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STRONG RELIABLE SUPPORT

2024

BELL EQUIPMENT LIMITED

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the six months ended 30 June 2024

Chairman and CEO's interim results report

OVERVIEW

Caution was the central theme throughout the first half of 2024, as signs of normalising from unprecedented high levels of demand across global markets became increasingly evident. Considering the cyclicality of our business and the tougher market conditions experienced, we are satisfied with our overall result and steady earnings for this interim period, and we remain optimistic about the future.

Demand for ADTs in the USA remained surprisingly strong and despite high inventory levels across the entire industry, which made for a significantly more competitive environment, we were successful in improving our market share position over the period in this strategic market. Certain southern hemisphere markets for our ADT product, including South Africa and Zambia where demand is traditionally driven by mining, proved more resilient than the northern hemisphere market across Europe and the UK, where the extent of the slowdown has been significant, placing the performance of the business in those regions under pressure in the six months.

Our supply chain challenges experienced over recent years, post-covid, eased up further during the first half of 2024, as expected considering the global slowdown coupled with improved supply chain efficiency, allowing for smoother planning and production of machines. Port bottlenecks and delays in South Africa were however ongoing and investment in inventory buffers remains necessary to counter this.

Given the remote location of our primary manufacturing facility in Richards Bay, our working capital cycle is notoriously long and our resultant investment in inventory is high. However quick we are in anticipating and adapting to changes in market demand, there is an unavoidable delay in achieving the benefits of the outcome of our response to those changes. With major markets cooling off, our investment in inventory across the group increased in Rands since 31 December 2023, but inventory days remained very similar at 196 days at the end of June 2024 compared with 193 days at the 2023 year end.

Our strategic initiative to grow our ADT manufacturing capabilities at our German factory, to improve our flexibility and response time to changes in the market and reduce our investment in working capital, has made steady progress and is on track, but remains a 3 to 4 year project until fully implemented. Dovetailing this project with the development of our Richards Bay contract manufacturing division, Bell Heavy Industries (BHI), has received greater focus, with several promising customer engagements by BHI over the period.

As we move closer to the launch of our new Motor Grader product, we are pleased with the positive feedback that we have received from our customers running our R&D test machines. During the first half of 2024, we began manufacturing a fleet of pre-production units, aimed at refining our manufacturing processes and incorporating final design revisions following prototype learnings. Due to certain component supplier lead- times, we now expect the first units to be delivered to customer sites in southern Africa by mid-2025.

OUTLOOK

The South African construction sector remains volatile; however we are encouraged by the outcome of the South African elections, the formation of the Government of National Unity and the impact this may have on infrastructure projects going forward.

With the commodity cycle and the construction sectors in key markets having softened considerably, we remain keenly focused on our sales and production plans, to ensure that we rebalance our investment in inventory to match levels of customer demand.

ADT production volumes are critical to our business, as our factory costs are largely fixed, and we will be vigorously pursuing new markets and those markets where we currently have a low market share. Although a relatively small part of our business, growing the market penetration and reach of our forestry and agriculture product range is another key focal point and contributor.

We are excited to launch our new Motor Grader to market, starting with southern Africa initially and then followed by other southern hemisphere markets, and look forward to growing our volumes over the coming years.

We expect the second half of the year to be more challenging in most of our markets, but that is the nature of the cyclical industry that we are in, and we are ready for the challenge and to take advantage of the opportunities that arise.

DIVIDEND

In accordance with the Implementation Agreement regulating the proposed Scheme of Arrangement (Scheme) in terms of which IA Bell and Company (Pty) Ltd (IAB) may acquire certain issued shares in the Company (IAB Offer), no dividends will be declared, paid or made by the Company.

Shareholders are referred to the circular providing full details of the IAB Offer and the Scheme, including, inter alia, the report prepared by the Independent Expert, as well as the opinion and recommendations of the Independent Board, which was distributed to Bell Equipment Shareholders on Tuesday, 13 August 2024 and is available on the Company's website www.bellir.co.za.

