BELL

STRONG RELIABLE MACHINES
STRONG RELIABLE SUPPORT

2019

BELL EQUIPMENT LIMITED
AUDITED ANNUAL FINANCIAL STATEMENTS

Contents

Global corporate structure ... 2
Approval of the annual financial statements ... 4
Certification by the group company secretary ... 4
Preparation of the annual financial statements ... 4
Directors' report ... 5
Audit committee report ... 7
Independent auditor's report ... 10
Consolidated statement of financial position ... 18
Consolidated statement of profit or loss ... 19
Consolidated statement of profit or loss and other comprehensive income ... 20
Consolidated statement of changes in equity ... 21
Consolidated statement of cash flows ... 22
Notes to the consolidated statement of cash flows ... 23
Notes to the consolidated annual financial statements ... 25
Shareholder analysis ... 104
Glossary ... 106
Corporate information ... 107

Global corporate structure

Bell Equipment Group Services (Pty) Limited
- **100%** Bell Equipment Limited

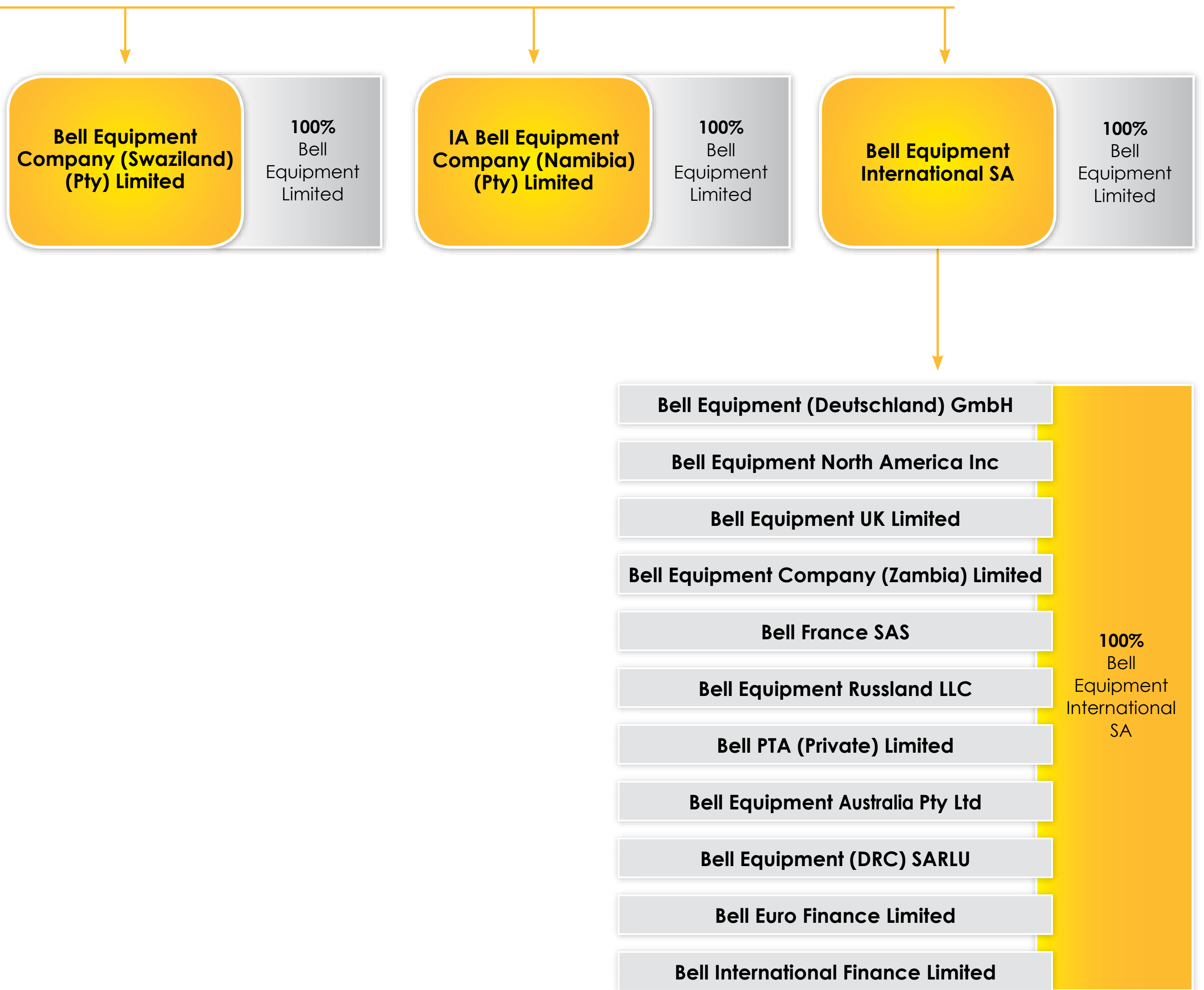
Bell Equipment SA Holdings Limited
- **70%** Bell Equipment Limited
- **30%** K2019577563 (South Africa) (RF) (Pty) Limited (BEE Manco)

Bell Equipment Properties SA (Pty) Limited
- **100%** Bell Equipment Limited

BECSA Holdings Limited
- **70%** Bell Equipment SA Holdings Limited
- **15%** K2019577563 (South Africa) (RF) (Pty) Limited (BEE Manco)
- **7,5%** K2017044733 (South Africa) (RF) (Pty) Limited
- **7,5%** Bell Equipment Foundation Trust

Bell Equipment Company SA (Pty) Limited
- **100%** BECSA Holdings Limited

Bell Equipment Sales South Africa Limited
- **70%** Bell Equipment SA Holdings Limited
- **22,5%** K2017044733 (South Africa) (RF) (Pty) Limited
- **7,5%** Bell Equipment Foundation Trust


Bell Equipment Company (Swaziland) (Pty) Limited
100% Bell Equipment Limited
IA Bell Equipment Company (Namibia) (Pty) Limited
100% Bell Equipment Limited
Bell Equipment International SA
100% Bell Equipment Limited
Bell Equipment (Deutschland) GmbH
Bell Equipment North America Inc
Bell Equipment UK Limited
Bell Equipment Company (Zambia) Limited
Bell France SAS
Bell Equipment Russland LLC
Bell PTA (Private) Limited
Bell Equipment Australia Pty Ltd
Bell Equipment (DRC) SARLU
Bell Euro Finance Limited
Bell International Finance Limited
100% Bell Equipment International SA

Approval of the annual financial statements

for the year ended 31 December 2019

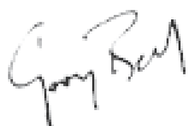
The directors of Bell Equipment Limited are responsible for the integrity of the annual financial statements of the group and that the other information in these statements is fairly presented.

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

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

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

The annual financial statements of the group which appear on pages 5 to 9 and 18 to 103 were approved by the directors on 26 May 2020 and are signed on their behalf by:



Gary Bell
Non-executive chairman

Leon Goosen
Chief executive

26 May 2020

Certification by the Group Company Secretary

for the year ended 31 December 2019

I certify that the company has, in respect of the financial year reported on, lodged with the Companies and Intellectual Property Commission (CIPC) all returns and notices required of a public company and that all such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.

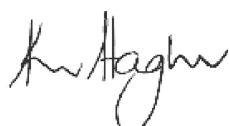
D McIlrath
Company secretary

26 May 2020

Preparation of the annual financial statements

for the year ended 31 December 2019

The preparation of the annual financial statements for the year ended 31 December 2019, which appear on pages 5 to 9 and 18 to 103, has been supervised by the group finance director of Bell Equipment Limited, Mrs KJ van Haght.



KJ van Haght CA(SA)
Group finance director

26 May 2020

Directors' report

for the year ended 31 December 2019

The directors submit the annual financial statements for the group (Bell Equipment Limited and its subsidiaries) for the year ended 31 December 2019.

NATURE OF BUSINESS

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

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

FINANCIAL RESULTS

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

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

STATED CAPITAL

The company's authorised share capital remains at 100 000 000 ordinary shares of no par value. The stated capital account as at 31 December 2019 comprised 95 629 385 (December 2018: 95 629 385) ordinary shares of no par value.

DIVIDENDS

During the 2019 financial year the directors declared an interim gross cash dividend of 20 cents per ordinary share. The total amount paid was R19,1 million (2018: interim dividend of 20 cents, amount paid R19,1 million).

The directors have resolved not to declare a final gross cash dividend (2018: final dividend of 25 cents, amount paid R23,9 million).

PROPERTY, PLANT AND EQUIPMENT

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

SHARE-BASED PAYMENT SCHEMES WITH EMPLOYEES

The company operated two employee share-based payment schemes during the year. Details of these schemes are set out in note 32 to the annual financial statements.

DIRECTORS

With effect from 1 December 2019, and following Ashley Bell's resignation as an employee, his designation changed from that of an executive director to a non-executive director.

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

Details of the current directors and GEC of the Bell Equipment group appear on pages 26 and 28 respectively of the integrated annual report.

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

	Number of shares held			
	Direct beneficial		Indirect beneficial	
	2019	2018	**2019**	2018
GW Bell	**253 600**	253 600	**8 841 050**	8 671 264
AJ Bell	**2 598**	2 598	**-**	-
L Goosen	**4 040**	4 040	**-**	-

There has been no change in the shareholding of directors as reflected above between the end of the financial year and 26 May 2020.

for the year ended 31 December 2019

MAJOR SHAREHOLDERS

The major shareholders in Bell Equipment Limited as at 31 December 2019 were:

		2019	2018
IA Bell & Company Proprietary Limited	(%)	38,09	37,36
John Deere Construction and Forestry Company	(%)	31,37	31,37

GROUP COMPANY SECRETARY

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

SUBSIDIARIES

Details of the company's interest in its subsidiary companies are contained on pages 96 and 97 of this report.

SUBSEQUENT EVENTS

COVID-19

Events subsequent to year-end relating to the COVID-19 pandemic are detailed in note 39 to the annual financial statements. The group operates globally and the impact of COVID-19, including the restrictions imposed by governments in different countries, varies by location. We continue to closely monitor this, assess the risks and adapt our plans and actions to mitigate some of the impact in each area of the business.

The group's priority in this period is cash generation and preservation, working capital management and realising the value in inventory and receivables. Liquidity has improved since the start of 2020 in line with a lower investment in working capital, following action taken in 2019 to right-size inventory levels. We are starting to see a reduction in inventory levels in the first half of 2020, but this is concealed by the weaker Rand which inflates the group inventory holding in Rand terms. Current levels of inventory are still too high but this together with the weaker Rand will assist the group with its inventory realisation plans in 2020. Steps have also been taken to reduce costs and right-size the business to match demand and these actions will continue in 2020.

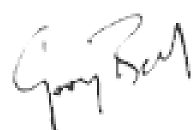
The group's financiers, the banks and the IDC, remain fully apprised of the group's results, liquidity, business and contingency plans for this challenging period and continue to support the group. At the date of this report the group has approximately R700 million in available undrawn bank facilities, on which commitment fees are paid, and cash. With the exception of the IDC, the majority of these undrawn facilities are short-term general banking facilities, repayable on demand, with no financial ratios covenants clauses. Refer to note 37.2 of the annual financial statements.

The group's forecasts are based on expected weak global market conditions and modest sales volumes that are approximately 30% lower in 2020 than in 2019. The group is carrying excess inventory and sales volumes are expected to exceed production volumes as the group right-sizes inventory levels. The liquidation of excess inventory will generate cash inflows. Cash flow forecasts to April 2021 allow for significant disruption for a further three months. However, there remains widespread uncertainty around the duration and intensity of the impact of the pandemic and potentially worse future circumstances may weaken the entity's ability to continue as a going concern.

At the time of approving these annual financial statements, the directors, taking full cognisance of all the issues above and in note 39 of the annual financial statements, believe that the going concern assumption is appropriate.

No other facts or circumstances material to the appreciation of this report have occurred between 31 December 2019 and the date of this report.

Signed on behalf of the board



Gary Bell
Non-executive chairman

Leon Goosen
Chief executive

26 May 2020

Audit committee report

for the year ended 31 December 2019

This report is presented by the audit committee ('the committee') and approved by the board in respect of the financial year ended 31 December 2019. The report is in compliance with the requirements of the Companies Act, the JSE Listings Requirements and King IV.

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

COMPOSITION

The board elects the chairman of the audit committee. The committee was chaired by independent non-executive director Derek Lawrance, and further comprises three independent non-executive directors, Mamokete Ramathe, John Barton and Rajendran Naidu whose profiles including their qualifications are disclosed on pages 26 and 27 of the integrated annual report. On the recommendation of the board, all four members of the committee shall stand for re-election by the shareholders at the AGM to be held on 15 July 2020.

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

Following the formal self-assessment of the committee in the form of a questionnaire that took place at the end of 2019, the committee remains satisfied that it is effectively carrying out its responsibilities.

The board has also assessed the experience and qualifications of the committee members and confirmed that they are sufficiently qualified and experienced in matters such as financial and sustainability reporting, internal financial controls, external and internal audit processes, corporate law, risk management, financial sustainability issues, IT governance as it relates to integrated reporting and governance processes within the group and have, as a whole, the necessary financial literacy, skills and experience to execute their duties effectively.

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

FREQUENCY AND ATTENDANCE OF MEETINGS

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

AUDIT COMMITTEE	13 March 2019	15 May 2019	4 September 2019	19 November 2019
Derek Lawrance (chairman)	x	x	x	x
Mamokete Ramathe	x	x	x	x
Rajendran Naidu	x	x	x	x
John Barton	x	x	x	x

OBJECTIVE AND SCOPE

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

COMBINED ASSURANCE

The committee is of the view that the arrangements in place for combined assurance are adequate and the model was applied to provide a coordinated approach to all assurance activities; and in particular ensuring that the combined assurance received is appropriate to address all the significant risks facing the group. Further information on the combined assurance process is provided in the corporate governance report under risk management on pages 38 to 47 of the integrated annual report.

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

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

Audit committee report continued

for the year ended 31 December 2019

EXTERNAL AUDIT

Having reviewed the external auditor's terms of engagement, independence, expertise, audit quality, objectivity and performance, the committee nominated and recommended the re-appointment of the group's external auditor, Deloitte & Touche, to the shareholders in compliance with the Companies Act and the JSE Listings Requirements for the 2020 financial year.

The committee met with the external auditor on 19 November 2019 in order to consider their suitability for appointment of the current audit firm and the designated engagement partner, as contemplated in terms of paragraph 22.15(h) of the JSE Listings Requirements. The committee further satisfied itself that the audit firm and designated auditor are accredited and do not appear on the JSE list of disqualified auditors. Deloitte & Touche has been the auditor of the group since July 1993. The committee gave due consideration to the independence of the external auditor, and the external auditor's independence was not prejudiced by any consultancy, advisory or other work undertaken. The committee is satisfied that in discharging its duties in terms of its mandate, together with the rotation of the group audit partner every five years, that Deloitte & Touche and the designated auditor's independence is maintained and has not been impacted by the tenure, which includes consideration of compliance with criteria relating to independence proposed by the Independent Regulatory Board for Auditors.

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

- Measurement of the IFRS 2 charge relating to the BBBEE ownership transaction.
- Revenue recognition and accounting for complex revenue transactions.
- Recoverability of trade receivables and long-term receivables (Bell Equipment Sales South Africa Limited).
- Impairment of intangible assets and property, plant and equipment.
- Key judgements applied in the going concern assessment.

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

The committee, in consultation with executive management, agreed to an audit fee for the 2019 financial year. The committee is satisfied that the auditors do not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefits from the company. The fee is considered appropriate for the work that could reasonably have been foreseen at that time.

In addition the committee has satisfied itself that the auditors' independence was not prejudiced by any consultancy, advisory or other work undertaken or as a result of any previous appointment as auditor. Audit and other services' fees are disclosed in note 27 to the financial statements.

The group's policy is to use its external auditors for non-audit services such as tax and accounting where the use of other consultants would not make sound commercial sense and where their independence is not compromised, and good corporate governance is not compromised by the engagement. There is a formal procedure that governs the pre-approval process when the external auditor is considered for the provision of non-audit services, and the allocation of such work is reviewed by the committee.

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

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

INTERNAL AUDIT

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

INTERNAL FINANCIAL CONTROL

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

for the year ended 31 December 2019

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

GOING CONCERN, ANNUAL FINANCIAL STATEMENTS AND INTEGRATED ANNUAL REPORT
The committee considered the report of the JSE's Financial Reporting Investigations Panel on its findings arising from the panel's monitoring of the financial reports published by JSE-listed companies during 2019 and has taken appropriate action to apply the findings.

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

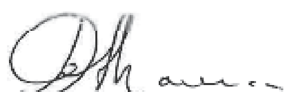
The committee reviewed management's assessment of the going concern status of the group at year-end and for the foreseeable future, including the disclosures made in note 39 of the consolidated financial statements relating to the impact of COVID-19 subsequent to year-end. The committee concurred with management's assessment that the group is a going concern and recommended the adoption of the going concern concept by the group to the board.

In the committee's opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of the company and its subsidiaries as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS and the requirements of the Companies Act.

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

The committee recommends the group's 2019 audited annual financial statements (of which this report forms part), and the 2019 integrated annual report, to the board for approval.

CONCLUSION
The committee is satisfied that it has conducted its affairs, discharged its legal and other responsibilities as outlined in its charter, the Companies Act, JSE Listings Requirements and King IV. The board concurred with this assessment.



Derek Lawrance
Chairman
Audit committee

26 May 2020

Independent auditor's report

to the shareholders of Bell Equipment Limited

Report on the Audit of the Consolidated Financial Statements

OPINION

We have audited the consolidated financial statements of Bell Equipment Limited and its subsidiaries (the group) set out on pages 18 to 103, which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statement, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 31 December 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

to the shareholders of Bell Equipment Limited

KEY AUDIT MATTERS

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

Key Audit Matter	How the matter was addressed in the audit
Measurement of the IFRS 2 charge relating to the BBBEE ownership transaction	

The BBBEE ownership transaction was completed during 2019 as described within note 19 of the consolidated financial statements. This resulted in an *IFRS 2 Share-based payment* ("IFRS 2") charge of R82,3 million being recognised as an expense for the year ended 31 December 2019.
 	
A Monte-Carlo simulation approach for the simulation of the share price with dividends and the IFRS 2 charge consists of 3 components, namely:
• Preference share payoff;
• BEE notional vendor financing payoff; and
• Dividend component payoff.
 	
The discounted cash flow model used to determine the equity values of the relevant businesses involves a number of assumptions and key inputs which include:
• The estimated future cash flow forecasts involves significant judgement;
• The estimated growth rates used within the forecast period and into perpetuity; and
• The discount rate, which is the cost of equity, is complex.
 	
Due to the number of assumptions and complexities involved in determining the inputs as described above, the measurement of the IFRS 2 charge relating to the BBBEE ownership transaction has been identified as a key audit matter.
	We evaluated whether the directors had appropriately treated the transactions in terms of IFRS 2 and the relevant agreements and performed the below procedures to confirm that the IFRS 2 charge was accurately recorded:
	• Testing of the design and implementation of the group's key control relating to management's review and approval of the valuations prepared by the directors' specialists;
	• Performing the following procedures in order to assess the accuracy of the equity values calculated:
	  - Critically evaluated whether the equity value calculations used by the directors as an input into the IFRS 2 charge was calculated appropriately;
	  - Compared the growth rates used to historical data regarding economic growth and to current inflation;
	  - Assessed the cost of equity including the company-specific risk premium (discount rate) and the determination of this rate.
	• Involved our own specialists to independently calculate the other components of the IFRS 2 charge, namely:
	  - The Preference share payoff;
	  - The BEE notional vendor financing payoff; and
	  - The Dividend component payoff.
	• We assessed the validity, accuracy and completeness of the source data provided used to determine the IFRS 2 charge;
	• We compared the amount of the IFRS 2 charge which our specialists independently calculated to the amount recognised by the directors;
	• We assessed that the disclosures made in the consolidated financial statements are in terms of IFRS.
	
	Based on the testing performed the directors' estimated IFRS 2 charge for this transaction and the related disclosures in terms of IFRS are considered appropriate.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><th colspan="2">Revenue recognition and accounting for complex revenue transactions</th></tr>
<tr><td>As described within note 26, the group enters into various sales and rental arrangements, including those with guaranteed residual value buy-back options, sales agreements where the group carries certain credit risks ("Bell-backed finance") and specific structured deals. The accounting treatment in respect of these arrangements involves significant assumptions and complexities (as described within note 26) due to the varying terms and conditions, which affect whether such transactions should result in the recognition of revenue in accordance with IFRS 15 Revenue from Contracts with Customers ("IFRS 15") or be treated as leases in accordance with IFRS 16 Leases ("IFRS 16").

The above assumptions impact the carrying value of inventory, property, plant and equipment, finance lease liabilities and deferred lease income. Due to the significance of the assumptions and complexity of these transactions and the impact on the financial statements as a whole this has been identified as a key audit matter.</td><td>We evaluated whether the directors appropriately applied the requirements of IFRS 15 and/or IFRS 16 in respect of contracts with a higher risk of material misstatement, such as Bell-backed finance, specific structured deals, sale or rental agreements with buy-back options and sales contracts having guaranteed residual values by performing the following procedures:
Understanding the revenue recognition process in respect of the terms and conditions of these transactions to assess compliance with IFRS both from the recognition and measurement perspective as well as in terms of the presentation and disclosure requirements of IFRS;
Assessing the design and implementation of key controls in the revenue business cycle as well as testing the operating effectiveness of relevant controls at selected business operations;
Inspecting a sample of the underlying contracts and assessing the accounting treatment adopted, which included the following procedures:
Assessing if control has passed to the buyer by considering the probability of the return of the goods/ units based on the terms of the contract and assessing this in terms of IFRS 15;
Assessing the significant assumptions used by the directors relating to the probability of return of equipment based on past experience and other relevant factors;
Determining if the arrangement is a finance lease or operating lease in terms of IFRS 16 by considering whether control has transferred from the lessee to the lessor.
Assessing if the amount of revenue can be reliably measured;
Determining if the future economic benefits from the transaction flow to the entity and if the cost of the transaction can be reliably measured; and
Assessing the significance of the impact of any guaranteed residual value on the transaction and the accounting thereof by inspection of the contract.
We assessed the adequacy of the disclosures in relation to the significant assumptions applied to these transactions and was found to be appropriate. The revenue recognition has been appropriately applied and disclosed.</td></tr>
</table>

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Recoverability of trade receivables and long-term receivables in Bell Equipment Sales South Africa Limited ("BESSA")</td></tr>
<tr><td>Included in gross trade receivables of R746 million (2018: R682 million) in note 14 of the consolidated financial statements is R163 million (2018: R170 million) relating to BESSA trade receivables. BESSA also has a further R129 million (2018: R154 million) of interest-bearing receivables included in the balance of R232 million (2018: R279 million) as disclosed in note 11 of the consolidated financial statements.

The sustained downturn in the current economic environment relating to both mining and construction sectors along with customers taking a longer period to settle contractual obligations and debtors seeking alternative financing solutions increases the risk of default by these customers. The valuation of trade receivables from such African customers therefore requires high levels of assumptions and estimates and is subject to potential bias by the directors. The directors have detailed the process implemented in respect of recovery of these balances in note 37.3 of the consolidated financial statements. Due to the above, the recoverability of trade receivables in BESSA is considered a key audit matter.</td><td>We focused our testing on the valuation of trade receivables and long-term receivables in BESSA and the adequacy of the estimated credit loss allowance in respect of these, which included the following procedures:
• Assessing the design and implementation of key controls relating to the recoverability of trade receivables and long-term receivables;
• Assessing the directors' assessment of the ability of the significant past due debtors to meet their outstanding commitments;
• Assessing the directors' estimates and assumptions used to raise the estimated credit loss allowance as well as the data on which this is based;
• Reviewing minutes of meetings of the credit risk committee to ensure that potentially unrecoverable debtors have been adequately provided;
• Assessing the subsequent receipts received post year-end in relation to the long outstanding balances at year-end as well as assessing the payment history on a sample basis; and
• Assessing the directors' review performed at a group level to ascertain if additional allowance was required at group level in respect of components.

