BELL EQUIPMENT

Audited results

for the year ended 31 December 2006

Profit after tax up R244 million
Earnings per share up 258 cents
Net asset value up 36,5%
Cash generated from operations R292 million

Condensed consolidated balance sheet

R'000	At 31 December 2006	Restated At 31 December 2005
ASSETS		
Non-current assets	**368 315**	295 765
Property, plant and equipment	**318 140**	229 755
Intangible assets	**7 074**	7 639
Investments and long-term receivables	**20 637**	50 885
Deferred taxation	**22 464**	7 486
Current assets	**1 673 937**	1 345 842
Inventory	**1 219 834**	928 838
Trade and other receivables	**378 983**	361 812
Current portion of long-term receivables	**15 271**	12 128
Prepayments	**10 486**	7 732
Taxation	**1 623**	2 194
Cash resources	**47 740**	33 138
Total assets	**2 042 252**	1 641 607
EQUITY AND LIABILITIES		
Capital and reserves	**954 912**	699 259
Stated capital (Note 5)	**226 185**	225 946
Non-distributable reserves	**55 490**	36 921
Retained earnings	**673 237**	436 392
Non-current liabilities	**158 371**	89 401
Interest-bearing liabilities	**2 319**	4 754
Repurchase obligations and deferred leasing income	**133 253**	69 176
Deferred warranty income	**11 724**	6 576
Long-term provisions and lease escalation	**11 075**	8 895
Current liabilities	**928 969**	852 947
Trade and other payables	**557 330**	390 340
Current portion of interest-bearing liabilities	**2 467**	2 731
Current portion of repurchase obligations and deferred leasing income	**17 021**	8 639
Current portion of deferred warranty income	**5 291**	–
Current portion of provisions and lease escalation	**70 748**	65 967
Taxation	**88 741**	–
Short-term interest-bearing debt	**187 371**	385 270
Total equity and liabilities	**2 042 252**	1 641 607
Number of shares in issue ('000)	**94 817**	94 763
Net asset value per share (cents)	**1 007**	738

Condensed consolidated income statement

R'000	For year ended 31 December 2006	31 December 2005
Revenue	**3 533 177**	3 209 233
Cost of sales	**2 739 263**	2 701 658
Gross profit	**793 914**	507 575
Other operating income	**102 604**	92 615
Distribution costs	**(415 194)**	(441 523)
Administration expenses	**(60 307)**	(62 615)
Other operating expenses	**(45 963)**	(48 773)
Profit from operating activities	**375 054**	47 279
Net finance costs (Note 2)	**28 017**	43 459
Profit before taxation (Note 3)	**347 037**	3 820
Taxation	**110 880**	12 017
Profit (loss) for the year	**236 157**	(8 197)
Earnings (loss) per share (basic)(cents) (Note 4)	**249**	(9)
Earnings (loss) per share (diluted)(cents) (Note 4)	**249**	(9)
Proposed dividend per share (cents)	**25**	–

Condensed cash flow statement

R'000	For year ended 31 December 2006	Restated 31 December 2005
Cash operating profit before working capital changes	**436 268**	94 103
Cash invested in working capital	**(143 931)**	(23 146)
Cash generated from operations	**292 337**	70 957
Net finance costs paid	**(28 017)**	(43 459)
Taxation (paid) refunded	**(36 269)**	501
Net cash generated from operating activities	**228 051**	27 999
Net cash flow applied to investing activities	**(100 904)**	(41 085)
Net cash flow from financing activities	**85 354**	33 422
Net cash inflow	**212 501**	20 336