Condensed consolidated statement of financial position

as at 30 June 2024

	Unaudited 30 June 2024 R'000	Audited 31 December 2023 R'000
ASSETS		
Non-current assets	**1 988 073**	2 025 089
Property, plant and equipment	**998 203**	1 006 083
Right-of-use assets	**392 783**	414 557
Intangible assets	**283 628**	279 430
Investments	**32 178**	35 731
Interest-bearing receivables and contract assets	**6 418**	15 067
Deferred taxation	**274 863**	274 221
Current assets	**8 409 130**	8 509 494
Inventory	**5 882 182**	5 726 561
Trade and other receivables	**2 004 786**	1 989 385
Interest-bearing receivables and contract assets	**112 990**	179 042
Other assets	**135 535**	318 923
Current taxation assets	**28 664**	43 797
Cash and bank balances	**244 973**	251 786
TOTAL ASSETS	**10 397 203**	10 534 583
EQUITY AND LIABILITIES		
Capital and reserves	**5 524 094**	5 285 016
Stated capital (note 6)	**235 541**	235 541
Non-distributable reserves	**1 136 726**	1 222 677
Retained earnings	**4 061 011**	3 753 260
Attributable to owners of Bell Equipment Limited	**5 433 278**	5 211 478
Non-controlling interest	**90 816**	73 538
Non-current liabilities	**1 004 608**	1 030 692
Interest-bearing liabilities	**138 784**	157 466
Lease liabilities	**410 069**	433 451
Contract liabilities (note 11)	**216 866**	226 526
Provisions	**113 918**	92 852
Other liabilities	**37 163**	38 824
Deferred taxation	**87 808**	81 573
Current liabilities	**3 868 501**	4 218 875
Trade and other payables	**1 683 914**	1 903 599
Interest-bearing liabilities	**578 987**	637 909
Lease liabilities	**86 102**	76 403
Contract liabilities (note 11)	**281 414**	281 446
Refund liabilities	**35 073**	34 287
Provisions	**259 333**	206 114
Other liabilities	**26 990**	24 301
Current taxation liabilities	**12 006**	62 793
Bank overdrafts and borrowings on call	**904 682**	992 023
TOTAL EQUITY AND LIABILITIES	**10 397 203**	10 534 583

Condensed consolidated statement of profit or loss

for the period ended 30 June 2024

	Unaudited six months ended 30 June 2024 R'000	Unaudited six months ended 30 June 2023 R'000
Revenue (note 2)	**6 379 770**	6 004 256
Cost of sales	**(5 033 791)**	(4 848 919)
Gross profit	**1 345 979**	1 155 337
Other operating income	**148 121**	151 317
Distribution costs	**(498 470)**	(440 230)
Administration expenses	**(71 318)**	(65 638)
Factory operating expenses *	**(397 566)**	(264 905)
Profit from operating activities (note 3)	**526 746**	535 881
Net interest expense (note 4)	**(53 564)**	(55 217)
Profit before taxation	**473 182**	480 664
Taxation	**(146 496)**	(131 756)
Profit for the interim period	**326 686**	348 908
Profit for the interim period attributable to:		
- Owners of Bell Equipment Limited	**308 054**	327 766
- Non-controlling interest	**18 632**	21 142
	Cents	Cents
Earnings per share (basic) (note 5)	**322**	343
Earnings per share (diluted) (note 5)	**302**	257

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

Condensed consolidated statement of comprehensive income

for the period ended 30 June 2024

	Unaudited six months ended 30 June 2024 R'000	Unaudited six months ended 30 June 2023 R'000
Profit for the interim period	**326 686**	348 908
Other comprehensive (loss) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising during the period	**(86 163)**	271 257
Exchange differences on translating foreign operations	**(86 163)**	271 257
Items that may not be reclassified subsequently to profit or loss:	**753**	10 499
Fair value gain on investments designated as at fair value through other comprehensive income *	**753**	10 499
Other comprehensive (loss) income for the period, net of taxation	**(85 410)**	281 756
Total comprehensive income for the period	**241 276**	630 664
Total comprehensive income attributable to:		
- Owners of Bell Equipment Limited	**222 644**	609 522
- Non-controlling interest	**18 632**	21 142