Based on the testing performed the directors' estimated credit loss allowance for these debtors and the related disclosures in terms of IFRS are considered appropriate.</td></tr>
</table>

Independent auditor's report continued

to the shareholders of Bell Equipment Limited

Key Audit Matter	How the matter was addressed in the audit
Impairment of intangible assets and property, plant and equipment	
As described in note 4.3, the share price of the group is trading at a significant discount to the net asset value per share which the directors have identified as an indicator of impairment. *IAS 36 Impairment of Assets* ("IAS 36") states that when indicators of possible impairment exist, the entity is required to conduct impairment tests to assess the recoverability of the carrying value of the relevant cash generating units ("CGUs"). Judgement is required by the directors in identifying the relevant CGU and assessing the impairment of the CGU, which is determined as the higher of fair value less cost to sell or the value-in-use, based on the cash flow forecast for each CGU. The discounted cash flow model used to determine the recoverable amount of the CGU is detailed and complex. Key inputs into the model include the following: • Earnings growth (including estimated margins and forecast sales volumes); • Estimated working capital requirements of the CGU; and • The discount rate, which is based on the weighted average cost of capital. The determination of the weighted average cost of capital is complex. The complexity of the above results in complex accounting considerations and this was determined as a key audit matter.	In evaluating the possible indicators of impairment of intangible assets and property, plant and equipment within the applicable CGUs, we reviewed the fair value less cost to sell calculations prepared by the directors, with a particular focus on the assumptions with the most significant impact. We performed various procedures, including the following: • Testing of the entity's key controls relating to the preparation and directors' review of the cash flow forecasts; • Testing of inputs into the cash flow forecast, including the assumptions relating to revenue growth, in particular the forecast sales volumes and input prices, against historical performance and in comparison to the directors' strategic plans in respect of the applicable CGUs; • Consideration of the directors' ability to accurately forecast, based on a comparison of historical actual performance against previous respective forecasts; • We engaged our internal valuation specialists to perform the following: - Critically evaluated whether the fair value less cost to sell calculations used by the directors to calculate the value of the individual CGUs complies with the requirements of IAS 36; - Compared the growth rates used to historical data regarding economic growth rates for the regions included in the CGUs; - Involved our own specialists to assess the weighted average cost of capital including the company-specific risk premium (discount rate) and the determination of this rate; - Assessed the exchange rates used in the model to ensure that they comply with the requirements of IAS 36 in relation to the valuation method used; - Analysed the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current macro-economic climate and expected future performance of the applicable CGUs, against external market data, historical performance and forecast; - Subjecting the key assumptions to sensitivity analysis; and • Recalculated the fair value less cost to sell of all CGUs. Based on the testing performed, we concur with the conclusions reached by the directors.

to the shareholders of Bell Equipment Limited

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Key judgements applied in the going concern assessment</td></tr>
<tr><td>The impact of COVID-19 globally has resulted in an unprecedented level of economic uncertainty relating to the future cash flow of the group. In assessing the impact of the outbreak of COVID-19 on the appropriateness of the going concern assumption, in the preparation of the consolidated financial statements considerable focus and time was spent by both the directors and the audit team and as a result of the judgement and time spent this was determined to be a key audit matter.

The judgements applied with respect to reaching the directors' going concern conclusion and their conclusion that there are no material uncertainties that give rise to significant doubt over the group's ability to continue as a going concern for at least twelve months from the date of approval of the consolidated financial statements is disclosed in Note 39 to the consolidated financial statements.</td><td>We reassessed our risk assessment on going concern and took into account the additional considerations of the impact of COVID-19 on the group when assessing the future cash flow and judgements applied in reaching the going concern conclusion.

In evaluating the director's judgements in determining whether there are any material uncertainties which may cast doubt on the group's ability to continue as a going concern, the following procedures were performed:
• Testing the design and implementation of controls around the going concern assessment and the judgements applied;
• Assessing the operational disruption COVID-19 and the lockdown created to the group's business and understanding the actions taken by management and the directors to mitigate the impact of the COVID-19 pandemic and lockdown to date;
• Reviewing the director's revised cash flow forecasts for the next 12 months and critically challenging the key inputs into these forecasts including the following:
- Value and availability of financing facilities;
- Reasonability of the forecasted cash inflows including expected orders;
- Reasonability of cost saving initiatives being successfully implemented; and
- Performing sensitivity analysis by assessing the impact on the headroom of the available banking facilities under various scenarios.
• Reviewing recent correspondence with the group's existing lenders and
• Assessing the related disclosure related to going concern in the consolidated financial statements.

Based on the procedures performed, we concur with the directors' judgement applied to conclude on the group's ability to continue as a going concern.

We consider the disclosures in note 39 to the consolidated financial statements to be appropriate.</td></tr>
</table>

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the other reports in the document titled "Bell Equipment Limited Annual Financial Statements for the year ended 31 December 2019", and comprises the Directors' Report, the audit committee report and the certificate by the company secretary as required by the Companies Act of South Africa and the document titled "Bell Equipment Limited Integrated Annual Report 2019" which we obtained prior to the date of this report and "Bell Equipment Limited Separate Financial Statements for the year ended 31 December 2019", which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte has been the auditor of Bell Equipment Limited for 26 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per Camilla Howard-Browne CA(SA) RA

29 May 2020

National Executive: *LL Bam Chief Executive Officer *TMM Jordan Deputy Chief Executive Officer; Clients & Industries
*MJ Jarvis Chief Operating Officer *AF Mackie Audit & Assurance *N Sing Risk Advisory DP Ndlovu Tax & Legal
*MR Verster Consulting *JK Mazzocco People & Purpose MG Dicks Risk Independence & Legal
*KL Hodson Financial Advisory *B Nyembe Responsible Business & Public Policy *TJ Brown Chairman of the Board
Regional leader: *R Redfearn

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

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

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

PO Box 243
Durban 4000
South Africa

Deloitte & Touche
Registered Auditors
Audit & Assurance – KZN
Deloitte Place
2 Pencarrow Cresent
Pencarrow Park
La Lucia Ridge Office Estate
La Lucia 4051
Docex 27 Umhlanga

Tel: +27 (0)31 560 7000
Fax: +27 (0)31 560 7351
www.deloitte.com

Consolidated statement of financial position

as at 31 December 2019

	Notes	**2019 R'000**	2018 R'000
ASSETS			
Non-current assets		**1 634 289**	1 344 560
Property, plant and equipment	7	**910 296**	885 966
Right-of-use assets *	8	**173 281**	-
Intangible assets	9	**294 725**	237 964
Investments	10	**25 790**	23 584
Interest-bearing receivables	11	**80 220**	69 226
Deferred taxation	12	**149 977**	127 820
Current assets		**5 397 683**	5 183 673
Inventory	13	**4 177 461**	3 905 188
Trade and other receivables	14	**894 671**	868 519
Current portion of interest-bearing receivables	11	**151 928**	209 781
Prepayments		**29 550**	31 636
Other financial assets	15	**6 759**	6 757
Current taxation assets		**46 151**	13 347
Cash and bank balances	16	**91 163**	148 445
TOTAL ASSETS		**7 031 972**	6 528 233
EQUITY AND LIABILITIES			
Capital and reserves		**3 437 916**	3 371 509
Stated capital	17	**232 499**	232 499
Non-distributable reserves	18	**727 261**	679 411
Retained earnings		**2 474 020**	2 440 926
Attributable to owners of Bell Equipment Limited		**3 433 780**	3 352 836
Non-controlling interest	19	**4 136**	18 673
Non-current liabilities		**566 864**	606 095
Interest-bearing liabilities	20	**260 399**	385 044
Lease liabilities *	21	**110 139**	-
Contract liabilities	22	**113 329**	118 897
Provisions *	23	**1 996**	33 324
Deferred taxation	12	**81 001**	68 830
Current liabilities		**3 027 192**	2 550 629
Trade and other payables	24	**1 034 349**	1 142 521
Current portion of interest-bearing liabilities	20	**1 013 305**	750 381
Current portion of lease liabilities *	21	**100 757**	-
Current portion of contract liabilities	22	**130 760**	135 243
Current portion of provisions	23	**73 488**	70 947
Other financial liabilities	25	**2 347**	10 648
Current taxation liabilities		**6 063**	23 194
Bank overdrafts and borrowings on call	37.2	**666 123**	417 695
TOTAL EQUITY AND LIABILITIES		**7 031 972**	6 528 233

* Refer to the adoption of *IFRS 16 Leases* in note 3.

Consolidated statement of profit or loss

for the year ended 31 December 2019

	Notes	2019 R'000	2018 R'000
Revenue	26	**7 823 169**	7 534 438
Cost of sales		**(6 363 309)**	(6 049 887)
Gross profit		**1 459 860**	1 484 551
Other operating income		**188 995**	195 514
Distribution costs *		**(792 747)**	(831 527)
Administration expenses		**(113 361)**	(108 640)
Factory operating expenses *		**(512 186)**	(286 147)
Profit from operating activities	27	**230 561**	453 751
Interest expense *	28	**(166 157)**	(89 101)
Interest income	29	**54 198**	40 631
Net interest expense		**(111 959)**	(48 470)
Profit before taxation		**118 602**	405 281
Taxation	30.1	**(57 647)**	(128 864)
Profit for the year		**60 955**	276 417
Profit for the year attributable to:			
- Owners of Bell Equipment Limited		**75 492**	269 585
- Non-controlling interest		**(14 537)**	6 832
		Cents	Cents
Earnings per share			
Basic	31.1	**79**	283
Diluted	31.2	**79**	281

* Refer to the adoption of *IFRS 16 Leases* in note 3.

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2019

	Notes	**2019 R'000**	2018 R'000
Profit for the year		**60 955**	276 417
Other comprehensive (loss) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising during the year		**(49 230)**	134 602
Exchange differences on translating foreign operations	18	**(50 472)**	134 602
Reclassification to profit or loss of foreign currency translation reserve relating to discontinued operations	18	**1 242**	-
Items that may not be reclassified subsequently to profit or loss:		**16 302**	15 384
Surplus arising on revaluation of properties	18	**15 536**	-
Taxation relating to revaluation of properties	30.2	**(4 229)**	-
Fair value gain on investments designated as at fair value through other comprehensive income *	18	**4 995**	15 384
Other comprehensive (loss) income for the year, net of taxation		**(32 928)**	149 986
Total comprehensive income for the year		**28 027**	426 403
Total comprehensive income (loss) attributable to:			
- Owners of Bell Equipment Limited		**42 564**	419 571
- Non-controlling interest		**(14 537)**	6 832

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

Consolidated statement of changes in equity

for the year ended 31 December 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	232 244	530 281	2 214 236	2 976 761	11 841	2 988 602
Total comprehensive income attributable to owners of Bell Equipment Limited	-	149 986	269 585	419 571	-	419 571
Total comprehensive income attributable to non-controlling interest	-	-	-	-	6 832	6 832
Decrease in equity-settled employee benefits reserve	-	(856)	-	(856)	-	(856)
Share options exercised	255	-	-	255	-	255
Dividends paid	-	-	(42 895)	(42 895)	-	(42 895)
Balance at 31 December 2018	232 499	679 411	2 440 926	3 352 836	18 673	3 371 509
Total comprehensive (loss) income attributable to owners of Bell Equipment Limited	**-**	**(32 928)**	**75 492**	**42 564**	**-**	**42 564**
Total comprehensive loss attributable to non-controlling interest	**-**	**-**	**-**	**-**	**(14 537)**	**(14 537)**
Transfer between reserves relating to disposal of investments classified as at fair value through other comprehensive income	**-**	**(418)**	**418**	**-**	**-**	**-**
Decrease in statutory reserves of foreign subsidiaries	**-**	**(219)**	**219**	**-**	**-**	**-**
Decrease in equity-settled employee benefits reserve	**-**	**(901)**	**-**	**(901)**	**-**	**(901)**
Share-based payment relating to BBBEE ownership transaction	**-**	**82 316**	**-**	**82 316**	**-**	**82 316**
Dividends paid	**-**	**-**	**(43 035)**	**(43 035)**	**-**	**(43 035)**
Balance at 31 December 2019	**232 499**	**727 261**	**2 474 020**	**3 433 780**	**4 136**	**3 437 916**

* Refer to note 18 for the details on the movements in the non-distributable reserves.

Consolidated statement of cash flows

for the year ended 31 December 2019

	Notes	**2019 R'000**	2018 R'000
Cash flow from operating activities			
Cash utilised in operations	A	**(54 857)**	(109 990)
Interest paid	B	**(152 469)**	(75 701)
Interest received	C	**57 708**	45 916
Taxation paid	D	**(122 851)**	(182 945)
Net cash utilised in operating activities		**(272 469)**	(322 720)
Cash flow from investing activities			
Purchase of additional property, plant and equipment and intangible assets		**(173 265)**	(257 194)
Purchase of replacement property, plant and equipment and intangible assets		**(8 760)**	(8 739)
Proceeds on disposal of property, plant and equipment and intangible assets		**34 330**	7 600
Purchase of listed investments		**(667)**	(7 560)
Proceeds on disposal of listed investments		**2 415**	-
Interest-bearing receivables repaid	E	**25 035**	-
Interest-bearing receivables advanced	E	**(13 438)**	(22 474)
Net cash utilised in investing activities		**(134 350)**	(288 367)
Cash flow from financing activities			
Interest-bearing liabilities raised	F	**1 271 977**	1 359 836
Interest-bearing liabilities repaid	F	**(1 049 096)**	(720 262)
Lease liabilities repaid *		**(78 737)**	-
Proceeds from share options exercised		**-**	255
Dividends paid		**(43 035)**	(42 895)
Net cash generated from financing activities		**101 109**	596 934
Net decrease in cash for the year		**(305 710)**	(14 153)
Net bank overdrafts and borrowings on call at beginning of the year		**(269 250)**	(255 097)
Net bank overdrafts and borrowings on call at end of the year	G	**(574 960)**	(269 250)

* Refer to the adoption of *IFRS 16 Leases* in note 3.

Notes to the consolidated statement of cash flows

for the year ended 31 December 2019

		2019 R'000	2018 R'000
A	**CASH UTILISED IN OPERATIONS**		
	Profit from operating activities	**230 561**	453 751
	Adjustments for non-cash items:		
	Amortisation of intangible assets	**27 644**	26 072
	Depreciation of property, plant and equipment	**133 893**	119 776
	Depreciation of right-of-use assets	**74 853**	-
	Impairment loss recognised on revaluation of buildings	**1 085**	-
	Net surplus on disposal of property, plant and equipment and intangible assets	**(1 544)**	(5 716)
	Net loss on right-of-use assets	**271**	-
	(Decrease) increase in allowance for expected credit losses	**(10 490)**	6 176
	Amounts written off as uncollectible	**22 675**	1 535
	Increase (decrease) in provision for inventory write-downs, including write-downs to equipment on short-term rentals	**92 556**	(13 941)
	Increase (decrease) in allowance for expected credit losses on WesBank cash collateral	**2 046**	(1 549)
	Decrease in lease escalation	**(363)**	(5 697)
	Increase in contract provision - warranty	**13 120**	5 741
	Decrease in equity-settled employee benefits reserve	**(901)**	(856)
	Share-based payment relating to BBBEE ownership transaction	**82 316**	-
	(Gain) loss arising on financial assets at fair value through profit or loss	**(2)**	6 382
	Gain arising on financial liabilities at fair value through profit or loss	**(8 301)**	(9 624)
	Exchange differences on translation of foreign subsidiaries	**(10 728)**	12 051
	Reclassification to profit or loss of foreign currency translation reserve relating to discontinued operations	**1 242**	-
	Unrealised exchange differences on trade and other receivables and payables	**(21 868)**	21 959
	(Decrease) increase in contract liabilities	**(9 107)**	43 659
	Decrease in repurchase obligations and deferred leasing income	**-**	(1 989)
	Cash generated from operations before working capital changes	**618 958**	657 730
	Increase in inventory	**(507 802)**	(655 210)
	Increase in trade and other receivables and prepayments	**(77 015)**	(4 520)
	Decrease in trade and other payables	**(61 950)**	(48 775)
	Decrease (increase) in finance lease receivables and instalment sale agreements	**33 053**	(43 885)
	Decrease in supplier recovery	**-**	17 089
	Transfers of inventory to rental assets	**(60 101)**	(32 419)
	Total cash utilised in operations	**(54 857)**	(109 990)
B	**INTEREST PAID**		
	Interest accrued at beginning of the year	**13 400**	-
	Add: interest expense	**166 157**	89 101
	Less: interest charged to profit or loss relating to lease liabilities	**(21 748)**	-
	Add: interest portion of lease payments made on lease liabilities	**21 054**	-
	Less: interest accrued at end of the year	**(26 394)**	(13 400)
	Total interest paid	**152 469**	75 701
C	**INTEREST RECEIVED**		
	Interest accrued at beginning of the year	**4 457**	-
	Add: interest income	**54 198**	40 631
	Less: deferred finance income from contract liabilities recognised as revenue	**(23 769)**	(16 363)
	Add: deferred finance income from contracts sold	**22 825**	26 105
	Less: interest accrued at end of the year	**(3)**	(4 457)
	Total interest received	**57 708**	45 916

Notes to the consolidated statement of cash flows continued

for the year ended 31 December 2019

		2019 R'000	2018 R'000
D	**TAXATION PAID**		
	Net taxation owing at beginning of the year	**(9 847)**	(16 496)
	Taxation charge for the year:		
	South African normal taxation	**(40 214)**	(140 892)
	Foreign taxation	**(29 718)**	(28 399)
	Withholding taxation	**(1 303)**	(3 063)
	Other corporate taxation	**(2 386)**	(1 204)
	Translation differences	**705**	(2 738)
	Net taxation (refund due) owing at end of the year	**(40 088)**	9 847
	Total taxation paid	**(122 851)**	(182 945)
E	**INTEREST-BEARING RECEIVABLES**		
	Long-term portion of interest-bearing receivables at beginning of the year	**69 226**	92 774
	Add: current portion at beginning of the year	**209 781**	96 053
	Total interest-bearing receivables at beginning of the year	**279 007**	188 827
	Translation differences	**(163)**	937
	(Increase) decrease in allowance for expected credit losses on WesBank cash collateral	**(2 046)**	1 549
	Decrease in supplier recovery	**-**	(17 089)
	Interest-bearing receivables advanced for sale of inventory to independent dealer	**2 284**	38 424
	WesBank cash collateral repaid	**(25 035)**	-
	WesBank cash collateral advanced	**11 154**	22 474
	Interest-bearing receivables advanced to finance the sale of equipment	**163 697**	258 246
	Interest-bearing receivables repaid by customers	**(196 750)**	(214 361)
	Total interest-bearing receivables at end of the year	**232 148**	279 007
	Less: current portion at end of the year	**(151 928)**	(209 781)
	Long-term portion of interest-bearing receivables at end of the year	**80 220**	69 226
F	**INTEREST-BEARING LIABILITIES**		
	Long-term portion of interest-bearing liabilities at beginning of the year	**385 044**	113 183
	Add: current portion at beginning of the year	**750 381**	215 414
	Total interest-bearing liabilities at beginning of the year	**1 135 425**	328 597
	Translation differences	**(15 200)**	10 605
	Instalment purchase agreements raised to fund the purchase of additional property, plant and equipment	**7 041**	31 307
	Supplier funding (repaid) raised - extended payment terms	**(76 443)**	125 342
	Interest-bearing liabilities raised	**1 271 977**	1 359 836
	Interest-bearing liabilities repaid	**(1 049 096)**	(720 262)
	Total interest-bearing liabilities at end of the year	**1 273 704**	1 135 425
	Less: current portion at end of the year	**(1 013 305)**	(750 381)
	Long-term portion of interest-bearing liabilities at end of the year	**260 399**	385 044
G	**NET BANK OVERDRAFTS AND BORROWINGS ON CALL**		
	Bank overdrafts and borrowings on call	**(666 123)**	(417 695)
	Cash and bank balances	**91 163**	148 445
	Net bank overdrafts and borrowings on call at end of the year	**(574 960)**	(269 250)

1. GENERAL INFORMATION

Bell Equipment Limited (the company) is a public company incorporated in South Africa. The addresses of its registered office and principal place of business are disclosed on page 107 of this report. The principal activities of the company and its subsidiaries (the group) are described in the directors' report under the heading nature of business.

2. ACCOUNTING FRAMEWORK

2.1 Statement of compliance

The consolidated annual financial statements (hereinafter referred to as financial statements) have been prepared in accordance with International Financial Reporting Standards (IFRS), the Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and in accordance with the requirements of the Companies Act in South Africa.

Basis of accounting

The financial statements have been prepared on the historical cost basis, except for the revaluation of properties and financial instruments which are measured at fair value. The accounting policies are consistent with those applied to the previous year, except for the mandatory adoption of *IFRS 16 Leases* which became effective 1 January 2019.

Prior period restatements and disclosures

Leases

The adoption of *IFRS 16 Leases* resulted in a significant impact on the group's financial statements as detailed in note 3. The group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated.

Thematic review by the JSE

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.

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 in notes 11, 14 and 37.3.

The JSE's thematic review of the group's December 2018 results also identified that the group incorrectly disclosed a prior period error as a change in accounting policy. Details of this prior period disclosure error are presented in note 5.

The financial statements are presented in South African Rand, which is the company's functional and presentation currency, rounded to the nearest thousand.

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

2. ACCOUNTING FRAMEWORK continued

2.2 Principal accounting policies

2.2.1 Basis of consolidation

The financial statements incorporate the financial position and results of the company and of its subsidiaries. The results of subsidiaries are included from the dates the company obtains control and ceases when the company loses control of the subsidiary. The composition of the group is disclosed in note 40.

Control is achieved when the company:
- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.
  The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:
- the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Control over WesBank financing venture
Management applied judgement and has used the guidance in IFRS 11 and IFRS 10 in assessing whether the group has a controlling interest in the WesBank financing venture. Consideration is given to the terms of the agreement and the group's decision making rights with regards to the relevant activities of the financing venture. Although the group is entitled to a share of the profits from transactions financed through the financing venture, management concludes that the group does not control the relevant activities. The relevant activities as controlled by WesBank and further details regarding the arrangement are described in note 42. The group's profit share is accounted for as other operating income and the group's cash investment in the financing venture is recognised as interest-bearing receivables in the statement of financial position (refer to note 11).

Control over K2017044733 (South Africa) (RF) Proprietary Limited (the BESSA BEE SPV)
The group established this entity with the sole purpose to acquire and maintain BBBEE credentials for Bell Equipment Sales South Africa Limited (BESSA) (see note 19). The activities of this entity are predetermined and it is designed in such a way that any amendment to the mandate in terms of the Memorandum of Incorporation requires Bell Equipment Limited's (the company's) approval. Even though all the ordinary shares in the entity are held by external shareholders, the BESSA BEE SPV cannot effect any transaction that affects the BESSA BEE SPV's shareholding in BESSA and its BBBEE credentials without the written consent from the company. As such, management concludes that the group has power over the BESSA BEE SPV and has the ability to direct and affect the variable returns from its involvement with the BESSA BEE SPV. The group controls the BESSA BEE SPV and the results have therefore been consolidated. The entity is also a shareholder in the New BEE transaction described in note 19.3 of the financial statements.

Control over the broad based trust, Bell Equipment Foundation (BEF)
The trust was founded by the group in 2017 and the sole purpose of the trust is to hold shares in BESSA (see note 19) and to distribute dividends earned to participating beneficiaries. In terms of the trust deed, the group may at any time appoint or remove trustees. The group also directs the activities by determining the approved list of beneficiaries to whom distributions should be made by the trust in order to achieve the trust objectives. The decision making powers around the design and the purpose of the trust remains with the group. These activities allow the group to obtain variable returns from the BBBEE credentials in the trust. The group therefore controls the trust and the results have therefore been consolidated. The entity is also a shareholder in the New BEE transaction described in note 19.3 of the financial statements.

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

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

2. ACCOUNTING FRAMEWORK continued

2.2 Principal accounting policies continued

2.2.2 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency').

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

The group reassessed the functional currency of its operation in Zimbabwe. The group's assessment indicated that the USD is still the currency that significantly influences sales prices and a significant portion of costs in this operation. A significant portion of this entity's funding is also denominated in USD. The group applied judgement and concluded that the USD still faithfully reflects the primary economic environment in which this entity operates. As a result, the group identified all transactions and monetary items denominated in Zimbabwean Dollar and retranslated these items into USD at the official Zimbabwean Dollar to USD bank rate.

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Forward foreign exchange contracts are separately valued at equivalent forward rates ruling at the reporting date.

Gains and losses arising on translation of foreign currency transactions are dealt with in profit or loss. Gains and losses arising on inventory purchases are classified as cost of sales.

Foreign subsidiary translation

The results and financial position of all group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

In the current year the group has adopted all of the new and amended standards issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2019.

3.1 New and amended standards and interpretations adopted

The following new standard has been adopted in these financial statements:

New
IFRS 16 - Leases

The adoption of the new *IFRS 16 Leases* standard had a significant impact on the results of the group and resulted in significant changes which are disclosed below. The group's accounting policies for leases are disclosed in notes 8 and 21.

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

Adoption of *IFRS 16 Leases* and impact on the financial statements
The group adopted *IFRS 16 Leases* from 1 January 2019.

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 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's 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, against the right-of-use assets at transition date. This amount was included in provisions and lease escalation on the statement of financial position at 31 December 2018.

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 lease escalation provision as at 31 December 2018 was derecognised against the right-of-use assets at transition date. The reclassifications and the adjustments arising from the new leasing rules were recognised in the opening statement of financial position on 1 January 2019.

During the group's interim reporting period the right-of-use assets were split between a non-current and current portion and presented in the statement of financial position on that basis. This was subsequently revised and at year-end the right-of-use assets were presented in the statement of financial position as non-current assets only which is in accordance with *IFRS 16 Leases*.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 10,87% per annum. In the group's interim results the weighted average lessee's incremental borrowing rate was disclosed as 14,69% per annum which was subsequently revised following further assessments performed on the incremental borrowing rates within the group's operations.

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

3.1 New and amended standards and interpretations adopted continued

Adoption of *IFRS 16 Leases* and impact on the financial statements continued

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 27.
- where relevant the group used hindsight to determine the lease term where the contract contains options to extend or terminate. In determining the lease term, the group considered the contractual non-cancellable period of the contract taking into account any unilaterally enforceable renewal options.
- 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 Leases* 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.

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

	R'000
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
Land and buildings	**203 799**	(40 737)	**163 062**
Plant and equipment	**8 551**	-	**8 551**
Vehicles	**16 811**	-	**16 811**
Total right-of-use assets	**229 161**	(40 737)	**188 424**

The right-of-use assets recognised on 1 January 2019 relate to the following reportable segments:

Manufacturing, assembly, logistics and dealer sales operations	**R'000**
South Africa	**44 875**
Europe	**30 278**
Direct Sales operations	
South Africa	**113 271**
Total	**188 424**

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**
Less: IFRS 16 exemptions including low value assets and short-term leases	**(14 055)**
Add: adjustments as a result of different treatment of extension and termination options	**944**
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

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

3.2 Standards in issue not yet adopted

At the date of authorisation of these financial statements, the following amended standards relevant to the group, were in issue but not yet effective.

