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STRONG RELIABLE SUPPORT

2020

BELL EQUIPMENT LIMITED

CONDENSED UNAUDITED INTERIM RESULTS
for the period ended 30 June 2020

Commentary

OVERVIEW

The Bell Equipment group reported a loss of R52 million for the first six months of 2020 compared with a profit of R152 million for the same period last year mainly due to weak economic conditions, the global COVID-19 pandemic and the pressure on product margin in various territories as the market contracted. The nationwide lockdowns implemented by various governments around the world to contain the pandemic has significantly impacted the group's operations including forcing the closure of the South African factory for a month.

The current economic challenges arising from COVID-19 globally are unprecedented and have resulted in uncertainty and reduced demand for equipment across all our key markets. The group has assessed the potential impact of these weak economic conditions on the judgements and estimates exercised in determining the carrying values of certain items on the statement of financial position and has made additional provisions on certain categories of inventory and impairments to certain non-core development projects. In addition, depressed used equipment market values necessitated the group providing for anticipated losses on residual value guarantees provided in the normal course of business to a financial institution, as referred to in note 12 to the interim results.

During this extraordinary and uncertain time however, and despite revenue decreasing 24% during the first half of 2020, the group successfully generated positive cashflow and significantly reduced gearing from 54% at the end of 2019 to 33% at June 2020, in line with targeted levels. A more conservative outlook on sales led to lower planned production volumes, a reduction in inventory and positive cash flow for the period.

Steps were taken during the period to reduce costs by implementing 20% short time across the global operations from May to July 2020. During the same period group executive committee members took a 25% salary reduction and the board of directors sacrificed 30% of their director's meeting fees for a six-month period. In addition, and in response to the reduction in demand, capex has been delayed, and discretionary expenses are halted. The steps taken thus far to reduce costs have not been sufficient to adequately address the impact of the economic conditions on the business and a restructuring and cost reduction programme has been embarked upon.

The group realised a physical reduction in inventory, but this has been largely offset by the impact of the 24% devaluation in the Rand to the Euro over the past six months on the period end valuation of inventory. Working capital management and the alignment of planned sales and production volumes with market demand remain key focus areas.

While Bell has not been immune to the impact of COVID-19 on the business and its people, we are grateful for the low rate of infection among our employees. This is greatly attributed to the timely and stringent protection measures that the group implemented across all operations. Supplier and supply chain disruptions during the period under review have mostly been addressed and should not have any material impact on the operations of the group in the second half of the year.

We are thankful to our employees for the way in which they have pulled together to make the most of the difficult trading conditions and the challenge of the virus to ensure that our customers continue to receive a quality service during this trying period.

OUTLOOK

We are seeing the green shoots of recovery in many of the markets and are excited by opportunities in the United Kingdom as it gears up for the major HS2 rail project. Many governments' stimulus packages, including South Africa, are taking the form of infrastructure projects that should start in the near term. The much talked about infrastructure stimulus by our local and the US governments would ensure a much speedier recovery of these markets. Bell, as a provider of construction equipment, is eagerly preparing and waiting for these infrastructure projects to materialise.

After a stringent design and testing phase, we showcased a new machine, the Bell tracked carrier, at ConExpo in Las Vegas in March 2020, which was well received. The machine, geared for short hauls in extremely poor underfoot conditions, is designed to provide a niche solution to the USA pipelaying industry. Production has commenced and the first units will be delivered before the year end.

Despite these more positive developments, we anticipate difficult conditions for the remainder of 2020, characterised by ongoing uncertainty in the major markets and a continued low demand for commodities. However, our improved gearing and conservative approach will allow us to navigate these difficult times with confidence.

We will continue to concentrate our efforts on adjusting production volumes in response to weaker market conditions. At the same time, our key focus remains the restructure of operations in pursuit of improved operating margins, while meeting the challenges ahead of us. The continued easing of the lockdown by the South African government is seen as recognition that economic viability is critical at this time. In support of this, we are taking a long-term view with the objective of preserving as many jobs as possible during this period.

OUTLOOK continued

As the most significant local manufacturer of yellow goods in South Africa, and a significant employer, we have the potential to play a much larger role in employment creation, industrialisation and local economic growth. In this respect we continue to lobby government to level the playing field between ourselves and our major foreign competitors in South Africa, who enjoy minimal barriers to entry for their imported products, with some of them even providing vendor finance supported by their governments.