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

Condensed consolidated statement of cash flows

for the period ended 30 June 2024

	Unaudited six months ended 30 June 2024 R'000	Unaudited six months ended 30 June 2023 R'000
Cash generated from operations	**898 109**	34 256
Interest paid	**(103 551)**	(106 335)
Interest received	**53 857**	55 770
Taxation paid	**(174 073)**	(123 049)
Net cash generated from (utilised in) operating activities	**674 342**	(139 358)
Purchase of property, plant and equipment and intangible assets	**(73 168)**	(90 728)
Proceeds on disposal of property, plant and equipment	**6 330**	2 707
Proceeds on disposal of listed investments	**3 750**	-
Net cash utilised in investing activities	**(63 088)**	(88 021)
Interest-bearing liabilities raised	**206 660**	546 466
Interest-bearing liabilities repaid	**(693 949)**	(604 703)
Lease liabilities repaid	**(41 239)**	(26 135)
Dividends paid	**(2 198)**	(86 067)
Net cash utilised in financing activities	**(530 726)**	(170 439)
Net cash inflow (outflow)	**80 528**	(397 818)
Net bank overdrafts and borrowings on call at beginning of the period	**(740 237)**	(302 763)
Net bank overdrafts and borrowings on call at end of the period *	**(659 709)**	(700 581)
*** Comprising:**		
Cash and bank balances	**244 973**	246 014
Bank overdrafts and borrowings on call	**(904 682)**	(946 595)
Net bank overdrafts and borrowings on call at end of the period	**(659 709)**	(700 581)

Condensed consolidated statement of changes in equity

for the period ended 30 June 2024

	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 2022 - audited	235 541	1 008 484	3 076 317	4 320 342	44 866	4 365 208
Total comprehensive income attributable to owners of Bell Equipment Limited	-	281 756	327 766	609 522	-	609 522
Total comprehensive income attributable to non-controlling interest	-	-	-	-	21 142	21 142
Dividends paid	-	-	(86 067)	(86 067)	-	(86 067)
Balance at 30 June 2023 - unaudited	**235 541**	**1 290 240**	**3 318 016**	**4 843 797**	**66 008**	**4 909 805**
Balance at 31 December 2023 - audited	**235 541**	**1 222 677**	**3 753 260**	**5 211 478**	**73 538**	**5 285 016**
Total comprehensive income attributable to owners of Bell Equipment Limited	**-**	**(85 410)**	**308 054**	**222 644**	**-**	**222 644**
Total comprehensive income attributable to non-controlling interest	**-**	**-**	**-**	**-**	**18 632**	**18 632**
Transfer between reserves relating to disposal of investments classified as at fair value through other comprehensive income	**-**	**(541)**	**541**	**-**	**-**	**-**
Dividends paid	**-**	**-**	**(844)**	**(844)**	**(1 354)**	**(2 198)**
Balance at 30 June 2024 - unaudited	**235 541**	**1 136 726**	**4 061 011**	**5 433 278**	**90 816**	**5 524 094**

Abbreviated Notes to the Unaudited Condensed Consolidated Interim Financial Statements

for the six months ended 30 June 2024

1. BASIS OF PREPARATION

The recognition and measurement criteria applied in the preparation of these condensed consolidated interim financial statements are in terms of IFRS® Accounting Standards. The same accounting policies and methods of computation are followed in the condensed consolidated interim financial statements as compared with the most recent consolidated annual financial statements. The presentations and disclosures in these condensed consolidated interim financial statements are in terms of *IAS 34 Interim Financial Reporting*. There were no significant assets held for sale, discontinued operations or acquisitions within the group during the current period.