	Effective date for annual periods beginning on or after:
Amended	
IFRS 7 - Financial Instruments Disclosures: Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2020
IFRS 9 - Financial Instruments: Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2020
IAS 1 - Presentation of Financial Statements: Amendments regarding the definition of material	1 January 2020
IAS 1 - Presentation of Financial Statements: Amendments regarding the classification of liabilities	1 January 2022
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors: Amendments regarding the definition of material	1 January 2020
IAS 39 - Financial Instruments: Recognition and Measurement - Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2020

The impact of above amended accounting standards on the group is still to be determined.

4. CRITICAL ACCOUNTING JUDGEMENTS

4.1 Judgements made by management in applying accounting policies

Preparing financial statements in accordance with IFRS requires estimates and assumptions that affect reported amounts and related disclosures. Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments. The items for consideration have been identified as follows:

Revenue recognition

a) Judgements in determining the timing of satisfaction of performance obligations
- performance obligations satisfied at a point in time (refer to notes 26.1 and 26.2)
- performance obligations satisfied over time (refer to notes 26.1, 26.3 and 26.4)

b) Judgements in determining whether the group is a principal or an agent
- performance obligations with regards to transport services (refer to note 26.3)

c) Judgements in determining the transaction price and the amounts allocated to performance obligations
- residual value guarantees (affecting revenue recognition and the provision for residual value risk) (refer to note 26.1)
- effects of the time value of money relating to secure service contracts, extended warranty contracts, finance leases and instalment sale agreements (refer to note 26.1)
- trade-ins (refer to note 26.1)
- allocation of the transaction price (refer to note 26.1)

Leases - the group as a lessor

a) Classification of leases (refer to note 26.1)

Leases - the group as a lessee

a) Judgements in determining the lease term (refer to note 21)
b) Judgements in determining a low value lease (refer to note 21)
c) Judgements in determining an incremental borrowing rate (refer to note 21)

Financial assets

a) Impairment of financial assets (refer to note 14)

Basis of consolidation

a) Control over certain investees (refer to note 2.2.1)

Foreign currency translation

a) Translation of transactions and balances in the group's operation in Zimbabwe (refer to note 2.2.2)

4.2 Going concern

The determination of forecasts and expected future cash flows requires management to exercise judgement and make assumptions relating to factors such as expected future market conditions, including the expected impact of the pandemic on customer demand, the ability of suppliers to meet the group's demand for components required for production and the group's ability to continue trading without further lockdowns and restrictions in major markets. Refer to note 39.

4. CRITICAL ACCOUNTING JUDGEMENTS continued

4.3 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.

Discounted cash flow valuation principles are applied in assessing the expected future cash flows pertaining to assets. The key assumptions used are cash flow projections, growth rates and discount rates. The cash flow projections including growth rates are approved by the board of directors. The discount rates are determined by the finance team, taking into consideration geographic and other risk factors.

At 31 December 2019 the market capitalisation and net asset value of the group were R0,9 billion and R3,4 billion respectively. This is an indicator of possible impairment in terms of IAS 36. Consequently, the group's cash generating units were identified, a sum of the parts valuation was performed based on discounted cash flow valuation principles and the cash generating units were tested for impairment.

No impairment losses relating to specific cash generating units were identified.

5. PRIOR PERIOD RESTATEMENTS AND CORRECTION OF ERROR

5.1 Correction of prior period IFRS 15 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 twelve months ended 31 December 2017 R'000
Revenue	57 677
Cost of sales	(90 696)
Distribution costs	12 946
Factory operating expenses	20 073

5.2 Restatement of prior period operating segments

In the current year, the group's segment information has been restated 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 restated 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.

5. PRIOR PERIOD RESTATEMENTS AND CORRECTION OF ERROR continued

5.2 Restatement of prior period operating segments continued

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.

The effect of these restatements is presented below.

	Total Revenue R'000	Operating profit (loss) R'000	Assets R'000	Liabilities R'000
December 2018				
As previously reported				
South African sales operation	**3 297 532**	**115 895**	**1 736 469**	**1 573 991**
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**
Rest of Africa operation	**673 076**	**(25 716)**	**352 101**	**358 486**
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)**
Total	**7 534 438**	**453 751**	**6 528 233**	**3 156 724**
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
Total	-	-	-	-
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
Direct Sales operations				
South Africa	3 297 532	115 895	1 736 469	1 573 991
Rest of Africa	673 076	(25 716)	352 101	358 486
Other operations and inter-segmental eliminations	(4 248 777)	(36 321)	(1 418 048)	(2 195 076)
Total	7 534 438	453 751	6 528 233	3 156 724

6. OPERATING SEGMENTS

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

In 2019 the group's prior period segment information has been restated. Refer to note 5.2.

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.

6. OPERATING SEGMENTS continued

	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	Other Operations And Inter-Segmental Eliminations* R'000	Consolidated R'000
2019						
Revenue **						
External revenue	1 441 566	2 846 232	3 153 072	382 299	-	7 823 169
Inter-segment revenue	4 097 807	205 008	13 806	4 630	(4 321 251)	-
Total revenue	5 539 373	3 051 240	3 166 878	386 929	(4 321 251)	7 823 169
Profit (loss) from operating activities	112 547	82 799	27 217	48 633	(40 635)	230 561
Interest expense	(94 065)	(23 541)	(138 510)	(7 633)	97 592	(166 157)
Interest income	69 608	1 424	32 252	3 473	(52 559)	54 198
Taxation (expense) credit	(37 025)	(16 960)	8 933	(17 563)	4 968	(57 647)
Profit (loss) for the year	51 065	43 722	(70 108)	26 910	9 366	60 955
Segment assets	4 418 725	1 910 843	2 002 923	294 794	(1 595 313)	7 031 972
Segment liabilities	2 529 257	1 377 144	1 892 444	271 637	(2 476 426)	3 594 056
Other information						
Additions to property, plant and equipment and intangible assets	119 073	64 246	2 098	3 649	-	189 066
Depreciation of property, plant and equipment and right-of-use assets and amortisation of intangibles	103 918	24 422	105 842	4 607	(2 399)	236 390
Other material items of income and expense:						
- Net foreign currency (gains) losses	(9 147)	(8 018)	-	6 580	(2 028)	(12 613)
- Staff costs (including directors' remuneration and BBBEE share-based payment charges)	906 589	244 344	327 306	35 791	3 981	1 518 011
- Increase in contract provision - warranty	10 101	2 610	167	242	-	13 120
- Warranty expenditure	140 427	6 551	31 376	2 758	(1 411)	179 701

Information about major customers
Included in the manufacturing, assembly, logistics and dealer sales operations segment, in South Africa and Europe, are sales to a specific 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 2019 or 2018.

* 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 group's revenue from major products and services are disclosed in note 26.

6. Operating segments continued

	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	Other Operations And Inter-Segmental Eliminations* R'000	Consolidated R'000
2018 **						
Revenue ***						
External revenue	1 136 039	2 449 007	3 276 316	673 076	-	7 534 438
Inter-segment revenue	4 115 629	111 932	21 216	-	(4 248 777)	-
Total revenue	5 251 668	2 560 939	3 297 532	673 076	(4 248 777)	7 534 438
Profit (loss) from operating activities	326 658	73 235	115 895	(25 716)	(36 321)	453 751
Interest expense	(57 609)	(31 561)	(93 379)	(17 040)	110 488	(89 101)
Interest income	57 462	3 931	27 851	2 241	(50 854)	40 631
Taxation (expense) credit	(88 275)	(12 834)	(20 434)	(10 631)	3 310	(128 864)
Profit (loss) for the year	238 236	32 771	29 933	(51 146)	26 623	276 417
Segment assets	3 992 195	1 865 516	1 736 469	352 101	(1 418 048)	6 528 233
Segment liabilities	2 059 284	1 360 039	1 573 991	358 486	(2 195 076)	3 156 724
Other information						
Additions to property, plant and equipment and intangible assets	61 790	199 745	31 638	4 069	-	297 242
Depreciation and amortisation of intangibles	61 997	8 253	70 446	4 480	672	145 848
Other material items of income and expense:						
- Net foreign currency losses (gains)	37 069	(303)	-	86 748	3 866	127 380
- Staff costs (including directors' remuneration)	786 292	177 478	306 163	59 352	4 498	1 333 783
- Increase in contract provision - warranty	2 541	307	2 740	153	-	5 741
- Warranty expenditure	98 356	8 853	29 391	3 618	1 549	141 767

* 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 in note 5.2.

*** The group's revenue from major products and services are disclosed in note 26.

7. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

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

Revaluations of freehold land and buildings are undertaken every three years and are classified as Level 3 fair value measurements under IFRS 13. The group engages independent qualified valuers to perform the valuations. Inputs into the valuation model are based on market data to the extent it is available and can cause material fluctuations in the fair value of the relevant properties. Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or disposal of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. Depreciation on revalued buildings is recognised in profit or loss.

Depreciation of assets commences when the asset is available for use and is expensed in the statement of profit or loss. The depreciable values of leasehold buildings are depreciated over the shorter of their expected useful lives and the period of the lease. Depreciation on other assets is provided on a straight-line basis over the anticipated useful lives of the assets, taking residual values into account. Depreciation ceases on an asset only when the asset is derecognised or when it is classified as held for sale.

Rental assets are stated at cost less accumulated depreciation. Equipment is classified as rental assets under property, plant and equipment when they are held for rental to others and are expected to be used during more than 12 months. Equipment that is held for sale but is incidentally rented out under short-term rentals until a buyer is found, is classified as inventory. Rental assets are depreciated based on the hours utilised while on rental. Depreciation on rental assets is classified as cost of sales.

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

The annual rates of depreciation currently used are:		
	Freehold buildings	2% to 3,33%
	Leasehold buildings	5% to 20%
	Plant and equipment	4% to 33%
	Aircraft	10% to 12,5%
	Vehicles	20%

Useful lives and residual values are reviewed annually, with the effect of any change in accounting estimate accounted for on a prospective basis. In assessing the useful lives of the assets and residual values, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as market conditions, the remaining life of the asset and projected disposal values. Key assumptions are made concerning the future and may cause a significant adjustment to the carrying amounts of the assets within the next financial year.

Impairment of property, plant and equipment

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Assumptions are made in projecting disposal values and in determining estimated future cash flows. Estimation uncertainties may cause a material adjustment to the carrying amounts of the assets within the next financial year.

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

7. PROPERTY, PLANT AND EQUIPMENT continued

Accounting policy continued

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

	Cost/ valuation 2019 R'000	**Accumulated depreciation 2019 R'000**	**Net book value 2019 R'000**	Cost/ valuation 2018 R'000	Accumulated depreciation 2018 R'000	Net book value 2018 R'000
Freehold land and buildings *	**620 562**	**16 504**	**604 058**	634 001	34 488	599 513
Leasehold buildings **	**12 502**	**5 746**	**6 756**	12 908	5 292	7 616
Plant and equipment *	**631 215**	**400 041**	**231 174**	534 368	353 305	181 063
Rental assets - manufactured and branded equipment	**112 221**	**58 573**	**53 648**	92 448	42 636	49 812
Aircraft	**7 051**	**4 209**	**2 842**	7 051	3 611	3 440
Vehicles	**45 482**	**33 664**	**11 818**	88 610	44 088	44 522
Total	**1 429 033**	**518 737**	**910 296**	1 369 386	483 420	885 966

	Freehold land and buildings R'000	**Leasehold buildings R'000**	**Plant and equipment R'000**	**Rental assets - manufactured and branded equipment R'000**	**Aircraft R'000**	**Vehicles R'000**	**Total R'000**
Movement in property, plant and equipment 2019							
Net book value at beginning of the year	**599 513**	**7 616**	**181 063**	**49 812**	**3 440**	**44 522**	**885 966**
Net gain on revaluation	**14 375**	**-**	**-**	**-**	**-**	**-**	**14 375**
Additions	**59 686**	**271**	**39 871**	**-**	**-**	**4 833**	**104 661**
Disposals	**-**	**-**	**(212)**	**(1 455)**	**-**	**(30 590)**	**(32 257)**
Depreciation	**(22 781)**	**(609)**	**(48 227)**	**(54 824)**	**(598)**	**(6 854)**	**(133 893)**
Transfers *	**(32 548)**	**(452)**	**59 193**	**60 101**	**-**	**-**	**86 294**
Translation differences	**(14 187)**	**(70)**	**(514)**	**14**	**-**	**(93)**	**(14 850)**
Net book value at end of the year	**604 058**	**6 756**	**231 174**	**53 648**	**2 842**	**11 818**	**910 296**
2018							
Net book value at beginning of the year	387 794	8 676	191 007	78 695	4 051	21 206	691 429
Additions	204 362	1 372	19 213	-	254	32 727	257 928
Disposals	-	-	(994)	-	-	(387)	(1 381)
Depreciation	(16 074)	(995)	(30 134)	(62 167)	(865)	(9 541)	(119 776)
Transfers	2 079	(1 937)	(142)	32 419	-	-	32 419
Translation differences	21 352	500	2 113	865	-	517	25 347
Net book value at end of the year	599 513	7 616	181 063	49 812	3 440	44 522	885 966

* Transfers relate to the following:
- certain fixed structure assets were reclassified from freehold land and buildings to plant and equipment.
- transfers of rental assets relate to equipment held for rental reclassified from inventory to rental assets in property, plant and equipment.
- equipment held for demonstration and research and development was reclassified from inventory to plant and equipment in property, plant and equipment.

The reclassifications had no impact on the accumulated depreciation or the retained earnings of the group.

** Leasehold buildings relate to improvements not refunded or reimbursed by the landlord or improvements which are not part of the lease contract.

Certain property, plant and equipment is encumbered as indicated in note 20.

Certain rental assets are subject to collateralised borrowings as reflected in note 20.

7. PROPERTY, PLANT AND EQUIPMENT continued

	2019 R'000	2018 R'000
Freehold land and buildings at valuation/cost comprise:		
Lot 1892 Alton Industrial Township, Richards Bay *	**21 200**	21 528
Lot 1894 Alton Industrial Township, Richards Bay *	**56 300**	57 534
Lot 10024 Alton Industrial Township, Richards Bay *	**129 400**	139 687
Portion 45 Lot 11063, Extension 33, Middelburg *	**39 800**	39 669
Plots 839 and 954, Extensions 2 and 3 respectively, Oranjemund, Namibia	**104**	104
Oberste-Elpersweide 4, Alsfeld, Germany **	**79 565**	81 857
- at cost	**83 160**	72 694
- translation differences	**(3 595)**	9 163
Industriestraße 8, Hörselberg-Hainich, 99820, Germany **	**208 817**	201 729
- at cost	**216 083**	201 729
- translation differences	**(7 266)**	-
Plots 4095 and 4096, Chingola Road, Kitwe, Zambia ***	**85 376**	91 893
- at valuation	**87 691**	89 251
- translation differences	**(2 315)**	2 642
Total freehold land and buildings at cost/valuation	**620 562**	634 001

* The freehold land and buildings in Richards Bay and Middelburg were valued by the Mills Fitchet group, independent qualified valuers, on the fair value in continuation of existing use basis. The date of the valuation was 31 May 2019 for the properties in Richards Bay and 31 December 2019 for the property in Middelburg.

The valuations were undertaken in accordance with the requirements of the International Valuation Standards (IVS) and International Financial Reporting Standards (IFRS) and in particular *IFRS 13 Fair Value Measurement*.

The fair value of the freehold land and buildings was determined based on the market comparable approach that reflects recent industrial rentals and transaction prices for similar properties. In estimating the fair value of the freehold land and buildings, the highest and best use of these properties is its current use. In terms of the fair value hierarchy as required by *IFRS 13 Fair Value Measurement*, the fair value measurement has been classified as a Level 3. Level 3 fair value measurements use significant inputs that are not based on observable market data.

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

Richards Bay	Level 3 Fair value R'000	Significant unobservable inputs R'000	Range	Sensitivity: inter-relationship between key unobservable inputs and fair value
Freehold land and manufacturing plant and administration buildings in Alton Industrial Township, Richards Bay (i)	206 900	Rental per square metre	R40/m² to R50/m²	The higher the rental per square metre, the higher the fair value
		Capitalisation rate	10.50% per annum	The higher the capitalisation rate, the lower the fair value

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

The book values of these properties were adjusted to their valuations during the current period and the resultant surpluses of R14,0 million were credited to the revaluation reserve through other comprehensive income.

7. PROPERTY, PLANT AND EQUIPMENT continued

Reconciliation of carrying amount	2019 R'000	2018 R'000
Net book value at beginning of the year	**196 896**	200 265
Additions	**7 023**	7 218
Disposals	**-**	(63)
Depreciation	**(13 430)**	(10 524)
Level 3 revaluation credited to revaluation reserve	**14 047**	-
Net book value at end of the year	**204 536**	196 896

Middelburg	Level 3 Fair value R'000	Significant unobservable inputs R'000	Range	Sensitivity: inter-relationship between key unobservable inputs and fair value
Freehold land and customer service centre which includes warehousing, a workshop and administration buildings in Middelburg (ii)	39 800	Rental per square metre	R50/m² to R75/m²	The higher the rental per square metre, the higher the fair value
		Capitalisation rate	9.75% per annum	The higher the capitalisation rate, the lower the fair value

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

The book value of this property was adjusted to its valuation during the current period and the resultant surplus of R1,6 million was credited to the revaluation reserve through other comprehensive income.

Reconciliation of carrying amount	2019 R'000	2018 R'000
Net book value at beginning of the year	**38 944**	39 617
Depreciation	**(709)**	(673)
Level 3 revaluation credited to revaluation reserve	**1 565**	-
Net book value at end of the year	**39 800**	38 944

Germany

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

Zambia

*** The freehold land and buildings in Zambia were valued by Mak Associates Consulting Limited, independent qualified valuers. The date of the valuation was 31 December 2019.

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

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

7. PROPERTY, PLANT AND EQUIPMENT continued

Information about the fair value measurements is as follows:

Zambia	Level 3 Fair value R'000	Significant unobservable inputs R'000	Range	Sensitivity: inter-relationship between key unobservable inputs and fair value
Freehold land and customer service centre which includes warehousing, a workshop and administration buildings in Kitwe (iii)	85 376	Depreciated replacement cost per square metre	R13,400 to R17,600	The higher the cost per square metre, the higher the fair value
		Depreciation rate	50 to 60 years	The higher the range, the higher the fair value
		Price per square metre	R576	The higher the price, the higher the fair value

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

The book value of the property was adjusted to its valuation during the current period. A loss of R1,2 million was recognised on the buildings and charged to profit or loss as there was no revaluation reserve in respect of this. A loss of R0,1 million was recognised on the freehold land and was debited to the revaluation reserve through other comprehensive income.

Reconciliation of carrying amount	2019 R'000	2018 R'000
Net book value at beginning of the year	**90 179**	78 592
Translation difference	**(2 164)**	13 312
Depreciation	**(1 667)**	(1 725)
Level 3 revaluation loss charged to profit or loss	**(1 161)**	-
Level 3 revaluation loss debited to revaluation reserve	**(76)**	-
Net book value at end of the year	**85 111**	90 179

The comparable amounts under the historical cost convention for the freehold land and buildings were:	2019 R'000	2018 R'000
Historical carrying amount	**513 620**	477 629

8. RIGHT-OF-USE ASSETS

Accounting policy
The group as lessee
At inception of a contract, the group assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group recognises a right-of-use asset and a corresponding lease liability at the lease commencement date with respect to all lease arrangements in which it is the lessee. The right-of-use asset is initially measured at the initial amount of the lease liability adjusted for any lease prepayments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. Refer to note 21 for the group's accounting policy on lease liabilities.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Subsequent to initial measurement, the right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the group by the end of the lease term. In that case the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The group applies *IAS 36 Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 7.

Short-term leases and leases of low value assets
The group does not recognise a right-of-use asset and a corresponding lease liability for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets, but recognises the lease payments as operating expenses on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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.

	Cost/ valuation 2019 R'000	Accumulated depreciation 2019 R'000	Net book value 2019 R'000
Right-of-use assets			
Land and buildings	180 359	55 909	124 450
Plant and equipment	12 314	2 915	9 399
Vehicles	55 223	15 791	39 432
Total	247 896	74 615	173 281

	Land and buildings R'000	Plant and equipment R'000	Vehicles R'000	Total R'000
Movement in right-of-use assets				
2019				
Net book value at beginning of the year	203 799	8 551	16 811	229 161
Lease escalation provision as at 31 December 2018 derecognised against right-of-use assets at transition	(40 737)	-	-	(40 737)
Additions	17 400	3 861	38 901	60 162
Disposals	-	-	(271)	(271)
Depreciation	(55 975)	(2 945)	(15 933)	(74 853)
Translation differences	(37)	(68)	(76)	(181)
Net book value at end of the year	124 450	9 399	39 432	173 281

Amounts recognised in profit and loss during the reporting period:

	2019 R'000
Depreciation expense on right-of-use assets	74 853
Interest expense on lease liabilities	21 748
Expense relating to short-term leases	16 422
Expense relating to leases of low value assets	2 045

9. INTANGIBLE ASSETS

Accounting policy

Intangible assets acquired separately

Intangible assets with finite useful lives acquired separately relate to capitalised software and are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives and is recognised in profit or loss under factory operating expenses. The estimated useful lives and amortisation methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The annual rates of amortisation currently used are 10% to 20%.

Internally generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

The expenditure incurred on an internal project comprises of an allocation of the relevant engineering staff salary costs together with any material required for purpose of such development. In determining the engineering salary cost incurred, an estimate is made of the time spent by the engineering department on each of the internal projects and an allocation between these is made. This estimate of time is reviewed at regular intervals during the development phase and an adjustment made where necessary.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately. The amortisation expense is included in factory operating expenses.

An assessment is made once the development phase has ended on the estimated useful life of each internal project capitalised. The assessment is based on past projects together with any information on future market trends. The useful life is reviewed annually and adjusted where there is any indication that the previous assessment made is no longer appropriate. The useful lives currently vary from 2 to 10 years. Key assumptions are made concerning the future and may cause a significant adjustment to the carrying amounts of the assets within the next financial year.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of intangible assets

Intangible assets are subject to the same impairment testing and impairment accounting principles as those described in the accounting policy for property, plant and equipment. Refer to note 7.

Where intangible assets are not yet available for use, impairment testing is done annually and whenever there is an indication that the asset may be impaired.

9. INTANGIBLE ASSETS continued

	2019 R'000	2018 R'000
Capitalised software		
Cost		
At beginning of the year	**64 780**	79 154
Additions	**30 160**	1 860
Disposals	**-**	(16 302)
Translation differences	**(11)**	68
At end of the year	**94 929**	64 780
Accumulated amortisation		
At beginning of the year	**42 411**	55 561
Charge for the year	**2 760**	3 084
Disposals	**-**	(16 302)
Translation differences	**(11)**	68
At end of the year	**45 160**	42 411
Carrying amount at end of the year	**49 769**	22 369
Capitalised engineering development expenditure		
Cost		
At beginning of the year	**351 416**	335 441
Capitalised - current year	**54 245**	37 454
Disposals	**-**	(21 479)
At end of the year	**405 661**	351 416
Accumulated amortisation		
At beginning of the year	**135 821**	134 268
Charge for the year	**24 884**	22 988
Disposals	**-**	(21 435)
At end of the year	**160 705**	135 821
Carrying amount at end of the year	**244 956**	**215 595**
Total intangible assets	**294 725**	237 964

10. INVESTMENTS

Accounting policy

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

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

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

	2019 R'000	2018 R'000
Financial assets at fair value through other comprehensive income		
Listed equity investments not held for trading *		
Opening balance	**6 923**	-
Additions at cost	**667**	7 560
Disposals at fair value	**(2 417)**	-
Translation difference	**(120)**	-
Fair value losses	**(1 861)**	(637)
Closing balance	**3 192**	6 923
Unlisted equity investments not held for trading **		
Opening balance	**16 661**	574
Translation difference	**(919)**	66
Fair value gains	**6 856**	16 021
Closing balance	**22 598**	16 661
Total investments	**25 790**	23 584

* The listed investments are investments in companies which are listed on the Zimbabwean Stock Exchange. They have no fixed maturity. These investments have been fair valued using the quoted closing market prices at 31 December 2019 which resulted in a loss of R1,9 million (December 2018: R0,6 million) which was accounted for in other comprehensive income. These have been classified as Level 1 fair value measurements. No dividend income has been received on these investments in 2019.

** The unlisted equity investments represents a 10% interest in the equity of an entity registered in the United States of America. The entity operates within the dealer and distribution network of the heavy equipment industry. The group does not have access to future forecast information with regards to this entity and has used the market approach to estimate the fair value of its investment. In estimating the fair value, the group used an average price to book ratio of 1,99 (December 2018: 1,81) applied to the estimated net asset value of the entity as at 31 December 2019. The price to book ratio of 1,99 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. The fair value measurement has been classified as a Level 3 measurement. For a 10% change in the price to book ratio, there would have been an equal impact on the fair value of the investment. The fair value gain of R6,9 million was accounted for in other comprehensive income.

11. INTEREST-BEARING RECEIVABLES

Accounting policy

Recognition

Interest-bearing receivables are classified as financial assets at amortised cost. Interest-bearing receivables are recognised at amortised cost using the effective interest rate method, less allowance for expected credit losses. The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset. Cash flows from interest-bearing receivables are solely payments of principal and interest and the group's objective is to collect the contractual cash flows that arise from these assets.

