has showed commitment to meeting customer needs, understanding that the only way the group can grow is with their support.

Financial

The group bounced back from a loss in 2020 to profit after tax of R294 million in 2021. This was driven by improved market conditions especially in the northern hemisphere and a strong recovery in sales which were 20% up on 2020. Increased production volumes at both the South African and German factories resulted in higher recovery of costs, positively impacting on the bottom line. Effective management of working capital meant a lower level of borrowings and a significant reduction in interest costs on working capital funding and this together with strong cost containment contributed further to the improved financial performance.

Operations and product development

There was fantastic energy throughout the group during 2021 with the introduction of several new products. The tracked carrier was officially launched in the USA in February and has elicited positive customer feedback.

The series V haulage tractor, the latest version of an old stalwart, has been marketed as our 'best ever' and has been duly met with an overwhelming response from our customers throughout Africa. Production will double in 2022 due to order book demand.

The two new low profile ADT models for underground mining, launched at the end of 2021, are penetrating this market segment well. Both models feature an 'autonomous ready' platform that is easily configurable for remote operation. Given this success, the group expects to play a larger role in underground mining going forward. Machines have been deployed in Zambia and Tanzania, among other countries, where, similarly, they are performing well.

Following from our collaboration with Indurad and Voestalpine in the autonomous field since early 2020, Bell Equipment has been working with American safety and automation technology developer, Pronto AI, which officially launched its product at MINEXPO 2021 in Las Vegas in September.

The group is excited by these developments as autonomous vehicle operation is aligned with the Fourth Industrial Revolution's objective of achieving higher levels of automation for greater process and energy efficiencies and cost reduction. We believe it will also deliver safer vehicle behaviour by reducing the instances of human error and negate the impact of whole-body vibration on operators in the workplace.

A continuous investment in technology has seen the introduction of a global preowned equipment website that is performing above expectation. It enables customers from around the world to shop all the preowned equipment available from Bell and our participating dealers from one user friendly and convenient website.

The implementation of a user-friendly SalesForce CRM for the Bell owned South African dealership digitised a manual, paper based sales process to provide greater visibility, analysis and management of customer interaction. Further investment in the deployment of CRM to other Bell owned dealer operations is planned for 2022.

Continued development using the Microsoft platform enabled the digitisation of several manual processes in the group, which has contributed to increased efficiency and visibility of internal processes. This development will continue in 2022.

The ALC increased stockholding significantly and continues to be a valuable supply link for North America and the overseas Bell warehouses. Two companies were appointed as ADT and tracked carrier dealers to service the Mississippi, West Tennessee and Louisiana regions. There will be a planned focus on autonomous ADT awareness in this region for 2022.

In our home market, 2021 was characterised by a consolidation of our alliance partners, led by the agreement reached in 2020 with John Deere that saw BESSA migrate to a non-exclusive dealer of Bell branded Deere construction products in March 2021 and ceasing to represent Deere forestry products. The manufacturing agreement with John Deere relating to TLBs and wheel loaders was also terminated.

In February the market reacted favourably to the announcement of BESSA's appointment as the South African distributor for the full range of JCB construction equipment with effect from 1 May 2021. Our team is congratulated on rising to the challenge of expediting the rollout of this mammoth project to ensure readiness in terms of parts inventory and stockholding and the training of sales and support staff.

As part of the consolidation process, and with the introduction of the JCB range of compaction equipment, BESSA has relinquished the Bomag dealership after a beneficial 12-year partnership and support of the machine population has been successfully transferred to the new dealer.

South Africa remains a tough environment with low business confidence, but the JCB product is proving to be a good fit for our business and has invigorated our offering to the South African market. We believe our JCB, Kobelco and Finlay partnerships will stand us in good stead into the future.

Sustainability

The group remains committed to South Africa as a local manufacturer and is confident of the opportunities available to us, but it is vital to our business that our customers around the world trust in our ability to support them regardless of local, regional or global events.

To safeguard the long term sustainability of the group, a growth plan is in place to ensure that Bell ADTs, as our higher volume products sold predominantly into northern hemisphere markets, are less exposed to the risks presented by the volatility of the South African landscape going forward.

Consequently, over time more aspects of ADT manufacturing will shift to the northern hemisphere. This will enable the group to better protect and grow our South African base and increasingly focus on manufacturing the group's growing range of lower volume products.

To achieve this objective additional facilities, people and IT, both locally and abroad, will be required.

The group has invested in the Rise with SAP platform and will migrate its existing instances of SAP for the hubs of the GLC, ELC, ALC and Eisenach-Kindel onto this solution during 2022. The incorporation of the ALC on the Bell SAP platform forms the foundation for online parts functionality and allows for streamlining of processing between the hubs as well as greater visibility into groupwide inventory.

This project will underpin the replacement of our legacy system for the Richards Bay factory in 2023, a mammoth project that will promote long-term sustainability in South Africa. Thereafter, in 2025, BESSA and all the dealer business management businesses will be migrated. Bell operations in Eswatini, Zambia and the UK will also migrate to the solution to provide enhanced reporting, with everything in one place and in one system.