The group has adopted all of the amended accounting standards relevant to its operations and effective for annual reporting periods beginning 1 January 2024. 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, PricewaterhouseCoopers Inc.

2. REVENUE

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

The disaggregation below 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 2024					
Revenue					
Sale of equipment	809 434	2 292 937	1 464 780	356 622	4 923 773
Sale of parts	326 641	144 465	551 960	104 464	1 127 530
Service contracts and transport revenue	71 966	29 066	130 931	9 294	241 257
Extended warranty	75 625	-	-	-	75 625
Rental revenue	-	539	11 046	-	11 585
Total revenue - unaudited	**1 283 666**	**2 467 007**	**2 158 717**	**470 380**	**6 379 770**
June 2023					
Revenue					
Sale of equipment	672 477	2 255 033	1 360 097	268 470	4 556 077
Sale of parts	327 643	133 897	549 182	107 329	1 118 051
Service contracts and transport revenue	66 153	26 403	139 718	11 383	243 657
Extended warranty	50 557	2 248	-	-	52 805
Rental revenue	-	2 380	31 286	-	33 666
Total revenue - unaudited	**1 116 830**	**2 419 961**	**2 080 283**	**387 182**	**6 004 256**

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

	Unaudited six months ended 30 June 2024 R'000	Unaudited six months ended 30 June 2023 R'000
Timing of revenue recognition		
At a point in time		
Sale of equipment	**4 923 773**	4 556 077
Sale of parts	**1 127 530**	1 118 051
Service contracts and transport revenue	**241 257**	243 657
Total	**6 292 560**	5 917 785
Over time		
Extended warranty	**75 625**	52 805
Rental revenue	**11 585**	33 666
Total	**87 210**	86 471
Total revenue	**6 379 770**	6 004 256

Included in revenue for the period is an amount of R88,4 million (June 2023: R81,3 million) relating to bill and hold arrangements for the sale of equipment to certain customers. Control of the equipment has passed to the customers and management's assessment is that the likelihood of revenue reversals in future periods is remote.

The group had remaining and unsatisfied performance obligations at period end in terms of extended warranty contracts, service contracts, and in terms of certain equipment sales contracts where the consideration was received in advance from customers. These obligations are reflected as contract liabilities in the statement of financial position (refer to note 11).

Abbreviated Notes to the Unaudited Condensed Consolidated Interim Financial Statements

for the six months ended 30 June 2024

3. PROFIT FROM OPERATING ACTIVITIES

	Unaudited six months ended 30 June 2024 R'000	Unaudited six months ended 30 June 2023 R'000
Profit from operating activities is arrived at after taking into account:		
Income		
Currency exchange gains	**126 378**	229 398
APDP - production incentives	**104 304**	100 868
Expenditure		
Amortisation of intangible assets	**18 681**	18 888
Amounts written off as credit impaired	**12 855**	832
Auditors' remuneration - audit and other services	**10 562**	10 767
Cash-settled employee share awards	**15 221**	10 340
Consulting fees	**20 209**	15 495
Currency exchange losses	**111 275**	321 371
Decrease in allowance for expected credit losses	**(11 059)**	(9 738)
Depreciation of property, plant and equipment	**44 312**	55 583
Depreciation of right-of-use assets	**48 629**	40 062
Increase in contract provision - warranty	**61 305**	23 636
Lease expenses	**21 704**	20 517
Research expenses (excluding staff costs)	**23 809**	19 681
Staff costs (including directors' remuneration)	**1 040 715**	951 554

4. NET INTEREST EXPENSE

Interest expense	**102 625**	91 816
Interest income	**(49 061)**	(36 599)
Net interest expense	**53 564**	**55 217**