Statement of changes in equity

for the year ended 31 December 2006

R'000	Stated capital	Non-distributable reserves	Retained earnings (accumulated loss)	Total
Balance at 31 December 2004	224 414	33 147	443 901	701 462
Share options exercised	1 532	–	–	1 532
Effect of change in tax rate on surplus on revaluation of properties	–	265	–	265
Realisation of revaluation reserve on depreciation of buildings	–	(688)	688	–
Exchange differences on translation of foreign operations	–	2 666	–	2 666
Exchange difference on foreign reserves	–	1 531	–	1 531
Net loss for the year	–	–	(8 197)	(8 197)
Balance at 31 December 2005	225 946	36 921	436 392	699 259
Share options exercised	239	–	–	239
Realisation of revaluation reserve on depreciation of buildings	–	(688)	688	–
Exchange differences on translation of foreign operations	–	18 577	–	18 577
Exchange difference on foreign reserves	–	680	–	680
Net profit for the year	–	–	236 157	236 157
Balance at 31 December 2006	226 185	55 490	673 237	954 912

Abbreviated notes to audited results

1. ACCOUNTING POLICIES

The financial statements from which these results have been summarised have been prepared in accordance with International Financial Reporting Standards (IFRS) and are consistent with those applied to the previous year, except for the adoption of all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to the group's operations and effective for annual reporting periods beginning on 1 January 2006. The financial statements have been prepared on the historical cost basis except for the revaluation of certain properties and financial instruments, and adjustments, where applicable, in respect of hyperinflation accounting. This abridged report complies with Interim Financial Reporting (IAS 34).

R'000	For year ended 31 December 2006	Restated 31 December 2005
2. NET FINANCE COSTS		
Net interest paid	**21 127**	22 404
Net currency exchange losses	**6 890**	21 055
Net finance costs	**28 017**	43 459
3. PROFIT BEFORE TAXATION		
Profit before taxation is arrived at after taking into account:		
Income		
Import duty rebates	**30 940**	42 116
Royalties	**30 419**	1 133
Expenditure		
Auditors' remuneration – audit and other services	**4 377**	10 811
Amortisation of intangibles	**249**	551
Depreciation of property, plant and equipment	**39 910**	31 015
Increase in warranty provision	**4 831**	16 212
Loss (surplus) on disposal of property, plant and equipment	**3 450**	(2 372)
Operating lease charges		
– equipment and motor vehicles	**20 047**	16 320
– properties	**18 007**	15 946
Research and development expenses (excluding staff costs)	**17 123**	10 072
Staff costs	**515 417**	408 987

4. EARNINGS (LOSS) PER SHARE

The calculation of earnings (loss) per share is based on profit (loss) after taxation and the weighted average number of ordinary shares in issue during the year. The weighted average number of shares in issue for the year under review was 94 770 619 (December 2005: 94 566 938).

On a diluted basis, the fully converted weighted average number of shares is 94 836 123 (December 2005: 94 633 599).

R'000	2006	2005
Headline earnings (loss) per share is arrived at as follows:		
Profit (loss) for the year	**236 157**	(8 197)
Loss (surplus) on disposal of property, plant and equipment	**2 450**	(2 372)
Headline earnings (loss)	**238 607**	(10 569)
Headline earnings (loss) per share	**252**	(11)
5. STATED CAPITAL		
Authorised		
100 000 000 (December 2005: 100 000 000) ordinary shares of no par value	–	–
Issued		
94 816 900 (December 2005: 94 763 400) ordinary shares of no par value	**226 185**	225 946
6. CAPITAL EXPENDITURE COMMITMENTS		
Contracted	**5 531**	475
Authorised but not contracted	**95 309**	44 591
Total capital expenditure commitments	**100 840**	45 066

7. ABBREVIATED SEGMENTAL ANALYSIS

Geographical segments

The group operates in two principal geographical areas

R'000	Revenue	Operating profit	Assets	Liabilities
December 2006				
South Africa	1 720 506	295 573	1 458 397	758 821
Rest of world	1 812 671	79 481	583 855	328 519
Total	3 533 177	375 054	2 042 252	1 087 340
December 2005				
South Africa	1 372 508	55 271	1 193 701	712 307
Rest of world	1 836 725	(7 992)	447 906	230 041
Total	3 209 233	47 279	1 641 607	942 348

