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2019

BELL EQUIPMENT LIMITED
UNAUDITED INTERIM RESULTS
AND CASH DIVIDEND DECLARATION

for the period ended 30 June 2019

Chairman and CEO report

SALIENT FEATURES

- Reasonable result in difficult conditions
- Growth in sales in northern hemisphere and other export markets
- Revenue increases to R4,04 billion (2018: R3,73 billion)
- Interim dividend of 20 cents per share

OVERVIEW

Bell Equipment ("Bell") is pleased to report a reasonable result for the interim period ended 30 June 2019, despite tough operating and economic conditions in many of our markets. The strong and diversified position that Bell occupies globally has been advantageous over the period in countering the more difficult operating geographies.

The group experienced modest growth in revenue in markets other than the South African market. Global demand was not as strong as anticipated, and this led to higher inventory and debt levels than planned and a resultant increase in financing costs. Production volumes have been reduced in line with expected demand, and inventory and debt levels will normalise in the coming months.

South Africa remains a primary market for the group, where the full product and service line is positioned for eventual market recovery. During the period under review the South African economy remained weak and we saw trading conditions deteriorate further on the back of prolonged policy uncertainty and a lack of much-anticipated economic stimulus.

Lack of long-term certainty has also caused increasing demands from customers for assistance with Original Equipment Manufacturer financing of equipment purchases, and the group continues to support customers in this regard where possible.

Stronger sales through the Bell African dealer network, particularly in Botswana and Tanzania, have contributed positively to the result. The move to an independent dealer in the DRC has been completed but there are still significant challenges in this market.

The UK demand remains strong but the weakness of the GBP has impacted margins. A number of specific projects merit an optimistic view for this region and the group is monitoring the situation around Brexit and what impact that could have on future equipment demand.

The rest of the European dealer network continues to perform well with pleasing growth in Germany, France and Russia. The group's products were once again well received at Bauma Munich, the premier global exhibition for construction and mining equipment.

Expansion of our German factory in Eisenach-Kindel continues on plan with manufacturing of components commencing in the fourth quarter. Implementation of SAP systems in both the factory and the European Logistics Centre has settled down with the advantages of an integrated system now being experienced by customers.

North America remains a key area for growth with well-demonstrated Bell product acceptance and potential to grow our dealer network and market share. In this mature and highly competitive market the focus is on supporting the dealer network to ensure that we have the correct levels of support for sustained growth.

South America is a small market currently, but the group is expanding its footprint in terms of trucks, forestry and sugar handling equipment.

South East Asia and Oceania markets continue to show solid growth.

Chairman and CEO report

OUTLOOK

Bell acknowledges the current volatility around the global economy and the impact this can have on commodities, and we understand the knock-on effect on our business. Diversifying across different markets and geographies and being able to respond quickly to changes are important components of mitigating this risk.

Tough conditions are expected to prevail across southern Africa. North America continues to show growth while in Europe and the East we expect a slow-down in our markets.

Bell continues to entrench itself as the leading global ADT specialist with an increased product range and entering new markets and is exploring other global material handling niche products and markets on the back of the Matriarch acquisition as well as the launch of its re-designed tri-wheeler machines.

In southern Africa our partnerships with other global OEMs position us well as a full range material handling supplier for when the market recovers. Our ongoing processes towards further improving our B-BBEE levels in South Africa will be to the advantage of our customers and ourselves in this regard.

DIVIDEND

Our reasonable financial performance over the review period allowed the Board to declare a dividend of 20 cents per share, equal to the interim dividend last year.

Condensed consolidated statement of financial position

AS AT 30 JUNE 2019

	Unaudited 30 June 2019 R'000	Audited 31 December 2018 R'000
ASSETS		
Non-current assets	**1 518 397**	1 344 560
Property, plant and equipment	**905 452**	885 966
Right-of-use assets*	**121 715**	–
Intangible assets	**279 443**	237 964
Investments	**27 351**	23 584
Interest-bearing receivables	**73 163**	69 226
Deferred taxation assets	**111 273**	127 820
Current assets	**5 587 659**	5 183 673
Inventory	**4 150 662**	3 905 188
Right-of-use assets*	**77 888**	–
Trade and other receivables	**1 000 699**	868 519
Current portion of interest-bearing receivables	**231 281**	209 781
Prepayments	**29 166**	31 636
Other financial assets	**330**	6 757
Current taxation assets	**14 941**	13 347
Cash and bank balances (note 15)	**82 692**	148 445
Total assets	**7 106 056**	6 528 233
EQUITY AND LIABILITIES		
Capital and reserves	**3 490 309**	3 371 509
Stated capital (note 6)	**232 499**	232 499
Non-distributable reserves	**669 787**	679 411
Retained earnings	**2 574 349**	2 440 926
Attributable to owners of Bell Equipment Limited	**3 476 635**	3 352 836
Non-controlling interest	**13 674**	18 673
Non-current liabilities	**638 003**	606 095
Interest-bearing liabilities	**302 728**	385 044
Lease liabilities*	**143 659**	–
Deferred income	**117 632**	118 897
Long-term provisions and lease escalation*	**3 638**	33 324
Deferred taxation liabilities	**70 346**	68 830
Current liabilities	**2 977 744**	2 550 629
Trade and other payables	**1 450 292**	1 142 521
Current portion of interest-bearing liabilities	**713 796**	750 381
Current portion of lease liabilities*	**96 021**	–
Current portion of deferred income	**144 642**	135 243
Current portion of provisions and lease escalation*	**81 599**	70 947
Other financial liabilities	**481**	10 648
Current taxation liabilities	**14 629**	23 194
Bank overdrafts and borrowings on call	**476 284**	417 695
Total equity and liabilities	**7 106 056**	6 528 233