Following the BBBEE transactions previously reported, our South African manufacturing subsidiary, BECSA, and our South African sales and distribution subsidiary, BESSA, are now 51% black owned, which improves the BEE scorecards of both entities and positions the group more competitively in the local market.

BECSA achieved a Level 2 BEE recognition in the period under review. The transformation is particularly advantageous to Bell customers as BESSA is now a 51% black owned and 30% black women owned entity, with a Level 1 BEE recognition, allowing customers to maximise the benefit of their procurement spend with BESSA.

This improved BEE level, coupled with local manufacturing, is aligned with the goals of the 2018 Mining Charter and SANRAL's transformation goals. This reflects the group's commitment to South Africa and optimally positions the Bell entities to continue to deliver our premium product range and comprehensive support for the benefit of our local customers.

Bell currently distributes a number of Bell-branded, John Deere designed and manufactured products in certain markets in Southern Africa either through its own network or via sub dealers. The principal market is South Africa. Based on changes in the operating environment of both companies, Bell and Deere agreed on the future of these distribution arrangements.

Bell will distribute Deere products until January 2023 and will continue to provide aftermarket, technical and product support to our customers for a further 10 years thereafter.

Bell will transition from an exclusive to non-exclusive Deere dealer arrangement from March 2021.

Bell is currently in discussions with a number of international OEM's with regard to providing well suited replacement products to its customers in Southern Africa. Details of such arrangements will be communicated when available.

We are confident that Bell's close relationships with, and local understanding of, its customers, will stand us in good stead with regards to reinvigorating certain lines of product through new product alliances.

Shareholders are also referred to the cautionary announcement released by Bell on SENS earlier today regarding the potential purchase by I A Bell & Company of the 31,4% shareholding of John Deere in Bell.

Going forward there continue to be many external factors that could impact both our global and local businesses. While our order book remains relatively strong, albeit at lower levels than experienced in the prior year, we are conscious of the potential second-round risks that COVID-19 may have on business globally.

We are confident that our resilience and the speed with which we react to changing market conditions will continue to set us apart and further strengthen relationships with our stakeholders and the sustainability of our business.

DIVIDEND

In light of the current difficult economic circumstances and the global uncertainty caused by the COVID-19 pandemic, the board of directors has resolved not to declare an interim dividend.

Condensed consolidated statement of financial position

as at 30 June 2020

	Unaudited 30 June 2020 R'000	Audited 31 December 2019 R'000
ASSETS		
Non-current assets	**1 891 497**	1 634 289
Property, plant and equipment	**999 299**	910 296
Right-of-use assets *	**309 129**	173 281
Intangible assets	**277 051**	294 725
Investments	**31 603**	25 790
Interest-bearing receivables	**75 415**	80 220
Deferred taxation	**199 000**	149 977
Current assets	**5 199 709**	5 397 683
Inventory	**3 923 715**	4 177 461
Trade and other receivables	**848 841**	894 671
Current portion of interest-bearing receivables	**168 384**	151 928
Prepayments	**22 748**	29 550
Other financial assets	**2 199**	6 759
Current taxation assets	**48 023**	46 151
Cash and bank balances	**185 799**	91 163
TOTAL ASSETS	**7 091 206**	7 031 972
EQUITY AND LIABILITIES		
Capital and reserves	**3 688 983**	3 437 916
Stated capital (note 6)	**235 541**	232 499
Non-distributable reserves	**1 020 156**	727 261
Retained earnings	**2 435 427**	2 474 020
Attributable to owners of Bell Equipment Limited	**3 691 124**	3 433 780
Non-controlling interest	**(2 141)**	4 136
Non-current liabilities	**782 511**	566 864
Interest-bearing liabilities	**251 540**	260 399
Lease liabilities *	**297 133**	110 139
Contract liabilities	**148 539**	113 329
Provisions	**5 523**	1 996
Deferred taxation	**79 776**	81 001
Current liabilities	**2 619 712**	3 027 192
Trade and other payables	**1 174 516**	1 034 349
Current portion of interest-bearing liabilities	**818 174**	1 013 305
Current portion of lease liabilities *	**51 987**	100 757
Current portion of contract liabilities	**162 165**	130 760
Current portion of provisions	**74 967**	73 488
Other financial liabilities	**1 784**	2 347
Current taxation liabilities	**19 905**	6 063
Bank overdrafts and borrowings on call	**316 214**	666 123
TOTAL EQUITY AND LIABILITIES	**7 091 206**	7 031 972

* The increase in right-of-use assets and lease liabilities includes the extension of the lease of the group's customer service centre and logistics centre premises in Jet Park, Johannesburg for a further 12 year period for an amount of R164,3 million.