R'000	at 31 December 2006	Restated at 31 December 2005
8. CONTINGENT LIABILITIES		
8.1 The repurchase of units sold to customers and financial institutions has been guaranteed by the group for an amount of	**41 305**	134 900
In the event of repurchase, it is estimated that these units would presently realise	**49 262**	151 078
	(7 957)	(16 178)
Less: provision for residual value risk	**(1 991)**	(4 477)
Net contingent liability	**–**	–
The provision for residual value risk is based on the assessment of the probability of return of the units.		
8.2 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 a certain category of this financing provided and in the event of default by customers, the group is at risk for the full balance due to Wesbank by the customers. At year-end the amount due by customers to Wesbank in respect of these transactions totalled	**61 275**	90 758
In the event of default, the units financed would be recovered and it is estimated that they would presently realise	**(60 482)**	(76 957)
	793	13 801
Less: provision for non-recovery	**(14 700)**	(9 795)
Net contingent liability	**–**	4 006
To the extent that customers are both in arrears with Wesbank and there is a shortfall between the estimated realisation values of units and the balance due by the customers to Wesbank, a provision for the full shortfall is made.		
8.3 The residual values of certain equipment sold to financial institutions has been guaranteed by the group. In the event of a residual value shortfall, the group would be exposed to an amount of	**13 943**	8 496
Less: provision for residual value risk	**(3 002)**	(3 650)
Net contingent liability	**10 941**	4 846
The provision for residual value risk is based on the assessment of the probability of return of the units.		
8.4 Certain trade receivables have been discounted with financial institutions for an amount of	**6 266**	5 943
These transactions are with recourse to the group. In the event of default, certain units could be recovered and it is estimated that these units would presently realise	**6 266**	5 943

Abbreviated notes to audited results continued

	2006 Weighted average	2006 Year end	2005 Weighted average	2005 Year end
9. EXCHANGE RATES				
The following major rates of exchange were used:				
Euro: United States $	**1,26**	**1,32**	1,24	1,18
SA Rand: United States $	**6,80**	**6,98**	6,36	6,33
British £: United States $	**1,85**	**1,97**	1,81	1,72

10. ANNUAL FINANCIAL STATEMENTS

The annual financial statements of the group have been audited by the company's auditors, Deloitte & Touche. Their unqualified report is available for inspection at the registered office of the company.

Commentary

I am pleased to report that for the year under review the group has recorded the highest pre and post-tax profit in its 54-year history, having earned for shareholders a net profit after tax of R236,2 million for the year. Almost without exception all subsidiaries and divisions worldwide were profitable and our offshore operations produced record after tax profits of R78,9 million. Whilst revenue increased by only 10,09% to R3,533 billion our gross profit was up by R286,3 million, an increase of 56,41% due to lower manufacturing costs, a weaker Rand/Euro exchange rate and most importantly by improved price realisation as a result of the re-negotiation of our previously unprofitable North American supply contract. Profitability was also increased by the local manufacture of the side shift Tractor Loader Backhoe and the expanded Front End Loader product line, in South Africa, through collaboration with our partner John Deere.

The worldwide increase in commodity prices particularly in the mining industry and increased fixed investment has helped increase the demand for our range of equipment and as a result, gross profit margins. The increase in parts and kits turnover by R185,88 million (33,52%) has played a significant role in increasing our overall gross profit and is a focus area for future growth both in terms of customer service as well as revenue and gross profit. Exports were down R24,1 million but still represent 51,3% of our total revenues.

Operating profit for the year increased by R327,78 million to R375,05 million. This stemmed from increased gross profit and other operating income, which grew by 10,79% largely as a result of increased royalty income from our alliance partner and shareholder John Deere, who substantially increased their production of ADTs during the year under review.

Overheads were once again well contained with a total decrease of R31,45 million or 5,69%, which is a great tribute to our ongoing cost containment exercise driven through our Project 100 Plus Programme. Over the past few years we have faced a relatively high level of warranty claims, which was 3,46% of total sales in 2005. I am pleased to report that warranty has dropped to 2,30% of total sales in 2006 as a result of the robust solutions and increased quality in our design and manufacturing process.