Corporate Governance

Our commitment to being a good corporate citizen pervades our total approach to the business and we endeavour to act in a responsible, ethical, balanced and commercially sensible manner.

We are ever conscious of the impact on the environment and have made pleasing progress, as detailed in our stakeholder relations report, as we continue to measure and mitigate these risks.

Bell is committed to the highest standards of corporate governance. Details of governance structures and the extent to which we apply relevant principles of corporate governance, including King IV™ and regulatory requirements, are provided in this report.

In addition to changes to our strategic partnership with John Deere mentioned earlier in this report, IA Bell & Company successfully acquired John Deere's 31,37% shareholding in the company in September 2021.

Following the acquisition of the John Deere shares, IA Bell & Company was unsuccessful in its subsequent corporate action to buy out minority shareholders and delist the company. Although a shareholder matter, this was a distraction during 2021 and impacted on the group's operating environment.

In September 2021 it was reported in the media that the Financial Sector Conduct Authority (FSCA) had registered two investigations in respect of Bell. Bell provided specified information and documentation to the FSCA following a written request and was informed on 2 February 2022 that the FSCA had decided to close both investigations and no legal action would be taken in this matter.

The JSE also notified Bell Equipment that they had closed their earlier investigation of Bell in July 2021, and confirmed having issued its closing letter to the complainants advising that the JSE had not identified any breach of the Listings Requirements by Bell based on the issues raised by the complainants in their complaints to the JSE.

Transformation

Following the successful conclusion of BBBEE transactions, which took effect on 1 January 2020, both BECSA and BESSA remain 51% black owned, and have improved BEE scorecards that position the group more competitively in the local market, in line with our commitment to our transformation responsibilities.

Importantly the score also secures access to government backed initiatives. Bell has valued the support from government in terms of the APDP, a production incentive scheme administered by DTIC. The APDP was replaced, effective 1 July 2021, by a revised programme, APDP II. Bell was successful in its application for access to this new scheme, which, similar to the APDP, is also a production incentive aimed at promoting employment and value add in the motor industry but has additional requirements, mainly in terms of BBBEE. The programme will remain in place until 2035.

Bell was likewise successful in its application to participate in the AIS administered by DTIC and designed to grow and develop the automotive sector through investment in new and/or replacement models and components that will increase plant production volumes, sustain employment and continue to strengthen the automotive value chain.

We continue to engage with government at various levels to encourage a better understanding of the assistance they are able to provide through implemented policy to help us grow and to support the local economy.

Future Outlook

Our Russian business represents a small portion of our global business, (approximately 3% of group revenue in 2021) and machines destined for that country in 2022 can readily be absorbed by other markets. We are monitoring developments carefully and wish for a quick resolution of the situation, which has the potential to be devastating on the global economy.

Elsewhere our focus in 2022 will be on striving towards a greater level of pre-COVID normality and as a group we are embracing vaccinations to achieve this. We look forward to once again interacting with customers and dealers at trade shows and plan to exhibit at Hillhead in the UK in June and at Bauma Munich in Germany in October. At Bauma the group will showcase the Bell tracked carrier to gauge market perception and opportunities in Europe for this product.

The Bell customer experience is a key focus, with many projects in progress that will provide digital tools to increase the ease of doing business with Bell. Our dedicated digital technology team is focused on changing the way we work, implementing digital processes, improving functional processes, and designing and implementing new architecture and tools to help our customers, as well as making it easier for our own people and dealers who need to support our customers. We are excited about this journey of creating and maintaining new and better integrated solutions for our customers through the process of digital transformation.

We will likewise continue with our investment in IP and innovation in an ever-changing environment. We have noted that only stage V equipment has been employed on the HS2 project in the UK, which represents significant volume for Bell. This is in line with global trends for cleaner fuels and lower emissions and we are carefully tracking developments to ensure we bring solutions to market when needed to stay relevant.

All said, we are far more confident about global infrastructure spend and the recovery of the economic sectors our diverse equipment supports, than in the past three or four years. We are hopeful of a resolve in Ukraine and that a spill over into the rest of Europe will be avoided.

Dividends

Recognising the improvement in the financial results and liquidity, the board has declared a final dividend of 50 cents per share.

Board Changes

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

Changes to functions of the following independent non-executive directors and the compositions of the board committees were made with immediate effect and as a result:

- Hennie van der Merwe was appointed as the lead independent non-executive director and chairman of the nominations committee;
- Mamokete Ramathe was appointed as a member of the nominations committee; and
- Rajendran Naidu was appointed as a member of the remuneration committee.

Furthermore the board has appointed two independent non-executive directors, Usha Maharaj and Markus Geyer, with effect from 1 April 2022. We welcome our new non-executive directors to the board and look forward to their contribution.

