BELL EQUIPMENT LIMITED
('Bell' or 'the group' or 'the company')
(Incorporated in the Republic of South Africa)
Share code: BEL
ISIN: ZAE000028304
Registration number: 1968/013656/06

PROVISIONAL AUDITED CONSOLIDATED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2018
AND CASH DIVIDEND DECLARATION

Salient features

		Audited 2018	Audited 2017	% Change
Revenue	R billion	7,5	6,9	10
NPAT	R million	276,4	272,1	2
HEPS	cents	278	270	3
Final dividend	cents	25	25	-

Chairman and CEO report

Overview
We are pleased to report that during the year under review the group has maintained the positive momentum sparked in 2017 by delivering another set of solid results despite a significant currency devaluation loss in Zimbabwe as detailed below. Encouraging achievements were made in the strategic focus areas of growing our Articulated Dump Truck (ADT) sales and aftermarket business globally and increasing production rates for creating long-term value and ensuring sustainable growth.

The majority of our offshore focus markets for the ADT product - Europe, the US and Southeast Asia - have enjoyed good economic performance and as such, we are encouraged by the outlook for these markets. The market adoption of our products in Southeast Asia through established dealer networks was positive due in part to the fact that mining conditions and operations are very similar to those in Africa.

In the US, the world's largest ADT market, residential development is driving the current demand for ADTs, which are used for the provision of bulk earthworks. Demand also improved in Canada thanks to more stable commodity prices.

Ongoing massive infrastructure projects in Europe, including the United Kingdom's Hinkley Point nuclear power station in Somerset and the upcoming high-speed railway project, HS2, are generating increased demand for ADTs but we are mindful of the potential impact Brexit negotiations may have on this market.

Sales are low and remain under pressure at our South African and African subsidiaries. Positive management interventions in the DRC and Mozambique operations are mitigating against the challenges experienced by the group in those countries in the past, however, the currency crisis in Zimbabwe has resulted in a significant loss for the group.

Although commodity prices have improved, investor appetite for the South African mining industry remained under pressure during 2018.

During the course of 2018, Bell continued to position itself as a global ADT specialist by expanding its range of 4x4 articulated trucks to complement its traditional ADT offering. This provides those customers not affected by poor underfoot conditions with a practical alternative to tipper trucks and rigid dump trucks.

Financial

Revenue and gross profit for 2018 both increased by 10% to R7,5 billion and R1,5 billion respectively. Profit after tax of R276,4 million was 2% up on 2017, in what would have been a good result if it was not for a substantial devaluation of RTGS dollar denominated monetary assets and liabilities in Zimbabwe following the announcement of a new local currency in that country and also higher interest charges on group borrowings. The Zimbabwe devaluation of R87,4 million is included in foreign currency exchange losses in the statement of profit or loss. Headline earnings per share is up from 270 cents per share to 278 cents per share.

The Rand was very volatile but on average weaker in 2018 compared with the 2017 financial year, particularly in the second half of 2018, and this has had a positive impact on sales and margins. The weaker Rand also contributed to an increase in the reported Rand value of operating expenses that are denominated in foreign currencies. Expenses, excluding the foreign currency loss referred to above, were generally well contained, increasing by a modest 5%.

Operations

Bell continues to be a sizeable employer with approximately 3 200 employees worldwide, of which 2 835 are located in South Africa. During 2018, 275 of our employees around the world celebrated long service milestones with the group. This is the largest group in the history of Bell to do so and evidences the long term benefits of our intrinsic approach of caring for our people and providing an environment for personal development and growth.

2018 saw the introduction of a new group structure, which has been a positive change and is working extremely well.

In October 2018, Kanu Equipment was appointed as an authorised distributor in the DRC following the decision to sell assets in that country and migrate to a dealer model. The Kanu Group distributes and supports Bell earthmoving equipment in a number of African countries and we are confident that their strong management team in the DRC will drive the business and provide our customers with the level of service and support that they expect and deserve.

Bell recently acquired Matriarch Equipment, giving us a renewed energy and focus in the agriculture and forestry equipment sector, the group's cornerstone industry in its formative years. We see great potential in strengthening and growing this important aspect of our business. The range of Matriarch products complements our range and enables us to better provide a tailor-made, full line solution to our customers.