** Refer to the changes in significant accounting policies in note 12.*

Condensed consolidated statement of profit or loss

FOR THE PERIOD ENDED 30 JUNE 2019

		Unaudited six months ended 30 June 2019 R'000	Unaudited six months ended 30 June 2018 R'000
Revenue (note 2)		**4 044 092**	3 729 718
Cost of sales		**(3 244 230)**	(3 090 006)
Gross profit		**799 862**	639 712
Other operating income		**102 114**	75 792
Expenses*		**(629 948)**	(516 443)
Profit from operating activities (note 3)		**272 028**	199 061
Net interest expense (note 4)*		**(50 878)**	(15 162)
Profit before taxation		**221 150**	183 899
Taxation		**(68 818)**	(50 788)
Profit for the period		**152 332**	133 111
Profit for the period attributable to:			
– Owners of Bell Equipment Limited		**157 331**	126 087
– Non-controlling interest		**(4 999)**	7 024
Earnings per share (basic) (note 5)	**(cents)**	**165**	132
Earnings per share (diluted) (note 5)	**(cents)**	**165**	132

** Refer to the changes in significant accounting policies in note 12.*

Condensed consolidated statement of comprehensive income

FOR THE PERIOD ENDED 30 JUNE 2019

	Unaudited six months ended 30 June 2019 R'000	Unaudited six months ended 30 June 2018 R'000
Profit for the period	**152 332**	133 111
Other comprehensive (loss) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange (losses)/gains arising during the period	**(25 894)**	108 132
Exchange (losses)/gains on translating foreign operations	**(24 833)**	105 351
Exchange (losses)/gains on foreign reserves	**(1 061)**	2 781
Items that may not be reclassified subsequently to profit or loss:	**16 440**	–
Surplus arising on revaluation of properties	**13 940**	–
Taxation relating to surplus arising on revaluation of properties	**(3 797)**	–
Fair value gain on investments designated as at fair value through other comprehensive income	**6 297**	–
Other comprehensive (loss) income for the period, net of taxation	**(9 454)**	108 132
Total comprehensive income for the period	**142 878**	241 243
Total comprehensive income attributable to:		
– Owners of Bell Equipment Limited	**147 877**	234 219
– Non-controlling interest	**(4 999)**	7 024

Condensed consolidated statement of cash flows

FOR THE PERIOD ENDED 30 JUNE 2019

	Unaudited six months ended 30 June 2019 R'000	Unaudited six months ended 30 June 2018 Restated* R'000
Cash operating profit before working capital changes*	**501 795**	445 340
Cash utilised in working capital*	**(298 845)**	(310 165)
Cash generated from operations	**202 950**	135 175
Interest paid**	**(66 412)**	(39 780)
Interest received**	**26 080**	10 703
Taxation paid	**(66 067)**	(79 576)
Net cash generated from operating activities	**96 551**	26 522
Purchase of property, plant and equipment and intangible assets	**(87 428)**	(158 932)
Proceeds on disposal of property, plant and equipment and intangible assets	**33 351**	1 721
Purchase of investments	**(388)**	–
Proceeds on disposal of investments	**1 324**	–
Decrease (increase) in interest-bearing receivables	**16 573**	(18 716)
Net cash utilised in investing activities	**(36 568)**	(175 927)
Interest-bearing liabilities raised***	**433 816**	227 284
Interest-bearing liabilities repaid***	**(555 819)**	(76 893)
Lease liabilities repaid	**(38 414)**	–
Proceeds from share options exercised	**–**	255
Dividends paid	**(23 908)**	(23 828)
Net cash (utilised in) generated from financing activities	**(184 325)**	126 818
Net cash outflow	**(124 342)**	(22 587)
Net bank overdrafts and borrowings on call at beginning of the period	**(269 250)**	(255 097)
Net bank overdrafts and borrowings on call at end of the period	**(393 592)**	(277 684)
Comprising:		
Cash and bank balances (note 15)	**82 692**	233 506
Bank overdrafts and borrowings on call	**(476 284)**	(511 190)
Net bank overdrafts and borrowings on call at end of the period	**(393 592)**	(277 684)

* *The prior period was restated and the restatement was disclosed in the audited annual financial statements for the year ended 31 December 2018.*

** *Net interest paid in the prior period was reclassified as interest paid and interest received.*

*** *Net interest-bearing liabilities raised in the prior period was reclassified as interest-bearing liabilities raised and interest-bearing liabilities repaid.*

Condensed consolidated statement of changes in equity

FOR THE PERIOD ENDED 30 JUNE 2019

	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 2017 – audited	232 244	530 281	2 214 236	2 976 761	11 841	2 988 602
Decrease in equity-settled employee benefits reserve	–	(410)	–	(410)	–	(410)
Profit for the period	–	–	126 087	126 087	7 024	133 111
Other comprehensive income for the period, net of taxation	–	108 132	–	108 132	–	108 132
Share options exercised	255	–	–	255	–	255
Dividends paid	–	–	(23 828)	(23 828)	–	(23 828)
Balance at 30 June 2018 – unaudited	232 499	638 003	2 316 495	3 186 997	18 865	3 205 862
Balance at 31 December 2018 – audited	232 499	679 411	2 440 926	3 352 836	18 673	3 371 509
Decrease in equity-settled employee benefits reserve	–	(170)	–	(170)	–	(170)
Profit (loss) for the period	–	–	157 331	157 331	(4 999)	152 332
Other comprehensive loss for the period, net of taxation	–	(9 454)	–	(9 454)	–	(9 454)
Dividends paid	–	–	(23 908)	(23 908)	–	(23 908)
Balance at 30 June 2019 – unaudited	**232 499**	**669 787**	**2 574 349**	**3 476 635**	**13 674**	**3 490 309**

Abbreviated notes to the unaudited interim results

FOR THE PERIOD ENDED 30 JUNE 2019

1. BASIS OF PREPARATION

The recognition and measurement criteria applied in the preparation of these condensed consolidated interim financial statements are in terms of International Financial Reporting Standards. The same accounting policies and methods of computation are followed in the condensed consolidated interim financial statements as compared with the most recent annual consolidated financial statements, except for the adoption of new accounting standards. The presentations and disclosures in these condensed consolidated interim financial statements are in terms of *IAS 34 Interim Financial Reporting.*

The group has adopted all of the new and amended accounting standards relevant to its operations and effective for annual reporting periods beginning 1 January 2019, including *IFRS 16 Leases.* The adoption of this new accounting standard had a significant impact on the results in the condensed consolidated interim financial statements and the disclosures herein. Refer to note 12 for details on the adoption of *IFRS 16 Leases.*

The condensed consolidated interim financial statements are prepared in accordance with the requirements of the JSE Limited's Listings Requirements for interim reports and the requirements of the Companies Act in South Africa. The Listings Requirements require interim 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 interim report was supervised by the Group Finance Director, KJ van Haght CA(SA).