Appreciation

The past few years have been incredibly tough and testing, but we are grateful to our Bell employees for their grit and commitment, which has allowed the group to emerge stronger and even more resilient. We thank our executive management for their hands on leadership and motivation and implementing the strategies that have successfully steered the group through a prolonged trough.

We remember and honour those staff members whom we lost to the virus and trust that 2022 will bring us closer to the end of the pandemic.

Our appreciation goes to our fellow board members for their guidance and commitment. Special thanks to our outgoing lead independent director, John Barton, for his insight and experience, and we wish him everything of the best in his future endeavours.

As always, we are incredibly appreciative of our extended family of customers and dealers across the globe, who continue to work in the group, invest in our products and entrust us with the ongoing support of their Bell machines. Everything we do is aimed at making your business as successful as it can be.

Summarised consolidated statement of financial position

as at 31 December 2021

	Audited 2021 R'000	Audited 2020 R'000
ASSETS		
Non-current assets	**1 792 903**	1 845 721
Property, plant and equipment	**918 968**	935 152
Right-of-use assets	**250 966**	287 395
Intangible assets	**282 236**	277 787
Investments	**58 717**	33 615
Interest-bearing receivables and contract assets	**50 421**	90 584
Deferred taxation	**231 595**	221 188
Current assets	**5 131 104**	4 794 218
Inventory	**3 624 452**	3 595 163
Trade and other receivables	**1 023 122**	884 146
Interest-bearing receivables and contract assets	**218 328**	147 060
Other assets	**78 558**	33 005
Current taxation assets	**30 312**	52 093
Cash and bank balances	**156 332**	82 751
TOTAL ASSETS	**6 924 007**	6 639 939
EQUITY AND LIABILITIES		
Capital and reserves	**3 861 733**	3 503 778
Stated capital (note 7)	**235 541**	235 541
Non-distributable reserves	**940 673**	891 355
Retained earnings	**2 661 457**	2 360 316
Attributable to owners of Bell Equipment Limited	**3 837 671**	3 487 212
Non-controlling interest	**24 062**	16 566
Non-current liabilities	**681 418**	759 326
Interest-bearing liabilities	**175 838**	204 319
Lease liabilities	**266 731**	282 543
Contract liabilities (note 13)	**98 357**	125 828
Refund liabilities (note 14)	**11 986**	54 308
Provisions	**45 383**	29 646
Other liabilities	**10 031**	-
Deferred taxation	**73 092**	62 682
Current liabilities	**2 380 856**	2 376 835
Trade and other payables	**1 215 273**	933 054
Interest-bearing liabilities	**202 806**	547 376
Lease liabilities	**42 800**	49 673
Contract liabilities (note 13)	**243 832**	209 562
Refund liabilities (note 14)	**51 693**	27 400
Provisions	**111 113**	110 786
Other liabilities	**8 076**	14 476
Current taxation liabilities	**31 929**	3 116
Bank overdrafts and borrowings on call	**473 334**	481 392
TOTAL EQUITY AND LIABILITIES	**6 924 007**	6 639 939

Summarised consolidated statement of profit or loss

for the year ended 31 December 2021

	Audited 2021 R'000	Audited 2020 R'000
Revenue (note 2)	**8 017 125**	6 690 277
Cost of sales	**(6 473 383)**	(5 456 345)
Gross profit	**1 543 742**	1 233 932
Other operating income	**184 960**	112 679
Distribution costs	**(670 069)**	(744 930)
Administration expenses	**(106 643)**	(89 815)
Factory operating expenses *	**(548 268)**	(476 248)
Profit from operating activities (note 3)	**403 722**	35 618
Interest expense (note 4)	**(96 388)**	(154 168)
Interest income (note 5)	**62 276**	51 025
Profit (loss) before taxation	**369 610**	(67 525)
Taxation	**(75 344)**	10 366
Profit (loss) for the year	**294 266**	(57 159)
Profit (loss) for the year attributable to:		
- Owners of Bell Equipment Limited	**286 770**	(64 292)
- Non-controlling interest	**7 496**	7 133
Earnings (loss) per share (basic)(cents) (note 6)	**300**	(67)
Earnings (loss) per share (diluted)(cents) (note 6)	**260**	(65)

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

Summarised consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2021

	Audited 2021 R'000	Audited 2020 R'000
Profit (loss) for the year	**294 266**	(57 159)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising during the year	**40 028**	163 025
Exchange differences on translating foreign operations	**40 028**	163 025
Items that may not be reclassified subsequently to profit or loss:	**23 850**	4 457
Loss arising on revaluation of properties	**-**	(120)
Fair value gain on investments designated as at fair value through other comprehensive income *	**23 850**	4 577
Other comprehensive income for the year, net of taxation	**63 878**	167 482
Total comprehensive income for the year	**358 144**	110 323
Total comprehensive income attributable to:		
- Owners of Bell Equipment Limited	**350 648**	103 190
- Non-controlling interest	**7 496**	7 133