The Kobelco range of excavators, introduced in the second half of 2017, continues to enjoy acceptance across all industries in southern Africa. We subsequently introduced three mini excavator models at the beginning of 2018, and these smaller units are proving equally popular in the light construction and forestry sectors.

The uptake of the Kamaz range of heavy-duty trucks in the southern African mining and construction industries was slightly slower than anticipated, with plans for the localisation and production of these trucks in Richards Bay having been delayed until market demand makes this investment more feasible. Bell is currently investigating other applications for the product to make faster headway in this highly competitive market.

Sustainability

We recognise the importance of being a sustainable business and the risks associated with not aggressively pursuing this as a goal. Our sustainability journey is therefore managed through the strategic planning process, and involves the direct participation of the board.

Our focus remains growing global ADT volumes and optimising the lifetime revenue stream from our machines through value adding aftermarket services and products. The group is also cognisant that geographic, product and industry diversity are all key elements that contribute to the overall sustainability of our operations.

During 2018, an American Logistics Centre (ALC) was opened in North Carolina to better serve our customers in that region and to support the aftermarket requirements necessitated by the increased uptake of our products in the US.

Following the completion of the new European Logistics Centre (ELC) in Alsfeld, Germany in 2017, the group commenced the second phase expansion of our factory in Eisenach-Kindel in mid-2018. The facility, scheduled for completion in the third quarter of 2019, will incorporate state-of-the-art manufacturing equipment geared towards reducing operational and product costs as well as improving our flexibility and supporting our growth in the Northern Hemisphere markets.

Given the more buoyant global conditions the board took a strategic decision to increase production and aftermarket working capital to respond more rapidly to higher demand across our spectrum of client industries.

Corporate governance

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

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

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

Transformation

Bell supports transformation in South Africa and is committed to transformation at all levels across our operations. A planned third B-BBEE transaction will allow customers to maximise procurement spend when purchasing from BESSA and will assist in meeting the procurement goals as set out in the 2018 Mining Charter.

To accelerate transformation of the construction industry and open doors for black-owned and managed Construction Industry Development Board (CIDB) graded contractors, Bell became the first OEM to sign a Memorandum of Understanding with SANRAL. This undertaking is aimed at enabling CIDB graded contractors to participate more meaningfully in major construction projects by providing access to earthmoving machinery, finance, leasing and rental options, training and maintenance services.

Outlook

We continue our focus on research and development, with a new series truck prototype due in the second quarter of 2019. An extensive product upgrade for the small ADT truck range will also be launched at the end of the year.

Our manufacturing plant expansion in Germany, will be completed in the third quarter of 2019 with a testing phase preceding full production. Investment into the Northern Hemisphere will continue at our ALC where we will implement our SAP software systems so that all three of our logistics centres are on a similar platform to enable us to provide parts online. The world is changing and our customer base increasingly requires online solutions, and thus we are investing in these.

There continues to be many external factors that could impact both our global and local businesses. While our order book remains strong and our business continues to grow in the US and the EU, we recognise the risks that Brexit and the trade war between the US and China may have on business globally.

Closer to home, Zimbabwe is experiencing ongoing currency and economic troubles and there is considerable uncertainty in Zambia and also in South Africa leading up to the national election on 8 May 2019, which we are monitoring closely. We are confident that we have an excellent and resilient team coupled with a strategy that is capable of overcoming any challenges and capitalising on the opportunities 2019 may bring.

Dividends

The board has declared a final dividend of 25 cents per share which added to the interim dividend of 20 cents amounts to a total dividend of 45 cents for the year, the same as for 2017.

Board changes

On 1 June 2018, Gary Bell stepped down as the chief executive and assumed the role of non-executive chairman of the board, thus paving the way for Leon Goosen to take over as the chief executive in line with the group's succession plans as outlined in last year's report. The board is pleased to appoint Leon as the best candidate after a global search.

Following the seamless handover the group continues to enjoy the full support of stakeholders and employees.

Our outgoing chairman, John Barton, has assumed the role of lead independent non-executive director to ensure adherence to good governance principles, in compliance with the King IV requirements. We are grateful for his continued invaluable input into the board and thank him for his three years as chairman and his dedication to the group.