These results have not been audited or reviewed by the group's auditor, Deloitte & Touche.

Abbreviated notes to the unaudited interim results

FOR THE PERIOD ENDED 30 JUNE 2019

2. REVENUE

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

This disaggregation is consistent with the external revenue information that is disclosed for each reportable segment (refer to note 8) and the information that is provided to the group's chief operating decision maker on a regular basis.

	Manufacturing, assembly, logistics and dealer sales operations		Direct sales operations		
Disaggregation of revenue	South Africa	Europe	South Africa	Rest of Africa	Total Revenue
June 2019					
Revenue					
Sale of equipment	**372 123**	**1 370 576**	**1 107 645**	**116 907**	**2 967 251**
Aftermarket products	**230 420**	**202 496**	**549 708**	**94 217**	**1 076 841**
Total revenue – unaudited	**602 543**	**1 573 072**	**1 657 353**	**211 124**	**4 044 092**
June 2018*					
Revenue					
Sale of equipment	306 785	1 153 915	1 133 872	160 024	2 754 596
Aftermarket products	151 749	174 254	511 708	137 411	975 122
Total revenue – unaudited	458 534	1 328 169	1 645 580	297 435	3 729 718

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

	Unaudited six months ended 30 June 2019 R'000	Unaudited six months ended 30 June 2018 R'000
Timing of revenue recognition		
At a point in time		
Sale of equipment	**2 967 251**	2 754 596
Aftermarket products	**950 827**	879 090
Total	**3 918 078**	3 633 686
Over time		
Aftermarket products	**126 014**	96 032
Total	**126 014**	96 032
Total revenue	**4 044 092**	3 729 718

* *In the current period the group restated the operating segment information and the revenue information was restated accordingly. Refer to the restatements disclosed in note 8.*

Abbreviated notes to the unaudited interim results

FOR THE PERIOD ENDED 30 JUNE 2019

	Unaudited six months ended 30 June 2019 R'000	Unaudited six months ended 30 June 2018 R'000
3. PROFIT FROM OPERATING ACTIVITIES		
Profit from operating activities is arrived at after taking into account:		
Income		
Currency exchange gains	**102 863**	196 656
Production incentives	**55 265**	48 155
Decrease in allowance for expected credit losses	**2 690**	–
Expenditure		
Amortisation of intangible assets	**12 608**	12 453
Amounts written off as credit impaired	**5 807**	913
Auditors' remuneration – audit and other services	**6 110**	5 209
Consulting fees	**16 091**	9 685
Currency exchange losses	**95 811**	227 643
Depreciation of property, plant and equipment	**60 377**	66 179
Depreciation of right-of-use assets*	**35 168**	–
Increase in allowance for expected credit losses	**–**	14 836
Lease expenses*	**9 500**	56 893
Research expenses (excluding staff costs)	**27 720**	20 889
Staff costs (including directors' remuneration and severance pay)	**705 010**	623 278

Net currency exchange gains arose mainly on foreign currency denominated trade and other payables as a result of the Rand strengthening against the Euro and the USD in the current period. The Rand weakened against these currencies in the comparative period.

Staff costs increased by 13,11% mainly due to an increase in the workforce at the assembly facility in Germany, foreign exchange translations on foreign operations and labour cost escalations.

	Unaudited six months ended 30 June 2019 R'000	Unaudited six months ended 30 June 2018 R'000
4. NET INTEREST EXPENSE		
Interest expense*	**77 832**	41 002
Interest income	**(26 954)**	(25 840)
Net interest expense	**50 878**	15 162

* *Refer to the changes in significant accounting policies in note 12.*

		Unaudited six months ended 30 June 2019	Unaudited six months ended 30 June 2018	Audited 12 months ended 31 December 2018
5. EARNINGS PER SHARE				
Basic earnings per share is arrived at as follows:				
Profit for the period attributable to owners of Bell Equipment Limited	(R'000)	**157 331**	126 087	269 585
Weighted average number of ordinary shares in issue during the period	('000)	**95 629**	95 316	95 403
Earnings per share (basic)	(cents)	**165**	132	283
Diluted earnings per share is arrived at as follows:				
Profit for the period attributable to owners of Bell Equipment Limited	(R'000)	**157 331**	126 087	269 585
Fully converted weighted average number of shares*	('000)	**95 629**	95 746	95 778
Earnings per share (diluted)	(cents)	**165**	132	281
* *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 share option scheme.*				
There was no dilutive impact in the current period as the market price was below the option price.				
Headline earnings per share is arrived at as follows:				
Profit for the period attributable to owners of Bell Equipment Limited	(R'000)	**157 331**	126 087	269 585
Net surplus on disposal of property, plant and equipment and intangible assets	(R'000)	**(909)**	(1 402)	(5 716)
Taxation effect of net surplus on disposal of property, plant and equipment and intangible assets	(R'000)	**255**	393	1 512
Headline earnings	(R'000)	**156 677**	125 078	265 381
Weighted average number of ordinary shares in issue during the period	('000)	**95 629**	95 316	95 403
Headline earnings per share (basic)	(cents)	**164**	131	278
Diluted headline earnings per share is arrived at as follows:				
Headline earnings calculated above	(R'000)	**156 677**	125 078	265 381
Fully converted weighted average number of shares	('000)	**95 629**	95 746	95 778
Headline earnings per share (diluted)	(cents)	**164**	131	277
Net asset value per share is arrived at as follows:				
Total capital and reserves	(R'000)	**3 490 309**	3 205 862	3 371 509
Number of shares in issue	('000)	**95 629**	95 329	95 629
Net asset value per share	(cents)	**3 650**	3 363	3 526