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

Summarised consolidated statement of cash flows

for the year ended 31 December 2021

	Audited 2021 R'000	Audited 2020 R'000
Cash generated from operations before working capital changes	**790 120**	410 308
Cash (utilised in) generated from working capital	**(132 650)**	585 929
Cash generated from operations	**657 470**	996 237
Interest paid	**(97 705)**	(170 686)
Interest received	**60 460**	60 772
Taxation paid	**(26 361)**	(67 691)
Net cash generated from operating activities	**593 864**	818 632
Purchase of property, plant and equipment and intangible assets	**(103 651)**	(84 551)
Proceeds on disposal of property, plant and equipment and intangible assets	**13 221**	7 875
Additions to right-of-use assets	**-**	(6 152)
Net cash utilised in investing activities	**(90 430)**	(82 828)
Interest-bearing liabilities raised	**322 464**	649 562
Interest-bearing liabilities repaid	**(690 529)**	(1 155 564)
Lease liabilities repaid	**(53 541)**	(56 525)
Proceeds from share options exercised	**-**	3 042
Dividends paid	**(189)**	-
Net cash utilised in financing activities	**(421 795)**	**(559 485)**
Net increase in cash for the year	**81 639**	176 319
Net bank overdrafts and borrowings on call at beginning of the year	**(398 641)**	(574 960)
Net bank overdrafts and borrowings on call at end of the year	**(317 002)**	(398 641)
Comprising:		
Cash and bank balances	**156 332**	82 751
Bank overdrafts and borrowings on call	**(473 334)**	(481 392)
Net bank overdrafts and borrowings on call at end of the year	**(317 002)**	(398 641)

Summarised consolidated statement of changes in equity

for the year ended 31 December 2021

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

Notes to the provisional audited results

for the year ended 31 December 2021

1. BASIS OF PREPARATION

The recognition and measurement criteria applied in the preparation of these summarised consolidated financial statements are in terms of International Financial Reporting Standards (IFRS). The same accounting policies and methods of computation are followed in the summarised consolidated financial statements as compared with the most recent annual consolidated financial statements. The presentations and disclosures in these summarised consolidated financial statements are in terms of *IAS 34 Interim Financial Reporting*.

The group has adopted all of the amended accounting standards relevant to its operations and effective for annual reporting periods beginning 1 January 2021. The adoption of these amended standards has not had any significant impact on the amounts reported in the summarised consolidated financial statements or the disclosures herein.

The provisional consolidated financial statements are prepared in accordance with the requirements of the JSE Limited's Listings Requirements for provisional reports and the requirements of the Companies Act in South Africa. The provisional consolidated financial statements do not include all the disclosures required for complete annual financial statements prepared in accordance with IFRS. The Listings Requirements require provisional reports to be prepared in accordance with and containing the information required by *IAS 34 Interim Financial Reporting*, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The preparation of this provisional report was supervised by the Group Finance Director, KJ van Haght CA(SA).

The summarised consolidated financial statements are the responsibility of the directors. The directors take full responsibility for the preparation of the summarised consolidated financial statements.

These results have been audited by the group's auditor, Deloitte & Touche, who expressed an unmodified opinion. The auditor's report, including key audit matters, and the annual financial statements are available on the company's website at www.bellir.co.za. The auditor's report does not necessarily report on all of the information contained in these summarised consolidated financial statements. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the company's registered office.

2. REVENUE

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

This disaggregation is consistent with the external revenue information that is disclosed for each reportable segment (refer to note 9) and the information that is provided to the group's chief operating decision maker on a regular basis.

Disaggregation of revenue

	Manufacturing, Assembly, Logistics and Dealer Sales Operations		Direct Sales Operations		
	South Africa R'000	Europe R'000	South Africa R'000	Rest of Africa R'000	Total Revenue R'000
December 2021 - audited					
Revenue					
Sale of equipment *	**1 043 265**	**2 766 176**	**1 877 434**	**142 362**	**5 829 237**
Sale of parts	**390 445**	**253 567**	**829 787**	**160 439**	**1 634 238**
Service contracts and transport revenue	**56 018**	**48 500**	**215 889**	**30 178**	**350 585**
Extended warranty	**69 388**	**-**	**-**	**-**	**69 388**
Rental revenue	**-**	**9 185**	**120 978**	**3 514**	**133 677**
Total revenue	**1 559 116**	**3 077 428**	**3 044 088**	**336 493**	**8 017 125**
December 2020 - audited					
Revenue					
Sale of equipment *	628 943	1 992 531	1 930 571	133 433	4 685 478
Sale of parts	335 756	245 576	715 520	162 230	1 459 082
Service contracts and transport revenue	41 463	73 161	179 977	23 713	318 314
Extended warranty	66 730	1 415	-	-	68 145
Rental revenue	-	8 649	148 835	1 774	159 258
Total revenue	1 072 892	2 321 332	2 974 903	321 150	6 690 277