Appreciation

On behalf of the board we would like to thank executive management and our 1-Bell team for being fully committed, living our 1-Bell principles, of Customers, Teamwork, Quality, Efficiency and Safety, and going the extra mile to build on the Bell legacy.

We are also grateful to all of our stakeholders for their continued support and confidence in the group. A special thanks to our extended family of customers and dealers around the world who continues to show confidence in our products and entrust us with the ongoing support of their Bell machines.

We further extend our appreciation to our fellow board members for their hard work and guidance.

The hard work, teamwork and dedication that were demonstrated during 2018 to achieve production targets, entrench new products into the range and grow new markets have enabled us to continue on our upward trajectory.

Summarised consolidated statement of financial position
AS AT 31 DECEMBER 2018

	Audited 2018 R'000	Audited 2017 R'000
ASSETS		
Non-current assets	1 344 560	1 111 406
Property, plant and equipment	885 966	691 429
Intangible assets	237 964	224 766
Investments	23 584	574
Interest-bearing receivables	69 226	92 774
Deferred taxation	127 820	101 863
Current assets	5 183 673	4 246 208
Inventory	3 905 188	3 047 119
Trade and other receivables	868 519	778 555
Current portion of interest-bearing receivables	209 781	96 053
Prepayments	31 636	51 912
Other financial assets	6 757	13 139
Current taxation assets	13 347	9 179
Cash and bank balances	148 445	250 251
Total assets	6 528 233	5 357 614
EQUITY AND LIABILITIES		
Capital and reserves	3 371 509	2 988 602
Stated capital (note 5)	232 499	232 244
Non-distributable reserves	679 411	530 281
Retained earnings	2 440 926	2 214 236
Attributable to owners of Bell Equipment Limited	3 352 836	2 976 761
Non-controlling interest	18 673	11 841
Non-current liabilities	606 095	351 819
Interest-bearing liabilities	385 044	113 183
Repurchase obligations and deferred leasing income	-	1 243
Deferred income	118 897	106 568
Long-term provisions and lease escalation	33 324	42 074
Deferred taxation	68 830	88 751
Current liabilities	2 550 629	2 017 193
Trade and other payables	1 142 521	1 094 742
Current portion of interest-bearing liabilities	750 381	215 414
Current portion of repurchase obligations and deferred leasing income	-	746
Current portion of deferred income	135 243	94 171
Current portion of provisions and lease escalation	70 947	60 825
Other financial liabilities	10 648	20 272
Current taxation liabilities	23 194	25 675
Bank overdrafts and borrowings on call	417 695	505 348
Total equity and liabilities	6 528 233	5 357 614

Summarised consolidated statement of profit or loss
FOR THE YEAR ENDED 31 DECEMBER 2018

	Audited 2018 R'000	Audited 2017 R'000

			Restated*
Revenue		7 534 438	6 873 471
Cost of sales		(6 049 887)	(5 526 784)
Gross profit		1 484 551	1 346 687
Other operating income		195 514	137 477
Expenses		(1 226 314)	(1 080 707)
Profit from operating activities (note 2)		453 751	403 457
Net interest expense (note 3)		(48 470)	(99)
Profit before taxation		405 281	403 358
Taxation		(128 864)	(131 308)
Profit for the year		276 417	272 050
Profit for the year attributable to:			
- Owners of Bell Equipment Limited		269 585	260 209
- Non-controlling interest		6 832	11 841
Earnings per share (basic) (note 4)	(cents)	283	273
Earnings per share (diluted) (note 4)	(cents)	281	273

* Refer to restatements of prior periods in note 11.

Summarised consolidated statement of profit or loss and other comprehensive income
FOR THE YEAR ENDED 31 DECEMBER 2018

	Audited 2018 R'000	Audited 2017 R'000
Profit for the year	276 417	272 050
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange gains (losses) arising during the year	134 602	(22 311)
Exchange gains (losses) on translating foreign operations	131 351	(23 744)
Exchange gains on foreign reserves	3 251	1 433
Items that may not be reclassified subsequently to profit or loss:	15 384	(3 124)
Surplus arising on revaluation of properties	-	258
Taxation relating to revaluation of properties	-	(3 382)
Fair value gain on investments designated as at fair value through other comprehensive income	15 384	-
Other comprehensive income (loss) for the year, net of taxation	149 986	(25 435)
Total comprehensive income for the year	426 403	246 615
Total comprehensive income attributable to:		
- Owners of Bell Equipment Limited	419 571	234 774
- Non-controlling interest	6 832	11 841