Condensed consolidated statement of profit or loss

for the period ended 30 June 2020

	Unaudited six months ended 30 June 2020 R'000	Unaudited six months ended 30 June 2019 R'000
Revenue (note 2)	**3 078 599**	4 044 092
Cost of sales	**(2 552 098)**	(3 244 230)
Gross profit	**526 501**	799 862
Other operating income	**43 924**	102 114
Expenses	**(569 652)**	(629 948)
Profit from operating activities (note 3)	**773**	272 028
Net interest expense (note 4)	**(68 080)**	(50 878)
(Loss) profit before taxation	**(67 307)**	221 150
Taxation credit (expense)	**14 984**	(68 818)
(Loss) profit for the period	**(52 323)**	152 332
(Loss) profit for the period attributable to:		
- Owners of Bell Equipment Limited	**(46 046)**	157 331
- Non-controlling interest	**(6 277)**	(4 999)
(Loss) earnings per share (basic)(cents) (note 5)	**(48)**	165
(Loss) earnings per share (diluted)(cents) (note 5)	**(48)**	165

Condensed consolidated statement of comprehensive income

for the period ended 30 June 2020

	Unaudited six months ended 30 June 2020 R'000	Unaudited six months ended 30 June 2019 R'000
(Loss) profit for the period	**(52 323)**	152 332
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising during the period	**300 733**	(25 894)
Exchange differences on translating foreign operations	**300 733**	(25 894)
Items that may not be reclassified subsequently to profit or loss:	**(385)**	16 440
Surplus arising on revaluation of properties	**-**	13 940
Taxation relating to revaluation of properties	**-**	(3 797)
Fair value (loss) gain on investments designated as at fair value through other comprehensive income *	**(385)**	6 297
Other comprehensive income (loss) for the period, net of taxation	**300 348**	(9 454)
Total comprehensive income for the period	**248 025**	142 878
Total comprehensive income (loss) attributable to:		
- Owners of Bell Equipment Limited	**254 302**	147 877
- Non-controlling interest	**(6 277)**	(4 999)

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

Condensed consolidated statement of cash flows

for the period ended 30 June 2020

	Unaudited six months ended 30 June 2020 R'000	Unaudited six months ended 30 June 2019 R'000
Cash operating profit before working capital changes	**278 670**	501 795
Cash generated from (utilised in) in working capital	**531 134**	(298 845)
Cash generated from operations	**809 804**	202 950
Interest paid	**(72 279)**	(66 412)
Interest received	**24 882**	26 080
Taxation paid	**(23 638)**	(66 067)
Net cash generated from operating activities	**738 769**	96 551
Purchase of property, plant and equipment and intangible assets	**(43 072)**	(87 428)
Proceeds on disposal of property, plant and equipment and intangible assets	**215**	33 351
Additions to right-of-use assets	**(6 152)**	-
Purchase of investments	**-**	(388)
Proceeds on disposal of investments	**-**	1 324
(Increase) decrease in interest-bearing receivables	**(9 797)**	16 573
Net cash utilised in investing activities	**(58 806)**	(36 568)
Interest-bearing liabilities raised	**220 429**	433 816
Interest-bearing liabilities repaid	**(429 546)**	(555 819)
Lease liabilities repaid	**(29 343)**	(38 414)
Proceeds from share options exercised	**3 042**	-
Dividends paid	**-**	(23 908)
Net cash utilised in financing activities	**(235 418)**	(184 325)
Net cash inflow (outflow)	**444 545**	(124 342)
Net bank overdrafts and borrowings on call at beginning of the period	**(574 960)**	(269 250)
Net bank overdrafts and borrowings on call at end of the period	**(130 415)**	(393 592)
Comprising:		
Cash and bank balances	**185 799**	82 692
Bank overdrafts and borrowings on call	**(316 214)**	(476 284)
Net bank overdrafts and borrowings on call at end of the period	**(130 415)**	(393 592)