Abbreviated notes to the unaudited interim results

FOR THE PERIOD ENDED 30 JUNE 2019

	Unaudited six months ended 30 June 2019 R'000	Unaudited six months ended 30 June 2018 R'000	Audited 12 months ended 31 December 2018 R'000
6. STATED CAPITAL			
Authorised			
100 000 000 (June 2018: 100 000 000) ordinary shares of no par value			
Issued			
95 629 385 (June 2018: 95 329 385) ordinary shares of no par value	**232 499**	232 499	232 499
7. CAPITAL EXPENDITURE COMMITMENTS			
Contracted	**21 645**		45 393
Authorised, but not contracted	**56 245**		126 973
Total capital expenditure commitments	**77 890**		172 366

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

Commitments pertaining to the construction of the manufacturing plant in Germany, which was completed during the first half of 2019, were included in the prior period.

8. CONDENSED 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 OE products, other third party partner products and the supply of aftermarket support and products to market

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

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

8. CONDENSED SEGMENTAL ANALYSIS (CONTINUED)

	External revenue R'000	Inter-segment revenue R'000	Total Revenue R'000	Operating profit (loss) R'000	Assets R'000	Liabilities R'000
June 2019						
Manufacturing, assembly, logistics and dealer sales operations						
South Africa	**602 543**	**2 070 708**	**2 673 251**	**114 596**	**4 412 270**	**2 396 100**
Europe	**1 573 072**	**92 811**	**1 665 883**	**61 471**	**2 001 528**	**1 476 270**
Direct Sales operations						
South Africa	**1 657 353**	**6 735**	**1 664 088**	**22 075**	**1 910 210**	**1 772 894**
Rest of Africa	**211 124**	**–**	**211 124**	**42 987**	**316 174**	**301 961**
Other operations and inter-segmental eliminations*	**–**	**(2 170 254)**	**(2 170 254)**	**30 899**	**(1 534 126)**	**(2 331 478)**
Total – unaudited	**4 044 092**	**–**	**4 044 092**	**272 028**	**7 106 056**	**3 615 747**
June 2018 (restated)**						
Manufacturing, assembly, logistics and dealer sales operations						
South Africa	458 534	1 937 828	2 396 362	48 274	4 068 856	2 350 394
Europe	1 328 169	60 894	1 389 063	55 841	1 412 413	916 718
Direct Sales operations						
South Africa	1 645 580	8 740	1 654 320	64 222	1 709 049	1 543 990
Rest of Africa	297 435	–	297 435	16 552	416 263	362 029
Other operations and inter-segmental eliminations*	–	(2 007 462)	(2 007 462)	14 172	(1 531 826)	(2 304 238)
Total – unaudited	3 729 718	–	3 729 718	199 061	6 074 755	2 868 893
December 2018 (restated)**						
Manufacturing, assembly, logistics and dealer sales operations						
South Africa	1 136 039	4 115 629	5 251 668	326 658	3 992 195	2 059 284
Europe	2 449 007	111 932	2 560 939	73 235	1 865 516	1 360 039
Direct Sales operations						
South Africa	3 276 316	21 216	3 297 532	115 895	1 736 469	1 573 991
Rest of Africa	673 076	–	673 076	(25 716)	352 101	358 486
Other operations and inter-segmental eliminations*	–	(4 248 777)	(4 248 777)	(36 321)	(1 418 048)	(2 195 076)
Total – unaudited	7 534 438	–	7 534 438	453 751	6 528 233	3 156 724

* *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 (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.*

** *The segment information has been adjusted for restatements as disclosed on page 14.*

8. CONDENSED SEGMENTAL ANALYSIS (CONTINUED)

Prior period restatements

The group's segment information has been reclassified into the following segments:

Manufacturing, assembly, logistics and dealer sales operations

- South Africa
- Europe

Direct Sales operations

- South Africa
- Rest of Africa

Other operations

Sales to all independent dealers take place from the OEM operations in South Africa and Germany and these operations are measured on their performance in respect of these transactions.

Consequently, in the current period the group reclassified all transactions and balances from the North American operation to the manufacturing, assembly, logistics and dealer sales operations in South Africa and Europe.

Previously, transactions and balances pertaining to the North American region were reported to the group's chief operating decision maker under the North American operation, but this was inconsistent with the treatment of sales to other independent dealers. The operating segment information for the previous period has been restated accordingly. The inter-segmental eliminations were also restated.

The manufacturing, assembly, logistics and dealer sales operations comprise operations in South Africa and Europe:

- South Africa 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 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 South Africa and Rest of Africa:

- South Africa includes a number of customer service centres in South Africa, Swaziland and Namibia.
- 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 company and trust.

8. CONDENSED SEGMENTAL ANALYSIS (CONTINUED)

The effect of these reclassifications is presented below.