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

	Audited 2021 R'000	Audited 2020 R'000
Timing of revenue recognition		
At a point in time		
Sale of equipment	**5 829 237**	4 685 478
Sale of parts	**1 634 238**	1 459 082
Service contracts and transport revenue	**350 585**	318 314
Total	**7 814 060**	6 462 874
Over time		
Extended warranty	**69 388**	68 145
Rental revenue	**133 677**	159 258
Total	**203 065**	227 403
Total revenue	**8 017 125**	6 690 277

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

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

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

Notes to the provisional audited results continued

for the year ended 31 December 2021

3. PROFIT FROM OPERATING ACTIVITIES

	Audited 2021 R'000	Audited 2020 R'000
Profit from operating activities is arrived at after taking into account:		
Income		
Currency exchange gains (i)	**247 473**	198 676
The Automotive Production Development Programme - production incentives (ii)	**90 884**	62 630
Net surplus on disposal of property, plant and equipment and intangible assets	**8 160**	4 314
Expenditure		
Amortisation of intangible assets	**36 364**	32 914
Amounts written off as credit impaired	**3 850**	31 732
Auditors' remuneration - audit and other services	**14 436**	15 295
Cash-settled employee share awards	**10 031**	-
Consulting fees	**32 133**	25 476
Currency exchange losses (i)	**258 624**	245 379
Increase (decrease) in allowance for expected credit losses on trade and other receivables	**11 810**	(29 465)
Depreciation of property, plant and equipment	**151 396**	140 834
Depreciation of right-of-use assets	**63 436**	69 561
Impairment losses recognised on assets	**-**	56 194
Increase in contract provision - warranty	**14 964**	957
Lease expenses (iii)	**18 681**	17 304
Research expenses (excluding staff costs)	**36 466**	34 808
Staff costs (including directors' remuneration) (iv)	**1 529 528**	1 298 249

(i) Net currency exchange losses arose mainly on foreign currency denominated inventory purchases and trade and other payables as a result of Rand movements against the USD and the Euro in the current year.

(ii) Income from production incentives increased by 45,1% due to an increase in production volumes in the current period.

(iii) Included in lease expenses are amounts for short-term leases and leases of low value assets.

(iv) Staff costs increased by 17,8% mainly due to an increase in the workforce at the manufacturing and assembly facilities, an incentive accrual for certain task level staff members and because the prior year includes group-wide salary reductions of 20% for staff members and 25% for the executive directors for May to July 2020.

Notes to the provisional audited results continued

for the year ended 31 December 2021

4. INTEREST EXPENSE

	Audited 2021 R'000	Audited 2020 R'000
Interest expense incurred on the following:		
Bank overdrafts and loans	**23 608**	35 096
Lease liabilities	**37 034**	36 490
Industrial Development Corporation (IDC) of South Africa working capital facility	**27 022**	58 179
Other *	**8 724**	24 403
Total interest expense	**96 388**	154 168

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

5. INTEREST INCOME

	Audited 2021 R'000	Audited 2020 R'000
Interest income earned on the following:		
Service contracts	**9 616**	5 716
Extended warranty contracts	**24 622**	18 534
Instalment sale agreements	**17 087**	14 136
Other *	**10 951**	12 639
Total interest income	**62 276**	51 025

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

6. EARNINGS (LOSS) PER SHARE, NET ASSET VALUE PER SHARE AND GEARING RATIO

		Audited 2021	Audited 2020
Basic earnings (loss) per share is arrived at as follows:			
Profit (loss) for the period attributable to owners of Bell Equipment Limited	(R'000)	**286 770**	(64 292)
Weighted average number of shares in issue	('000)	**95 629**	95 629
Earnings (loss) per share (basic)(cents)	**(cents)**	**300**	(67)
Diluted earnings (loss) per share is arrived at as follows:			
Profit (loss) for the period attributable to owners of Bell Equipment Limited	(R'000)	**286 770**	(64 292)
Fully converted weighted average number of shares	('000)	**110 182**	98 604
Earnings (loss) per share (diluted)	**(cents)**	**260**	(65)

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

		Audited 2021	Audited 2020
Headline earnings (loss) per share is arrived at as follows:			
Profit (loss) attributable to owners of Bell Equipment Limited	(R'000)	**286 770**	(64 292)
Net surplus on disposal of property, plant and equipment and intangible assets	(R'000)	**(8 160)**	(4 314)
Taxation effect of net surplus on disposal of property, plant and equipment and intangible assets	(R'000)	**2 270**	1 207
Impairment loss recognised on intangible assets	(R'000)	**-**	23 254
Taxation effect of impairment loss on intangible assets	(R'000)	**-**	(6 511)
Impairment loss recognised on revaluation of buildings	(R'000)	**-**	31 873
Taxation effect of impairment loss recognised on revaluation of buildings	(R'000)	**-**	(11 156)
Impairment loss recognised on plant and equipment	(R'000)	**-**	1 067
Taxation effect of impairment loss recognised on plant and equipment	(R'000)	**-**	(299)
Headline earnings (loss)	(R'000)	**280 880**	(29 171)
Weighted average number of shares in issue	('000)	**95 629**	95 629
Headline earnings (loss) per share (basic)	**(cents)**	**294**	(31)
Diluted headline earnings (loss) per share is arrived at as follows:			
Headline earnings (loss) calculated above	(R'000)	**280 880**	(29 171)
Fully converted weighted average number of shares	('000)	**110 182**	98 604
Headline earnings (loss) per share (diluted)	**(cents)**	**255**	(30)