Condensed consolidated statement of changes in equity

for the period ended 30 June 2020

	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 2018 - audited	232 499	679 411	2 440 926	3 352 836	18 673	3 371 509
Decrease in equity-settled employee benefits reserve	-	(170)	-	(170)	-	(170)
Profit (loss) for the period	-	-	157 331	157 331	(4 999)	152 332
Other comprehensive loss for the period, net of taxation	-	(9 454)	-	(9 454)	-	(9 454)
Dividends paid	-	-	(23 908)	(23 908)	-	(23 908)
Balance at 30 June 2019 - unaudited	232 499	669 787	2 574 349	3 476 635	13 674	3 490 309
Balance at 31 December 2019 - audited	**232 499**	**727 261**	**2 474 020**	**3 433 780**	**4 136**	**3 437 916**
Decrease in equity-settled employee benefits reserve	**-**	**(7 453)**	**7 453**	**-**	**-**	**-**
Loss for the period	**-**	**-**	**(46 046)**	**(46 046)**	**(6 277)**	**(52 323)**
Other comprehensive income for the period, net of taxation	**-**	**300 348**	**-**	**300 348**	**-**	**300 348**
Share options exercised	**3 042**	**-**	**-**	**3 042**	**-**	**3 042**
Balance at 30 June 2020 - unaudited	**235 541**	**1 020 156**	**2 435 427**	**3 691 124**	**(2 141)**	**3 688 983**

1. BASIS OF PREPARATION

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

The group has adopted all of the amended accounting standards relevant to its operations and effective for annual reporting periods beginning 1 January 2020. The adoption of these amended standards has not had any significant impact on the amounts reported in the condensed consolidated interim financial statements or the disclosures herein.

The condensed consolidated interim financial statements are prepared in accordance with the requirements of the JSE Limited's Listings Requirements for interim reports and the requirements of the Companies Act in South Africa. The Listings Requirements require interim reports to be prepared in accordance with and containing the information required by *IAS 34 Interim Financial Reporting*, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The preparation of this interim report was supervised by the Group Finance Director, KJ van Haght CA(SA).

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

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

2. REVENUE

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

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

Disaggregation of revenue

	Manufacturing, assembly, logistics and dealer sales operations		Direct Sales operations		
	South Africa R'000	Europe R'000	South Africa R'000	Rest of Africa R'000	Total Revenue R'000
June 2020					
Revenue					
Sale of equipment *	267 224	988 914	861 992	37 347	2 155 477
Sale of parts	154 491	125 278	310 935	83 322	674 026
Service income	18 416	37 232	81 727	12 207	149 582
Extended warranty	25 090	592	-	-	25 682
Rental income	-	3 523	68 492	1 817	73 832
Total revenue - unaudited	**465 221**	**1 155 539**	**1 323 146**	**134 693**	**3 078 599**
June 2019					
Revenue					
Sale of equipment	372 123	1 370 576	1 107 645	116 907	2 967 251
Sale of parts	165 107	148 753	377 723	79 341	770 924
Service income	28 261	48 288	88 498	14 856	179 903
Extended warranty	37 052	680	-	-	37 732
Rental income	-	4 775	83 487	20	88 282
Total revenue - unaudited	**602 543**	**1 573 072**	**1 657 353**	**211 124**	**4 044 092**

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

	Unaudited six months ended 30 June 2020 R'000	Unaudited six months ended 30 June 2019 R'000
Timing of revenue recognition		
At a point in time		
Sale of equipment	**2 155 477**	2 967 251
Sale of parts	**674 026**	770 924
Service income	**149 582**	179 903
Total	**2 979 085**	3 918 078
Over time		
Extended warranty	**25 682**	37 732
Rental income	**73 832**	88 282
Total	**99 514**	126 014
Total revenue	**3 078 599**	4 044 092

* Sale of equipment in manufacturing, assembly, logistics and dealer sales operations in South Africa has been reduced by an amount of R29,2 million relating to the expected loss on sales transactions concluded with residual value guarantees. Refer to note 12.