	Total Revenue R'000	Operating profit (loss) R'000	Assets R'000	Liabilities R'000
June 2018				
As previously reported				
South African manufacturing and logistics operation	**2 362 598**	**30 381**	**3 974 605**	**2 329 674**
European operation	**1 257 303**	**55 841**	**1 339 603**	**844 796**
North American operation	**555 656**	**17 893**	**167 061**	**92 642**
All other operations	**–**	**(2 460)**	**2 097 197**	**84 077**
Inter-segmental eliminations	**(2 397 594)**	**16 632**	**(3 629 023)**	**(2 388 315)**
Adjustment				
South African manufacturing and logistics operation	**33 764**	**17 893**	**94 251**	**20 720**
European operation	**131 760**	**–**	**72 810**	**71 922**
North American operation	**(555 656)**	**(17 893)**	**(167 061)**	**(92 642)**
All other operations	**–**	**2 460**	**(2 097 197)**	**(84 077)**
Inter-segmental eliminations	**390 132**	**(2 460)**	**2 097 197**	**84 077**
Restated				
Manufacturing, assembly, logistics and dealer sales operations				
South Africa	**2 396 362**	**48 274**	**4 068 856**	**2 350 394**
Europe	**1 389 063**	**55 841**	**1 412 413**	**916 718**
Other operations and inter-segmental eliminations	**(2 007 462)**	**14 172**	**(1 531 826)**	**(2 304 238)**
December 2018				
As previously reported				
South African manufacturing and logistics operation	5 155 229	307 963	3 877 173	2 023 168
European operation	2 409 322	73 235	1 865 348	1 360 782
North American operation	995 002	18 695	115 190	35 373
All other operations	–	(42 124)	2 082 949	49 596
Inter-segmental eliminations	(4 995 723)	5 803	(3 500 997)	(2 244 672)
Adjustment				
South African manufacturing and logistics operation	96 439	18 695	115 022	36 116
European operation	151 617	–	168	(743)
North American operation	(995 002)	(18 695)	(115 190)	(35 373)
All other operations	–	42 124	(2 082 949)	(49 596)
Inter-segmental eliminations	746 946	(42 124)	2 082 949	49 596
Restated				
Manufacturing, assembly, logistics and dealer sales operations				
South Africa	5 251 668	326 658	3 992 195	2 059 284
Europe	2 560 939	73 235	1 865 516	1 360 039
Other operations and inter-segmental eliminations	(4 248 777)	(36 321)	(1 418 048)	(2 195 076)

9. CONTINGENT LIABILITIES

Financial guarantee contracts

WesBank – credit risk

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. These are considered to be financial guarantee contracts.

The group is liable for all credit risk 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.

	Unaudited six months ended 30 June 2019 R'000	Unaudited six months ended 30 June 2018 R'000	Audited 12 months ended 31 December 2018 R'000
At period end the group's credit risk exposure to WesBank under Bell-backed deals, for which the group carries all the credit risk, totalled	**182 281**	256 841	264 235
At period 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	**3 948**	2 628	2 208
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	**232 937**	263 829	323 892
	(46 708)	(4 360)	(57 449)
Less: provision for non-recovery raised against cash collateral	**(655)**	(2 032)	–
Net contingent liability	**–**	–	–

The group's credit backing enables the customer to obtain funding from WesBank, but provides no interest benefit to the customer. Therefore there is no interest differential and no fair value at initial recognition. Subsequent to initial recognition, where customers are in arrears with WesBank and there is a shortfall between the estimated realisation values of the equipment and the balances due by the customers to WesBank, 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 to these transactions, the group also uses an expected default rate based on historical trends and forward looking information to measure expected credit losses on a portfolio basis. The inputs and indicators taken into account when measuring the expected credit losses are the same as described in note 14.

The historical loss rate on Bell-backed and shared-risk transactions was insignificant in both the current and prior periods and therefore no allowance for expected credit losses on a portfolio basis was considered necessary.

	Unaudited six months ended 30 June 2019 R'000	Unaudited six months ended 30 June 2018 R'000	Audited 12 months ended 31 December 2018 R'000
10. RELATED PARTY TRANSACTIONS			
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			
– sales	**9 248**	10 680	20 298
– purchases	**324 464**	317 816	511 298
– amounts owing to as part of trade and other payables	**200 110**	220 300	57 724
– amounts owing by as part of trade and other receivables	**6 420**	7 043	4 476
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 purchase	**–**	–	52 330
Matriarch Equipment Close Corporation			
– intangible assets purchase	**3 862**	–	–
– operating assets purchase	**1 329**	–	–
– inventory purchase	**14 539**	–	–

11. FINANCIAL INSTRUMENTS

Categories of financial instruments included in the condensed 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 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 forward foreign exchange contracts.

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.

Abbreviated notes to the unaudited interim results

FOR THE PERIOD ENDED 30 JUNE 2019

11. FINANCIAL INSTRUMENTS (CONTINUED)

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 variable interest rates on these instruments.

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 variable interest rates on these instruments.

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.

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 1,97 (December 2018: 1,81) applied to the estimated net asset value of the entity as at 30 June 2019. The price to book ratio of 1,97 (December 2018: 1,81) 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 R6,6 million (December 2018: R16,0 million) was accounted for in other comprehensive income. A reconciliation of this investment is presented below:

	Unaudited six months ended 30 June 2019 R'000	Unaudited six months ended 30 June 2018 R'000	Audited 12 months ended 31 December 2018 R'000
Opening balance	**16 661**	574	574
Translation difference	**(363)**	50	66
Fair value gains recognised in other comprehensive income	**6 557**	–	16 021
Closing balance	**22 855**	624	16 661

There was no change in the valuation techniques for forward foreign exchange contracts (Level 2) and unlisted investments (Level 3).

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

12. ADOPTION OF IFRS 16 LEASES

This note provides information on the impact of the adoption of *IFRS 16 Leases* and discloses the new accounting policy that has been applied from 1 January 2019.

In the current year, the group has adopted *IFRS 16 Leases* from 1 January 2019. The new standard identifies a lease as a contract that conveys the right to control the use of an identified asset.

The group leases various land and buildings, plant and equipment and vehicles. Lease contracts typically extend for fixed periods of one to five years but may have further extension options.

Impact on the group as a lessee

Operating leases

Previously under IAS 17, lease expenses from operating leases were straight-lined over the lease term and included in lease expenses in the statement of profit or loss. Leases were classified as operating or finance leases based on an assessment of whether the lease transferred substantially all of the risks and rewards of ownership. There is no longer a distinction between an operating and a finance lease.

In terms of IFRS 16, where the group is the lessee, the group is 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.

Leases previously classified as operating leases under IAS 17, which were expensed on a straight-line basis, are now 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.

Future lease payments take into account escalations, where relevant, and in some instances these are linked to an index. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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.