Impairment

The group elected to apply the simplified approach in assessing the recoverability of interest-bearing receivables. Under the simplified approach the expected credit loss allowance is measured at an amount equal to lifetime expected credit losses. The group measures the allowance for expected credit losses for interest-bearing receivables on the same basis as described in the accounting policy for trade and other receivables under the heading 'Impairment' (refer to note 14).

The expected credit loss rate for the group's finance leases and instalment sale agreements 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%

Derecognition

The group derecognises interest-bearing receivables when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received (refer below and note 20).

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of a financial asset other than in its entirety, the group allocates the previous carrying amount between the part it continues to recognise under continuing involvement and the part it no longer recognises on the basis of the relative fair values on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received is recognised in profit or loss.

	2019 R'000	2018 R'000
WesBank cash collateral (i)	**57 919**	71 800
Less: allowance for expected credit losses (note 33.1)	**(2 046)**	-
	55 873	71 800
Environmental Protection Agency cash collateral (ii)	**6 303**	6 466
Long-term receivable (iii)	**40 708**	38 424
Instalment sale agreements (iv)	**112 052**	111 605
Finance lease receivables (v)	**17 212**	50 712
	232 148	279 007
Less: current portion	**(151 928)**	(209 781)
Total long-term portion of interest-bearing receivables	**80 220**	69 226

(i) The group has a financing venture with WesBank, a division of FirstRand Bank Limited, in order to assist customers with the financing of equipment purchased from the group. Refer to note 42 for further information on the financing venture.

For specific transactions, the risks and rewards are for the group (Bell-backed deals). In respect of these transactions, the group is required to invest an amount with WesBank equal to 25% of the value of the financing provided by WesBank to customers, as collateral. This investment is reflected as interest-bearing receivables on the statement of financial position. The average interest rate for the year was 6,6% (2018: 6,6%) per annum. The group's maximum credit risk exposure in terms of these transactions is reflected in note 33.1.1.

(ii) The amount represents cash held as security for a bond held by the Environmental Protection Agency in the United States of America (USA) for certain sales transactions into the USA. The amount earns interest at 1,0% (2018: 1,0%) per annum.

11. INTEREST-BEARING RECEIVABLES continued

(iii) The group's operation in the Democratic Republic of the Congo (DRC) ceased trading in October 2018. Inventory and fixed assets were sold to an independent dealer during 2018 on extended payment terms to September 2020. This was renegotiated in the current year, due to cash flow constraints experienced by the dealer, to monthly repayments to March 2021. The interest rate charge was also renegotiated from 9% per annum to 3% per annum.

The amounts are repayable in instalments by:

	2019 R'000	2018 R'000
2019	**-**	21 237
2020	**36 420**	21 236
2021	**5 191**	-
	41 611	42 473
Less: unearned finance income	**(903)**	(4 049)
	40 708	38 424
Less: current portion	**(36 420)**	(18 113)
Long-term portion	**4 288**	20 311

At the end of the reporting period R2,8 million was past due from the dealer. Management considered the following in assessing that there are no expected credit losses on this amount:

- economic and industry conditions in the markets that the dealer is active in.
- the group's long-standing history with this dealer and that, although accounts have taken time to be settled in the past, amounts have been recovered.
- repayments made on the renegotiated payment plan subsequent to year end.
- the dealer's forecasts and business plans and the extent of purchases from and payments received by the group on trading accounts relating to the dealer stocking up operations in the DRC during the period.
- a holding company guarantee provided by Kanu Equipment Limited for the complete payment by Kanu Equipment DRC SAS of these obligations.

(iv) Receivables from instalment sale agreements for the amount of R112,1 million (2018: R111,6 million) relate to equipment sold to customers under a credit arrangement where the contract provides a significant financing benefit to the customer. Refer to the group's accounting policy in note 26.1 for revenue recognition from instalment sale agreements.

The amounts are repayable in instalments by:

	Average interest rate per annum	**2019 R'000**	2018 R'000
2019	12,7%	**-**	111 605
2020	13,5%	**90 480**	-
2021	13,5%	**21 572**	-
Total		**112 052**	111 605
Less: current portion		**(90 480)**	(111 605)
Long-term portion		**21 572**	-

The following details an analysis of these instalment sale receivables:

	Less than one year R'000	**One to two years R'000**	**Total R'000**
2019			
Gross investment	**98 774**	**22 419**	**121 193**
Less: unearned finance income	**(8 294)**	**(847)**	**(9 141)**
Present value of minimum payments	**90 480**	**21 572**	**112 052**
2018			
Gross investment	118 317	-	118 317
Less: unearned finance income	(6 712)	-	(6 712)
Present value of minimum payments	111 605	-	111 605

11. INTEREST-BEARING RECEIVABLES continued

Instalment sale receivables include an amount of R61,5 million (2018: Rnil million) which was discounted to a financial institution with recourse to the group. The corresponding liability to the financial institution is disclosed in note 20.

Instalment sale receivables of R4,5 million (2018: R2,9 million) included above were past due at the reporting date. No allowance for expected credit losses was raised. The group considers the instalment sale receivables to be recoverable as there has not been a significant change in credit quality.

(v) Finance lease receivables for the amount of R17,2 million (2018: R50,7 million) relate to equipment sold to customers as part of a lease arrangement. Refer to note 26.1 for the group's accounting policy on revenue recognition from lease agreements.

The amounts are repayable in instalments by:

	Average interest rate per annum	2019 R'000	2018 R'000
2019	12,9%	**-**	31 226
2020	13,1%	**17 212**	19 486
Total		**17 212**	50 712
Less: current portion		**(17 212)**	(31 226)
Long-term portion		**-**	**19 486**

The following details an analysis of these finance lease receivables:

	Less than one year R'000	One to two years R'000	Total R'000
2019			
Gross investment	**19 209**	**-**	**19 209**
Less: unearned finance income	**(1 997)**	**-**	**(1 997)**
Present value of minimum payments	**17 212**	**-**	**17 212**
2018			
Gross investment	33 291	21 182	54 473
Less: unearned finance income	(2 065)	(1 696)	(3 761)
Present value of minimum payments	31 226	19 486	50 712

During the year finance lease receivables decreased as a result of repayments by existing customers with no significant additions.

Finance lease receivables include an amount of R17,9 million (2018: R25,9 million) which was discounted to a financial institution with recourse to the group. The corresponding liability to the financial institution is disclosed in note 20.

Finance lease receivables of Rnil million (2018: R2,9 million) included above were past due at the reporting date and no allowance for expected credit losses was raised. The group considers finance lease receivables to be recoverable as there has not been a significant change in credit quality.

The carrying amount of interest-bearing receivables approximates their fair value because market related interest rates are charged on these agreements.

12. DEFERRED TAXATION

Accounting policy

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

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

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

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

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

The deferred taxation analysed by major category of temporary difference and the reconciliation of the movement in the deferred taxation balance is as follows:	Net deferred taxation assets in group companies at beginning of the year R'000	Net deferred taxation liabilities in group companies at beginning of the year R'000	Translation differences R'000	Recognised in other comprehensive income for the year R'000	Recognised in profit or loss for the year R'000	Net deferred taxation assets in group companies at end of the year R'000	Net deferred taxation liabilities in group companies at end of year R'000
2019							
Accruals	9 946	8 828	(74)	-	(3 776)	5 139	9 785
Capitalised engineering development expenditure	-	(71 533)	-	-	(7 361)	-	(78 894)
Contract liabilities	17 546	50 518	(3)	-	717	18 399	50 379
Excess taxation allowances over depreciation charge	(14 757)	(25 648)	(14)	-	(15 335)	(26 024)	(29 730)
Finance leases	5 450	(160)	1	-	37 610	51 122	(8 221)
Future expenditure allowance	-	(7 567)	-	-	3 914	-	(3 653)
Production incentives	-	(17 244)	-	-	(426)	-	(17 670)
Lease liabilities	-	-	-	-	8 177	8 177	-
Other allowances, including allowances for future expenditure on contracts	(4 728)	-	-	-	678	(4 050)	-
Other provisions	16 997	(60)	-	-	12 521	8 571	20 887
Prepayments	(447)	(725)	1	-	(1 610)	(560)	(2 221)
Allowance for expected credit losses	11 965	12 063	(755)	-	(18 060)	(10 352)	15 565
Provision for lease escalation	9 607	5 934	-	-	(15 541)	-	-
Provision for inventory obsolescence	8 259	210	(906)	-	614	3 317	4 860
Contract provision - warranty	4 311	11 098	-	-	505	1 988	13 926
Revaluation of properties	(8 705)	(41 658)	1 430	(4 229)	(5 024)	(1 603)	(56 583)
Right-of-use assets	-	-	-	-	(7 130)	-	(7 130)
Sales in advance	5 089	5 875	3	-	3 427	8 850	5 544
Taxable losses	86	429	-	-	(515)	-	-
Unrealised foreign currency gains and losses	7 093	810	(1 357)	-	(3 241)	1 150	2 155
Unrealised profit in inventory	60 108	-	(85)	-	25 830	85 853	-
Totals	**127 820**	**(68 830)**	**(1 759)**	**(4 229)**	**15 974**	**149 977**	**(81 001)**

12. DEFERRED TAXATION continued

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

Further information on the group's estimated taxation losses and the recognition of deferred taxation assets for these losses is set out in note 30.1.

13. INVENTORY

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

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

Redundant and slow-moving inventory is identified and written down with regard to their estimated economic or realisable values. Net realisable value represents the estimated selling price, less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. The determination of recoverable value of the inventory requires management to exercise considerable judgement and takes into account current market conditions, expected selling prices and model changes.

	2019 R'000	2018 R'000
Finished goods		
- manufactured	**969 222**	907 363
- branded	**501 736**	388 289
- used	**335 358**	307 837
Merchandise spares, components and raw materials	**1 846 454**	1 851 554
Work-in-progress	**524 691**	450 145
Total inventory	**4 177 461**	**3 905 188**

Included above is inventory of R328,2 million (2018: R242,7 million) carried at net realisable value.

Total inventory expensed, included in cost of sales, amounts to R5 802,2 million (2018: R5 543,3 million).

Cost of sales includes an amount of R77,9 million (2018: R79,5 million) in respect of write-downs of inventory.

Inventory includes an amount of R40,2 million (2018: R57,2 million) relating to machines on short-term rental. The rental income stream has been discounted to a financial institution with recourse to the group. The corresponding liability to the financial institution is disclosed in note 20.

Inventory includes an amount of R46,7 million (2018: R125,3 million) relating to components supplied on extended credit terms. Refer to note 20.4.

14. TRADE AND OTHER RECEIVABLES

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

Impairment
In assessing the recoverability of trade receivable balances, the simplified approach was applied to the specific and general allowances as described below, as there is no significant financing component in the revenue transactions associated with these balances. 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. Refer to note 37.3 for further analysis of the group's trade receivable balances.

The assessment of allowances for expected credit losses on customer balances is dependent on estimates and assumptions regarding past dues, repossession rates and the recovery rate on underlying collateral.

Assumptions are also made concerning the future, as described below, and these may cause a material adjustment to the carrying amounts of the assets within the next financial year.

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

a) Specific allowance
The group reviews each customer balance to assess it for a specific allowance. In instances where customers have exceeded approved credit terms, where the customer is in default with no specific arrangement to rectify the position by entering into a repayment plan with the group, where the terms of a repayment plan have not been complied with and where there are other indicators that the customer is unlikely to pay, such as where a customer has gone into business rescue, the group assesses the financial condition of the customer and the value of the underlying securities. In its assessment, the group uses 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 trade 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
- past payment history

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

14. TRADE AND OTHER RECEIVABLES continued

***Accounting policy** continued*

Impairment continued

b) General allowance

For receivable balances where no specific allowance 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. Determining the categories used in fragmentation that reflect the risks of default and loss, requires judgement.

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
Trade receivables			
• Equipment	< 1%	< 1%	< 1%
• Parts and services	< 1%	< 1%	1% - 2%

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.

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 are disclosed in note 27.

The carrying amount of trade receivables is reduced by the allowance for expected credit losses. Subsequent recoveries of amounts previously provided for are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition

The group applies the same accounting policy and derecognition principles as described in note 11 under interest-bearing receivables, to trade and other receivables.

	2019 R'000	2018 R'000
Amounts receivable from the sale of goods and services	**746 186**	682 455
Allowance for expected credit losses (refer note 37.3)	**(59 096)**	(70 235)
	687 090	612 220
Sundry debtors	**30 584**	60 917
The Automotive Production Development Programme - production incentives receivable	**90 853**	65 907
Value added taxation receivable	**86 144**	129 475
Total trade and other receivables	**894 671**	868 519

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

Further information regarding the group's credit risk management is set out in note 37.3.

15. OTHER FINANCIAL ASSETS

Accounting policy
Other financial assets include derivative financial assets, principally forward foreign exchange contracts and are used by the group in its management of financial risks. These contracts are held for trading at fair value with any gains or losses arising on remeasurement recognised in profit or loss. Financial assets are classified as held for trading when they are held with the intention of short-term disposal, or are derivatives. The group has elected not to apply hedge accounting.

	2019 R'000	2018 R'000
Financial assets carried at fair value through profit or loss		
Forward foreign exchange contracts (Level 2)	**6 759**	6 757

Level 2 fair value measurements are those derived from inputs other than quoted prices. The fair value of these contracts is based on the market approach which uses observable forward exchange rates at the end of the year. Further details on the group's exposure to currency risk is disclosed in note 37.4.1.

16. CASH AND BANK BALANCES

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

	2019 R'000	2018 R'000
Cash on hand and cash bank balances	**91 163**	148 445

In the group's cash and bank balances are cash and cash equivalents of R2,0 million (2018: R16,7 million) which form part of the group's operation in Zimbabwe.

In the prior year, following the Zimbabwean government's designation of bank balances as RTGS (real time gross settlement) dollars, bank balances were devalued by R63,6 million through profit or loss.

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

17. STATED CAPITAL

	2019 R'000	2018 R'000
Authorised		
100 000 000 (2018: 100 000 000) ordinary shares of no par value		
Issued		
95 629 385 (2018: 95 629 385) ordinary shares of no par value	**232 499**	232 499

Five million ordinary shares were reserved for the group's equity-settled employee share option scheme. At 31 December 2019, the company had granted options in terms of this scheme to executive directors and employees to subscribe for 2 181 604 (2018: 2 357 272) shares in the company as set out in note 32.1.3.

Five percent of the balance of the authorised but unissued shares (5% of 26 000 shares) in the company is under the control and authority of the directors until the next annual general meeting of shareholders.

	2019 Number of shares	2018 Number of shares
Reconciliation of authorised but unissued shares		
Authorised ordinary shares	**100 000 000**	100 000 000
Less: ordinary shares issued	**(95 629 385)**	(95 629 385)
Less: equity-settled share options granted but unexercised	**(2 181 604)**	(2 357 272)
Less: shares reserved but not granted	**(2 163 011)**	(1 987 343)
Number of authorised but unissued shares, excluding shares reserved for the group's equity-settled employee share option scheme	**26 000**	26 000

18. NON-DISTRIBUTABLE RESERVES

	Net surplus arising from revaluation of freehold land and buildings R'000	Statutory reserves of foreign subsidiaries R'000	Reserve for fair value gains (losses) on equity investments R'000	Foreign currency translation reserve of foreign subsidiaries R'000	BBBEE share-based payment reserve R'000	Equity-settled employee benefits reserve R'000	Total R'000
Balance at 31 December 2017	121 080	23 948	-	365 586	2 199	17 468	530 281
Other comprehensive income	28	2 735	-	131 839	-	-	134 602
- exchange differences on translating foreign operations	28	2 735	-	131 839	-	-	134 602
Decrease in equity-settled employee benefits reserve *	-	-	-	-	-	(856)	(856)
Fair value gain through other comprehensive income	-	-	15 384	-	-	-	15 384
Balance at 31 December 2018	121 108	26 683	15 384	497 425	2 199	16 612	679 411
Other comprehensive income (loss)	**11 302**	**(1 212)**	**(833)**	**(47 180)**	**-**	**-**	**(37 923)**
- exchange differences on translating foreign operations	**(5)**	**(1 212)**	**(833)**	**(48 422)**	**-**	**-**	**(50 472)**
- reclassification to profit or loss of foreign currency translation reserve relating to discontinued operations	**-**	**-**	**-**	**1 242**	**-**	**-**	**1 242**
- surplus on revaluation	**15 536**	**-**	**-**	**-**	**-**	**-**	**15 536**
- deferred taxation on surplus on revaluation	**(4 229)**	**-**	**-**	**-**	**-**	**-**	**(4 229)**
Decrease in equity-settled employee benefits reserve *	**-**	**-**	**-**	**-**	**-**	**(901)**	**(901)**
Decrease in statutory reserves of foreign subsidiaries	**-**	**(219)**	**-**	**-**	**-**	**-**	**(219)**
Fair value gain through other comprehensive income	**-**	**-**	**4 995**	**-**	**-**	**-**	**4 995**
Transfer between reserves relating to disposal of investments classified as at fair value through other comprehensive income	**-**	**-**	**(418)**	**-**	**-**	**-**	**(418)**
Share-based payment relating to BBBEE ownership transaction **	**-**	**-**	**-**	**-**	**82 316**	**-**	**82 316**
Balance at 31 December 2019	**132 410**	**25 252**	**19 128**	**450 245**	**84 515**	**15 711**	**727 261**

* Details of the equity-settled employee share option plan are set out in note 32.1.

** Details of the BBBEE ownership transaction are set out in note 19.

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

19. NON-CONTROLLING INTEREST

	2019 R'000	2018 R'000
Balance at beginning of the year	18 673	11 841
Share of total comprehensive (loss) income for the year	(14 537)	6 832
Balance at end of the year	**4 136**	18 673

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

Non-controlling shareholders are treated as equity participants and, therefore, all acquisitions of non-controlling interests or disposals by the group of its interests in subsidiary companies, where control is maintained subsequent to the transaction, are accounted for as equity transactions.

The non-controlling interest at the end of the year represented the 22,5% interest of the BBBEE partner in Bell Equipment Sales South Africa Limited (BESSA). The BBBEE partner and a broad based trust controlled by the group, acquired 22,5% and 7,5% respectively of the issued share capital of BESSA during 2017. The structure is described below. Summarised financial information about BESSA is disclosed in note 40.

19.1 The BBBEE partner

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

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

At the end of the 10 year period, the BESSA BEE SPV may sell its shares subject to pre-emptive rights in favour of the company. If the company does not elect to acquire such shares, the BESSA BEE SPV may transfer such shares to eligible third parties who have an equal or greater BBBEE status. The company also has a call option to acquire the BBBEE shareholders' shares in BESSA after 5 years or at any time if:

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

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

The group has control over the BESSA BEE SPV in terms of its relevant activities and the results of the BESSA BEE SPV have therefore been consolidated (refer to note 2.2.1).

19.2 The broad based trust

The broad based trust was founded by the group and is known as the Bell Equipment Foundation (BEF). The trust holds 7,5% of the issued share capital in BESSA. The beneficiaries of the trust are black women. The consideration for the 7,5% interest in BESSA was funded by the group and eliminated on consolidation. The objectives of the trust are to acquire and hold investments and use trust income to support black women in South African communities by financially assisting them with their education or their businesses. The group has control over the trust in terms of its relevant activities and trustees and the results of the trust have therefore been consolidated (refer to note 2.2.1).

An IFRS 2 share-based payment charge of R2,2 million was recognised in profit or loss and recorded within equity in respect of the transaction.

19. NON-CONTROLLING INTEREST continued

19.3 BBBEE ownership transaction concluded in December 2019

In December 2019 a BBBEE transaction (the New BEE transaction) was concluded in terms of which the group's manufacturing subsidiary, BECSA, and BESSA, both became 51% black people owned companies with effect from 1 January 2020.

The BEE shareholders in the New BEE transaction are the following:
- key black executives in the group, who together are a well-balanced and highly qualified team with years of institutional knowledge, bringing the necessary manufacturing expertise, new business development focus, sales and distribution skills and are able to continue to spearhead interactions with the private and public sector; and
- the existing BESSA BEE shareholders, BESSA BEE SPV a 100% black women owned and managed company (refer to note 19.1), whose ultimate shareholders are Sindisiwe Mabaso-Koyana and Bharti Harie, as well as BEF the beneficiaries of which are black women.

BECSA

With effect from 1 January 2020, and following an internal restructure, BECSA is a contract manufacturer appointed by Bell Equipment Group Services Proprietary Limited (BEGS) a wholly owned subsidiary of the company, to manufacture products determined by BEGS from time to time, which would currently be material handling equipment, including articulated dump trucks for the South African and certain international markets.

BESSA

Following the New BEE transaction, BESSA continues to provide sales and aftermarket support for Bell designed and manufactured products as well as strategic alliance partner products in South Africa.

19.3.1 Particulars of the New BEE transaction

The key features of the New BEE transaction are as follows:

(a) A 51% black ownership in BECSA and BESSA was achieved using the flow through principle;
(b) The BEE shareholders of the New BEE transaction are aligned to the company's strategy and interests;
(c) The company shall continue to consolidate Bell Equipment SA Holdings Limited (BHL), BECSA Holdings Limited (BECSA Holdings), BECSA and BESSA;
(d) A 10 year lock-in period applies.

The salient terms and conditions of the New BEE transaction are summarised below:

(i) A new South African holding company, BHL has been incorporated. After the implementation of the New BEE transaction:
- the company holds 70% of the issued shares of BHL, and through BHL and BHL's shareholding in BECSA Holdings an effective 49% shareholding in each of BECSA and BESSA.
- a newly incorporated BEE management company (BEE Manco), the shareholders of which are five BEE employees at management level of the group, being Avishkar Goordeen, Duncan Mashika, Dominic Chinnappen, Niraj Andhee and Bruce Ndlela (the Managers), as well as BEF, hold 30% of the issued shares of BHL and through BHL and BHL's shareholding in BECSA Holdings an effective 21% shareholding in each of BECSA and BESSA.

(ii) Another new South African intermediate holding company, BECSA Holdings, has been incorporated. The percentage holding of the ordinary shares in BECSA Holdings is as follows:
- BHL will hold 70%;
- BEE Manco will hold 15%;
- BEF will hold 7.5%; and
- BESSA BEE SPV will hold 7.5%.

BESSA BEE SPV, BEF and BEE Manco collectively hold 30% of the issued ordinary shares of BECSA Holdings, resulting in an effective 30% shareholding in BECSA. In addition, BEE Manco has an effective 21% shareholding in BECSA through its 30% shareholding in BHL.

(iii) BECSA Holdings acquired 100% of the share capital of BECSA from the company for R360,0 million in consideration for which BECSA Holdings paid to the company R10,0 million in cash and issued to the company one adjustable BECSA Holdings preference share (the preference share) for an issue price of R350,0 million. The preference share has a coupon rate of 72% of prime plus 3% (prime plus 3% multiplied by one minus the corporate tax rate at the time). The redemption value of the preference share will be determined annually based on the lower of:

(a) the issue price of R350,0 million plus coupon less redemption and coupon payments to date; or
(b) an amount guaranteed to give full net value points (such that the BEE shareholders collectively have a 25% unencumbered share in BECSA Holdings at year 9). This is based on the formula (equity value x (1-(50% x BEE graduation factor)).

At year 10 the preference share will be redeemed at the lower of the value calculated in formula (a) and formula (b) above.

19. NON-CONTROLLING INTEREST continued

19.3 BBBEE Ownership Transaction concluded in December 2019 continued

19.3.1 Particulars of the New BEE transaction continued

(iv) The scheduled redemption date of the preference share is 31 December 2029.

(v) Distributions received by BECSA Holdings from BECSA, after provision for administration expenses and taxes, will be split as to:
- of every distribution received, a fixed 5% trickle dividend to the ordinary shareholders; and
- the balance to the company as the holder of the preference share.

(vi) BHL acquired 70% of the entire issued share capital of BESSA from the company for R84,0 million in consideration for which BHL paid the company R3,0 million in cash and issued to the company 1 000 cumulative redeemable preference shares for an issue price of R81,0 million. Those preference shares have a coupon rate of 72% of prime plus 3% (prime plus 3% multiplied by one minus the corporate tax rate at the time). The general terms of these preference shares are standard and in accordance with general market practice.

19.3.2 The Purchasers

BECSA

The purchase price of R5,1 million for the effective 51% black shareholding in BECSA through BECSA Holdings and BHL comprises of:

BEE Manco through BHL	- 21% (R2,1 million)
BEE Manco (directly)	- 15% (R1,5 million)
BESSA BEE SPV	- 7.5% (R0,75 million)
BEF	- 7.5% (R0,75 million)

BESSA

The purchase price of R0,9 million for the effective 21% black shareholding in BESSA through BHL comprises of:

BEE Manco through BHL	- 21%

19.3.3 Considerations payable including loan funding by the group

BEE Manco

(i) The consideration is R0,45 million for every 10% of BEE Manco.

(ii) Loans which are interest free subject to them being repaid in full within 6 months have been entered into between BEGS and each of Avishkar Goordeen, Duncan Mashika, Dominic Chinnappen, Bruce Ndlela and Niraj Andhee in terms of which, inter alia, BEGS will lend to each of Avishkar Goordeen, Duncan Mashika and Dominic Chinnappen R0,9 million for the subscription of their respective 20% shareholdings in BEE Manco and to each of Bruce Ndlela and Niraj Andhee, R0,45 million for the subscription of their respective 10% shareholdings in BEE Manco.