5. EARNINGS PER SHARE, NET ASSET VALUE PER SHARE AND GEARING RATIO

		Unaudited six months ended 30 June 2024	Unaudited six months ended 30 June 2023
Earnings per share:			
Basic earnings per share is arrived at as follows:			
Profit for the interim period attributable to owners of Bell Equipment Limited	(R'000)	**308 054**	327 766
Weighted average number of ordinary shares in issue during the period	('000)	**95 629**	95 629
Earnings per share (basic)	**(cents)**	**322**	343
Diluted earnings per share is arrived at as follows:			
Profit for the interim period attributable to owners of Bell Equipment Limited	(R'000)	**308 054**	327 766
Fully converted weighted average number of shares	('000)	**101 941**	127 409
Earnings per share (diluted)	**(cents)**	**302**	257

The group has potential ordinary shares relating to the shareholding of BEE parties in certain group entities. These BEE parties are required to sell their shares to the group at the end of the lock-in period in exchange for cash, shares in the company or in another group entity or for a combination of cash and shares, at the company's discretion. The number of shares has been adjusted for the effect of the dilutive potential shares relating to these options.

		Unaudited six months ended 30 June 2024	Unaudited six months ended 30 June 2023
Headline earnings per share is arrived at as follows:			
Profit for the interim period attributable to owners of Bell Equipment Limited	(R'000)	**308 054**	327 766
Net surplus on disposal of property, plant and equipment	(R'000)	**(1 405)**	(297)
Taxation effect of net surplus on disposal of property, plant and equipment	(R'000)	**380**	70
Headline earnings	(R'000)	**307 029**	327 539
Weighted average number of ordinary shares in issue during the period	('000)	**95 629**	95 629
Headline earnings per share (basic)	**(cents)**	**321**	343
Diluted headline earnings per share is arrived at as follows:			
Headline earnings calculated above	(R'000)	**307 029**	327 539
Fully converted weighted average number of shares	('000)	**101 941**	127 409
Headline earnings per share (diluted)	**(cents)**	**301**	257

Headline earnings is calculated in accordance with *Circular 1/2023 Headline Earnings* issued by the South African Institute of Chartered Accountants.

		Unaudited 30 June 2024	Audited 31 December 2023
Net asset value per share:			
Net asset value per share is arrived at as follows:			
Total capital and reserves	(R'000)	5 524 094	5 285 016
Number of shares in issue	('000)	95 629	95 629
Net asset value per share	**(cents)**	**5 777**	**5 527**
Gearing ratio:			
The gearing ratio at the end of the period was as follows:			
Short-term and long-term borrowings	(R'000)	**1 622 453**	1 787 398
Cash and bank balances	(R'000)	**(244 973)**	(251 786)
Net debt	(R'000)	**1 377 480**	1 535 612
Total equity	(R'000)	**5 524 094**	5 285 016
Net debt to equity ratio	**(%)**	**24,9**	29,1

6. STATED CAPITAL

	Unaudited 30 June 2024 R'000	Audited 31 December 2023 R'000
Authorised		
100 000 000 (December 2023: 100 000 000) ordinary shares of no par value		
Issued		
95 629 385 (December 2023: 95 629 385) ordinary shares of no par value	**235 541**	235 541

7. CAPITAL EXPENDITURE COMMITMENTS

Contracted	**17 401**	27 452
Authorised, but not contracted	**202 195**	317 132
Total capital expenditure commitments	**219 596**	344 584

This capital expenditure is to be financed from internal resources.

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 manufactured products, other third party products and the supply of aftermarket support and products to market.