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 impact on the group's statement of profit or loss was a decrease in operating lease expenses and an increase in the group's depreciation expense and interest expense. In the group' statement of cash flows, cash inflows from operations has increased and cash outflows from financing activities has increased. The group derecognised its lease escalation provision of R41,1 million, which was included in provisions and lease escalation on the statement of financial position at 31 December 2018.

Leases that are short-term in nature or leases where the assets are of low-value have been accounted for as lease expenses in profit or loss on a straight-line basis. The group applied judgement in determining what comprises a low-value lease taking into consideration the cost price of the underlying assets and materiality.

12. ADOPTION OF IFRS 16 LEASES (CONTINUED)

Renewal or extension options

Renewal and extension options are included in a number of property leases across the group and are included in the calculation to determine the value of lease liabilities.

In determining the lease term, the group considers all facts and circumstances that create an economic incentive to exercise an extension option.

Renewal options are only included in the lease term if the group has an enforceable right to renew the contract, the renewal period and renewal lease payments are stipulated in the contract and the group has the intention to exercise the option. The group applies judgement in assessing whether it is reasonably likely that the group will exercise the option. Factors considered include how far in the future an option occurs, the group's planning cycle and past history of not renewing leases.

Finance leases

There was no significant change to leases previously classified as finance leases under IAS 17.

Impact on the group as a lessor

The requirements for the group as a lessor were substantially unchanged.

Sale and leaseback transactions

There was no significant change to existing sale and leaseback transactions entered into before 1 January 2019.

Transition approach

The group applied the modified approach as permitted under the specific transitional provisions in the standard and this resulted in no retrospective effect on retained earnings and comparatives for the 2018 reporting period were not restated. At the date of adoption the group elected to recognise the right-of-use asset at an amount equal to the lease liability. The reclassifications and the adjustments arising from the new leasing rules were recognised in the opening balance sheet on 1 January 2019.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 14,69% per annum.

The group applied the following practical expedients with the adoption of IFRS 16 as allowed by the standard:

- the group accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases and accordingly the group has not recognised right-of-use assets and liabilities for these leases. The costs associated with these leases are included in lease expenses as disclosed in note 3.
- where relevant the group used hindsight to determine the lease term where the contract contains options to extend or terminate.
- for leases of vehicles where the group is the lessee, the group elected not to separate the non-lease components and accounted for the lease and non-lease components as a single lease component.
- the group elected not to reassess whether a contract is or contains a lease at the initial application of the standard. Accordingly, leases entered into before 1 January 2019 which were classified as leases under IAS 17, were classified as leases under IFRS 16. The group relied on its assessment made in applying IAS 17 and *IFRIC 4 Determining whether an Arrangement contains a Lease* for contracts entered into before the transition date.
- the group used a single discount rate for a portfolio of leases with reasonably similar characteristics.
- initial direct costs were excluded from the measurement of the right-of-use asset at initial application.

12. ADOPTION OF IFRS 16 LEASES (CONTINUED)

The effects of the initial application of the provisions of IFRS 16 on the condensed consolidated financial statements are presented below:

Lease liability recognised as at 1 January 2019:	229 161

The recognised right-of-use assets relate to the following asset classes:

	Right-of-use assets before lease escalation as at 1 January 2019 R'000	Less: lease escalation provision as at 31 December 2018 derecognised against right-of-use assets at transition date R'000	Right-of-use assets after lease escalation as at 1 January 2019 R'000	Carrying value of right-of-use assets as at 30 June 2019 R'000
Land and buildings	203 799	(40 737)	163 062	150 230
Plant and equipment	8 551	–	8 551	9 898
Vehicles	16 811	–	16 811	39 475
Total right-of-use assets	229 161	(40 737)	188 424	199 603
Less: lease escalation derecognised and allocated to right-of-use assets	(40 737)			
Total right-of-use assets as at 1 January 2019	188 424			

Additions to the right-of-use assets in the reporting period relate to the following asset classes:	
Land and buildings	15 151
Plant and equipment	2 742
Vehicles	29 182
Total additions	47 075

The right-of-use assets recognised on 1 January 2019 relate to the following reportable segments:	
Manufacturing, assembly, logistics and dealer sales operations	
South Africa	44 875
Europe	30 278
Direct Sales operations	
South Africa	113 271
Total	188 424

12. ADOPTION OF IFRS 16 LEASES (CONTINUED)

A reconciliation of the operating lease commitments disclosed as at 31 December 2018 discounted using the incremental borrowing rate at 1 January 2019 to the lease liability recognised on 1 January 2019 is disclosed below:

	R'000
Operating lease commitments disclosed as at 31 December 2018	**320 216**
Discounted using the incremental borrowing rate at 1 January 2019	**242 272**
Add: finance lease liabilities recognised as at 31 December 2018	**554**
Less: IFRS 16 exemptions including low-values assets and short-term leases	**(14 055)**
Add: adjustments as a result of different treatment of extension and termination options	**390**
Lease liabilities recognised as at 1 January 2019	**229 161**
Of which are:	
Current lease liabilities	**76 889**
Non-current lease liabilities	**152 272**
	229 161
Lease liabilities as at 30 June 2019	**239 680**
Of which are:	
Current lease liabilities	**96 021**
Non-current lease liabilities	**143 659**

Below sets out the contractual maturities of lease liabilities as at 30 June 2019:

	Less than six months R'000	Six to 12 months R'000	Between one and two years R'000	Between two and five years R'000	Over five years R'000	Total contractual cash flows R'000
Lease liabilities	**58 391**	**59 560**	**91 747**	**60 854**	**43 629**	**314 181**

In relation to those leases under IFRS 16, the group has recognised depreciation and interest expenses, instead of lease expenses. As a result of applying IFRS 16, the group has recognised the following during the reporting period:

	Unaudited six months ended 30 June 2019 R'000
Depreciation of right-of-use assets as part of expenses	
– Land and buildings	**27 499**
– Plant and equipment	**1 337**
– Vehicles	**6 332**
Interest expense on lease liabilities as part of net interest expense	**11 380**
Lease expenses not included in measurement of lease liabilities as part of expenses	**9 500**
Net surplus on transfer of property, plant and equipment from sale and leaseback as part of other operating income	**549**

13. CORRECTION OF PRIOR PERIOD DISCLOSURE ERROR

During 2018 the group adopted *IFRS 15 Revenue from Contracts with Customers* for the first time and changed its accounting for revenue from transport services (from an agent to a principal basis). Transport costs are now reflected in cost of sales and recoveries from customers are reflected in revenue. Previously, transport costs and recoveries from customers were netted off in cost of sales and expenses. The group restated its consolidated statement of profit or loss for 2017 and reclassified an amount of R57,7 million to revenue as a result of this. The adjustment was identified as a change in accounting policy relating to the adoption of IFRS 15.