Summarised consolidated statement of cash flows
FOR THE YEAR ENDED 31 DECEMBER 2018

	Audited 2018 R'000	Audited 2017 R'000 Restated*
Cash operating profit before working capital changes	657 730	665 069
Cash utilised in working capital	(767 720)	(533 369)
Cash (utilised in) generated from operations	(109 990)	131 700
Net interest paid	(29 785)	(29 635)
Taxation paid	(182 945)	(112 262)
Net cash utilised in operating activities	(322 720)	(10 197)
Purchase of property, plant and equipment and intangible assets	(265 933)	(135 842)
Proceeds on disposal of property, plant and equipment and intangible assets	7 600	7 975
Purchase of listed investments	(7 560)	-
Increase in interest-bearing receivables	(22 474)	(9 303)
Net cash utilised in investing activities	(288 367)	(137 170)

Interest-bearing liabilities raised	1 359 836	247 316
Interest-bearing liabilities repaid	(720 262)	(73 996)
Proceeds from share options exercised	255	105
Dividends paid	(42 895)	(19 062)
Net cash generated from financing activities	596 934	154 363
Net cash (outflow) inflow	(14 153)	6 996
Net bank overdrafts and borrowings on call at beginning of the year	(255 097)	(262 093)
Net bank overdrafts and borrowings on call at end of the year	(269 250)	(255 097)
Comprising:		
Cash and bank balances	148 445	250 251
Bank overdrafts and borrowings on call	(417 695)	(505 348)
Net bank overdrafts and borrowings on call at end of the year	(269 250)	(255 097)

* Refer to restatements of prior periods in note 11.

Summarised consolidated statement of changes in equity
FOR THE YEAR ENDED 31 DECEMBER 2018

	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 2016 - audited	232 139	553 298	1 972 810	2 758 247	-	2 758 247
Total comprehensive (loss) income for the year	-	(25 435)	260 209	234 774	11 841	246 615
Transfer between reserves	-	(172)	172	-	-	-
Transfer to retained earnings relating to expired share options	-	(107)	107	-	-	-
Increase in equity-settled employee benefits reserve	-	498	-	498	-	498
Share-based payment relating to B-BBEE ownership transaction	-	2 199	-	2 199	-	2 199
Share options exercised	105	-	-	105	-	105
Dividends paid	-	-	(19 062)	(19 062)	-	(19 062)
Balance at 31 December 2017 - audited	232 244	530 281	2 214 236	2 976 761	11 841	2 988 602
Total comprehensive income for the year	-	149 986	269 585	419 571	6 832	426 403
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 - audited	232 499	679 411	2 440 926	3 352 836	18 673	3 371 509

Summarised notes to the provisional audited consolidated results
FOR THE YEAR ENDED 31 DECEMBER 2018

1. BASIS OF PREPARATION

The consolidated financial statements, from which these summarised consolidated financial statements have been derived, have been prepared in accordance with International Financial Reporting Standards (IFRS) and the policies and methods of computation are consistent with those applied to the previous year, except for the adoption of new standards and the changes as described below. The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of properties and financial instruments.

The group has adopted all of the new accounting standards relevant to its operations and effective for annual reporting periods beginning 1 January 2018, including IFRS 9 Financial Instruments ("IFRS 9") and IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). The adoption of IFRS 15 has not had any significant impact on the results in the summarised consolidated financial statements or the disclosures herein, but resulted merely in the reclassification of certain transactions in previously published results as disclosed in note 11. With regards to IFRS 9 the comparative periods have not been restated because the impact of adoption was not significant. In the current year the group corrected reclassification errors in the group's statement of cash flows and in the operating segmental analysis. Details of these prior period corrections are disclosed in note 11.

These summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited's Listings Requirements for provisional reports and the requirements of the Companies Act in South Africa applicable to summarised financial statements. The Listings Requirements of the Johannesburg Stock Exchange require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the information at a minimum as required by IAS 34 Interim Financial Reporting. The preparation of this provisional report and consolidated financial statements from which these results are summarised was supervised by the Group Finance Director, KJ van Haght CA (SA).