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

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

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

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

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

8. CONDENSED SEGMENTAL ANALYSIS continued

	External Revenue R'000	Inter-segment Revenue R'000	Total Revenue R'000	Operating profit (loss) R'000	Assets R'000	Liabilities R'000
June 2024						
Manufacturing, assembly, logistics and dealer sales operations						
South Africa	**1 283 666**	**3 101 150**	**4 384 816**	**377 814**	**6 577 858**	**4 982 876**
Europe	**2 467 007**	**236 935**	**2 703 942**	**128 847**	**3 382 574**	**1 624 748**
Direct Sales operations						
South Africa	**2 158 717**	**11 119**	**2 169 836**	**137 850**	**1 937 415**	**1 534 393**
Rest of Africa	**470 380**	**-**	**470 380**	**576**	**332 299**	**78 292**
Other operations and inter-segmental eliminations *	**-**	**(3 349 204)**	**(3 349 204)**	**(118 341)**	**(1 832 943)**	**(3 347 200)**
Total - unaudited	**6 379 770**	**-**	**6 379 770**	**526 746**	**10 397 203**	**4 873 109**
June 2023						
Manufacturing, assembly, logistics and dealer sales operations						
South Africa	1 116 830	2 887 061	4 003 891	420 732		
Europe	2 419 961	248 117	2 668 078	84 168		
Direct Sales operations						
South Africa	2 080 283	10 858	2 091 141	146 167		
Rest of Africa	387 182	-	387 182	37 618		
Other operations and inter-segmental eliminations *	-	(3 146 036)	(3 146 036)	(152 804)		
Total - unaudited	6 004 256	-	6 004 256	535 881		
December 2023						
Manufacturing, assembly, logistics and dealer sales operations						
South Africa					6 809 847	5 335 416
Europe					3 551 137	1 776 828
Direct Sales operations						
South Africa					1 677 347	1 350 701
Rest of Africa					330 002	64 598
Other operations and inter-segmental eliminations *					(1 833 750)	(3 277 976)
Total - audited					10 534 583	5 249 567

* 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 - the elimination of profit or loss on intra-group transactions, mainly sales transactions from the manufacturing, assembly, logistics and dealer sales operations to the other group operations, where the inventory has not yet been on-sold to a third party at period end.
iii) Assets and liabilities - the intra-group transactions result in intra-group receivables and payables balances and furthermore intra-group loans are in place between certain group operations. These are eliminated on consolidation.

9. CONTINGENT ASSETS AND LIABILITIES

9.1 Contingent Assets

		Unaudited 30 June 2024 R'000	Audited 31 December 2023 R'000
9.1.1	***Reimbursement right relating to standard warranty in respect of manufactured goods***		
	Reimbursement right from component suppliers in respect of standard warranties where virtual certainty of recovery has not yet been established	**77 477**	69 280

9.2 Contingent liabilities

		Unaudited 30 June 2024 R'000	Audited 31 December 2023 R'000
9.2.1	***Credit risk undertakings with financial institutions*** The group entered into credit risk arrangements with certain financial institutions with recourse to the group to facilitate the financing of equipment for certain of the group's customers.		
	Transactions where the group carries all the credit risk (100%) In terms of these arrangements the group is liable for the full balance due to the financial institution in the event of default by the customer. At period-end the group's credit risk exposure under these arrangements totalled	**34 900**	37 666
	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	**54 338**	58 543
		(19 438)	(20 877)
	Less: refund liability recognised	**-**	-
	Net credit risk	**-**	-
	Transactions where the group carries a portion of the credit risk (first loss) (60-90%)		
	In terms of these arrangements the group is liable for a portion of the balance due to the financial institution in the event of default by the customer. These are first loss undertakings and the group's exposure remains unchanged until the balance due to the financial institution is redeemed below the recourse amount, at which point the group's risk would equal the balance due until fully repaid. At period-end the group's credit risk exposure under these arrangements totalled	**26 676**	28 944
	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	**30 177**	29 035
		(3 501)	(91)
	Less: refund liability recognised	**-**	-
	Net credit risk	**-**	-
	Transactions where the group carries a portion of the credit risk (20%) In terms of these arrangements the group is liable for 20% of the balance due to the financial institution in the event of default by the customer. At period-end the group's credit risk exposure under these arrangements totalled	**7 889**	4 019
	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	**8 476**	4 907
		(587)	(888)
	Less: refund liability recognised	**-**	-
	Net credit risk	**-**	-

No refund liability was recognised on these transactions as the risk of expected credit losses was considered to be insignificant.

10. 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 other assets (forward foreign exchange contracts).

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

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

Fair value of financial instruments

Financial assets at amortised cost
Interest-bearing receivables, trade and other receivables, excluding the value added taxation receivable, 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.