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

		Audited 2021	Audited 2020
Net asset value per share is arrived at as follows:			
Total capital and reserves	(R'000)	**3 861 733**	3 503 778
Number of shares in issue	('000)	**95 629**	95 629
Net asset value per share	**(cents)**	**4 038**	3 664

6. EARNINGS (LOSS) PER SHARE, NET ASSET VALUE PER SHARE AND GEARING RATIO continued

		Audited 2021	Audited 2020
The gearing ratio at the end of the period was as follows:			
Short-term and long-term borrowings	(R'000)	**851 978**	1 233 087
Cash and bank balances	(R'000)	**(156 332)**	(82 751)
Net debt	(R'000)	**695 646**	1 150 336
Total equity	(R'000)	**3 861 733**	3 503 778
Net debt to equity ratio	(%)	**18,0**	32,8

7. STATED CAPITAL

	Audited 2021 R'000	Audited 2020 R'000
Authorised		
100 000 000 (2020: 100 000 000) ordinary shares of no par value		
Issued		
95 629 385 (2020: 95 629 385) ordinary shares of no par value	**235 541**	235 541

8. CAPITAL EXPENDITURE COMMITMENTS

	Audited 2021 R'000	Audited 2020 R'000
Contracted	**26 267**	8 262
Authorised, but not contracted	**115 659**	103 835
Total capital expenditure commitments	**141 926**	112 097

This capital expenditure is to be financed from internal resources.

9. SUMMARISED SEGMENTAL ANALYSIS

Information regarding the group's reportable segments is presented below in a manner consistent with information reported to the group's chief operating decision maker for purposes of resource allocation and assessment of segment performance.

The group conducts two main business operations:
Manufacturing, assembly, logistics and dealer sales operations
- OEM operations comprising manufacturing, assembly and sales of equipment and aftermarket products to independent dealers for their distribution to market.

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

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

The Direct Sales operations comprise operations in South Africa and Rest of Africa:
- South Africa includes a number of customer service centres in South Africa and a customer service centre in Swaziland.
- Rest of Africa includes customer service centres in Zambia and Zimbabwe.

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

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

9. SUMMARISED SEGMENTAL ANALYSIS continued

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

	External Revenue R'000	Inter-segment Revenue R'000	Total Revenue R'000	Operating profit (loss) R'000	Assets R'000	Liabilities R'000
December 2021						
Manufacturing, assembly, logistics and dealer sales operations						
South Africa	**1 559 116**	**3 556 860**	**5 115 976**	**8 558**	**4 252 535**	**3 499 598**
Europe	**3 077 428**	**209 936**	**3 287 364**	**157 561**	**2 223 787**	**1 192 851**
Direct Sales operations						
South Africa	**3 044 088**	**18 756**	**3 062 844**	**94 036**	**1 415 932**	**1 308 765**
Rest of Africa	**336 493**	**2 641**	**339 134**	**122 546**	**267 678**	**132 500**
Other operations and inter-segmental eliminations *	**-**	**(3 788 193)**	**(3 788 193)**	**21 021**	**(1 235 925)**	**(3 071 440)**
Total	**8 017 125**	**-**	**8 017 125**	**403 722**	**6 924 007**	**3 062 274**
December 2020						
Manufacturing, assembly, logistics and dealer sales operations						
South Africa	1 072 892	3 169 922	4 242 814	(64 778)	4 159 869	3 357 809
Europe	2 321 332	249 894	2 571 226	(73 982)	1 988 767	1 440 074
Direct Sales operations						
South Africa	2 974 903	19 498	2 994 401	125 664	1 748 995	1 661 754
Rest of Africa	321 150	2 606	323 756	(17 791)	228 416	223 118
Other operations and inter-segmental eliminations *	-	(3 441 920)	(3 441 920)	66 505	(1 486 108)	(3 546 594)
Total	6 690 277	-	6 690 277	35 618	6 639 939	3 136 161

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

* Inter-segmental eliminations above relate to the following:

i) Revenue - the elimination of intra-group sales transactions, mainly sales from the manufacturing, assembly, logistics and dealer sales operations to other group operations.

ii) Operating profit (loss) - the elimination of profit or loss on intra-group transactions, mainly sales transactions from the manufacturing, assembly, logistics and dealer sales operations to the other group operations, where the inventory has not yet been on-sold to a third party at period end.

iii) 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.