	Audited 2018 R'000	Audited 2017 R'000
2. PROFIT FROM OPERATING ACTIVITIES		
Profit from operating activities is arrived at after taking into account:		
Income		
Currency exchange gains	149 634	156 361
Production incentives	120 418	84 612
Net surplus on disposal of property, plant and equipment and intangible assets	5 716	3 038
Expenditure		
Amortisation of intangible assets	26 072	33 240
Amounts written off as uncollectible	1 535	13 618
Auditors' remuneration - audit and other services	11 253	9 739
Consulting fees	24 931	27 844
Currency exchange losses	277 014	157 426
Depreciation of property, plant and equipment	119 776	152 902
Operating lease charges	101 862	116 456
Research expenses (excluding staff costs)	43 364	46 298
Staff costs (including directors' remuneration)	1 332 218	1 272 171

	Audited 2018 R'000	Audited 2017 R'000
3. NET INTEREST EXPENSE		
Interest expense	89 101	43 350
Interest income (restated)*	(40 631)	(43 251)
Net interest expense	48 470	99

* Refer to restatements of prior periods in note 11.

4. EARNINGS AND NET ASSET VALUE PER SHARE

Basic earnings per share is arrived at as follows:

Profit for the year attributable to owners of Bell Equipment Limited	(R'000)	269 585	260 209
Weighted average number of ordinary shares in issue			

during the year	('000)	95 403	95 307
Earnings per share (basic)	(cents)	283	273
Diluted earnings per share is arrived at as follows:			
Profit for the year attributable to owners of Bell Equipment Limited	(R'000)	269 585	260 209
Fully converted weighted average number of shares*	('000)	95 778	95 454
Earnings per share (diluted)	(cents)	281	273

* 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.

		Audited 2018 R'000	Audited 2017 R'000
Headline earnings per share is arrived at as follows:			
Profit for the year attributable to owners of Bell Equipment Limited	(R'000)	269 585	260 209
Net surplus on disposal of property, plant and equipment and intangible assets	(R'000)	(5 716)	(3 038)
Taxation effect of net surplus on disposal of property, plant and equipment and intangible assets	(R'000)	1 512	237
Impairment loss recognised on revaluation of buildings	(R'000)	-	2 597
Taxation effect of impairment loss recognised on revaluation of buildings	(R'000)	-	(909)
Reversal of impairment loss in respect of property, plant and equipment rental assets	(R'000)	-	(1 942)
Headline earnings	(R'000)	265 381	257 154
Weighted average number of ordinary shares in issue during the year	('000)	95 403	95 307
Headline earnings per share (basic)	(cents)	278	270
Diluted headline earnings per share is arrived at as follows:			
Headline earnings calculated above	(R'000)	265 381	257 154
Fully converted weighted average number of shares	('000)	95 778	95 454
Headline earnings per share (diluted)	(cents)	277	269
Net asset value per share is arrived at as follows:			
Total capital and reserves	(R'000)	3 371 509	2 988 602
Number of shares in issue	('000)	95 629	95 307
Net asset value per share	(cents)	3 526	3 136

Summarised notes to the provisional audited consolidated results
FOR THE YEAR ENDED 31 DECEMBER 2018

	Audited 2018 R'000	Audited 2017 R'000
5. STATED CAPITAL		
Authorised		
100 000 000 (2017: 100 000 000) ordinary shares of no par value		
Issued		
95 629 385 (2017: 95 306 885) ordinary shares of no par value	232 499	232 244
The increase in share capital relates to 322 500 (2017: 10 000) share options exercised at an average share price of R11,34 per share.		
6. CAPITAL EXPENDITURE COMMITMENTS		
Contracted	45 393	60 089
Authorised, but not contracted	126 973	282 774
Total capital expenditure commitments	172 366	342 863

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

7. SUMMARISED SEGMENTAL ANALYSIS

Information regarding the group's reportable segments is presented below.

Information reported to the group's chief operating decision maker for purposes of resource allocation and assessment of segment performance is focused on geographical areas. Each reportable segment, except for the All other operations segment, derives its revenues from the sale of goods (machines and parts) and related services and rental income. The accounting policies of the reportable segments are the same as the group's accounting policies.