Financial liabilities at amortised cost
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, excluding the value added taxation payable, and bank overdrafts and borrowings on call approximates their fair value due to the short-term nature of these instruments. The carrying amount of interest-bearing liabilities approximates their fair value owing to the market related interest rates on these instruments.

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

The details of forward foreign exchange contracts held at 30 June 2024 are listed below.

	Foreign amount '000	Rate R	Rand amount R'000	Market value in Rands R'000	Fair value (loss) gain R'000
June 2024					
Import contracts					
British Pound	**5 050**	**23.28**	**117 564**	**116 714**	**(850)**
Euro	**9 401**	**20.03**	**188 326**	**184 537**	**(3 789)**
Japanese Yen	**906 934**	**8.24**	**110 120**	**104 640**	**(5 480)**
Export contracts					
United States Dollar	**13 000**	**18.49**	**240 339**	**237 975**	**2 364**
December 2023					
Import contracts					
British Pound	5 850	23.02	134 657	137 110	2 453
Euro	12 814	20.39	261 283	262 104	821
Japanese Yen	1 198 497	7.72	155 178	157 613	2 435
United States Dollar	500	18.44	9 220	9 197	(23)
Export contracts					
United States Dollar	32 500	19.04	618 727	599 156	19 571

10. FINANCIAL INSTRUMENTS continued

Fair value of financial instruments continued

Investments at fair value through other comprehensive income

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

For its unlisted investment (Level 3), the group used the market approach to estimate the fair value of its investment as the group does not have access to future forecast information with regards to the investment entity. The unlisted entity operates within the dealer and distribution network of the heavy equipment industry. The group used an EBITDA multiple method for the valuation of the investment. An EBITDA multiple of 7.40 (December 2023: 7.40) was used to estimate the fair value of the entity. The EBITDA multiple of 7.40 represents an average of observable EBITDA multiples of a number of listed entities within the heavy equipment industry. The EBITDA multiples were obtained from a reputable market database. The fair value measurement has been classified as a Level 3 measurement. A 10% decrease or increase in the EBITDA multiple, would have a R8,4 million decrease or increase impact on the fair value of the investment. No fair value gain or loss (December 2023: fair value loss of R32,6 million) was accounted for in other comprehensive income.

A reconciliation of this unlisted equity investment is presented below:

	Unaudited six months ended 30 June 2024 R'000	Audited twelve months ended 31 December 2023 R'000
Opening balance	**32 563**	58 180
Translation difference	**(1 528)**	6 959
Fair value loss recognised in other comprehensive income	**-**	(32 576)
Closing balance	**31 035**	32 563

Valuation techniques and fair value hierarchy

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

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

11. CONTRACT LIABILITIES

	Unaudited 30 June 2024 R'000	Audited 31 December 2023 R'000
Contract liabilities consist of the following:		
Advance receipts from customers	**78 291**	93 011
Deferred warranty income	**239 681**	238 941
Deferred service contract revenue	**60 774**	61 626
Deferred finance income liability	**119 534**	114 394
	498 280	507 972
Less: current portion	**(281 414)**	(281 446)
Long-term portion	**216 866**	226 526

12. RESTRICTED ACCESS TO CASH AND BANK BALANCES

The group's cash and bank balances includes an amount which forms part of the group's operation in Russia and which is not accessible by the group outside Russia due to sanctions.		
Cash and bank balances in Russia (i)	**67 461**	**66 403**

(i) There are no other significant assets in this operation.

13. IMPAIRMENT CONSIDERATIONS AND IMPACT ON THE INTERIM FINANCIAL RESULTS FOR THE PERIOD ENDED 30 JUNE 2024

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.

Consistent with the position at the 2023 financial year end, the market capitalisation of the group at 30 June 2024 of R2,8 billion (December 2023: R2,2 billion) was significantly lower than the net asset value of the group of R5,5 billion (December 2023: R5,3 billion). This is an indicator of possible impairment in terms of IAS 36. A review was performed at period end to identify any significant changes that may indicate that assets are impaired since the impairment tests conducted at year end.