However, during the JSE's thematic review of the group's December 2018 results, it was identified that the above reclassification should have been identified as a prior period error instead as the assessment of agent versus principal was not previously correct. It was incorrectly identified and disclosed as a change in accounting policy in the December 2018 financial statements. The numbers provided in the December 2018 financial statements were, however, correct.

The 2017 restatement in the group's consolidated statement of profit and loss, which should have been labelled as an error and not as a change in accounting policy, related to the following line items:

	Audited 12 months ended 31 December 2017 R'000
Revenue	**57 677**
Cost of sales	**(90 696)**
Expenses	**33 019**

14. CREDIT RISK DISCLOSURES AND UPDATE ON SPECIFIC KEY AUDIT MATTER

During the JSE's thematic review of the group's December 2018 results, it was identified that the financial statements omitted certain credit risk disclosures, credit rating disclosures and disclosures particularly around specific receivable balances that were identified as a key audit matter by the group's auditor.

In the December 2018 results the auditor's report identified the recoverability of trade and long-term receivables in Bell Equipment Sales South Africa Limited (BESSA) as a key audit matter. The group omitted to identify these receivable balances as a credit concentration risk and did not provide specific disclosures on the inputs, assumptions and estimation techniques used relating to the valuation of these receivable balances.

Credit risk and credit rating disclosures for the group and an update on receivable balances in BESSA are presented below. The group's internal credit risk rating grades are based on the historic performance of financial assets and are categorised into fully performing receivables and past due receivables. Fully performing receivables are those customers that are within credit terms. Past due receivables are customers which have exceeded their credit terms and have failed to fulfil their obligations when they became due.

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14. CREDIT RISK DISCLOSURES AND UPDATE ON SPECIFIC KEY AUDIT MATTER (CONTINUED)

	BESSA			GROUP (including BESSA)		
	30 June 2019 R'000	30 June 2018 R'000	31 December 2018 R'000	**30 June 2019 R'000**	30 June 2018 R'000	31 December 2018 R'000
Finance leases and instalment sale agreements*						
Fully performing receivables	**195 340**	121 635	151 322	**197 821**	128 687	159 461
Gross	**195 340**	121 635	151 322	**197 821**	128 687	159 461
Less: allowance for credit losses	**–**	–	–	**–**	–	–
Past due receivables	**3 753**	–	2 856	**3 753**	–	2 856
Gross	**7 161**	6 397	2 856	**7 161**	6 397	2 856
Less: allowance for credit losses	**(3 408)**	(6 397)	–	**(3 408)**	(6 397)	–
Balance at end of the period	**199 093**	121 635	154 178	**201 574**	128 687	162 317

** Included in interest-bearing receivables on the statement of financial position.*

The average credit period on the above finance leases and instalment sale receivable balances is 12 to 36 months. The receivables are largely secured by the financed equipment.

	BESSA			GROUP (including BESSA)		
	30 June 2019 R'000	30 June 2018 R'000	31 December 2018 R'000	**30 June 2019 R'000**	30 June 2018 R'000	31 December 2018 R'000
Trade receivables**						
Fully performing trade receivables	**162 261**	328 286	126 480	**774 545**	818 414	585 875
Gross	**162 261**	328 286	126 480	**774 552**	820 438	585 879
Less: allowance for credit losses	**–**	–	–	**(7)**	(2 024)	(4)
Past due trade receivables	**39 045**	18 793	24 029	**11 073**	(7 086)	26 345
Gross	**59 411**	32 767	44 015	**73 506**	64 276	96 576
Less: allowance for credit losses	**(20 366)**	(13 974)	(19 986)	**(62 433)**	(71 362)	(70 231)
Balance at end of the period	**201 306**	347 079	150 509	**785 618**	811 328	612 220

*** Included in trade and other receivables on the statement of financial position.*

The average credit period on the above trade receivable balances is 30 days.

14. CREDIT RISK DISCLOSURES AND UPDATE ON SPECIFIC KEY AUDIT MATTER (CONTINUED)

Below sets out the reconciliation of the movement in the allowance for credit losses:

	BESSA 30 June 2019 R'000	GROUP (including BESSA) 30 June 2019 R'000
Opening balance	19 986	70 235
Translation differences	–	4 765
Amounts written off as uncollectible	–	(5 807)
Increase (decrease) in allowance for credit losses*	3 788	(3 345)
Closing balance	**23 774**	**65 848**

** Excluding provision for non-recovery raised against cash collateral on financial guarantee contracts (refer to note 9).*

In assessing the recoverability of trade receivable balances, the simplified approach was applied as there is no significant financing component in the revenue transactions associated with these balances. For finance leases and instalment sale receivables the group elected to apply the simplified approach.

Under the simplified approach the expected credit loss allowance is measured at an amount equal to lifetime expected credit losses. The impact of the time value of money on the allowance for expected credit losses was considered to be insignificant as the majority of trade receivable balances are current.

The group measures the allowance for expected credit losses as follows:

a) Specific
The group reviews each customer balance to identify if there are any indicators of impairment. Indicators of impairment include where customers have exceeded approved credit terms, where the customer is in default with no specific arrangement to rectify and where there are indicators that the customer is unlikely to pay such as where a customer has gone into business rescue.