	Revenue R'000	Operating profit (loss) R'000	Total assets R'000	Total liabilities R'000
December 2018				
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 - audited	7 534 438	453 751	6 528 233	3 156 724

	Revenue R'000	Operating profit (loss) R'000	Total assets R'000	Total liabilities R'000
December 2017				
South African sales operation (restated)**	2 988 414	157 356	1 516 718	1 369 180
South African manufacturing and logistics operation (restated)**	4 479 587	195 949	3 408 012	1 795 870
European operation (restated)**	2 311 137	84 913	1 010 515	587 383
Rest of Africa operation (restated)**	619 872	(70 000)	421 968	405 072
North American operation (restated)**	1 198 016	49 980	233 896	170 066
All other operations	-	(83 267)	2 040 945	113 310
Inter-segmental eliminations* (restated)**	(4 723 555)	68 526	(3 274 440)	(2 071 869)
Total - audited	6 873 471	403 457	5 357 614	2 369 012

* Inter-segmental eliminations above relate to the following:

i) Revenue - the elimination of intra-group sales transactions, mainly sales from the South African manufacturing and logistics operation, to the distribution operations.

ii) Operating profit (loss) - the elimination of profit (loss) on intra-group transactions, mainly sales transactions from the South African manufacturing and logistics operation to the distribution operations, where the inventory has not yet been on-sold by the distribution operations to a third party at year 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 the restatements as disclosed in note 11.

Summarised notes to the provisional audited consolidated results
FOR THE YEAR ENDED 31 DECEMBER 2018

	Audited 2018 R'000	Audited 2017 R'000

8. CONTINGENT LIABILITIES

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

In respect of the different categories of financing provided by WesBank, the group carries certain credit risks. These are considered to be financial guarantee contracts.

The group is liable for all credit risk and therefore the full balance due to WesBank by default customers with regard to Bell-backed deals and a portion of the credit risk and a portion of the balance due to WesBank by default customers with regard to Bell-shared risk deals. In terms of the Bell-shared risk deals the group's exposure is calculated as a percentage of the net selling price of the equipment.

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	264 235	176 091
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	2 208	1 872
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	323 892	228 782
	(57 449)	(50 819)
Less: impairment	-	(1 549)
Net contingent liability	-	-

	Audited 2018 R'000	Audited 2017 R'000
The group has entered into similar shared risk arrangements with various other institutions. These arrangements are first-loss undertakings and the group's exposure remains fixed until the capital is repaid. These are considered to be financial guarantee contracts.		
At year-end the group's credit risk exposure to these financial institutions totalled	3 089	6 123
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	2 289	7 935
	800	(1 812)
Less: provision for non-recovery	-	-
Net contingent liability	-	-

The group's credit backing enables the customer to obtain funding from WesBank and the other financial institutions, but provides no interest benefit to the customer. Therefore there is no interest differential and no fair value at initial recognition. Subsequent to initial recognition, where customers are in arrears with WesBank and there is a shortfall between the estimated realisation values of the equipment and the balances due by the customers to WesBank, an assessment of any additional security is done and a provision for any residual credit risk is made on a deal-by-deal basis to the extent of the group's liability towards the financial institution. In assessing the group's credit risk exposure to these transactions, the group also uses an expected default rate based on historical trends to measure expected credit losses on a portfolio basis.

8.2 The residual values of certain equipment sold to financial institutions have been guaranteed by the group. The group's exposure is limited to the difference between the group's guaranteed amount and the financial institution's predetermined estimate.

In the event of a residual value shortfall on this equipment, the group would be exposed to a maximum amount of	19 775	41 952
Net contingent liability	19 775	41 952

The transactions described in note 8.2 above 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.

Summarised notes to the provisional audited consolidated results
FOR THE YEAR ENDED 31 DECEMBER 2018

	Audited 2018 R'000	Audited 2017 R'000
9. RELATED PARTY TRANSACTIONS		
Information regarding significant transactions with related parties is presented below. Transactions are carried out on an arms length basis.		
Shareholders		
John Deere Construction and Forestry Company		
- sales	20 298	22 101
- purchases	511 298	594 738
- amounts owing to	57 724	136 858
- amounts owing by	4 476	5 144
Enterprises over which directors and shareholders are able to exercise significant influence and/or in which directors and shareholders have a beneficial interest		
Ario Properties Limited		
- property purchase commitment	-	51 537
- property purchase	52 330	-

10. FINANCIAL INSTRUMENTS

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

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

Classification is determined by both the group's business model as well as the contractual cash flow characteristics of the asset. Financial assets carried on the statement of financial position include cash and bank balances, investments, interest-bearing long-term 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 long-term receivables, trade and other receivables and cash and bank balances are measured at amortised cost. The directors consider that the carrying amount of financial assets at amortised cost approximates their fair value.