(iii) An interest free loan of R0,9 million has been entered into between BEGS and BEF for purposes of funding BEF's subscription of a 20% shareholding in BEE Manco.

BESSA BEE SPV

An interest free loan of R0,75 million has been entered into between BEGS and BESSA BEE SPV for purposes of BESSA BEE SPV acquiring 7.5% of the shares in BECSA Holdings.

BEF

An interest free loan of R0,75 million has been entered into between BEGS and BEF for purposes of BEF acquiring 7.5% of the shares in BECSA Holdings.

19.3.4 The valuations of the entities that are the subject of the New BEE transaction

BECSA

The independent equity valuation of 100% of BECSA was undertaken based on the discounted cash flow methodology and was determined as R360,0 million.

BESSA

The independent equity valuation of 100% of BESSA was undertaken based on the discounted cash flow methodology and was determined as R120,0 million.

19. NON-CONTROLLING INTEREST continued

19.3 BBBEE Ownership Transaction concluded in December 2019 continued

19.3.5 Fair values of the BBBEE IFRS 2 charges

The share-based payments and resulting BBBEE IFRS 2 charges in BECSA and BESSA were fair valued by an independent valuer.

The fair valuation methodology for the valuation of the IFRS 2 charges was as follows:
Share price process formula
The valuers applied a Monte-Carlo approach for the simulation of the share prices for BESSA and BECSA with dividends, assuming the share prices process follows a Geometric Brownian Motion stochastic process.

The IFRS 2 charges constitute the following components:

(i) *Preference share payoff*
The following factors were considered in the calculation of the preference share payoff:
- preference share face value
- preference share redemption value

(ii) *BEE notional vendor financing payoff*

(iii) *Dividend component payoff*

Combining the components above leads to the total IFRS 2 charges.

The IFRS 2 charges are driven by the benefit to be received by the shareholders from the share scheme.

Inputs and assumptions used in the valuation of the IFRS 2 charges includes static input data sourced mainly from the group and financial market input data sourced from Thomson Reuters.

The values obtained were in line with modelling expectations, with the IFRS 2 charges growing in line with maturity of the scheme and the interest rate charged on vendor financed loans.

Valuation results
The fair values of the BBBEE IFRS 2 charges on the above model amounted to R72,0 million for BECSA and R10,3 million for BESSA.

20. INTEREST-BEARING LIABILITIES

Accounting policy

Interest-bearing liabilities are measured at amortised cost, using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability. Interest expenses are recognised in profit or loss.

Derecognition of interest-bearing liabilities

The group derecognises interest-bearing liabilities when the group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

20.1 Instalment purchase agreements

Details of instalment purchase agreements relating to certain property, plant and equipment and vehicle purchases are set out below.

Secured	Average variable rate of interest per annum	2019 R'000	2018 R'000
Instalment purchase agreements repayable in instalments by:			
2019	9,5%	**-**	1 803
2020	9,8%	**138**	6 826
2021	9,2%	**-**	24 009
2022	10,6%	**4 314**	-
		4 452	32 638
Less: current portion		**(1 615)**	(13 831)
Long-term portion		**2 837**	18 807

The following property, plant and equipment, at net book value, is encumbered as security for the secured borrowings above:

- plant and equipment in South Africa R5,8 million (2018: R4,6 million).
- vehicles in South Africa R0,5 million (2018: R34,5 million).

20.2 Mortgage loans

Mortgage loans relating to the purchase of certain freehold land and buildings, plant and equipment and a vehicle are detailed below.

Secured	Average variable / fixed rate of interest per annum	2019 R'000	2018 R'000
Long-term mortgage loans from financial institutions repayable in instalments by:			
April 2020 (i)	6,6%	**7 770**	23 910
December 2023 (ii)	9,6%	**12 270**	14 635
July 2024 (iii) *	6,5%	**417**	-
August 2024 (iv) *	1,6%	**34 907**	9 292
September 2031 (v) *	1,7%	**36 914**	41 900
November 2032 (vi) *	1,8%	**39 180**	44 157
August 2033 (vii) *	1,7%	**100 567**	110 091
		232 025	243 985
Less: current portion		**(16 668)**	(24 772)
Long-term portion		**215 357**	219 213

* Fixed rate of interest.

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

(i) freehold land and buildings in Kitwe, Zambia R85,1 million (2018: R90,2 million)
(ii) freehold land and buildings in Middelburg, South Africa R39,8 million (2018: R36,2 million)
(iii) a vehicle in Perth, Australia R0,4 million (2018: Rnil)
(iv) equipment in Kindel, Germany R33,9 million (2018: R11,2 million)
(v) freehold land and buildings in Alsfeld, Germany R75,9 million (2018: R77,8 million)
(vi) freehold land and buildings in Kindel, Germany R51,3 million (2018: R65,8 million)
(vii) buildings in Kindel, Germany R156,7 million (2018: R121,3 million)

20. INTEREST-BEARING LIABILITIES continued

20.3 Collateralised borrowings

Accounting policy

Discounted finance lease receivables and instalment sale agreements

Discounted finance lease receivables and instalment sale agreements represent amounts payable to financial institutions where certain finance lease receivables and instalment sale agreements have been discounted with recourse to the group. Refer to note 11.

Rental assets sold and leased back

This represents amounts payable to financial institutions where certain rental assets were sold and leased back under the same arrangement.

The accounting treatment of a sale and leaseback transaction depends upon whether the transfer of the asset is a sale. Using the revenue recognition principles as described in note 26, the group accounts for the transfer of the asset as a sale if it meets the recognition criteria and control over the asset has transferred to the financial institution. Where the transfer of the asset does not satisfy the revenue recognition requirements to be accounted for as a sale, the asset is not derecognised and a corresponding liability is recognised for the proceeds received with the asset as security. Where the transfer of the asset satisfies the requirements to be accounted for as a sale, the group recognises a right-of-use asset that relates to the right of use retained by the group based on the previous carrying amount, and a corresponding lease liability for the lease payments. Any gain or loss on disposal that relates to the rights transferred is recognised in profit or loss. If the sale price is above fair value, the excess over fair value is accounted for as additional financing provided by the buyer. If the sale price is below fair value, the difference is accounted for as a lease prepayment.

The amounts below represent those rental assets sold where the transfer of the asset did not meet the revenue recognition criteria and the group has essentially obtained funding with the asset as security.

Discounted short-term rentals

Where rental income streams from operating leases have been discounted to financial institutions with recourse to the group, the group recognises a liability on the statement of financial position.

	Average variable rate of interest per annum	2019 R'000	2018 R'000
Collateralised borrowings - secured			
Discounted finance lease receivables	12,9%	**17 947**	25 904
Discounted instalment sale agreements	12,7%	**61 492**	-
Rental assets sold and leased back *	12,9%	**109 327**	122 085
Discounted short-term rentals **	12,6%	**33 974**	64 361
		222 740	212 350
Less: current portion		**(180 535)**	(100 333)
Long-term portion		**42 205**	112 017

* The net book value of rental assets subject to sale and leaseback borrowings amounted to R28,8 million (2018: R47,5 million) and was included in property, plant and equipment as disclosed in note 7.

** This represents amounts payable to financial institutions where certain inventory items are on short-term rental and these rental income streams have been discounted with recourse to the group. The book value of inventory subject to these borrowings amounted to R40,3 million (2018: R57,2 million).

The following terms and conditions generally apply to the collateralised borrowings above:
- the interest rate charged by the financial institution approximates the interest rate implicit in the underlying agreement with the customer
- the repayment period is usually matched with the period in the underlying contract with the customer
- no other security is given to the financial institution other than the security in the underlying asset

20. INTEREST-BEARING LIABILITIES continued

20.4 Trade loans

Trade loans represent amounts payable to the Industrial Development Corporation of South Africa and certain component suppliers.

Unsecured	Average variable rate of interest per annum R'000	2019 R'000	2018 R'000
Industrial Development Corporation (IDC) of South Africa *	12,5%	**767 815**	521 110
Supplier extended payment terms **	2,9%	**46 672**	125 342
		814 487	646 452
Less: current portion		**(814 487)**	(611 445)
Long-term portion		**-**	35 007

* The IDC trade finance is unsecured and is a rolling credit facility, repayable six-monthly. Utilisation of the facility is restricted to the funding of working capital. The facility amount is R750 million (2018: R550 million). The facility expires on 31 March 2021.

** This represents amounts payable to component suppliers over 18 months from February 2019 to June 2020. Refer to note 13.

	2019 R'000	2018 R'000
Total current portion of interest-bearing liabilities	**1 013 305**	750 381
Total long-term portion of interest-bearing liabilities	**260 399**	385 044

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

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

21. Lease Liabilities

Accounting policy
The group as lessee
The lease liability is initially measured at the present value of the lease payments over the lease term due to the lessor that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate. The group generally uses its incremental borrowing rate as discount rate.

Incremental borrowing rate
The incremental borrowing rate is 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. In determining the incremental borrowing rate, the group considers the terms and conditions of the lease and applies judgement. The incremental borrowing rate is determined by using a benchmark rate, which is a readily observable rate influenced by the economic environment and lease term, adjusted for a credit spread which is based on publicly available spreads which takes into account the level of indebtedness and profitability of the lessee based on secure borrowings. The benchmark rate, using the Damodaran approach, is the risk-free rate.

Lease payments
Lease payments included in the measurement of the lease liability comprise of fixed payments (including in substance fixed), variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Interest on the lease liabilities is presented in the statement of profit or loss as interest expensed.

Lease term
The lease term included in the measurement of the lease liability is the non-cancellable period of the lease and includes any rent-free periods provided to the lessee by the lessor, any option to extend the lease or purchase the asset and any option to terminate the lease. This requires judgement. 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. At the lease commencement date, 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.

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

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 lease liability is presented as a separate line in the consolidated statement of financial position.

21. Lease Liabilities continued

	2019 R'000
Lease liability recognised as at 1 January 2019	229 161
Translation differences	(384)
New lease contracts entered into	60 162
Interest expense on lease liabilities	21 748
Lease liabilities repaid	(99 791)
	210 896
Less: current portion	(100 757)
Long-term portion	110 139

	2019 R'000
The breakdown of lease payments is as follows:	
Fixed lease payments	93 461
Variable lease payments	6 330
	99 791

Total cash flow for leases amount to R118,3 million for the year.

	2019 R'000
Below sets out the contractual maturities of lease liabilities as at 31 December 2019:	
Less than 1 year	105 838
Between 1 and 2 years	59 834
Between 2 and 3 years	26 790
Between 3 and 4 years	15 709
Between 4 and 5 years	13 599
Over 5 years	40 438
Total contractual cash flows	262 208

The group does not face a significant liquidity risk with regards to its lease liabilities.

22. CONTRACT LIABILITIES

Accounting policy
The group accounting policy for contract liabilities is included in note 26.

	2019 R'000	2018 R'000
Deferred warranty income		
Balance at beginning of the year	**136 056**	140 832
Less: allocation to deferred finance income liability	**-**	(23 004)
Extended warranty contracts sold during the year	**78 022**	80 520
Revenue recognised during the year	**(75 316)**	(62 292)
	138 762	136 056
Less: current portion	**(63 120)**	(59 990)
Long-term portion	**75 642**	76 066

Deferred warranty income relates to extended warranty contracts sold. The extended warranty contract periods commence after expiry of the standard warranty period provided for in the standard conditions of sale of equipment and the liability is in respect of this extended period. Revenue on the long-term portion is expected to be recognised over a period of two to five years.

	2019 R'000	2018 R'000
Deferred service contract income		
Balance at beginning of the year	**76 217**	59 907
Less: allocation to deferred finance income liability	**-**	(9 121)
Service contracts sold during the year	**55 360**	62 870
Costs in excess of contract value	**4 535**	3 068
Expired during the year	**(26 054)**	(8 899)
Utilised during the year	**(45 654)**	(31 608)
	64 404	76 217
Less: current portion	**(45 664)**	(54 208)
Long-term portion	**18 740**	22 009

Deferred service contract income relates to service contracts sold where the proceeds were received upfront. The deferred service contract revenue is recognised when the services have been rendered. Revenue on the long-term portion is expected to be recognised over a period of two to four years.

	2019 R'000	2018 R'000
Deferred finance income liability		
Balance at beginning of the year	**41 867**	-
Add: allocation from deferred warranty income	**-**	23 004
Add: allocation from deferred service contract income	**-**	9 121
Deferred finance income from:		
- Extended warranty contracts sold	**17 760**	17 355
- Service contracts sold	**5 065**	8 750
Less: deferred finance income recognised		
- Extended warranty contracts	**(18 167)**	(13 068)
- Service contracts	**(5 602)**	(3 295)
	40 923	41 867
Less: current portion	**(21 976)**	(21 045)
Long-term portion	**18 947**	20 822

The deferred finance income liability relates to the finance component on extended warranty contracts and service contracts sold with contract terms exceeding 12 months. The average discount rate applied to the extended warranty contracts was 10,5% (2018: 10,5%) and 10,0% (2018: 10,0%) on service contracts.

	2019 R'000	2018 R'000
Total current portion of contract liabilities	**130 760**	135 243
Total long-term portion of contract liabilities	**113 329**	118 897

23. PROVISIONS

Accounting policy

A provision is recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

Contract provision - warranty

Provisions for warranty costs are recognised at the date of sale of the relevant products and represents the directors' best estimate of the expenditure required to settle the group's obligation based on past experience of the timing and value of this cost and current warranty campaigns. Assumptions made regarding the timing and value of future warranty costs may have a significant risk of causing a material adjustment to the carrying amount of the provision within the next financial year.

Where some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

	Contract Provision - warranty R'000	Lease escalation* R'000	Total R'000
Balance at 31 December 2017	56 102	46 797	102 899
Increase (decrease) during the year	147 508	(5 697)	141 811
Utilised during the year	(141 767)	-	(141 767)
Translation differences	1 328	-	1 328
Balance at 31 December 2018	63 171	41 100	104 271
Less: current portion	(59 316)	(11 631)	(70 947)
Long-term provisions at 31 December 2018	3 855	29 469	33 324
Balance at 31 December 2018	63 171	41 100	104 271
Increase (decrease) during the year	**192 821**	**(41 100)**	**151 721**
Utilised during the year	**(179 701)**	**-**	**(179 701)**
Translation differences	**(807)**	**-**	**(807)**
Balance at 31 December 2019	**75 484**	**-**	**75 484**
Less: current portion	**(73 488)**	**-**	**(73 488)**
Long-term provisions at 31 December 2019	**1 996**	**-**	**1 996**

* Refer to the adoption of *IFRS 16 Leases* in note 3.

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

24. TRADE AND OTHER PAYABLES

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

	2019 R'000	2018 R'000
Trade creditors	**755 386**	878 320
Advance receipts from customers	**29 151**	36 074
Audit fees	**9 494**	8 077
Credit balances in trade and other receivables	**28 049**	15 125
Leave pay and other payroll accruals	**86 222**	96 004
Other accruals	**22 554**	25 508
Refund obligations	**16 785**	11 387
Sundry creditors	**49 205**	52 219
Value added taxation payable	**37 503**	19 807
Total trade and other payables	**1 034 349**	1 142 521

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

25. OTHER FINANCIAL LIABILITIES

Accounting policy
Other financial liabilities include derivative financial liabilities, principally forward foreign exchange contracts, and are used by the group in its management of financial risks. These contracts are held for trading at fair value with any gains or losses arising on remeasurement recognised in profit or loss. Financial liabilities are classified as held for trading when they are held with the intention of short-term disposal, or are derivatives. The group has elected not to apply hedge accounting.

	2019 R'000	2018 R'000
Financial liabilities carried at fair value through profit or loss		
Forward foreign exchange contracts (Level 2)	**2 347**	10 648

Level 2 fair value measurements are those derived from inputs other than quoted prices. The fair value of these contracts is based on the market approach which uses observable forward exchange rates at the end of the year. Further details on the group's exposure to currency risk is disclosed in note 37.4.1.

26. REVENUE

Accounting policy

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

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

The group recognises revenue from the following major sources:

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

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

Sale of finished goods

Revenue from the sale of finished goods is recognised when the group has satisfied its performance obligation in terms of the contract with the customer and control over the goods has transferred to the customer.

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

In bill-and-hold arrangements the group has invoiced the customer for the promised machines, but physical possession has been retained by the group. The group applies judgement in assessing whether control of the machine has passed to the customer. In its assessment, the group considers the reason for the arrangement. These arrangements are usually at request from the customer and arise where delivery of the machine is not practical, or the customer's site where the equipment is going to be used is not ready. The group also considers if significant risks and rewards of ownership have passed to the customer and assesses whether it has retained the ability to direct the use of the equipment to another customer, if the equipment is ready for physical transfer and if the customer has accepted the asset. Revenue is recognised where the group concludes that the reason for the arrangement is substantive and that the customer has assumed control. At year-end, revenue recognised from bill-and-hold arrangements amounted to R46,2 million (2018: R29,7 million).

In certain instances the group enters into sales contracts where a combination of finished goods and services are promised to the customer such as manufactured and branded equipment together with extended warranties and/or service contracts. The group also often agrees to arrange shipment of the equipment and recovers these freight costs from the customer. In these instances the group applies judgement and uses approved price listings to allocate the total transaction price proportionately to each performance obligation (good or service) promised in the contract, based on the stand-alone price of each good or service.

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

Sale of extended warranties

Extended warranty contracts are separately priced and sold by the group to customers. These contracts are accounted for as separate performance obligations and the total transaction price is allocated proportionately based on stand-alone prices where the sale of these contracts are combined with the sale of finished goods and/or other services. The consideration on these contracts is received upfront. The transaction price is adjusted for the effects of the time value of money using an appropriate discount rate where the contract terms are greater than 12 months and where the financing component is material. This requires judgement. A deferred income liability is recognised at inception based on the discounted amount. The group releases the revenue on these contracts on a straight-line basis over the term of the contract as this, in the group's judgement, depicts the customer's right to access this service.

Transactions with trade-ins

Where the group agrees to trade in used equipment from a customer as part of the consideration receivable for the sale of new equipment, the difference between the fair value of the used equipment traded in and the agreed upon price of such trade-in, is accounted for as an adjustment to revenue. The group uses judgement in determining the fair value of the used equipment and consideration is given to the age and condition of the equipment and residual values achieved in the market for similar products.

26. **REVENUE** continued

Accounting policy continued

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

Transactions with residual value guarantees

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

Judgement is used in assessing the residual value risk in determining the transaction price of the equipment. The residual value is the risk that the market value realised for these products is less than what was expected when the contracts were entered into. Significant assumptions are made in estimating residual values. These are assessed based on past experience and take into account expected future market conditions and projected disposal values. Where a shortfall between the assessed market value of the equipment and the residual value guaranteed by the group is anticipated at inception, the transaction price is adjusted and a provision for residual value risk is recognised. The group reassesses the probable outcome of the residual value guarantee at each reporting period.

In some instances, a residual value estimate is made by the financial institution at the time of sale, which is lower than the group's guaranteed amount. The group's exposure is limited to the difference between the group's guaranteed amount and the financial institution's predetermined estimate. If at the end of the contract period, the equipment achieves a market price that is higher than the group's guaranteed amount, the group shares in the profit and this is accounted for as an adjustment to revenue. If the equipment achieves a market price that is within the range between the group's guaranteed amount and the financial institution's predetermined estimate, the group reimburses the financial institution for the difference and accounts for the loss as an adjustment to revenue.

Where there is no anticipated shortfall between the market value of the equipment and the residual value guaranteed by the group, the group's exposure is disclosed as a contingent liability. Refer to note 33.2. No adjustment to revenue was made in terms of these contracts and no provision for residual value risk was recognised as no shortfall is anticipated.

Transactions with lease agreements

The group as lessor

Where goods are sold as part of a lease arrangement, the group uses the guidance in *IFRS 16 Leases* with regard to classification of a lease as either a finance lease or an operating lease. This requires judgement. The group considers if significant risks and rewards of ownership have transferred to the buyer and significant assumptions are made in assessing this.

In assessing the transfer of risks and rewards associated with ownership, the group considers the probability of return of the equipment by the customer. Consideration is given to the terms of the agreement and other relevant factors that will impact returns such as customer behaviour, product type, past practice and history of returns, current and anticipated market conditions and whether the present value of the minimum lease payments amounts to substantially all of the fair value of the equipment.

Where the group concludes that significant risks and rewards of ownership have transferred to the buyer, the lease is classified as a finance lease and the sale of goods is recognised as revenue. A finance lease receivable is recognised on the statement of financial position in interest-bearing receivables at the amount of the group's net investment in the lease. Refer to note 11. Where significant, the transaction price is adjusted for the financing benefit to the customer.

Refer to note 26.4 for leases classified as operating leases and note 35 for the disclosure of operating lease arrangements.

Instalment sale agreements

Where goods are sold and the contract provides a significant financing benefit to the customer, the group adjusts the transaction price for the financing component. Revenue is recognised when control over the goods is transferred to the customer. A receivable is recognised on the statement of financial position at an amount that depicts the group's net investment in the contract (refer to note 11).

Except for instalment sale agreements and finance leases, the transaction price was not adjusted for the effects of the time value of money in transactions where the period between delivery of the promised goods or services and the payment from the customer is one year or less.

26. REVENUE continued

***Accounting policy** continued*

26.2 Sale of parts

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

26.3 Service income

Service contracts

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

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

The group often supplies the service parts as part of the agreement. In these instances, the total transaction price is proportionately allocated to each performance obligation in the contract, using stand-alone prices for each.

Where service contracts are sold to customers and the proceeds are received upfront, a contract liability is recognised in the statement of financial position. Refer to note 22. Where the service contract term is more than 12 months, the transaction price is adjusted for the effects of the time value of money where this is significant. This requires judgement. The contract is discounted using an appropriate discount rate which is the interest rate implicit in the contract. The contract liability is recognised at inception based on the discounted amount. Revenue is released each time a service has been rendered, based on the expected gross margin. In estimating the expected gross margin, assumptions are made on the total expected costs to be incurred under the contract, using historical data where available, taking into account an anticipated forfeiture rate. The group applies judgement in determining the forfeiture rate which is the number of service intervals a customer is anticipated to forfeit. A customer may elect to enter into a new contract to extend the service period after the expiry of the initial service term.

Transport services

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

26.4 Rental income

Where the group enters into a lease arrangement, the group uses the guidance in *IFRS 16 Leases* with regard to classification of a lease as either a finance lease or an operating lease, and considers if significant risks and rewards of ownership have transferred to the customer.

Rental income relates to those lease arrangements that have been classified as operating leases and where risks and rewards associated with ownership of the asset have not transferred to the customer. Rental income from operating leases is recognised over time based on the hours utilised on the machine as this, in the group's judgement, depicts the transfer of benefits to the customer.

In instances where the rental income streams from operating leases have been discounted to financial institutions with recourse to the group, the group recognises a liability on the statement of financial position. Refer to note 20.

26. **REVENUE** continued

Disaggregation of 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 is consistent with the external revenue information that is disclosed for each reportable segment under IFRS 8 (refer to note 6) and the information that is provided to the group's chief operating decision maker on a regular basis.

	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
2019					
Revenue					
Sale of equipment	**996 473**	**2 474 189**	**2 012 386**	**186 549**	**5 669 597**
Sale of parts	**310 449**	**275 779**	**766 435**	**167 427**	**1 520 090**
Service income	**52 207**	**86 619**	**205 948**	**26 947**	**371 721**
Extended warranty	**82 437**	**677**	**-**	**-**	**83 114**
Rental income	**-**	**8 968**	**168 303**	**1 376**	**178 647**
Total revenue	**1 441 566**	**2 846 232**	**3 153 072**	**382 299**	**7 823 169**
2018 *					
Revenue					
Sale of equipment	773 001	2 095 315	2 238 356	351 388	5 458 060
Sale of parts	237 534	266 927	723 860	288 502	1 516 823
Service income	58 142	78 864	189 624	32 625	359 255
Extended warranty	67 362	1 283	-	-	68 645
Rental income	-	6 618	124 476	561	131 655
Total revenue	1 136 039	2 449 007	3 276 316	673 076	7 534 438

	2019 R'000	2018 R'000
Timing of revenue recognition		
At a point in time		
Sale of equipment	**5 669 597**	5 458 060
Sale of parts	**1 520 090**	1 516 823
Service income	**371 721**	359 255
Total	**7 561 408**	7 334 138
Over time		
Extended warranty	**83 114**	68 645
Rental income	**178 647**	131 655
Total	**261 761**	200 300
Total revenue	**7 823 169**	7 534 438

* In the current year the group restated the operating segment information and the revenue information was restated accordingly. Refer to restatements of prior periods in note 5.2.

The group had remaining and unsatisfied performance obligations in terms of extended warranty and service contracts as disclosed in note 22.

Related party sales are disclosed in note 38.