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

3. PROFIT FROM OPERATING ACTIVITIES

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

	Unaudited six months ended 30 June 2020 R'000	Unaudited six months ended 30 June 2019 R'000
Income		
Currency exchange gains (i)	**177 824**	102 863
The Automotive Production Development Programme - production incentives	**26 060**	55 265
Decrease in allowance for expected credit losses	**-**	2 690
Expenditure		
Amortisation of intangible assets	**16 322**	12 608
Amounts written off as credit impaired	**140**	5 807
Auditors' remuneration - audit and other services	**7 403**	6 110
Consulting fees	**13 472**	16 091
Currency exchange losses (i)	**200 800**	95 811
Depreciation of property, plant and equipment	**62 293**	60 377
Depreciation of right-of-use assets	**36 453**	35 168
Impairment of intangible assets	**23 254**	-
Increase in allowance for expected credit losses	**5 041**	-
Lease expenses (ii)	**8 317**	9 500
Research expenses (excluding staff costs)	**18 113**	27 720
Staff costs (including directors' remuneration and severance pay) (iii)	**622 785**	705 010

(i) Net currency exchange losses arose mainly on foreign currency denominated trade and other payables as a result of the Rand weakening against the Euro and the USD in the current period. The Rand strengthened against these currencies in the comparative period.

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

(iii) Staff costs decreased by 11,7% mainly due to a reduction in contract labour at the manufacturing facilities, group-wide salary reductions of 20% for staff members and 25% for the executive directors for May and June 2020, and a reduction in leave pay provisions due to annual leave taken by staff members during the COVID-19 lockdown period.

4. NET INTEREST EXPENSE

	Unaudited six months ended 30 June 2020 R'000	Unaudited six months ended 30 June 2019 R'000
Interest expense *	**90 032**	77 832
Interest income	**(21 952)**	(26 954)
Net interest expense	**68 080**	50 878

* Included in interest expense is an amount of R38,7 million (2019: R27,9 million) relating to the Industrial Development Corporation of South Africa (IDC) working capital facility.

5. (LOSS) EARNINGS PER SHARE

	Unaudited six months ended 30 June 2020	Unaudited six months ended 30 June 2019	Audited twelve months ended 31 December 2019
Basic (loss) earnings per share is arrived at as follows:			
(Loss) profit for the period attributable to owners of Bell Equipment Limited (R'000)	**(46 046)**	157 331	75 492
Weighted average number of ordinary shares in issue during the period ('000)	**95 629**	95 629	95 629
(Loss) earnings per share (basic) (cents)	**(48)**	165	79
Diluted (loss) earnings per share is arrived at as follows:			
(Loss) profit for the period attributable to owners of Bell Equipment Limited (R'000)	**(46 046)**	157 331	75 492
Fully converted weighted average number of shares ('000) *	**95 629**	95 629	95 629
(Loss) earnings per share (diluted) (cents)	**(48)**	165	79
* The number of shares has been adjusted for the effect of the dilutive potential ordinary shares relating to the unexercised options in the group's share option scheme. There was no dilutive impact in the current period as the market price was below the option price.			
Headline (loss) earnings per share is arrived at as follows:			
(Loss) profit for the period attributable to owners of Bell Equipment Limited (R'000)	**(46 046)**	157 331	75 492
Net surplus on disposal of property, plant and equipment and intangible assets (R'000)	**(133)**	(909)	(1 544)
Taxation effect of net surplus on disposal of property, plant and equipment and intangible assets (R'000)	**37**	255	389
Impairment loss on intangible assets (R'000)	**23 254**	-	-
Taxation effect of impairment loss on intangible assets (R'000)	**(6 511)**	-	-
Impairment loss recognised on revaluation of buildings (R'000)	**-**	-	1 085
Taxation effect of impairment loss recognised on revaluation of buildings (R'000)	**-**	-	(380)
Reclassification to profit or loss of foreign currency translation reserve relating to discontinued operations (R'000)	**-**	-	1 242
Headline (loss) earnings (R'000)	**(29 399)**	156 677	76 284
Weighted average number of ordinary shares in issue during the period ('000)	**95 629**	95 629	95 629
Headline (loss) earnings per share (basic) (cents)	**(31)**	164	80
Diluted headline (loss) earnings per share is arrived at as follows:			
Headline (loss) earnings calculated above (R'000)	**(29 399)**	156 677	76 284
Fully converted weighted average number of shares ('000)	**95 629**	95 629	95 629
Headline (loss) earnings per share (diluted) (cents)	**(31)**	164	80
Headline earnings is calculated in accordance with *Circular 1/2019 Headline Earnings* issued by the South African Institute of Chartered Accountants.			
Net asset value per share is arrived at as follows:			
Total capital and reserves (R'000)	**3 688 983**	3 490 309	3 437 916
Number of shares in issue ('000)	**95 629**	95 629	95 629
Net asset value per share (cents)	**3 858**	3 650	3 595