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 financial liabilities at amortised cost approximates their fair value.

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

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

For its unlisted investment, 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 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 1,81 applied to the estimated net asset value of the entity as at 31 December 2018. The price to book ratio of 1,81 represents an average of observable price to book ratios of a number of entities within the heavy equipment industry. 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 R16,0 million was accounted for in other comprehensive income. A reconciliation of this investment is presented below:

	Audited 2018 R'000	Audited 2017 R'000
Opening balance	574	568
Translation difference	66	6
Fair value gains recognised in other comprehensive income	16 021	-
Closing balance	16 661	574

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

During the current year the group measured its unlisted investment (Level 3) at fair value for the first time as a result of the adoption of IFRS 9.

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

11. PRIOR PERIOD RESTATEMENTS AND CORRECTION OF ERRORS

In the current year, the group has applied IFRS 15 Revenue from Contracts with Customers which is effective for annual periods beginning on or after 1 January 2018.

The group applied the standard retrospectively and used the following practical expedients:
- contracts that began and ended in 2017 were not restated.
- contracts that were completed contracts at 1 January 2017 were not restated.

The restatement adjustments below only relate to reclassifications of the following transactions within the group's statement of profit or loss:
i) income from extended warranty contracts sold has been reclassified from other operating income to revenue;
ii) warranty expenses relating to standard warranties and extended warranties have been reclassified from distribution and other expenses to cost of sales;
iii) where it was identified that the group acted as principal in transport revenue transactions, income and expenses from transport services relating to the sale of goods, previously included in cost of sales,

distribution and other expenses on a net basis, have been reclassified to revenue and cost of sales on a gross basis; and

iv) the interest component on extended warranty contracts and service contracts sold, where the contract periods exceed twelve months, has been reclassified from revenue and other operating income to interest income included in net interest expense.

In addition, in the current year the group has corrected the following errors in the consolidated statement of cash flows for June 2018 and in the operating segmental analysis for December 2017:

- unrealised exchange differences have been reclassified from cash generated from operations before working capital changes to cash generated from operations; and
- the allocation of revenue to operating segments was adjusted.

There was no impact on the statement of financial position.

11.1 The IFRS 15 reclassifications have the following impacts on the summarised consolidated statement of profit or loss:

	Audited As previously reported R'000	Adjustment R'000	Restated R'000
December 2017			
Revenue	6 766 586	106 885	6 873 471
Cost of sales	(5 328 636)	(198 148)	(5 526 784)
Gross profit	1 437 950	(91 263)	1 346 687
Other operating income (refer to (i) above)	221 431	(83 954)	137 477
Expenses (refer to (ii) and (iii) above)	(1 226 135)	145 428	(1 080 707)
Profit from operating activities	433 246	(29 789)	403 457
Net interest expense (refer to (iv) above)	(29 888)	29 789	(99)
Profit before taxation	403 358	-	403 358

11.2 The following items within the summarised consolidated statement of cash flows were impacted by the IFRS 15 reclassifications in the previous period:

	As previously reported R'000	Adjustment R'000	Restated R'000
December 2017			
Cash operating profit before working capital changes	665 069	-	665 069
Within which the following were impacted:			
Profit from operating activities	433 246	(29 789)	403 457
Increase in deferred income	33 753	29 789	63 542

11.3 The IFRS 15 reclassifications have the following impacts on the Summarised Segmental Analysis:

Revenue	As previously reported at December 2017 R'000	Restatement adjustment R'000	As reported at June 2018 R'000	Adjustment* R'000	Restated R'000
December 2017					
South African sales operation	2 991 387	(34 438)	2 956 949	31 465	2 988 414
South African manufacturing and logistics operation	4 376 792	102 795	4 479 587	-	4 479 587
European operation	2 324 683	614	2 325 297	(14 160)	2 311 137
Rest of Africa operation	618 845	665	619 510	362	619 872
North American operation	1 151 199	(24)	1 151 175	46 841	1 198 016

Inter-segmental eliminations	(4 696 320)	37 273	(4 659 047)	(64 508)	(4 723 555)
Total	6 766 586	106 885	6 873 471	-	6 873 471

* This adjustment relates to the correction of an error in the June 2018 interim announcement.