27. PROFIT FROM OPERATING ACTIVITIES

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

	2019 R'000	2018 R'000
Income		
Currency exchange gains (i)	**145 646**	149 634
Decrease in allowance for expected credit losses (refer to note 37.3)	**10 490**	-
The Automotive Production Development Programme - production incentives (refer to note 44)	**117 171**	120 418
Net surplus on disposal of property, plant and equipment and intangible assets	**1 544**	5 716
Expenditure		
Amortisation of intangible assets		
- capitalised software	**2 760**	3 084
- capitalised engineering development expenditure	**24 884**	22 988
Amounts written off as credit impaired	**22 675**	1 535
Auditors' remuneration		
- audit fees - current	**10 412**	9 914
- prior	**(68)**	67
- other services	**2 307**	1 273
BBBEE share-based payment charges (refer to note 19)	**82 317**	-
Consulting fees	**35 275**	24 931
Currency exchange losses (i)	**133 033**	277 014
Depreciation of property, plant and equipment		
- freehold buildings	**22 781**	16 074
- leasehold buildings	**609**	995
- plant and equipment	**48 227**	30 134
- rental assets	**54 824**	62 167
- aircraft	**598**	865
- vehicles	**6 854**	9 541
Depreciation of right-of-use assets		
- land and buildings	**55 975**	-
- plant and equipment	**2 945**	-
- vehicles	**15 933**	-
Directors' remuneration		
Paid by company:		
- non-executive directors' fees	**4 311**	5 436
Paid by subsidiaries:		
- executive directors - salaries	**9 830**	9 467
- benefits	**1 800**	2 347
Impairment loss recognised on revaluation of buildings	**1 085**	-
Increase in allowance for expected credit losses (refer to note 37.3)	**-**	6 176
Increase in contract provision - warranty	**13 120**	5 741
Lease expenses (ii)		
- equipment and vehicles	**11 585**	22 647
- land and buildings	**6 883**	79 215
Research expenses (excluding staff costs)	**34 433**	43 364
Staff costs	**1 419 753**	1 316 532

(i) Net currency exchange losses in the prior year included the devaluation of R63,6 million in the Zimbabwean bank balances referred to in note 16.

(ii) Included in lease expenses are amounts for short-term leases and leases of low value assets. Refer to note 8.

Details of remuneration paid to directors and prescribed officers of the company are set out in note 43.

28. INTEREST EXPENSE

Interest expense consists of the following:

	2019 R'000	2018 R'000
Interest expense on bank overdrafts and loans	**41 364**	15 391
Interest expense on collateralised borrowings	**25 877**	18 260
Interest expense on lease liabilities *	**21 748**	-
Interest expense on Industrial Development Corporation (IDC) of South Africa working capital facility	**61 594**	34 213
Other interest expenses	**15 574**	21 237
Total interest expense	**166 157**	89 101

* Refer to the adoption of *IFRS 16 Leases* in note 3.

29. INTEREST INCOME

Interest income consists of the following:

	2019 R'000	2018 R'000
Interest income from service contracts	**5 602**	1 795
Interest income from extended warranty contracts	**18 167**	14 606
Interest income from finance lease receivables	**3 121**	4 197
Interest income from instalment sale agreements	**18 122**	12 048
Interest income from financial institutions	**4 519**	4 755
Other interest income	**4 667**	3 230
Total interest income	**54 198**	40 631

30. TAXATION

Accounting policy

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

Current taxation

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

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

Deferred taxation

Refer to note 12 for the group's accounting policy on deferred taxation.

30. TAXATION continued

30.1 Taxation recognised in profit or loss

	2019 R'000	2018 R'000
South African normal taxation		
Current taxation		
- current year	**33 012**	130 414
- prior year	**7 202**	10 478
Deferred taxation		
- current year	**(20 728)**	(36 114)
- prior year	**(5 491)**	(7 429)
Withholding taxation	**895**	2 397
Foreign taxation		
Current taxation		
- current year	**30 078**	28 901
- prior year	**(360)**	(502)
Deferred taxation		
- current year	**10 245**	(1 151)
Withholding taxation	**408**	666
Other corporate taxation, including wealth taxation	**2 386**	1 204
Total taxation charge recognised in profit or loss	**57 647**	128 864
Reconciliation of rate of taxation (%)		
Standard rate of taxation	**28**	28
Adjustment for:		
Disallowable share-based payments, legal and consulting fees	**24**	-
Special allowances for taxation	**(9)**	(2)
Prior year taxation	**1**	1
Withholding and other corporate taxation	**4**	1
Foreign currency losses on retranslation of transactions and monetary items in Zimbabwean operation	**-**	6
Losses incurred by subsidiaries where no deferred taxation assets have been recognised and different taxation rates of subsidiaries operating in other jurisdictions	**1**	(2)
Effective rate of taxation	**49**	32
The group's estimated taxation losses amount to R259,3 million (2018: R389,3 million). Included in this amount are losses of R2,3 million (2018: R17,8 million) that will expire as set out below:		
Two to five years	**2 300**	2 889
Six to ten years	**-**	14 890
Total	**2 300**	17 779
Other losses may be carried forward indefinitely.		
There was no deferred taxation asset (2018: R0,5 million) recognised in respect of taxable losses. Refer to note 12. Unused taxation losses for which no deferred taxation assets have been recognised are revenue in nature and amount to R259,3 million (2018: R388,9 million). Of this amount R2,3 million (2018: R17,3 million) will expire as follows:		
Two to five years	**2 300**	2 444
Six to ten years	**-**	14 890
Total	**2 300**	17 334

30.2 Taxation recognised in other comprehensive income

	2019 R'000	2018 R'000
Deferred taxation		
- property revaluation	**4 229**	-
Total taxation charge recognised in other comprehensive income	**4 229**	-

31. EARNINGS AND NET ASSET VALUE PER SHARE

			Notes	2019 R'000	2018 R'000
31.1	**Earnings per share (basic)**				
	Profit attributable to owners of Bell Equipment Limited	(R000)		**75 492**	269 585
	Weighted average number of shares in issue	('000)		**95 629**	95 403
	Earnings per share (basic)	(cents)		**79**	283
31.2	**Earnings per share (diluted)**				
	Profit attributable to owners of Bell Equipment Limited	(R000)		**75 492**	269 585
	Fully converted weighted average number of shares	('000)		**95 629**	95 778
	Earnings per share (diluted)	(cents)		**79**	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 equity-settled employee share option plan as set out in note 32.1.3. There was no dilutive impact in the current year as the market price was below the option price.				
31.3	**Headline earnings per share (basic)**				
	Profit attributable to owners of Bell Equipment Limited	(R000)		**75 492**	269 585
	Net surplus on disposal of property, plant and equipment and intangible assets	(R000)	27	**(1 544)**	(5 716)
	Taxation effect of net surplus on disposal of property, plant and equipment and intangible assets	(R000)		**389**	1 512
	Impairment loss recognised on revaluation of buildings *	(R000)	27	**1 085**	-
	Taxation effect of impairment loss recognised on revaluation of buildings	(R000)		**(380)**	-
	Reclassification to profit or loss of foreign currency translation reserve relating to discontinued operations		18	**1 242**	-
	Headline earnings	(R000)		**76 284**	265 381
	Weighted average number of shares in issue	('000)		**95 629**	95 403
	Headline earnings per share (basic)	(cents)		**80**	278
31.4	**Headline earnings per share (diluted)**				
	Profit as calculated in 31.3 above	(R000)		**76 284**	265 381
	Fully converted weighted average number of shares per 31.2 above	('000)		**95 629**	95 778
	Headline earnings per share (diluted)	(cents)		**80**	277
31.5	**Net asset value per share**				
	Total capital and reserves	(R000)		**3 437 916**	3 371 509
	Number of shares in issue	('000)	17	**95 629**	95 629
	Net asset value per share	(cents)		**3 595**	3 526

* Relates to an impairment loss on buildings in Zambia. Refer to note 7.

32. SHARE-BASED PAYMENT ARRANGEMENTS WITH EMPLOYEES

Accounting policy

Equity-settled share-based payments

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

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

Cash-settled share-based payments

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

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

32.1 Equity-settled employee share option plan

This scheme was approved by the shareholders and the board in 2009 and share options were granted to senior employees on 15 February 2010, 15 April 2011 and 15 May 2012. Five million ordinary shares were reserved for this scheme. The option price was the thirty day volume weighted average of the closing market price of the share immediately preceding the grant date. The options are equity-settled, each year's allocation of options vests one third in each period after three years, five years and seven years respectively, after the date of grant and are forfeited on leaving the company. A retired or retrenched employee is entitled to exercise their options in full within twelve months after becoming a retired or retrenched employee. If not exercised within such period, the options lapse.

The maximum number of shares any employee may acquire in terms of this scheme may not exceed 200 000 shares. The options have a maximum contractual life of 10 years from the date of award.

Each employee share option converts into one ordinary share of Bell Equipment Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The board may from time to time, after giving due consideration to the purpose of the scheme, grant options to employees. The allocation is done according to a formula that recognises responsibility levels and is at the discretion of the chief executive and the board.

32.1.1 Share options granted

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

Grant date	Tranches	Initial number of options granted	Expiry date	Exercise price	Fair value at grant date
15 Feb 2010	Tranche 1	993 333	14 Feb 2020	R 10,48	R 5,39
15 Feb 2010	Tranche 2	993 333	14 Feb 2020	R 10,48	R 5,83
15 Feb 2010	Tranche 3	993 334	14 Feb 2020	R 10,48	R 6,18
15 Apr 2011	Tranche 1	510 000	14 Apr 2021	R 13,06	R 7,12
15 Apr 2011	Tranche 2	510 000	14 Apr 2021	R 13,06	R 7,71
15 Apr 2011	Tranche 3	510 000	14 Apr 2021	R 13,06	R 8,17
15 May 2012	Tranche 1	316 666	14 May 2022	R 21,35	R 12,79
15 May 2012	Tranche 2	316 667	14 May 2022	R 21,35	R 13,18
15 May 2012	Tranche 3	316 667	14 May 2022	R 21,35	R 13,54

32. SHARE-BASED PAYMENT ARRANGEMENTS WITH EMPLOYEES continued

32.1 Equity-settled employee share option plan continued

32.1.2 Fair value of share options granted

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

	Grant date 15 Feb 2010	Grant date 15 Apr 2011	Grant date 15 May 2012
The weighted average fair values of the equity-settled share options granted are:	R 5,80	R 7,67	R 13,17

Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model was adjusted based on management's best estimate of exercise restrictions and behavioural considerations. At the time of valuation, the expected volatility was based on the historical share price volatility over 10 years. For options granted on 15 May 2012, it was assumed that executives and senior employees would exercise the options after vesting date when the share price is 3,3 times the exercise price. For options granted on 15 February 2010 and 15 April 2011, an exercise multiple of 2,2 times was assumed.

	Grant date 15 Feb 2010	Grant date 15 Apr 2011	Grant date 15 May 2012
Inputs into the model			
Grant date share price	R 10,30	R 13,10	R 21,90
Exercise price of the option	R 10,48	R 13,06	R 21,35
Expected volatility of the share price	41,59%	45,26%	41,60%
Contractual life of the option	10 yrs	10 yrs	10 yrs
Dividend yield	0,79%	0,67%	0,57%
Risk-free interest rate for the life of the option	8,88%	8,42%	7,79%

32.1.3 Shares reserved and movement in share options for the year

	2019	2018
Total number of shares reserved for equity-settled share options	**5 000 000**	5 000 000
Less: number of share options exercised	**(655 385)**	(655 385)
Less: number of share options granted, but not exercised	**(2 181 604)**	(2 357 272)
Number of shares reserved, but share options not granted	**2 163 011**	1 987 343

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

	2019			2018		
	Number of options	**Weighted average exercise price R**	**Weighted average share price R**	Number of options	Weighted average exercise price R	Weighted average share price R
Balance at beginning of the year	**2 357 272**	**13,28**	**-**	2 841 272	13,21	-
Forfeited during the year	**(139 500)**	**12,98**	**-**	(161 500)	15,96	-
Expired during the year	**(36 168)**	**13,48**	**-**	-	-	-
Exercised during the year	**-**	**-**	**-**	(322 500)	11,34	14,56
Balance at end of the year	**2 181 604**	**13,30**		2 357 272	13,28	

The share options outstanding at the end of the year under equity-settled share-based payments had a weighted average remaining contractual life of 0,9 years (2018: 1,9 years). The exercise prices on options are presented in note 32.1.1.

At year-end the number of options that had vested and that were exercisable was 2 181 604 (2018: 2 210 272).

32. SHARE-BASED PAYMENT ARRANGEMENTS WITH EMPLOYEES continued

32.2 Cash-settled employee share award plan

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

The awards comprise a mixture of zero-strike and strike based awards, with the zero-strike portion subject to a 50% split between HEPS and ROIC performance conditions. The number of awards to be granted to executives was determined with reference to market norms for long-term incentive schemes and a multiple of the salary packages of the participants and the company will grant these awards in four equal, annual tranches on 1 January each year, starting in 2018, provided the executive is in the employment of the group on that date annually. In respect of the portion of the incentive related to the market price of the share, employees will acquire the cash equivalent of the growth in the share price. In respect of the portion of the incentive related to the HEPS and ROIC performance conditions, employees will receive the cash equivalent of the market value of the shares without any reduction by the strike price. The HEPS performance condition is that the annual compounded HEPS growth rate over the three, four and five year periods ending on the last day of the financial year-end of the group prior to the vesting date, must meet or exceed the HEPS growth rate of inflation plus 5%. The ROIC performance condition is based on operational returns in excess of the cost of capital, plus a margin. The total benefit paid to employees in any financial year shall not exceed 6% of the NPAT as reflected in the audited results of the group.

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

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

The strike price is the thirty day volume weighted average of the closing market share price immediately preceding the grant date of 1 January each year.

32.2.1 Share awards granted

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

Grant date	Phantom share units with a strike price	Phantom share units with a strike price of zero	Phantom share units vesting January 2021	Phantom share units vesting January 2022	Phantom share units vesting January 2023	Phantom share units vesting January 2024	Exercise price
1 January 2018	1 007 000	566 000	524 000	524 000	525 000	-	R 13,53
1 January 2019	1 007 000	566 000	-	524 000	524 000	525 000	R 12,68

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

33. CONTINGENT LIABILITIES

Accounting policy
Contingent liabilities are not recognised as liabilities because they are either possible obligations and the group's present obligation that could lead to an outflow of resources has yet to be confirmed; or they are present obligations that do not meet the recognition criteria because either it is not probable that an outflow of resources will be required to settle the obligation, or a reliable estimate of the amount of the obligation cannot be made.

33.1 Financial guarantee contracts

Accounting policy
Financial guarantee contracts are those contracts that require the group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of the debt instrument.

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

The group's exposure to this credit risk is disclosed as a contingent liability in the note below. Where customers are in arrears with the financial institutions and there is a shortfall between the estimated realisation values of the equipment and the balances due by the customers to these financial institutions, an assessment of any additional security is done on an individual contract basis and a provision is made to the extent of the group's liability towards the financial institution. In assessing the group's credit risk exposure relating to these transactions, the group uses the same inputs and factors and considers the same forward-looking and macroeconomic information as described in the group's accounting policy for impairment of trade receivables (refer to note 14). The group also uses an expected default rate based on historical trends to measure expected credit losses on a portfolio basis, adjusted for macroeconomic, current and forecast conditions.

WesBank - credit risk
Refer to note 42 for information on the group's financing venture with WesBank.
Bell-backed
In Bell-backed deals the group is liable for all credit risks and therefore the full balance due to WesBank by default customers. The group is required to pay cash collateral to WesBank which is accounted for as interest-bearing receivables as disclosed in note 11. The cash investment is adjusted for anticipated credit losses through the use of an allowance account.

Bell-shared risk
In Bell-shared risk deals the group is liable for a portion of the credit risk and a portion of the balance due to WesBank by default customers. The group's exposure is calculated as a percentage of the net selling price of the equipment. No cash collateral is required for these transactions. A provision for credit risk is raised to account for anticipated credit losses. In assessing the provision, the group uses the same inputs and factors and considers the same forward-looking and macroeconomic information as described in the group's accounting policy for impairment of trade receivables (refer to note 14).

Other institutions - credit risk
Shared risk
The group has entered into similar shared risk arrangements with various other institutions. These arrangements are first-loss exposure undertakings and the group's exposure remains fixed until the capital is repaid. A provision for credit risk is raised to account for anticipated credit losses. In assessing the provision, the group uses the same inputs and factors and considers the same forward-looking and macroeconomic information as described in the group's accounting policy for impairment of trade receivables (refer to note 14).

33. CONTINGENT LIABILITIES continued

33.1 Financial guarantee contracts continued

	2019 R'000	2018 R'000
33.1.1 WesBank - credit risk		
Bell-backed		
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	**222 332**	264 235
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	**272 851**	323 470
	(50 519)	(59 235)
Less: allowance for expected credit losses against cash collateral	**(2 046)**	-
Net contingent liability	**-**	-
Bell-shared risk		
At year-end the group's credit risk exposure to WesBank under Bell-shared risk deals, for which the group carries a portion of the credit risk, totalled	**2 109**	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	**4 591**	422
	(2 482)	1 786
Less: provision for credit risk	**-**	-
Net contingent liability	**-**	1 786
33.1.2 Other institutions - credit risk		
At year-end the group's credit risk exposure to these financial institutions totalled	**8 009**	3 089
In the event of default, the equipment financed would be recovered and it is estimated that on re-sale the equipment would presently realise the following towards the above liability	**1 566**	2 289
	6 443	800
Less: provision for credit risk	**-**	-
Net contingent liability	**6 443**	800

The historical loss rate on transactions with above institutions was insignificant in both the current and prior periods and therefore no allowance or provision for anticipated credit losses on a portfolio basis was considered necessary.

33.2 Transactions with residual value guarantees

Accounting policy

Where the group has guaranteed the residual value of equipment sold to financial institutions or customers, a provision for residual value risk is raised to the extent that there is a shortfall between the assessed market value of the equipment and the residual value guaranteed by the group. The provision represents the discounted value of the group's liability. Revenue was recognised upfront on the transaction where control over the goods has passed to the customer and the group has satisfied its performance obligation in terms of its contract with the customer. Refer to note 26.1

In some instances, a residual value estimate is made by the financial institution at the time of sale, which is lower than the group's guaranteed amount. The group's exposure is limited to the difference between the group's guaranteed amount and the financial institution's predetermined estimate.

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

The group's net exposure to residual value risks are disclosed as contingent liabilities below. No provision has been raised at 31 December 2019 in respect of these transactions.

33. CONTINGENT LIABILITIES continued

33.2 Transactions with residual value guarantees continued

	2019 R0'000	2018 R'000
In the event of a residual value shortfall on this equipment, the group would be exposed to a maximum amount of	**17 180**	19 775
Net contingent liability	**17 180**	19 775

The above amounts relate to sales transactions to financial institutions which lease the equipment to customers for an agreed lease term. In certain cases, the group has a remarketing agreement with the institution for the disposal of the equipment returned after the lease term, but in all instances the group's risk is limited to the residual value risk described above.

33.3 Cash-backed bond

	2019 R0'000	**2018 R'000**
A cash-backed bond of USD450,000 in favour of the Environmental Protection Agency in the United States of America is disclosed in note 11. The cash is restricted and the funds are repayable at such time as the bond is no longer required by the Agency.	**6 303**	6 466

33.4 Third party warranties and indemnities

	2019 R0'000	**2018 R'000**
Warranties and indemnities limited to USD3 million have been provided relating to the sale of assets of the DRC operation.	**42 023**	43 109

34. CAPITAL EXPENDITURE COMMITMENTS

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

	2019 R'000	2018 R'000
Contracted	**13 148**	45 393
Authorised, but not contracted	**60 830**	126 973
Total capital expenditure commitments	**73 978**	172 366

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

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.

Subsequent to year-end, all capital expenditure has been halted and any expenditure critical to maintain ongoing operations will be considered on a case by case basis.

35. OPERATING LEASE ARRANGEMENTS

Operating leases, in which the group is the lessor, relate to leases of equipment reflected as rental assets in note 7 and inventory as reflected in note 13.

	2019 R'000	2018 R'000
Operating lease receivables		
The minimum lease payments in non-cancellable operating lease receivables are set out below:		
Equipment		
Less than one year	**57 986**	82 443
Between one and two years	**4 470**	31 703
Between two and three years	**-**	4 368
Total operating lease receivables	**62 456**	118 514

36. RETIREMENT BENEFIT INFORMATION

Accounting policy

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

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

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

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

The group's employer contributions to retirement funds were R99,7 million during the current year (2018: R92,5 million) and were charged to staff costs in profit or loss.

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

37. FINANCIAL INSTRUMENTS

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

Financial assets

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

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

Classification is determined by both the group's business model as well as the contractual cash flow characteristics of the asset. Financial assets carried on the statement of financial position include cash and bank balances, investments, interest-bearing receivables, trade and other receivables and forward foreign exchange contracts. The group's business model for each category is disclosed in notes 10, 11, 14 and 15.

Financial liabilities

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

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

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

37. FINANCIAL INSTRUMENTS continued

Offsetting financial instruments

Financial assets and liabilities are offset where the group has a legal and enforceable right to set off the recognised amounts and it intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

	2019 R'000	2018 R'000
Categories of financial instruments		
Financial assets		
Financial assets at amortised cost		
- Interest-bearing receivables (including current portion)	**232 148**	279 007
- Trade and other receivables	**808 527**	739 044
- Cash and bank balances	**91 163**	148 445
Financial assets at fair value through other comprehensive income		
- Investments	**25 790**	23 584
Financial assets at fair value through profit or loss	**6 759**	6 757
Total financial assets	**1 164 387**	1 196 837
Financial liabilities		
Financial liabilities at amortised cost		
- Interest-bearing liabilities (including current portion)	**1 273 704**	1 135 425
- Trade and other payables	**996 846**	1 122 714
- Bank overdrafts and borrowings on call	**666 123**	417 695
Financial liabilities at fair value through profit or loss	**2 347**	10 648
Total financial liabilities	**2 939 020**	2 686 482

Fair value of financial instruments

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 carrying amount of interest-bearing receivables approximates their fair value owing to the market related interest rates charged on these agreements.

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

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 an average of observable price to book ratios of a number of entities within the industry which was applied to the estimated net asset value of the investment entity. Refer to note 10. There was no change in the valuation techniques used for the group's 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.

Financial risk management

The group's approach to risk management includes being able to identify, describe and analyse risks at all levels throughout the group, with mitigating actions being implemented at the appropriate point of activity. The very significant, high impact risk areas and the related mitigating action plans are monitored by the risk and sustainability committee and the board. The overall risk strategy remains unchanged with emphasis on sustainability and liquidity.

In the normal course of its operations, the group is exposed to capital, liquidity, credit and market risks (foreign currency risk, interest rate risk and residual value risk). In order to manage these risks, the group may enter into transactions which make use of derivatives. They include forward foreign exchange contracts. The group does not speculate in derivative instruments.

The group's treasury function provides services to the business, co-ordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to operations of the group through internal reports which analyse exposures and the magnitude of risks.

37. FINANCIAL INSTRUMENTS continued

37.1 Capital risk management

The group's overall strategy is to secure the long-term sustainability of the group and to generate cash. This is consistent with the prior year.

The capital structure of the group consists of debt, which includes short-term and long-term borrowings as disclosed in note 20, cash and bank balances, all components of equity, comprising issued capital, reserves and non-controlling interest, as disclosed in notes 17 to 19, and retained earnings.

Gearing ratio

Management monitors the group borrowings with reference to a targeted net debt-to-equity ratio of between 30% and 40%.

	2019 R'000	2018 R'000
The gearing ratio at the year-end was as follows:		
Short-term and long-term borrowings	**1 939 827**	1 553 120
Cash and bank balances	**(91 163)**	(148 445)
Net debt	**1 848 664**	1 404 675
Total equity	**3 437 916**	3 371 509
Attributable to owners of Bell Equipment Limited	**3 433 780**	3 352 836
Non-controlling interest	**4 136**	18 673
Debt-to-equity ratio (excluding cash and bank balances) (%)	**56,4**	46,1
Net debt-to-equity ratio (including cash and bank balances) (%)	**53,8**	41,7

The debt to equity ratio exceeds the targeted ratio mainly due to higher debt relating to higher than planned inventory levels, following weaker market conditions and lower sales than expected.

37.2 Liquidity risk

The group manages liquidity risk by management of working capital and cash flows. Banking facilities are constantly monitored for adequacy. The general banking facilities are repayable on demand and their utilisation at 31 December 2019 is as follows:

	Facilities 2019 R'000	**Utilisation 2019 R'000**	Facilities 2018 R'000	Utilisation 2018 R'000
General banking facilities	**1 018 645**	**666 123**	1 030 521	417 695

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

The utilisation at 31 December 2019 on facilities made available by the Industrial Development Corporation of South Africa is as follows:

Industrial Development Corporation of South Africa (IDC)	**Facilities 2019 R'000**	**Utilisation 2019 R'000**	**Interest accrued 2019 R'000**	Facilities 2018 R'000	Utilisation 2018 R'000	Interest accrued 2018 R'000
Trade finance and interest accrued	**750 000**	**746 100**	**21 715**	550 000	510 766	10 344

Under the terms of the IDC borrowing facility the group is required to comply with financial and non-financial covenants.

A subsidiary of the group, BECSA, is required to comply with the following main covenants under the terms of the IDC borrowing facility:

Financial covenants:

- Ratio of total shareholders interests to total assets must be more than 40% (BECSA achieved a ratio of 34% at 31 December 2019);
- Debt service cover ratio more than 1.3 (BECSA achieved a ratio of 0.84 times at 31 December 2019); and
- Salary limitation of an aggregate of R12,5 million in respect of the salaries of the chief executive officer, the chief financial officer and the strategy officer in the 2018 base financial year, which amount may be increased at CPI plus 2% per financial year (this was complied with for the 2019 financial year).

37. FINANCIAL INSTRUMENTS continued

37.2 Liquidity risk continued

BECSA did not comply with the two financial ratios as indicated above at year-end. This was condoned by the IDC. The following restrictive conditions are applicable as a result of the breach, for the duration of the breach:

- No repayment of shareholders loans, interest on shareholders loans or dividends in cash if the ratios are not met.
- The salary limitation referred to above under financial covenants must be complied with.