Net finance costs dropped by R15,44 million as a result of lower borrowings and improved treasury management. Our effective tax rate of 31,95% remains high but this is expected to reduce with the new amendments to the Income Tax Act.

Once again our Southern African distribution operations have achieved excellent results and I would particularly like to pay tribute to our operations in Zambia, the Democratic Republic of Congo and Zimbabwe, which produced results well in excess of their budgets in challenging circumstances. With the unprecedented demand for minerals and commodities that the world is experiencing we expect business in these countries to be particularly strong in the next few years. Our Board is currently studying and debating further commitment to this region, which could result in investment of over USD 15 million during the next twelve months.

All of our European operations were profitable during the year and we were able to maintain our market share with slightly improved margins. Our business in South America, albeit relatively small, was up on previous years and for the first time in many years we were able to supply more than one hundred units to that continent.

The debt/equity ratio stands at 15%, this despite an increase in inventory both in terms of value and days. Inventory management continues to be a challenging area on which management is strongly focused. Trade cycle (working capital) days deteriorated from 113 to 128 days as a direct result of increased inventory levels of R291,0 million. Capital expenditure, excluding that on rental assets during 2006, amounted to R31,96 million but is budgeted to be over R100 million in 2007 as a result of restricted expenditure over the last two years in view of profitability and cash flow constraints. Headline earnings are at 252 cents per share as compared to the 11 cents per share loss in 2005 and the all-important net asset value per share increased by R2,69 since the beginning of the year to R10,07 per share. Bell has been able to generate positive cash flow of R212,50 million in the year under review.

With the Group's return to profitability and positive cash flow it is now possible to pay a dividend and the Board has declared a dividend of 25 cents per share in respect of the year ended 31 December 2006, and it will be paid in April of this year. Shareholders will appreciate that with the low profitability over the past two years and cash being required to finance capital expenditure the dividend needs to be conservative and is hence ten times covered. Hopefully going forward we can reduce dividend cover depending upon the Group's cash requirements at the time of dividend declaration.

The current outlook for Bell is good and should exchange rates weaken further and commodity prices remain stable, we are well placed to increase our profitability. We need to continue and accelerate our efforts with sustainable cost and working capital reductions. Our Project 100 Plus Programme will continue to reduce both overhead and component costs in 2007.

HJ Buttery
Group Chairman

20 March 2007

Dividend declaration

Notice is hereby given that a final dividend of 25 cents per share (2005: nil) was declared on 22 March 2007 payable to shareholders recorded in the register of the company at the close of business on the record date appearing below. The salient dates pertaining to the final dividend are as follows:

Last day to trade cum final dividend	Friday, 13 April 2007
First day to trade ex final dividend	Monday, 16 April 2007
Record date	Friday, 20 April 2007
Payment date	Monday, 23 April 2007

No share certificates may be dematerialised or rematerialised between Monday, 16 April and Friday, 20 April, 2007 both days inclusive.

Dividend cheques will be posted and electronic payments made, where applicable, to certificated shareholders on the payment date. Dematerialised shareholders will have their account with Central Securities Depository Participant or broker credited on the payment date.

By order of the Board

DP Mahony
Company Secretary

22 March 2007

Directors: HJ Buttery (Group Chairman), GW Bell (Group Chief Executive), DL Smythe, KJ van Haght, GP Harris, BW Schaffter*#, JW Kloet*#, DJJ Vlok*, PJC Horne*,TO Tsukudu*, MA Mun-Gavin*, DM Gage*#
Alternate Directors: PA Bell, PC Bell, MA Campbell (*Non Executive Directors) (#USA)

Company Secretary: DP Mahony Sponsor: Investec Corporate Finance
Registered Office: 13 – 19 Carbonode Cell, Alton, Richards Bay
Transfer Secretaries: Link Market Services South Africa (Pty) Ltd
11 Diagonal Street, Johannesburg 2001

Bell Equipment Ltd
(Incorporated in the Republic of South Africa)
(Share code: BEL ISIN: ZAE000028304)
Registration number: 1968/013656/06 ("Bell")

www.bellequipment.com