	As previously reported R'000	Adjustment R'000	Restated R'000
Operating profit (loss)			
December 2017			
South African sales operation	159 513	(2 157)	157 356
South African manufacturing and logistics operation	223 581	(27 632)	195 949
European operation	84 913	-	84 913
Rest of Africa operation	(70 000)	-	(70 000)
North American operation	49 980	-	49 980
All other operations	(83 267)	-	(83 267)
Inter-segmental eliminations	68 526	-	68 526
Total	433 246	(29 789)	403 457
Net interest (expense) income			
December 2017			
South African sales operation	(40 748)	2 157	(38 591)
South African manufacturing and logistics operation	(4 393)	27 632	23 239
European operation	(21 391)	-	(21 391)
Rest of Africa operation	(11 987)	-	(11 987)
North American operation	(4 065)	-	(4 065)
All other operations	52 768	-	52 768
Inter-segmental eliminations	(72)	-	(72)
Total	(29 888)	29 789	(99)

11.4 The following items within the summarised consolidated statement of cash flows were impacted by the correction of a prior period error:

	As previously reported R'000	Correction of error: Reclassification of unrealised exchange differences R'000	Restated R'000
June 2018			
Cash operating profit before working capital changes	374 146	71 194	445 340
Cash utilised in working capital	(238 971)	(71 194)	(310 165)

12. SUBSEQUENT EVENTS

On 1 February 2019 a wholly owned subsidiary of the company acquired the business of Matriarch Equipment CC as a going concern. As Matriarch was effectively controlled by Ashley Bell, a non-executive director of the company at the time, in terms of the JSE Listings Requirements the transaction was deemed to be a small related party transaction. The related party transaction was deemed to be fair by the expert Deloitte & Touche.

No other fact or circumstance material to the appreciation of this report has occurred between 31 December 2018 and the date of this report.

13. INDEPENDENT AUDITOR'S REPORT

These summarised consolidated financial statements for the year ended 31 December 2018 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated financial statements from which these summarised consolidated financial statements were derived.

Copies of the auditor's report on the summarised consolidated financial statements and of the auditor's report on the consolidated financial statements are available for inspection at the company's registered office, together with the consolidated financial statements.

The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

Any reference to future financial performance, included in this announcement, has not been reviewed or reported on by the company's auditors.

14. CASH DIVIDEND DECLARATION

Notice is hereby given that the directors have declared a gross final cash dividend of 25 cents per ordinary share for the year ended 31 December 2018 payable to ordinary shareholders in accordance with the timetable below.

The net final dividend is 20 cents per share for ordinary shareholders who are not exempt from dividends tax. The dividend withholding tax rate is 20 percent. The dividend has been declared from income reserves.

The company's income tax reference number is 9022169206.
The issued share capital at the declaration date is 95 629 385 ordinary shares.

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Tuesday, 2 April 2019
Shares commence trading "ex" dividend	Wednesday, 3 April 2019
Record date	Friday, 5 April 2019
Payment date	Monday, 8 April 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 3 April 2019 and Friday, 5 April 2019, both days inclusive.

By order of the board
14 March 2019

Directors
Non-executive
GW Bell (Chairman), JR Barton* (Lead Independent), DH Lawrance*, HR van der Merwe*, ME Ramathe*, R Naidu*
*Independent
Appointed: GW Bell was appointed as Chairman and JR Barton was appointed as Lead Independent Director on 1 June 2018.

Executive
L Goosen (Group Chief Executive), A Goordeen (Alternate), KJ van Haght (Group Finance Director), AJ Bell
Retired: GW Bell retired as Group Chief Executive on 31 May 2018.
Appointed: L Goosen was appointed as Group Chief Executive on 1 June 2018.
From 1 February 2019, AJ Bell's designation changed from non-executive director to executive director.

Company Secretary
D McIlrath

Registered Office
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Transfer Secretaries
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Sponsor
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Auditors
Deloitte & Touche

Release date: 18 March 2019

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