Where there are indicators of impairment, the group assesses the financial condition of the customer and the value of the underlying securities using forward-looking information as well as macroeconomic information in the determination of expected credit losses. In considering the customer's ability to pay, the group considers the customer's ability to use the asset to generate revenue and cash. Industry factors that could potentially impact the customer's ability to generate revenue and cash are also factored in. The following specific factors, inputs, assumptions, macroeconomic and forward-looking information were used to assess the recoverability of specific BESSA receivables:

- anticipated future revenue generating contracts
- anticipated funding arrangements the customer has with financial institutions or government
- the market sector the equipment operates in
- the customer's experience on similar contracts
- the customer's cash flow projections. In considering the customer's cash flow projections, an analysis of the assumptions and values used by the customer in determining the cash flows is done. Industry factors that could potentially affect the customer's anticipated future cash flows are also considered
- other macroeconomic factors such as unemployment rates, potential labour strikes, political and community unrests with regards to the mining or construction sites where the equipment is used
- in respect of customers operating in the mining industry, the group considered commodity prices, the stability of mining operations and the consistency of production volumes at the mine site at which the customer operates
- security provided by the customer including personal guarantees and cessions of other unencumbered moveable assets owned by the customer

14. CREDIT RISK DISCLOSURES AND UPDATE ON SPECIFIC KEY AUDIT MATTER (CONTINUED)

In determining the allowance for expected credit losses, the group also considered estimations of the value of security in the form of second-hand equipment, the estimated costs of preparing the equipment for re-sale and the group's ability to repossess the equipment.

Where industry factors or the economic environment impacts the customer's ability to service their debt, the group may renegotiate debt arrangements with customers where the customer's default was due to temporary circumstances and where there has not been a significant change in the credit risk. Interest is charged in refinancing arrangements. Renegotiation assists the group to minimise losses and write offs. Renegotiated assets are monitored closely for on-going performance and for further indicators of impairment. Allowances for credit losses includes an amount of R12 million in respect of renegotiated assets.

b) General

For receivable balances that are not credit impaired and where no specific provision was raised, a collective assessment is made. Expected credit losses are calculated by fragmenting trade receivables into shared risk characteristics such as geographical area (by country), collateral type and transaction type (equipment versus parts and services) and applying a historical loss ratio to the outstanding balance per fragment at each period end.

Actual historical losses, which take any collateral into account, are tracked per fragment and the loss ratio is calculated as a percentage of fragmented revenue over a rolling 24 month period and is used to forecast future losses. Where significant, adjustments are made for current and forecast conditions such as unemployment rates and commodity prices.

The expected credit loss rate for the group's receivables are detailed below:

	South Africa*	Europe	Rest of Africa
Finance leases and instalment sale agreements			
– equipment	**<1%**	**<1%**	**<1%**
– parts and services	**<1%**	**<1%**	**<1%**
Trade receivables			
– equipment	**<1%**	**<1%**	**<1%**
– parts and services	**<1%**	**<1%**	**1% to 2%**

* *including BESSA.*

There has been no change in the approach or techniques used by the group during the current reporting period in assessing the allowance for expected credit losses.

	BESSA			GROUP (including BESSA)		
	30 June 2019 R'000	30 June 2018 R'000	31 December 2018 R'000	**30 June 2019 R'000**	30 June 2018 R'000	31 December 2018 R'000
The group writes off any amounts where the likelihood of recovery is remote and where legal means of recovery has failed. Amounts written off by the group during the reporting period in this regard were	**537**	633	956	**5 807**	913	1 535

15. RESTRICTED ACCESS TO CASH AND BANK BALANCES

In the group's June 2018 cash and bank balances were cash and cash equivalents which formed part of the operation in Zimbabwe that were not immediately available for use by the group due to foreign currency shortages in Zimbabwe and bank delays in releasing payments for imports.

Following the introduction of the Real Time Gross Settlement (RTGS) dollar and the separation of bank accounts between RTGS dollar accounts and Nostro foreign currency accounts from 1 October 2018, the group identified all transactions and monetary items denominated in RTGS 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). This resulted in the group recognising a currency exchange loss of R87,4 million at the end of 2018.

On 24 June 2019, the Zimbabwean Dollar was introduced as the country's sole currency and from that date the Zimbabwean Interbank Rate has been used to translate the local currency cash and bank balances into USD. The USD/ZWL$ Interbank Rate was 6,62 at the end of June 2019.

The cash and cash equivalents consist of the following cash balances in Zimbabwe:

	Unaudited six months ended 30 June 2019 R'000	Unaudited six months ended 30 June 2018 R'000	Audited 12 months ended 31 December 2018 R'000
Cash and bank balance and cash on call	**2 462**	114 282	16 701

16. POST FINANCIAL POSITION EVENTS

No fact or circumstance material to the appreciation of these condensed consolidated interim financial statements has occurred between 30 June 2019 and the date of this report.

17. CASH DIVIDEND DECLARATION

Notice is hereby given that the directors have declared a gross interim cash dividend of 20 cents per ordinary share for the six-month period ended 30 June 2019 payable to ordinary shareholders in accordance with the timetable below.

The interim net dividend is 16 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	Monday, 23 September 2019
Shares commence trading "ex" dividend	Wednesday, 25 September 2019
Record date	Friday, 27 September 2019
Payment date	Monday, 30 September 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 25 September 2019, and Friday, 27 September 2019, both days inclusive.

By order of the board
9 September 2019

Directors

Non-executive

GW Bell (Chairman), JR Barton* (Lead Independent), DH Lawrance*, HR van der Merwe*, ME Ramathe*, R Naidu*

**Independent*

Executive

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

Company Secretary

D McIlrath

Registered Office

13 – 19 Carbonode Cell Road, Alton, Richards Bay, 3900

Transfer Secretaries

Link Market Services South Africa Proprietary Limited
19 Ameshoff Street, Johannesburg, 2001

Sponsor

Investec Bank Limited
100 Grayston Drive, Sandown, Sandton, 2196

Release date: 9 September 2019

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www.bellequipment.com