In addition, due to the restructure of BECSA as a result of the BBBEE transaction described in note 19.3, the IDC has agreed to the re-assessment of the covenants and will engage with the company to agree on covenants that are manageable and achievable in the foreseeable future.

Non-financial covenants:

- Achieve a BBBEE rating of at least level 4 by 31 May 2020; and
- Not raise additional funding in excess of a specified amount without the IDC's prior written consent.

BECSA is on track to achieve level 4 status by 31 May 2020.

The above covenants were not applicable for the 2018 financial year.

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

	Less than one year R'000	One to two years R'000	Two to three years R'000	More than three years R'000	Total R'000
Non-derivative financial liabilities					
2019					
Secured interest-bearing liabilities	**1 024 225**	**70 468**	**26 504**	**154 877**	**1 276 074**
Unsecured interest-bearing liabilities	**791 799**	**-**	**-**	**-**	**791 799**
Trade and other payables	**996 846**	**-**	**-**	**-**	**996 846**
Bank overdrafts and borrowings on call	**666 123**	**-**	**-**	**-**	**666 123**
Total	**3 478 993**	**70 468**	**26 504**	**154 877**	**3 730 842**
2018					
Secured interest-bearing liabilities	174 138	144 382	46 025	189 040	553 585
Unsecured interest-bearing liabilities	540 605	-	-	-	540 605
Trade and other payables	1 122 714	-	-	-	1 122 714
Bank overdrafts and borrowings on call	417 695	-	-	-	417 695
Total	2 255 152	144 382	46 025	189 040	2 634 599

The following outlines the group's maturity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted gross cash inflows/(outflows) on the derivative instruments that settle on a gross basis.

	2019 R'000	2018 R'000
Derivative financial instruments		
Less than 1 year		
Gross settled forward foreign exchange contracts - imports	**(44 214)**	(168 317)
Gross settled forward foreign exchange contracts - exports	**60 819**	250 416
Total	**16 605**	82 099

37.3 Credit risk

Credit risk arises when a counterparty defaults on its contractual obligations resulting in a financial loss to the group. Credit risk consists mainly of short-term cash deposits, interest-bearing receivables, trade receivables and the credit risk exposure described in note 33.1 and note 42. The group only deposits short-term cash with approved financial institutions.

Trade receivables contain concentration risk in certain markets, particularly where the group sells to independent dealers who distribute the group's products. The granting of credit is controlled by processes based on the group credit policy, credit applications by customers, a credit approval hierarchy, customer account limits, the utilisation of attorneys for collection where necessary and the ongoing monitoring of economic, political and industry conditions in each market. Management undertake ongoing credit evaluations of the financial condition of their customers and steps are taken when an invoice is not paid at due date.

The group's credit risk is regularly monitored by a credit committee, consisting of certain directors and senior executives. The credit committee monitors the extension and management of credit by group companies and credit in excess of certain thresholds requires credit committee approval.

37. FINANCIAL INSTRUMENTS continued

37.3 Credit risk continued

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. Customers are in default when the debt is past due.

In the case of customer default the value of the repossessed equipment may not cover the outstanding receivable amount. The group's credit committee actively monitors credit, collections and the economic, political and industry conditions in each market. In addition, credit enhancements such as deposits, personal guarantees, liens on other property owned by the customer may be required at the time of origination or when there are signs of impairment.

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 an adverse change in the financial condition of the customer. 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 any change in the financial condition of the customer. No balances in trade and other receivables at year end relate to renegotiated amounts.

When the value outstanding from the customer is material and this is combined with a change in the economic circumstances of the customer, such as a loss of contract or a change in the industry in which the customer operates, or when customers have failed to fulfil their obligations when they became due and where no specific arrangement has been made to rectify the position or where a commitment to bring the account within terms has not been met, then this will be considered to be a high risk. Significant overdue customer balances are handed over to attorneys for legal collection. A customer balance is considered credit-impaired and will be written off in full once legal means of recovery has failed and it is believed that the likelihood of recovery is remote. Indicators that the likelihood of recovery is remote includes, amongst others, the liquidation of a debtor. Except in limited circumstances, the group continues to engage in recovery activities even after write off in order to recover amounts due to the group.

Interest is usually charged on overdue balances. An allowance has been made for expected credit losses from the sale of goods and services and this has been determined as described in note 14.

With the exception of the credit risk disclosed in note 33.1, the carrying amount of financial assets recorded in the financial statements, which is net of the allowance for expected credit losses, represents the group's maximum exposure to credit risk. At 31 December 2019, the group does not consider there to be any material credit risk that has not been adequately provided for.

During the current and prior period, the group's auditor identified the recoverability of trade and interest-bearing receivables in Bell Equipment Sales South Africa Limited (BESSA) as a key audit matter. In assessing the recoverability of these receivable balances in BESSA, the group applied the policy for expected credit losses as described in note 14 and in particular considered the following factors that are relevant to these receivable balances:

- customers' payment history
- payment past due dates
- risks the customers are exposed to
- industries the customers operate in

An analysis of the group's credit risk and credit ratings of receivable balances as well as the credit risk concentration in BESSA are presented below:

	BESSA		GROUP (including BESSA)	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Finance leases *				
Fully performing receivables	**17 212**	42 573	**17 212**	50 712
Gross	**17 212**	42 573	**17 212**	50 712
Less: allowance for expected credit losses	**-**	-	**-**	-
Past due receivables	**-**	-	**-**	-
Gross	**-**	-	**-**	-
Less: allowance for expected credit losses	**-**	-	**-**	-
Balance at end of the period	**17 212**	42 573	**17 212**	50 712

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

The average credit period on the above finance leases receivable balances is 28 months. The finance leases are largely secured by the financed equipment.

No allowance for expected credit losses was raised against finance leases reflected above of R17,2 million (2018: R50,7 million) for the group and R17,2 million (2018: R42,6 million) for BESSA, as the amounts are still considered recoverable and there has not been a significant change in credit quality.

37. FINANCIAL INSTRUMENTS continued

37.3 Credit risk continued

	BESSA		GROUP (including BESSA)	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Instalment sale agreements *				
Fully performing receivables	**107 503**	108 749	**107 503**	108 749
Gross	**107 503**	108 749	**107 503**	108 749
Less: allowance for expected credit losses	**-**	-	**-**	-
Past due receivables	**4 549**	2 856	**4 549**	2 856
Gross	**4 549**	2 856	**4 549**	2 856
Less: allowance for expected credit losses	**-**	-	**-**	-
Balance at end of the period	**112 052**	111 605	**112 052**	111 605

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

The average credit period on the above instalment sale receivable balances is 12 to 24 months. The instalment sale agreements are largely secured by the financed equipment.

No allowance for expected credit losses was raised against instalment sale receivables reflected above of R112,1 million (2018: R111,6 million) for the group and R112,1 million (2018: R111,6 million) for BESSA, as the amounts are still considered recoverable and there has not been a significant change in credit quality.

During the year a customer's rental receivable balance owed to the group was renegotiated and an instalment sale agreement was entered into as a result of the renegotiation. Subsequently, the instalment sale agreement was cancelled and the equipment was repossessed. This resulted in an amount of R14,6 million being written off as credit impaired.

The machines under a second instalment sale agreement were also repossessed and an amount of R2,5 million was written off as credit impaired.

	BESSA		GROUP (including BESSA)	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Trade receivables **				
Fully performing receivables	**129 322**	126 480	**587 854**	585 875
Gross	**129 322**	126 480	**587 895**	585 879
Less: allowance for expected credit losses	**-**	-	**(41)**	(4)
Past due receivables	**14 636**	24 029	**99 236**	26 345
Gross	**34 122**	44 015	**158 291**	96 576
Less: allowance for expected credit losses	**(19 486)**	(19 986)	**(59 055)**	(70 231)
Balance at end of the period	**143 958**	150 509	**687 090**	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.

An allowance for expected credit losses of R59,1 million (2018: R70,2 million) was raised against trade receivables reflected above of R687,1 million (2018: R612,2 million) for the group.

An allowance for expected credit losses of R19,5 million (2018: R20,0 million) was raised against trade receivables reflected above of R144,0 million (2018: R150,5 million) for BESSA.

37. FINANCIAL INSTRUMENTS continued

37.3 Credit risk continued

	BESSA		GROUP (including BESSA)	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Movement in the allowance for expected credit losses on finance leases, instalment sale agreements and trade receivables				
Balance at beginning of the year	**19 986**	4 376	**70 235**	59 221
Translation differences	**-**	-	**(649)**	4 838
Net (decrease) increase in allowance for expected credit losses (refer to note 27)	**(500)**	15 610	**(10 490)**	6 176
Amounts considered credit-impaired and written off	**(15 924)**	(956)	**(22 675)**	(1 535)
Increase in allowance for expected credit losses, based on lifetime expected credit losses	**20 219**	16 566	**20 382**	21 166
Decrease in allowance due to cash flows from past due receivables	**(4 795)**	-	**(8 231)**	(13 458)
Increase in allowance on fully performing receivables, based on lifetime expected credit losses	**-**	-	**34**	3
Balance at end of the year	**19 486**	19 986	**59 096**	70 235

Amounts outstanding from customers to WesBank under Bell-backed deals (refer to note 33.1), included an amount of R3,1 million (2018: R7,6 million) which was past due. A R2,0 million allowance for expected credit losses (2018: Rnil) was recognised against the group's cash collateral included under interest-bearing receivables (refer to note 11).

In terms of the group's shared risk arrangements with WesBank and other institutions, there were no past due amounts under these arrangements and no provision for credit risk was raised.

37.4 Market risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and residual value risk. There has been no change to the group's exposure to market risks or the manner in which it manages and measures the risks.

37.4.1 Currency risk

The group undertakes certain transactions denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. The group follows a policy of matching import and export cash flows where possible. The majority of any remaining inward or outward trade exposure is covered forward. In this regard the group has entered into certain forward exchange contracts which do not relate to specific items appearing in the statement of financial position, but which were entered into to cover foreign commitments not yet due. The foreign subsidiaries do not hedge their intra-group purchases.

The details of contracts held at 31 December 2019 are listed below. These contracts will be utilised during the next six months. These contracts have been fair valued at the year-end as follows:

	Foreign amount '000	Rate R	Market value in Rands R'000	Fair value gain (loss) R'000
2019				
Import contracts				
Japanese Yen	**322 531**	**7,29**	**41 926**	**(2 288)**
Export contracts				
Euro	**3 344**	**16,58**	**52 919**	**2 532**
United States Dollar	**360**	**14,89**	**5 070**	**298**
2018				
Import contracts				
British Pound	450	18,25	8 317	113
Euro	9 551	16,76	158 264	(1 849)
Export contracts				
Euro	13 146	16,48	218 582	(1 909)
United States Dollar	2 276	14,82	32 990	753

37. FINANCIAL INSTRUMENTS continued

37.4 Market risk continued

37.4.1 Currency risk continued

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

	Euro R'000	United States Dollar R'000	British Pound R'000	Other currencies R'000
2019				
Financial assets				
Financial assets at amortised cost				
- Interest-bearing receivables (including current portion)	-	47 011	-	-
- Trade and other receivables	322 905	145 102	26 035	1 041
- Cash and bank balances	56 599	25 280	1 771	413
Financial assets at fair value through other comprehensive income				
- Investments	-	25 790	-	-
Financial assets at fair value through profit or loss	4 528	2 231	-	-
Financial liabilities				
Financial liabilities at amortised cost				
- Interest-bearing liabilities (including current portion)	258 240	7 769	-	416
- Trade and other payables	267 364	115 681	76 445	223 043
- Bank overdrafts and borrowings on call	150 455	42 460	3 879	-
Financial liabilities at fair value through profit or loss	-	60	-	2 287
2018				
Financial assets				
Financial assets at amortised cost				
- Interest-bearing receivables (including current portion)	-	53 029	-	-
- Trade and other receivables	307 317	72 802	37 084	1 964
- Cash and bank balances	53 418	50 322	7 826	897
Financial assets at fair value through other comprehensive income				
- Investments	-	23 584	-	-
Financial assets at fair value through profit or loss	1 325	5 222	210	-
Financial liabilities				
Financial liabilities at amortised cost				
- Interest-bearing liabilities (including current portion)	331 554	23 910	-	-
- Trade and other payables	319 121	233 804	55 557	189 509
- Bank overdrafts and borrowings on call	52 596	11 451	18 158	-
Financial liabilities at fair value through profit or loss	1 616	8 828	204	-

The group is mainly exposed to the United States Dollar and the Euro. The analysis below details the group's sensitivity to a 20% strengthening or weakening in the South African Rand against major currencies. The analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates. A 20% strengthening or weakening in the South African Rand represents management's assessment of the reasonably possible change in foreign exchange rates.

For a 20% weakening in the South African Rand against major currencies and if all other variables were held constant, the group's:

- profit before taxation for the year ended 31 December 2019 would have increased by R38,7 million (2018: increase in profit before taxation R63,3 million); and
- other equity at year-end would have decreased by R58,8 million (2018: R57,1 million decrease).

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

37. FINANCIAL INSTRUMENTS continued

37.4 Market risk continued

37.4.2 Interest rate risk

The group is exposed to interest rate risk as entities in the group borrow funds at floating interest rates. Exposure to interest rate risk on borrowings and investments is monitored on a proactive basis. The group's interest rate profile of borrowings at 31 December 2019, is as follows:

		Net overdraft and call balances	Trade finance	Long-term borrowings	Long-term borrowings	Total borrowings
2019						
Borrowings	(R'000)	**574 960**	**767 815**	**211 985**	**293 904**	**1 848 664**
Rate profile		**Floating**	**Floating**	**Fixed**	**Floating**	
% of total borrowings		**31**	**42**	**11**	**16**	
2018						
Borrowings	(R'000)	269 250	521 110	205 440	408 875	1 404 675
Rate profile		Floating	Floating	Fixed	Floating	
% of total borrowings		19	37	15	29	

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

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

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

- profit before taxation for the year ended 31 December 2019 would have decreased by R16,4 million (2018: decrease in profit before taxation R12,0 million)
- profit after taxation and equity for the year ended 31 December 2019 would have decreased by R11,8 million (2018: decrease in profit after taxation and equity R8,6 million)

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

37.4.3 Residual value risk

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

Residual value risks are the risks that the assessed market value of the equipment is less than what was expected when the contracts were entered into. Refer to notes 26.1 and 33.2 for information on the various transaction types entered into by the group.

The group manages residual value risk through ongoing assessments of the market values of the underlying equipment. Current and anticipated market conditions are assessed on an ongoing basis. Other conditions such as product development, environmental regulations and competitor actions are also considered in assessing the group's exposure to residual value risk.

The group's maximum exposure to residual value risk is disclosed in note 33.2.

37. FINANCIAL INSTRUMENTS continued

37.5 Transfers of financial assets

Transferred financial assets that are not derecognised in their entirety

During the year, the group discounted certain finance lease receivables and instalment sale receivables (refer to note 11) to a financial institution with full recourse to the group. The group carries all the credit risk associated with these assets and therefore these financial assets do not qualify for derecognition. A corresponding liability for the funds received from the financial institution is recognised in interest-bearing liabilities as disclosed in note 20.3.

The carrying amounts of the transferred assets and associated liabilities of finance lease receivables are presented below:

	2019 R'000	2018 R'000
Finance lease receivables (refer to note 11)	**17 212**	25 900
Collateralised borrowings (refer to note 20.3)	**(17 947)**	(25 904)
Net position	**(735)**	(4)

The carrying amounts of the transferred assets and associated liabilities of instalment sale agreements are presented below:

	2019 R'000	2018 R'000
Instalment sale receivables (refer to note 11)	**63 535**	-
Collateralised borrowings (refer to note 20.3)	**(61 492)**	-
Net position	**2 043**	-

The group considers the carrying amount of the transferred assets and the related borrowings to approximate their fair values.

38. RELATED PARTY TRANSACTIONS

Accounting policy
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties have been defined as shareholders and key management personnel (directors and the group's executive committee) including close members of their families, and entities over which these individuals or their close family members are able to exercise significant influence or in which these individuals or their close family members have a controlling interest.

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

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

The group enters into various transactions with related parties. All transactions are carried out on an arms length basis on terms no more favourable than those entered into with third parties, with the exception of those transactions entered into with the BBBEE shareholders below.

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

	2019 R'000	2018 R'000
Shareholders		
John Deere Construction and Forestry Company		
- sales	**20 075**	20 298
- purchases	**507 721**	511 298
- royalties paid	**7 220**	7 152
- warranty claims paid	**2 868**	442
- interest paid	**52**	42
- computer licence fees, training and related expenses	**1 348**	1 042
- amounts owing to - trade and other payables	**68 899**	57 724
- amounts owing by - trade and other receivables	**3 834**	4 476
GW Bell		
- amounts owing by	**-**	4
PA Bell		
- property rental paid	**-**	6
PC Bell		
- amounts owing by	**-**	1
BBBEE shareholders*		
B Harie		
- director fees	**150**	150
- amounts owing to, by BESSA BEE SPV	**1 054**	1 060
SN Mabaso–Koyana		
amounts owing to, by BESSA BEE SPV	**1 039**	1 039
amounts owing to	**-**	50
* Details of the BBBEE ownership transaction are included in note 19.		
Enterprises over which directors and shareholders are able to exercise significant influence and/or in which directors and shareholders have a beneficial interest		
Ario Properties Limited		
- property rental paid	**-**	2 615
- property purchase	**-**	52 330
Loinette Company Leasing Limited		
- commission received	**33**	66
- commission paid	**-**	52
- amounts owing to	**32**	235
- amounts owing by	**31**	-
Castle Crest Properties 33 Proprietary Limited		
- property rental paid	**-**	231
- property related expenses	**-**	33

38. RELATED PARTY TRANSACTIONS continued

	2019 R'000	2018 R'000
Enterprises over which directors and shareholders are able to exercise significant influence and/or in which directors and shareholders have a beneficial interest continued		
Matriarch Equipment Close Corporation		
- sales	-	2 473
- purchases	59	24 164
- royalties paid	-	105
- warranty claims received	-	54
- training received	-	1
- amounts owing to	-	97
- amounts owing by	-	443
BAC Maintenance Proprietary Limited		
- aircraft repairs, maintenance and related expenses	65	63
Latin Equipment Group		
- sales	22 368	17 088
- transport related income	299	337
- amounts owing to	4 022	1 370
- amounts owing by	4 719	8 068
LLEB Investments Close Corporation		
- sales	161	-
- purchases	715	-
- property rental paid	404	-
- warranty claims received	55	-
- royalties paid	359	-
- water and electricity paid	160	-

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

Related party balances have been included as part of trade and interest-bearing receivables in assessing recoverability and in the collective assessment of expected credit losses. No specific allowance for expected credit losses has been recognised in the current period (2018: Rnil) in respect of the amounts owed by related parties, and no amounts have been written off as credit-impaired. In determining the specific allowance for expected credit losses the same assumptions were applied as with trade and interest-bearing receivables as reflected in note 14. No specific allowance has been recognised because amounts are considered to be recoverable. All amounts relate to parties that have a long-standing history with the group and there has been no defaults on payments.

A co-operation agreement is in place between the company and its subsidiaries and Loinette Company Leasing Limited in terms of which the group has undertaken to refer prospective customers to Loinette Company Leasing Limited as a possible financier of Bell equipment.

Compensation of key management personnel
The remuneration of executive directors and prescribed officers is reflected in note 43.

The remuneration of executive directors and key management is determined by the board having regard to the performance of individuals and market trends.

39. SUBSEQUENT EVENTS

39.1 COVID-19

The events arising as a result of interventions in response to the COVID-19 pandemic only occurred after the reporting date and therefore the group considers this to be a non-adjusting post balance sheet event and accordingly the financial effects resulting from the impact of COVID-19 have not been reflected in the group's financial statements at 31 December 2019.

At the date of this report, there is still widespread global uncertainty associated with the COVID-19 pandemic. We are closely monitoring the situation and adapting the business to mitigate some of the impact as the situation develops. The safety and wellbeing of our employees is paramount and will remain our first priority.

The outbreak of COVID-19, together with the impact of individual countries responses to it, has disrupted the group's operations in a number of markets around the world and has the potential for further significantly impacting the operating results of the group in future. The nationwide lockdown implemented in South Africa resulted in the closure of the majority of our South African sales outlets, as well as our Richards Bay factory for a five-week period, causing disruption to the inbound and outbound supply chain as well as to production. This, together with various restrictions in other countries, has already resulted in lower sales and profit than expected in the month of April and to a lesser extent in May 2020, particularly in the group's South African operation, and this will negatively impact cash inflows in coming months. Whilst the group has responded by reducing planned production capacity and volumes and expects a reduction in sales and profit in 2020 as a result of the outbreak, we have so far seen delays but no significant cancellation of customer orders at the date of this report.

The group has commenced with cost reduction initiatives, including the implementation of 20% short time across all group operations starting in May 2020 for an initial three-month period, the group executive committee has committed to a 25% salary reduction for the corresponding period and the non-executive directors of the company have committed to a 30% reduction in their meeting fees for a six month period. The capital expenditure budget has been significantly reduced and any non-essential expenditure has been halted. We are working with management in all group operations to support financial liquidity by preserving cash during this period of uncertainty. The group has benefited from extended payment terms negotiated with certain of the larger component and machine suppliers. The group is working closely with suppliers on contingency planning for continuous supply. Management is also engaging with the group's funders and government to keep them apprised of the group's results, liquidity, business and contingency plans for this challenging period and they continue to support the group. At the date of this report the group has approximately R700 million in available undrawn bank facilities, on which commitment fees are paid, and cash. With the exception of the IDC, the majority of these undrawn facilities are short-term general banking facilities, repayable on demand, with no required financial ratios covenants clauses. Refer to note 37.2 of these financial statements.

The reduction in sales outlook which was identified in the last quarter of 2019 led to a significant cut in the production plan for 2020 and the company is selling from existing inventory levels. Consequently liquidity is starting to improve. There has been no significant change in the liquidity of the group since the lockdown was imposed in South Africa at the end of March. The group is still carrying excess component and finished goods inventory and this will assist in maintaining production and sales operations in coming months and the group intends drawing on this and liquidating excess inventory over the next 12 months. South Africa moved to Level 4 in the government's risk adjusted strategy from 1 May 2020 and production is operating at the Richards Bay factory at approximately 60% of the 2019 production level. Exports of machines to customers and kits from South Africa to the group's facility in Germany have also normalised. Production in Germany was not interrupted by restrictions imposed in the country. The group's customers in South Africa in the agriculture and mining industry, especially relating to coal and open cast mining, are operating and the group continues to support these customers. There is recognition that the South African economy needs to operate again and the country will move to Level 3 from 1 June 2020. All business in South Africa is expected to resume from that date.

The group operates globally in a number of countries impacted by the pandemic. The extent of the impact of COVID-19 on the business, future sales and financial results is uncertain and will depend largely on future developments, including the duration and intensity of the pandemic, the infection rates and restrictions imposed in the countries in which the group operates, the impact on supply chains affecting the timely availability of products, potential further prolonged closures of production facilities affecting the ability to maintain production and assembly operations, extended periods of domestic and international travel restrictions and the overall impact on the global economy and mining and construction industry demand, confidence and spending, all of which are uncertain and cannot reasonably be predicted at present. A negative impact on production and sales volumes should have an impact on the results of operations and on cash flows for the 2020 financial year. Certain line items on the statement of financial position may also be impacted. The extent to which these areas are impacted will depend on future developments relating to the above uncertainties which cannot be predicted at this time.

39. **SUBSEQUENT EVENTS** continued

39.1 **COVID-19** continued

The group's sales forecasts are based on expected weak global market conditions and modest sales volumes that are approximately 30% lower in 2020 than in 2019. The group is carrying excess inventory and sales volumes are expected to exceed production volumes as the group right-sizes inventory levels. The liquidation of excess inventory will generate cash inflows. Cash flow forecasts to April 2021 allow for significant disruption for a further three months. This refers to disruption of such significance that all production and sales are prevented by further prolonged lockdowns or other severe restrictions such as the closure of major trading borders or ports for a three month period, resulting in severely diminished income during the period.

These financial statements have been prepared on a going concern basis given the group's current market outlook for the year ahead, the headroom on bank facilities and the support from bankers, governments, alliance partners, key suppliers and staff. It should be noted that the above uncertainties relating to the future development of COVID-19, the extent of the impact on the business and the continued support of funders, should the pandemic and related disruption endure for a longer period than currently estimated, may weaken the entity's ability to continue as a going concern.

39.2 **Fire at Richards Bay head office**

A portion of the administration building at the group's Richards Bay head office was destroyed by a fire on 5 January 2020. The cause of the fire appears to have been an electrical failure. All systems and processes were restored with minor disruption to operations, the insurance claim of R19,0 million for the full recovery of losses has been approved and the reconstruction of the offices has commenced.

No other fact or circumstance material to the appreciation of this report has occurred between 31 December 2019 and the date of this report.

40. COMPOSITION OF THE GROUP

The group structure is presented on pages 2 to 3 of this report.