6. STATED CAPITAL

	Unaudited 30 June 2020 R'000	Unaudited 30 June 2019 R'000	Audited 31 December 2019 R'000
Authorised			
100 000 000 (June 2019: 100 000 000) ordinary shares of no par value			
Issued			
95 629 385 (June 2019: 95 629 385) ordinary shares of no par value	**235 541**	232 499	232 499

7. CAPITAL EXPENDITURE COMMITMENTS

	Unaudited 30 June 2020 R'000	Audited 31 December 2019 R'000
Contracted	**4 384**	13 148
Authorised, but not contracted	**27 014**	60 830
Total capital expenditure commitments	**31 398**	73 978

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

All capital expenditure has been halted and any expenditure critical to maintain ongoing operations will be considered on a case by case basis.

8. CONDENSED SEGMENTAL ANALYSIS

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

- **Manufacturing, assembly, logistics and dealer sales operations**
  - OEM operations comprising manufacturing, assembly and sales of equipment and aftermarket products to independent dealers for their distribution to market
- **Direct Sales operations**
  - owned distribution operations for direct sales of own OE products, other third party partner products and the supply of aftermarket support and products to market

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

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

	External Revenue R'000	Inter-segment Revenue R'000	Total Revenue R'000	Operating profit (loss) R'000	Assets R'000	Liabilities R'000
June 2020						
Manufacturing, assembly, logistics and dealer sales operations						
South Africa	**465 221**	**1 283 553**	**1 748 774**	**(70 266)**	**4 170 266**	**3 195 617**
Europe	**1 155 539**	**97 993**	**1 253 532**	**14 160**	**2 208 448**	**1 562 096**
Direct Sales operations						
South Africa	**1 323 146**	**9 508**	**1 332 654**	**14 709**	**1 940 577**	**1 859 985**
Rest of Africa	**134 693**	**-**	**134 693**	**12 990**	**369 087**	**330 165**
Other operations and inter-segmental eliminations *	**-**	**(1 391 054)**	**(1 391 054)**	**29 180**	**(1 597 172)**	**(3 545 640)**
Total - unaudited	**3 078 599**	**-**	**3 078 599**	**773**	**7 091 206**	**3 402 223**
June 2019						
Manufacturing, assembly, logistics and dealer sales operations						
South Africa	602 543	2 070 708	2 673 251	114 596	4 412 270	2 396 100
Europe	1 573 072	92 811	1 665 883	61 471	2 001 528	1 476 270
Direct Sales operations						
South Africa	1 657 353	6 735	1 664 088	22 075	1 910 210	1 772 894
Rest of Africa	211 124	-	211 124	42 987	316 174	301 961
Other operations and inter-segmental eliminations *	-	(2 170 254)	(2 170 254)	30 899	(1 534 126)	(2 331 478)
Total - unaudited	4 044 092	-	4 044 092	272 028	7 106 056	3 615 747
December 2019						
Manufacturing, assembly, logistics and dealer sales operations						
South Africa	1 441 566	4 097 807	5 539 373	112 547	4 418 725	2 529 257
Europe	2 846 232	205 008	3 051 240	82 799	1 910 843	1 377 144
Direct Sales operations						
South Africa	3 153 072	13 806	3 166 878	27 217	2 002 923	1 892 444
Rest of Africa	382 299	4 630	386 929	48 633	294 794	271 637
Other operations and inter-segmental eliminations *	-	(4 321 251)	(4 321 251)	(40 635)	(1 595 313)	(2 476 426)
Total - audited	7 823 169	-	7 823 169	230 561	7 031 972	3 594 056

* 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.

9. CONTINGENT LIABILITIES

Financial guarantee contracts

WesBank - credit risk

The group has assisted customers with the financing of equipment purchased through a financing venture with WesBank, a division of FirstRand Bank Limited.

In respect of the different categories of financing provided by WesBank, the group carries certain credit risks. These are considered to be financial guarantee contracts. The group's credit backing enables the customer to obtain funding from WesBank, but provides no interest benefit to the customer. Therefore there is no interest differential and no fair value at initial recognition. No liability is therefore recognised on initial recognition.