Notes to the provisional audited results continued

for the year ended 31 December 2021

10. CONTINGENT ASSETS AND LIABILITIES

		Audited 2021 R'000	Audited 2020 R'000
10.1	**Contingent assets** **Reimbursement right relating to standard warranty in respect of manufactured goods**		
	Reimbursement right from component suppliers in respect of standard warranties where virtual certainty has not yet been established	**28 182**	25 280
10.2	**Contingent liabilities** **Third party warranties and indemnities**		
	Warranties and indemnities, which are expected to expire in May 2022, limited to USD3 million have been provided relating to the sale of assets of the DRC operation in 2018.	**47 638**	44 057

11. RELATED PARTY TRANSACTIONS

	Audited 2021 R'000	Audited 2020 R'000
Information regarding significant transactions with related parties is presented below. Transactions are carried out on an arms length basis.		
Shareholders		
John Deere Construction and Forestry Company *		
- purchases	**195 519**	334 575

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

12. FINANCIAL INSTRUMENTS

Categories of financial instruments included in the summarised consolidated statement of financial position:

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

Classification is determined by both the group's business model as well as the contractual cash flow characteristics of the asset.

Financial assets carried on the statement of financial position include cash and bank balances, investments, interest-bearing receivables, trade and other receivables and other assets (forward foreign exchange contracts).

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

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

Fair value of financial instruments
Financial assets at amortised cost
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 trade and other receivables and cash and bank balances approximates their fair value due to the short-term nature of these instruments. The directors consider that the carrying amount of interest-bearing receivables approximates their fair value owing to the market related interest rates charged on these agreements.

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

Financial assets and liabilities at fair value through profit or loss
Financial assets and liabilities carried at fair value through profit or loss include forward foreign exchange contracts presented in the statement of financial position as other assets or liabilities. The group measures forward foreign exchange contracts at fair value on a recurring basis based on the market approach, using inputs other than quoted prices (Level 2). The fair value of these contracts is based on observable forward exchange rates at period end from an independent provider of financial market data.

The details of forward foreign exchange contracts held at 31 December 2021 are listed below.

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

12. FINANCIAL INSTRUMENTS continued

Investments at fair value through other comprehensive income
Investments carried at fair value through other comprehensive income include listed and unlisted equity instruments. These investments are measured at fair value on a recurring basis. The fair value of listed investments is based on quoted market prices (Level 1).

For its unlisted investment (Level 3), the group used the market approach to estimate the fair value of its investment as the group does not have access to future forecast information with regards to the investment entity. The unlisted entity operates within the dealer and distribution network of the heavy equipment industry.

In estimating the fair value, the group used an average price to book ratio of 2,25 (December 2020: 2,23) applied to the estimated net asset value of the entity as at 31 December 2021. The price to book ratio of 2,25 (December 2020: 2,23) represents an average of observable price to book ratios of a number of entities within the heavy equipment industry. The price to book ratios were obtained from a reputable market database. For a 10% increase in the price to book ratio, there would have been a 10% increase in the fair value of the investment. The fair value gain of R14,6 million (December 2020: R4,0 million) was accounted for in other comprehensive income.

A reconciliation of this investment is presented below:

	Audited 2021 R'000	Audited 2020 R'000
Opening balance	**29 754**	22 598
Translation difference	**298**	3 158
Fair value gains recognised in other comprehensive income	**14 584**	3 998
Closing balance	**44 636**	29 754

Valuation techniques and fair value hierarchy
There was no change in the valuation techniques used for forward foreign exchange contracts (Level 2) and listed (Level 1) and unlisted investments (Level 3).

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

13. CONTRACT LIABILITIES

	Audited 2021 R'000	Audited 2020 R'000
Contract liabilities consist of the following:		
Advance receipts from customers	**68 847**	52 041
Deferred warranty income	**149 435**	141 539
Deferred service contract income	**62 086**	81 701
Deferred finance income liability	**61 821**	60 109
	342 189	335 390
Less: current portion	**(243 832)**	(209 562)
Long-term portion	**98 357**	125 828

14. REFUND LIABILITIES

	Audited 2021 R'000	Audited 2020 R'000
Refund liabilities relate to the following:		
Residual value risk - De Lage Landen International (i)	**23 715**	72 411
Right-to-return parts	**22 493**	9 297
Financing venture with WesBank (note 15)	**17 471**	-
	63 679	81 708
Less: current portion	**(51 693)**	(27 400)
Long-term portion	**11 986**	54 308

(i) The group has guaranteed the residual values on machines on lease agreements offered by the financial institution to the group's customers in certain countries.

15. FINANCING VENTURE WITH WESBANK

The group has assisted customers with the financing of equipment purchased through a financing venture with WesBank, a division of FirstRand Bank Limited. In respect of the different categories of financing provided by WesBank, the group carries certain credit risks.