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

Subsidiaries	Business type	Principal activity	Issued share capital 2019 R	Issued share capital 2018 R
Southern Africa				
BECSA Holdings Limited *	H	H	1	-
Bell Equipment Company SA Proprietary Limited	O	M	2	2
- amounts owing to - non-interest-bearing liabilities				
Bell Equipment Group Services Proprietary Limited *	O	G	-	-
Bell Equipment Sales South Africa Limited	O	S	4 403 600	4 403 600
- amounts owing by - cumulative redeemable preference shares				
- amounts owing by - non-interest-bearing loan				
- amounts owing by - trade and other receivables				
Bell Equipment SA Holdings Limited *	H	H	1	-
I A Bell Equipment Company (Namibia) (Proprietary) Limited	O	S	4	4
Bell Equipment Company (Swaziland) (Proprietary) Limited	O	S	2	2
K2017044733 (South Africa) (RF) Proprietary Limited	O	B	2	2
Bell Equipment Foundation	O	T	-	-
Bell Equipment Properties SA Proprietary Limited	O	P	-	-
K2019577563 (South Africa) (RF) Proprietary Limited	O	B	-	-
Other Africa				
Bell Equipment Zambia Limited	O	S	19 721 736	20 629 975
Bell PTA (Private) Limited	O	S	5 850 930	6 120 381
Bell Equipment (Malawi) Limited	R	R	-	-
Bell Equipment Mozambique Limitada	R	R	-	59 159 284
Bell Equipment DRC SARLU	D	S	202 264 113	211 578 911
Europe				
Bell Equipment International SA	H	H	942 487 358	985 891 395
Bell International Finance Limited	I	I	105 518 073	110 377 459
Bell Euro Finance Limited	I	I	376 994 943	394 356 558
Bell France SAS	O	S	53 619 582	56 088 906
Bell Equipment UK Limited	O	S	89 523 513	93 646 307
Bell Equipment (Deutschland) GmbH	O	A	70 686 552	73 941 855
Bell Equipment Russland LLC	O	S	88 754 616	92 842 001
United States of America				
Bell Equipment North America Inc	O	S	75 398 989	78 871 312
Australasia				
Bell Equipment Australia Pty Ltd	O	S	29	30
Interest in subsidiary companies				

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

** Details of the BBBEE ownership transaction are set out in note 39.*

				Interest of Bell Equipment Limited			
Effective holding 2019 %	Effective holding 2018 %	**Profit (loss) for the year 2019 R'000**	Profit (loss) for the year 2018 %	**Book value of shares 2019 R'000**	Book value of shares 2018 R'000	**Amounts owing by (to) 2019 R'000**	Amounts owing by (to) 2018 R'000
100	-	-	-	-	-	-	-
100	100	34 995	233 191	22 827	22 827		
						50 072	36 618
100	-	-	-	-	-	-	-
78	78	(64 608)	30 364	34 257	34 257		
						275 000	275 000
						20 862	48 844
						2 186	2 239
100	-	-	-	-	-	-	-
100	100	(4 661)	(2 485)	43 812	43 812	(25 118)	(25 118)
100	100	(839)	2 604	-	-	7 457	15 930
-	-	(22)	(19)	-	-	-	-
100	100	(288)	(217)	-	-	458	313
100	100	4 073	4 240	-	-	-	-
-	-	-	-	-	-	-	-
100	100	21 169	18 889	-	-	586	601
100	100	2 218	(80 234)	-	-	-	-
-	100	(69)	182	-	-	-	-
-	100	909	(3 204)	-	-	-	-
100	100	2 659	12 711	-	-	-	108
100	100	9 850	(14 894)	615 915	615 915	-	-
100	100	2 203	16 881	-	-	-	-
100	100	6 299	(23 404)	-	-	-	-
100	100	6 795	5 635	-	-	-	-
100	100	3 705	(1 395)	-	-	-	127
100	100	21 908	23 378	-	-	-	-
100	100	9 855	5 613	-	-	-	-
100	100	15 777	4 849	-	-	-	-
100	100	307	1 201	-	-	-	-
				716 811	716 811	331 503	354 662

40. COMPOSITION OF THE GROUP continued

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

Except for K2017044733 (South Africa) (RF) Proprietary Limited (the BESSA BEE SPV), the group's control is exercised directly by holding the majority of the voting rights of the ordinary shares in all its subsidiaries as indicated above. Refer to note 2.2.1 for the group's control over the BESSA BEE SPV.

In 2017, the group entered into a BBBEE ownership transaction for Bell Equipment Sales South Africa Limited (BESSA). Details of the transaction are disclosed in note 19. BESSA's principal place of business is South Africa.

Summarised financial information about BESSA is presented below and represents amounts before intra-group eliminations:

	2019 R'000	2018 R'000
Non-current assets	**461 683**	303 516
Current assets	**1 534 607**	1 399 446
Non-current liabilities	**701 922**	769 522
Current liabilities	**1 221 865**	806 438
Revenue	**3 122 272**	3 286 862
(Loss) profit for the year	**(64 608)**	30 364
Total comprehensive (loss) income for the year	**(64 608)**	30 364

41. SIGNIFICANT RESTRICTIONS

The company's subsidiary, Bell Equipment Company SA (Pty) Ltd, may not raise additional funding in excess of specified amounts without the lenders prior written consent.

In terms of a general banking facility held by Bell Equipment Sales South Africa Limited (BESSA), the repayment of capital and interest on intra-group loans as well as dividend payments require approval from the relevant financial institution before such payments are made. At year-end the carrying amount of the intra-group loan in BESSA was R271,6 million (2018: R271,6 million).

Except for the limitations of exchange control regulations and availability of currency in the local markets in which certain group companies operate (refer to note 16), there are no other significant restrictions on cash transfers and capital distributions to and from group companies.

42. FINANCING VENTURE WITH WESBANK

Accounting policy

For transactions that have been financed through the WesBank financing venture (refer below), where the group carries all the credit risk, the group is required to pay cash collateral to WesBank which is accounted for as interest-bearing receivables (refer to note 11). The cash investment is adjusted for anticipated credit losses through the use of an allowance account.

See note 11 for the group's accounting policy on interest-bearing receivables.

	2019 R'000	2018 R'000
The group has a financing venture with WesBank, a division of FirstRand Bank Limited, in order to assist customers with the financing of equipment purchased from the group.		
The group is entitled to a share of the profits from transactions financed through the financing venture. The group's profit share for the year included in other operating income amounted to	**775**	958
In terms of this arrangement, the following categories of financing are provided for:		
- transactions where the risks and rewards are for WesBank. All credit applications are subject to approval by WesBank in its sole discretion. The group carries no credit risk on these transactions.		
- specific transactions where the risks and rewards are for the group (Bell-backed deals). These transactions are credit applications that have initially been declined by WesBank but based on the group's backing are financed through the financing venture. Where the group carries all the credit risk, the group is liable for the full balance due to WesBank by default customers. This is considered to be a financial guarantee contract and the contingent liability is reflected in note 33.1. The group is required to invest an amount with WesBank equal to 25% of the value of the financing provided by WesBank to customers as collateral in respect of these transactions. This investment, which earns interest at the cost of capital of the financing venture, is reflected as interest-bearing receivables on the statement of financial position. The carrying amount of this cash collateral at year-end was	**55 873**	71 800
- specific transactions for which WesBank requires support (Bell-shared risk deals), either due to the credit risk profile of the customer or the specific structuring of the financing deal. In respect of these shared risk deals with WesBank, the group is at risk for a portion of the balance due to WesBank by default customers. Applications from customers are categorised into WesBank's risk grading system, by WesBank in its sole discretion, with the risk category determining the level of risk shared by the group. No collateral investment is required by the group to support these transactions. The risk of customer default described above is considered to be a financial guarantee contract and the contingent liability is reflected in note 33.1.		
The group's credit risk exposure with regards to Bell-backed deals and Bell-shared risk transactions are approved and assessed by the group's credit committee.		
Capital funding for the venture is provided by WesBank and the group's investment is limited to the 25% cash collateral paid on Bell-backed deals (refer above). WesBank is responsible for ensuring that sufficient capital is made available.		
WesBank determines the credit pricing of all approved deals for all categories of financing provided. The financial assets within the financing venture are managed by WesBank and the financing venture is dependent on WesBank for critical services such as finance and credit expertise.		
An advisory management board, represented by both WesBank and the group, facilitates the interaction between WesBank and the group. This board acts in an advisory capacity only and neither party is bound by its recommendations.		
The group is responsible for promoting financing of equipment through this financing venture and for assisting with the market strategy.		
The group's maximum exposure to loss is reflected in note 33.1.		

43. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

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

	Salary R'000	Pension/ Provident fund R'000	Other benefits and allowances R'000	2019 Total R'000	2018 Total R'000
Executive directors					
GW Bell (retired 31 May 2018)	-	-	-	-	1 785
A Goordeen (alternate)	2 274	307	137	2 718	2 547
L Goosen	3 858	514	113	4 485	4 470
KJ van Haght	2 690	354	42	3 086	3 012
AJ Bell (appointed 1 February 2019, resigned 30 November 2019)	1 008	134	199	1 341	-
Total	9 830	1 309	491	11 630	11 814
Paid to prescribed officers of the company's subsidiaries by the company's subsidiaries:					
Prescribed officers					
M Schurmann (expatriate salary, resigned 31 August 2018)	-	-	-	-	3 265
N Paynter (expatriate salary)	4 396	330	967	5 693	5 216
M Dumisa (resigned 28 February 2018)	-	-	-	-	618
DB Chinnappen	2 266	301	57	2 624	2 579
SR Jones	2 289	301	35	2 625	2 484
DN Mashika	2 083	302	243	2 628	1 667
A Mayer (expatriate salary)	3 562	219	4 383	8 164	1 870
DE Morris (appointed 1 April 2018)	2 627	347	55	3 029	1 874
HW Van Der Walt	2 223	305	132	2 660	2 646
JJ Van Wyngaardt	2 013	274	96	2 383	2 333
D McIlrath	1 497	195	6	1 698	1 689
Total	22 956	2 574	5 974	31 504	26 241

Other benefits and allowances comprise vehicle allowances, travel allowances and reimbursive allowances, annual leave encashments and the group's contributions to medical aid and life insurance.

Paid to non-executive directors of the company by the company:	2019 R'000 Fees	2018 R'000 Retirement grant	2018 R'000 Fees
Non-executive directors			
JR Barton	826	-	641
AJ Bell	63	-	465
GW Bell (appointed 1 June 2018)	931	-	496
B Harie (resigned 27 November 2017)	-	-	47
DH Lawrance	753	-	651
R Naidu	578	-	503
ME Ramathe	597	-	530
TO Tsukudu (retired 21 August 2017)	-	1 629	-
HR van der Merwe	563	-	474
Total	4 311	1 629	3 807

43. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

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

		Balance at 31 December 2017	Exercised	Forfeited	Balance at 31 December 2018	Exercised	Forfeited	Balance at 31 December 2019
Executive directors and prescribed officers	Exercise price	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options
L Goosen	10,48	100 000	-	-	100 000	-	-	100 000
	13,06	50 000	-	-	50 000	-	-	50 000
	21,35	30 000	-	-	30 000	-	-	30 000
Total		180 000	-	-	180 000	-	-	180 000
KJ van Haght	10,48	100 000	-	-	100 000	-	-	100 000
	13,06	50 000	-	-	50 000	-	-	50 000
	21,35	30 000	-	-	30 000	-	-	30 000
Total		180 000	-	-	180 000	-	-	180 000
A Goordeen	10,48	100 000	-	-	100 000	-	-	100 000
	13,06	50 000	-	-	50 000	-	-	50 000
	21,35	30 000	-	-	30 000	-	-	30 000
Total		180 000	-	-	180 000	-	-	180 000
M Schurmann	10,48	100 000	(100 000)	-	-	-	-	-
(resigned 31 August 2018)	13,06	50 000	(50 000)	-	-	-	-	-
	21,35	30 000	-	(30 000)	-	-	-	-
Total		180 000	(150 000)	(30 000)	-	-	-	-
N Paynter	10,48	60 000	-	-	60 000	-	-	60 000
	13,06	30 000	-	-	30 000	-	-	30 000
	21,35	15 000	-	-	15 000	-	-	15 000
Total		105 000	-	-	105 000	-	-	105 000
M Dumisa	10,48	25 000	-	(25 000)	-	-	-	-
(resigned 28 February 2018)	13,06	30 000	-	(30 000)	-	-	-	-
	21,35	30 000	-	(30 000)	-	-	-	-
Total		85 000	-	(85 000)	-	-	-	-
DB Chinnappen	10,48	100 000	-	-	100 000	-	-	100 000
	13,06	50 000	-	-	50 000	-	-	50 000
	21,35	30 000	-	-	30 000	-	-	30 000
Total		180 000	-	-	180 000	-	-	180 000
A Mayer	10,48	55 000	-	-	55 000	-	-	55 000
	13,06	30 000	-	-	30 000	-	-	30 000
	21,35	15 000	-	-	15 000	-	-	15 000
Total		100 000	-	-	100 000	-	-	100 000
SR Jones	10,48	60 000	-	-	60 000	-	-	60 000
	13,06	30 000	-	-	30 000	-	-	30 000
	21,35	15 000	-	-	15 000	-	-	15 000
Total		105 000	-	-	105 000	-	-	105 000
JJ Van Wyngaardt	13,06	7 500	-	-	7 500	-	-	7 500
	21,35	3 000	-	-	3 000	-	-	3 000
Total		10 500	-	-	10 500	-	-	10 500
Grand total		1 305 500	(150 000)	(115 000)	1 040 500	-	-	1 040 500

43. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

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

		Balance at 31 December 2017	Granted	Forfeited	Balance at 31 December 2018	Granted	Forfeited	Balance at 31 December 2019
Executive directors and prescribed officers	Strike price	Number of awards	Number of awards	Number of awards	Number of awards	Number of awards	Number of awards	Number of awards
L Goosen	13,53	-	247 000	-	247 000	-	-	247 000
	-	-	138 000	-	138 000	-	-	138 000
	12,68	-	-	-	-	247 000	-	247 000
	-	-	-	-	-	138 000	-	138 000
Total		-	385 000	-	385 000	385 000	-	770 000
KJ van Haght	13,53	-	132 000	-	132 000	-	-	132 000
	-	-	74 000	-	74 000	-	-	74 000
	12,68	-	-	-	-	132 000	-	132 000
	-	-	-	-	-	74 000	-	74 000
Total		-	206 000	-	206 000	206 000	-	412 000
A Goordeen	13,53	-	132 000	-	132 000	-	-	132 000
	-	-	74 000	-	74 000	-	-	74 000
	12,68	-	-	-	-	132 000	-	132 000
	-	-	-	-	-	74 000	-	74 000
Total		-	206 000	-	206 000	206 000	-	412 000
N Paynter	13,53	-	62 000	-	62 000	-	-	62 000
	-	-	35 000	-	35 000	-	-	35 000
	12,68	-	-	-	-	62 000	-	62 000
	-	-	-	-	-	35 000	-	35 000
Total		-	97 000	-	97 000	97 000	-	194 000
DE Morris	13,53	-	62 000	-	62 000	-	-	62 000
	-	-	35 000	-	35 000	-	-	35 000
	12,68	-	-	-	-	62 000	-	62 000
	-	-	-	-	-	35 000	-	35 000
Total		-	97 000	-	97 000	97 000	-	194 000
DB Chinnappen	13,53	-	62 000	-	62 000	-	-	62 000
	-	-	35 000	-	35 000	-	-	35 000
	12,68	-	-	-	-	62 000	-	62 000
	-	-	-	-	-	35 000	-	35 000
Total		-	97 000	-	97 000	97 000	-	194 000
SR Jones	13,53	-	62 000	-	62 000	-	-	62 000
	-	-	35 000	-	35 000	-	-	35 000
	12,68	-	-	-	-	62 000	-	62 000
	-	-	-	-	-	35 000	-	35 000
Total		-	97 000	-	97 000	97 000	-	194 000
D McIlrath	13,53	-	62 000	-	62 000	-	-	62 000
	-	-	35 000	-	35 000	-	-	35 000
	12,68	-	-	-	-	62 000	-	62 000
	-	-	-	-	-	35 000	-	35 000
Total		-	97 000	-	97 000	97 000	-	194 000
A Mayer	13,53	-	62 000	-	62 000	-	-	62 000
	-	-	35 000	-	35 000	-	-	35 000
	12,68	-	-	-	-	62 000	-	62 000
	-	-	-	-	-	35 000	-	35 000
Total		-	97 000	-	97 000	97 000	-	194 000
HW Van Der Walt	13,53	-	62 000	-	62 000	-	-	62 000
	-	-	35 000	-	35 000	-	-	35 000
	12,68	-	-	-	-	62 000	-	62 000
	-	-	-	-	-	35 000	-	35 000
Total		-	97 000	-	97 000	97 000	-	194 000
JJ Van Wyngaardt	13,53	-	62 000	-	62 000	-	-	62 000
	-	-	35 000	-	35 000	-	-	35 000
	12,68	-	-	-	-	62 000	-	62 000
	-	-	-	-	-	35 000	-	35 000
Total		-	97 000	-	97 000	97 000	-	194 000
Grand total		-	1 573 000	-	1 573 000	1 573 000	-	3 146 000

44. GOVERNMENT GRANTS

Accounting policy

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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

	2019 R'000	2018 R'000
Profit from operating activities includes the following government grants:		
- The Automotive Production Development Programme (APDP) *	**117 171**	120 418

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

	2019 R'000	2018 R'000
Included in property, plant and equipment are the following government grants:		
- The Automotive Investment Scheme (AIS) **	**12 308**	25 950
- Improvement of Regional Economic Structures Programme (GRW) ***	**19 767**	14 244

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

***	The programme is a cash incentive grant from the German authorities to advance current capital projects. The investment grant is earmarked for a period of 5 years for specific capital items and may only be used for the building construction at the group's assembly facility in Germany.

Shareholder analysis

Company: Bell Equipment Limited
Register date: 27 December 2019
Issued share capital: 95 629 385

	Number of shareholdings	%	Number of shares	%
SHAREHOLDER SPREAD				
1 - 1,000 shares	594	54,60	175 406	0,18
1,001 - 10,000 shares	343	31,52	1 335 286	1,40
10,001 - 100,000 shares	107	9,83	3 359 696	3,51
100,001 - 1,000,000 shares	35	3,22	10 378 747	10,85
1,000,001 shares and over	9	0,83	80 380 250	84,06
Totals	**1 088**	**100,00**	**95 629 385**	**100,00**
DISTRIBUTION OF SHAREHOLDERS				
Banks/Brokers	23	2,11	7 776 748	8,13
Close Corporations	13	1,20	3 135 852	3,28
Endowment Funds	4	0,37	24 634	0,03
Government	1	0,09	17 022	0,02
Individuals	889	81,71	3 626 592	3,79
Insurance Companies	7	0,64	2 621 848	2,74
Medical Schemes	1	0,09	70 000	0,07
Mutual Funds	25	2,30	9 361 187	9,79
Other Corporations	4	0,37	27 135	0,03
Own Holdings	1	0,09	32 233	0,03
Private Companies	22	2,02	36 546 381	38,22
Public Companies	2	0,18	30 000 001	31,37
Retirement Funds	45	4,14	2 079 290	2,17
Trusts	51	4,69	310 462	0,33
Totals	**1 088**	**100,00**	**95 629 385**	**100,00**
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	**11**	**1,00**	**66 719 564**	**69,77**
Directors of the Company	6	0,55	262 238	0,27
Associates of the Company	2	0,18	2 000	0,01
Own Holdings	1	0,09	32 233	0,03
Strategic Holders of more than 10%	2	0,18	66 423 093	69,46
Public shareholders	**1 077**	**99,00**	**28 909 821**	**30,23**
Totals	**1 088**	**100,00**	**95 629 385**	**100,00**
RESIDENT/NON-RESIDENT				
Resident	1 045	96,05	57 503 971	60,13
Non-resident	43	3,95	38 125 414	39,87
Totals	**1 088**	**100,00**	**95 629 385**	**100,00**
TOP 10 BENEFICIAL SHAREHOLDERS				
I A Bell And Company (Pty) Ltd			36 423 093	38,09
John Deere			30 000 000	31,37
Investec			3 655 233	3,82
Sanlam			3 223 776	3,37
Allan Gray			3 156 675	3,30
Clark, IAJ			3 025 000	3,16
UBS (Custodian)			2 628 069	2,75
Pershing Ltd			1 953 403	2,04
Alexander Forbes Investments			711 637	0,75
Old Mutual			616 199	0,65
Totals			**85 393 085**	**89,30**
TOP 10 INSTITUTIONAL SHAREHOLDERS				
Allan Gray Asset Management			5 943 882	6,22
Investec Asset Management			4 014 751	4,20
Sanlam Investment Management			3 223 776	3,37
UBS (Custodian)			2 628 069	2,75
Pershing Ltd			1 953 403	2,04
Old Mutual Investment Group			629 488	0,66
Lombard Odier & Cie			614 946	0,64
HSBC Trinkaus & Burkhardt AG (Custodian)			507 300	0,53
Citibank (Custodian)			452 550	0,47
State Street Bank & Trust Co (Custodian)			409 397	0,43
Totals			**20 377 562**	**21,31**

Shareholder analysis continued

		Number of shareholdings	%	Number of shares	%
BREAKDOWN OF NON-PUBLIC HOLDINGS					
Directors					
Bell, GW	Chairman			253 600	0,27
Goosen, L	CEO			4 040	0,00
Bell, AJ	Non-executive director			2 598	0,00
Mayer, A	Subsidiary director			2 000	0,00
Totals				**262 238**	**0,27**
ASSOCIATES OF THE COMPANY					
Harie, B	Shareholder in subsidiary			1 000	0,00
Mabaso-Koyana, SN	Shareholder in subsidiary			1 000	0,00
Totals				**2 000**	**0,00**
OWN HOLDINGS					
Bell Equipment				32 233	0,03
Totals				**32 233**	**0,03**
STRATEGIC HOLDERS OF MORE THAN 10%					
I A Bell And Company (Pty) Ltd				36 423 093	38,09
John Deere				30 000 000	31,37
Totals				**66 423 093**	**69,46**
RESIDENT/NON-RESIDENT SPLIT					
South Africa		1 045	96,05	57 503 971	60,13
United States		9	0,83	32 835 650	34,34
United Kingdom		6	0,55	2 629 131	2,75
Switzerland		4	0,37	1 096 399	1,15
Germany		3	0,28	662 400	0,69
Luxembourg		2	0,18	403 228	0,42
Namibia		6	0,55	176 276	0,18
Swaziland		2	0,18	141 960	0,15
France		2	0,18	116 500	0,12
Netherlands		1	0,09	45 500	0,05
New Zealand		5	0,47	13 600	0,02
Mauritius		1	0,09	3 000	0,00
Zambia		1	0,09	1 500	0,00
Botswana		1	0,09	270	0,00
Totals		**1 088**	**100,00**	**95 629 385**	**100,00**

Shareholder diary

Financial year-end	31 December
Integrated annual report	June 2020
Annual general meeting	July 2020
Interim results announcement	September 2020

Glossary

ADT	Articulated Dump Truck
AGM	Annual General Meeting
AIS	Automotive Investment Scheme
ALC	American Logistics Centre
APDP	Automotive Production and Development Programme
Bell Equipment or Bell or the group	Bell Equipment Limited and its subsidiaries
BEE or BBBEE	Black Economic Empowerment or Broad-Based Black Economic Empowerment
BECSA	Bell Equipment Company SA Proprietary Limited
BECSA Holdings	BECSA Holdings Limited
BEGS	Bell Equipment Group Services (Pty) Ltd
BESSA	Bell Equipment Sales South Africa Limited
BESSA BEE SPV	K2017044733 (South Africa) (RF) Proprietary Limited
BHL	Bell Equipment SA Holdings Limited
Companies Act	Companies Act of South Africa No 71 of 2008 (as amended)
CSC	Customer Service Centre
DRC	Democratic Republic of the Congo
GEC	Group Executive Committee
HEPS	Headline Earnings per Share
IDC	Industrial Development Corporation
IFRS	International Financial Reporting Standards
IT	Information Technology
John Deere	John Deere Construction and Forestry Company, a Delaware corporation
JSE	Johannesburg Stock Exchange Limited
King III	King Code of Governance Principles and the King Report on Governance
King IV	King IV Report on Corporate Governance in South Africa 2016
Matriarch	Matriarch Equipment Close Corporation
MOI	Memorandum of Incorporation
NPAT	Net Profit after Tax
OEM	Original Equipment Manufacturer
ROIC	Return on Invested Capital
RTGS Dollar	New currency announced in February 2019 for RTGS (real time gross settlement) balances, bond notes and coins in circulation in Zimbabwe
SENS	Stock Exchange News Service
TLB	Tractor Loader Backhoe

Corporate information

BELL EQUIPMENT LIMITED
Registration Number: 1968/013656/06

JSE SHARE CODE
BEL

ISIN CODE
ZAE000028304

GROUP COMPANY SECRETARY
Diana McIlrath
Tel: +27 (0)35 907 9111
Diana.McIlrath@bellequipment.com

POSTAL ADDRESS
Private Bag X20046
Empangeni, 3880
South Africa

BUSINESS AND REGISTERED ADDRESS
13 – 19 Carbonode Cell Road
Alton
Richards Bay, 3900

AUDITORS
Deloitte & Touche
Tel: +27 (0)31 560 7000

SHARE TRANSFER SECRETARIES
Link Market Services South Africa Proprietary Limited
Rennie House
13th Floor, 19 Ameshoff Street
Braamfontein
PO Box 4844
Johannesburg, 2000
Tel: +27 (0)11 713 0800
Fax: +27 (0)86 674 3260

ATTORNEYS
Edward Nathan Sonnenberg Inc.

JSE SPONSOR
Investec Bank Limited

WEB ADDRESS
www.bellequipment.com

INVESTOR RELATIONS WEB ADDRESS
www.bellir.co.za

www.bellequipment.com