Subsequent to initial recognition, where customers are in arrears with WesBank and there is a shortfall between the estimated realisation values of the equipment and the balances due by the customers to WesBank, an assessment of any additional security is done on an individual contract basis and a provision is made to the extent of the group's liability towards WesBank. In assessing the group's credit risk exposure to these transactions, the group also uses an expected default rate based on historical trends and forward looking information to measure expected credit losses on a portfolio basis. The inputs and indicators taken into account when measuring the expected credit losses are the same as for trade receivables.

Bell-backed

The group is liable for all credit risk and therefore the full balance due to WesBank by default customers with regard to Bell-backed deals.

	Unaudited 30 June 2020 R'000	Unaudited 30 June 2019 R'000	Audited 31 December 2019 R'000
At period end the group's credit risk exposure to WesBank under Bell-backed deals, for which the group carries all the credit risk, totalled	**209 589**	182 281	222 332
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	**294 308**	226 696	272 851
	(84 719)	(44 415)	(50 519)
Less: allowance for expected credit losses against cash collateral	**(5 510)**	(655)	(2 046)
Net contingent liability	**-**	-	-

A number of customers on the Bell-backed portfolio applied for and were granted payment moratoriums for a three-month period as a result of the impact of COVID-19 on their businesses. Certain of these customers have resumed normal repayments and others reach the end of their moratorium periods and are expected to resume repayments with effect from the end of August 2020. All customer balances in the portfolio were assessed on the basis described above and an additional allowance for expected credit losses of R4,1 million was made at the end of the current period. Based on the insignificant historical loss rate on Bell-backed transactions, market conditions and the market prices which are expected to be realised for the equipment held as security in respect of which the exchange rate and the weak South African Rand is a significant factor, no allowance for expected credit losses on a portfolio basis was considered necessary.

10. RELATED PARTY TRANSACTIONS

Information regarding significant transactions with related parties is presented below.

Transactions are carried out on an arms length basis.

	Unaudited 30 June 2020 R'000	Unaudited 30 June 2019 R'000	Audited 31 December 2019 R'000
Shareholders			
John Deere Construction and Forestry Company			
- sales	**7 056**	9 248	20 075
- purchases	**77 660**	324 464	507 721
- amounts owing to as part of trade and other payables	**36 811**	200 110	68 899
- amounts owing by as part of trade and other receivables	**5 854**	6 420	3 834

11. FINANCIAL INSTRUMENTS

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

Financial assets

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

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

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

Financial liabilities

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

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

Fair value of financial instruments

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

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

Financial assets and liabilities 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 period-end from an independent provider of financial market data.

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

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

In estimating the fair value, the group used an average price to book ratio of 1,73 (December 2019: 1,99) applied to the estimated net asset value of the entity as at 30 June 2020. The price to book ratio of 1,73 (December 2019: 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.

For a 10% increase in the price to book ratio, there would have been a 10% increase in the fair value of the investment.

The fair value gain of R0,1 million (June 2019: R6,6 million) was accounted for in other comprehensive income.
A reconciliation of this investment is presented below:

	Unaudited six months ended 30 June 2020 R'000	Unaudited six months ended 30 June 2019 R'000	Audited twelve months ended 31 December 2019 R'000
Opening balance	**22 598**	16 661	16 661
Translation difference	**5 435**	(363)	(919)
Fair value gains recognised in other comprehensive income	**95**	6 557	6 856
Closing balance	**28 128**	22 855	22 598

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

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

12. CONTRACT LIABILITIES

In terms of an agreement between the group and a financial institution, lease agreements with booked residual values have been offered by the financial institution to the group's customers in certain countries. The group has provided residual value guarantees to the financial institution in the form of a residual value risk pool. Contract liabilities includes an amount of R29,2 million raised in the current period relating to the expected loss on sales transactions concluded with these residual value guarantees. This contract liability is carried at amortised cost. Management has exercised judgement in assessing the market values expected to be realised on the return of the machines at the end of the lease periods and the contract liability represents the difference between these expected market values and the residual values guaranteed to the financial institution.

13. COVID-19 CONSIDERATIONS AND IMPACT ON THE INTERIM FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020

Management has considered the impact of COVID-19 on the judgements and estimates it has to exercise in applying its accounting policies.