13.1 Impairment considerations of the cash-generating units (CGUs)

The following steps were followed to assess the CGUs for impairment:

1. The identification of the group’s cash generating units was reviewed and it was confirmed that there has been no change in these cash generating units.
2. It was confirmed that there have been no significant changes to long-term financial forecasts since year end and therefore there is no indication of a significant change in the valuation of the cash generating units since then.

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

13.2 Impairment considerations of specific asset categories

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

- ***Inventory***
  The group conducted a detailed assessment of the valuation of inventory at 30 June 2024. All inventory is valued at the lower of cost and net realisable value. Included in cost of sales in the current period is an amount of R50,8 million (June 2023: R47,0 million) in respect of write-downs of inventory and inventory provisions.

- ***Trade and interest-bearing receivables***
  The balances owed to the group by customers are reviewed on an ongoing basis, with specific emphasis on protecting the value of the group’s security, comprising mainly the financed equipment. There has been no change to the group’s approach for measuring allowances for expected credit losses during the current period. At 30 June 2024, the total allowances for expected credit losses on trade and interest-bearing receivables totalled R40,9 million (December 2023: R52,3 million).

  The group has a concentration of credit risk in its North American distributor in which the group holds a 10% equity interest. At 30 June 2024, the trade receivable balance of the North American distributor totalled R562,9 million (December 2023: R703,9 million) which is considered recoverable.

- ***Property, plant and equipment***
  There has been no change in the group’s plans to use its assets to support revenue generating activities. No impairment of property, plant and equipment was considered necessary in the current period.

- ***Intangible assets***
  In its assessment of intangible assets at 30 June 2024 the group conducted a review of capitalised engineering development costs and projects and concluded that no impairment (December 2023: Rnil) was considered necessary. No projects had to be discontinued.

13.3 Impairment considerations of Russian operation

Due to the ongoing Russia-Ukraine conflict and sanctions imposed, the assets relating to the group’s operation in Russia were tested for impairment. Access to the cash and bank balances in this operation is restricted at present (refer note 12). There are no other significant assets in this operation. No impairment losses were identified from this review.

13.4 Directors’ assessment of going concern

As part of the assessment of the appropriateness of adopting the going concern basis in preparing the interim financial statements for the period ended 30 June 2024, the directors considered the group’s cash flow forecasts for the next twelve months. These forecasts are based on expected demand for the next twelve months. The cash flow forecasts reflect that the group expects to operate within facility levels and generate sufficient cash flows to settle its obligations when due. The group’s lenders continue to support the business.

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

Abbreviated Notes to the Unaudited Condensed Consolidated Interim Financial Statements

for the six months ended 30 June 2024

14. POST FINANCIAL POSITION EVENTS

The company's share price on the JSE Limited increased on 15 July 2024 following the joint announcement by the company and IA Bell and Company (Pty) Ltd (IAB) of IAB's firm intention to acquire certain issued ordinary shares in the company by way of a Scheme of Arrangement (Scheme) and to subsequently delist the company from the JSE Limited. The company's shares have continued to trade at a higher price since that date. The increase in the share price subsequent to half year end has increased the estimated fair value of the liability for cash-settled share-based payment arrangements with employees to R123,6 million from the estimated fair value of R54,0 million at 30 June 2024.

No other fact or circumstance material to the appreciation of these condensed consolidated interim financial statements has occurred between 30 June 2024 and the date of this report.

15. DIVIDEND

In accordance with the Implementation Agreement regulating the proposed Scheme, no dividends will be declared, paid or made by the company.

By order of the board
5 September 2024

Directors
Non-executive
GW Bell (Chairman), HR van der Merwe* (Lead Independent), DH Lawrance*, ME Ramathe*, R Naidu*, U Maharaj*, M Geyer*
**Independent*

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

Company Secretary
D McIlrath

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Release date: 9 September 2024

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