Specific transactions where the group carries all the credit risk (Bell-backed deals)
These transactions are credit applications that have initially been declined by WesBank but based on the group's backing are financed through the financing venture. Where the group carries all the credit risk, the group is liable for the full balance due to WesBank by default customers. The net credit risk is reflected below. The group is required to invest an amount with WesBank equal to 25% of the value of the financing provided by WesBank to customers as collateral in respect of these transactions. This investment, which earns interest at the cost of capital of the financing venture, is reflected as contract assets.

The cash investment is adjusted for anticipated credit losses and these are recognised in the statement of profit or loss as an adjustment to revenue.

Based on the insignificant historical loss rate on Bell-backed transactions, market conditions, market prices which are expected to be realised for the equipment held as security, management concluded that the risk of expected credit losses on a portfolio basis was reduced to an insignificant amount.

	Audited 2021 R'000	Audited 2020 R'000
The carrying amount of the 25% cash collateral in respect of these Bell-backed deals at year-end was	**25 187**	39 367
The group's credit risk exposure to WesBank has been disclosed below:		
At year-end the group's credit risk exposure to WesBank under Bell-backed deals, for which the group carries all the credit risk, totalled	**112 739**	165 612
In the event of default, the equipment financed would be recovered and it is estimated that on re-sale the equipment would presently realise the following towards the above liabilities	**161 521**	262 802
	(48 782)	(97 190)
Less: allowance for expected credit losses against cash collateral	**(5 824)**	(4 319)
Less: refund liability recognised (note 14)	**(17 471)**	-
Net credit risk relating to WesBank Bell-backed transactions	**-**	-

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

IAS 36 Impairment of Assets

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

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

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

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

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

16.1 Impairment considerations of the OEM CGU

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

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

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

16.2 Impairment considerations of specific asset categories

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

- **Inventory**
  The group conducted a detailed assessment of the valuation of inventory at 31 December 2021.
  In the current year additional steps and considerations were taken by management relating to the impact on net realisable value of certain inventory as a result of discontinued dealership arrangements. At 31 December 2021, an amount of R326,9 million (2020: R378,0 million) included in inventory was carried at net realisable value. Included in cost of sales in the current year is an amount of R42,5 million (2020: R111,0 million) in respect of write-downs of inventory.
- **Trade and interest-bearing receivables**
  The balances owed by customers to the group are reviewed on an ongoing basis, with specific emphasis on protecting the value of the group's security, comprising mainly the financed equipment. There has been no change to this approach during the current year. At 31 December 2021, the total allowances for expected credit losses on trade and interest-bearing receivables totalled R48,0 million (2020: R35,0 million). This is considered to be adequate.
- **Property, plant and equipment**
  Sales and production volumes have returned to normal trading levels after the lower sales levels experienced at the start of the Covid-19 pandemic and the group's longer-term plans and forecasts remain largely unchanged. The group plans to use its assets to support revenue generating activities and no significant negative impact on the planned productivity of significant assets is envisaged. No impairment of property, plant and equipment assets was therefore considered necessary in the current year.
- **Intangible assets**
  A review was conducted of capitalised engineering development costs and no impairment loss was recognised in the current year as a result of the tests for impairment of these intangible assets.

16.3 Directors' assessment of going concern

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

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

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

17. POST FINANCIAL POSITION EVENTS

17.1 Russia-Ukraine conflict

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

17.2 Change in South African corporate tax rate

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

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

18. DIVIDEND CONSIDERATION

Notice is hereby given that the directors have declared a gross final cash dividend of 50 cents per ordinary share for the year ended 31 December 2021 payable to ordinary shareholders in accordance with the timetable below.

The net final dividend is 40 cents per share for ordinary shareholders who are not exempt from dividends tax. The dividend withholding tax rate is 20 percent.

The dividend has been declared from income reserves.

The company's income tax reference number is 9022169206.

The issued share capital at the declaration date is 95 629 385 ordinary shares.

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Tuesday, 19 April 2022
Shares commence trading "ex" dividend	Wednesday, 20 April 2022
Record date	Friday, 22 April 2022
Payment date	Monday, 25 April 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 20 April 2022, and Friday, 22 April 2022, both days inclusive.

By order of the board
24 March 2022

Directors

Non-executive
GW Bell (Chairman), HR van der Merwe* (Lead Independent), DH Lawrance*, ME Ramathe*, R Naidu*, AJ Bell
**Independent*
HR van der Merwe was appointed as Lead Independent Director on 17 February 2022, replacing JR Barton who resigned as non-executive director and Lead Independent Director on 16 February 2022.

Executive
L Goosen (Group Chief Executive), A Goordeen (Alternate), KJ van Haght (Group Finance Director)

Company Secretary
D McIlrath

Registered Office
13 - 19 Carbonode Cell Road, Alton, Richards Bay, 3900

Transfer Secretaries
JSE Investor Services Proprietary Limited
19 Ameshoff Street, Johannesburg, 2001

Sponsor
Investec Bank Ltd
100 Grayston Drive, Sandown, Sandton, 2196

Release date: 28 March 2022

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