13.1 Inventory

The group conducted a detailed assessment of the valuation of inventory at 30 June 2020. In the current period, additional provisions for the write down of inventory of R28,0 million were charged to profit and loss. All inventory is valued at the lower of cost and net realisable value. The following steps and considerations were taken by management as part of its assessment to determine if inventories were affected by the impact of COVID-19:

- inventory was categorised by type (new equipment, used equipment and parts by product), ageing and market into which the inventory is expected to be sold.
- the impact on net realisable value of inventory as a result of lower than expected sales and reduced movement in certain categories of inventory.
- the impact of exchange rates on net realisable values of certain categories of equipment in certain markets.

13.2 Trade and interest-bearing receivables

Customers in the South African operation that were severely affected by the lockdown approached the group for extended payment terms and these were negotiated and granted in certain instances. The balances owed by customers to the group are reviewed on an ongoing basis, with specific emphasis on protecting the value of the group's security, in the form of the financed equipment. The group measures the allowance for expected credit losses by assessing each customer balance for a specific allowance for expected credit losses and, for balances where no specific allowance was raised, a general allowance for expected credit losses is calculated based on a collective assessment. There has been no change to this approach during the current period. Management considered the likely impact of COVID-19 on the expected loss rates for receivables and concluded that no significant increase in the provision on a portfolio basis is required. Steps and considerations taken by management as part of the forward-looking assessment to determine if the expected credit losses was affected by the impact of COVID-19 included the following:

- The market prices being realised and expected to be realised for capital equipment in the South African market.
- The impact of the weaker Rand on the selling prices of capital equipment in South Africa.
- The robustness of the group's processes to inspect, service and maintain equipment held as security for outstanding receivables.
- The status and prospects of the revenue generating contracts on which the financed equipment is being used by the customers with significant outstanding balances and the industries in which those customers are operating.
- The status of cash conversion on customer accounts, including parts accounts.

At 30 June 2020, an amount of approximately R83 million reflected in interest-bearing receivables was outstanding from a single customer in South Africa. Although a portion of this balance was overdue at half year end, no allowance for expected credit loss was raised against this receivable as management assessed that there is sufficient value in the financed machines to cover the outstanding debt.

13.3 Property, plant and equipment

All of the group's businesses are operational and management does not anticipate that the effects of COVID-19 will have a lasting impact on the productivity of property, plant and equipment. Sales and production volumes are expected to return to normal trading levels in the medium term and the group's longer-term plans and forecasts remain largely unchanged. The group plans to use its assets to support revenue generating activities and no significant lasting impact on the planned productivity of these assets is envisaged. Management therefore expects that any changes in the value of property, plant and equipment in the medium term will be immaterial and no impairment was required.

13. COVID-19 CONSIDERATIONS AND IMPACT ON THE INTERIM FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020 continued

13.4 Intangible assets - capitalised engineering development costs

As a result of cost containment measures and the decision to focus on fewer, key development projects, a review was conducted of capitalised engineering development costs and projects to the value of R23 million were discontinued and impaired.

13.5 Directors' assessment of going concern

As part of the assessment of the appropriateness of adopting the going concern basis in preparing the interim results for the half year ended 30 June 2020, the directors considered the group's cash flow forecasts for the next twelve months. These forecasts are based on demand for the next 12 months that is expected to be approximately 80% to 90% of pre-COVID levels. The cash flow forecast reflects that the group expects to operate within facility levels and to generate sufficient cash flows to settle its obligations when due.

The group's net debt at 30 June 2020 has improved since year-end to approximately R1,2 billion (30 June 2019: R1,4 billion and 31 December 2019: R1,8 billion). There has been no change to facility levels since the 2019 year-end reporting and the group's lenders continue to support the business. The group met all borrowings covenants at the end of the period.

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

The board will continue to monitor the impact of the pandemic on the group's operations and its financial position. The focus will remain on cash preservation through careful working capital management, the postponement or elimination of all non-essential expenses and capital expenditure and through a restructuring and cost reduction programme.

14. POST FINANCIAL POSITION EVENTS

No fact or circumstance material to the appreciation of these condensed consolidated interim financial statements has occurred between 30 June 2020 and the date of this report.

15. DIVIDEND CONSIDERATION

In the current difficult economic circumstances and the global uncertainty caused by the COVID-19 pandemic, the board of directors has resolved not to declare an interim dividend for the six-month period ended 30 June 2020.

By order of the board
7 September 2020

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

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