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

UNAUDITED INTERIM REPORT FOR THE PERIOD ENDED 30 JUNE 2015

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 June 2015 R'000	Unaudited 30 June 2015	Reviewed 30 June 2014	Audited 31 December 2014
ASSETS			
Non-current assets	1 045 783	992 666	1 011 357
Property, plant and equipment	706 028	679 081	672 106
Intangible assets	217 689	168 230	203 078
Investments	530	566	548
Interest-bearing long-term receivables	33 495	32 423	45 357
Deferred taxation	88 041	112 366	90 268
Current assets	3 790 123	3 737 307	3 483 147
Inventory	2 662 181	2 460 832	2 403 437
Trade and other receivables and prepayments	991 728	1 049 706	753 984
Current portion of interest-bearing long-term receivables	36 944	24 854	42 519
Other financial assets	3 207	2 835	2 071
Non-current assets held for sale	11 550	-	11 850
Taxation	18 363	12 279	10 331
Cash resources	66 150	186 801	258 955
TOTAL ASSETS	4 835 906	4 729 973	4 494 504
EQUITY AND LIABILITIES			
Capital and reserves	2 626 110	2 561 116	2 536 331
Stated capital (Note 5)	230 567	230 567	230 567
Non-distributable reserves	455 011	497 249	466 669
Retained earnings	1 932 430	1 824 690	1 831 459
Attributable to owners of Bell Equipment Limited	2 618 008	2 552 506	2 528 695
Non-controlling interest	8 102	8 610	7 636
Non-current liabilities	281 420	236 677	214 273
Interest-bearing liabilities	137 916	100 399	87 161
Repurchase obligations and deferred leasing income	-	12 772	-
Deferred warranty income	68 185	51 544	65 616
Long-term provisions and lease escalation	43 137	44 098	44 813
Deferred taxation	32 182	27 864	16 683
Current liabilities	1 928 376	1 932 180	1 743 900
Trade and other payables	1 181 151	1 319 482	1 376 773
Current portion of interest-bearing liabilities	72 242	50 678	40 304
Current portion of repurchase obligations and deferred leasing income	20 583	57 677	34 980
Current portion of deferred warranty income	61 362	60 400	59 079
Current portion of provisions and lease escalation	50 506	63 199	65 941
Other financial liabilities	3 952	3 474	4 404
Taxation	34 950	39 647	28 640
Short-term interest-bearing debt	503 630	337 623	133 779
TOTAL EQUITY AND LIABILITIES	4 835 906	4 729 973	4 494 504
Number of shares in issue ('000)	95 147	95 147	95 147
Net asset value per share (cents)	2 760	2 692	2 666

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS for the period ended 30 June 2015 R'000	Unaudited six months ended 30 June 2015	Reviewed six months ended 30 June 2014	Audited twelve months ended 31 December 2014
Revenue	2 898 009	3 438 650	6 608 545
Cost of sales	(2 199 741)	(2 648 855)	(5 067 408)

Gross profit	698 268	789 795	1 541 137
Other operating income	90 610	78 505	148 597
Expenses	(621 527)	(735 952)	(1 504 643)
Profit from operating activities (Note 2)	167 351	132 348	185 091
Net interest paid (Note 3)	(25 699)	(37 583)	(54 818)
Profit before taxation	141 652	94 765	130 273
Taxation	(40 676)	(34 447)	(63 853)
Profit for the period/year	100 976	60 318	66 420
Profit for the period/year attributable to:			
- Owners of Bell Equipment Limited	100 510	58 623	63 452
- Non-controlling interest	466	1 695	2 968
Earnings per share (basic)(cents) (Note 4)	106	62	67
Earnings per share (diluted)(cents) (Note 4)	106	61	66

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the period ended 30 June 2015

R'000	Unaudited six months ended 30 June 2015	Reviewed six months ended 30 June 2014	Audited twelve months ended 31 December 2014
Profit for the period/year	100 976	60 318	66 420
Other comprehensive (loss) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising during the period/year	(12 125)	10 726	(21 915)
Exchange differences on translating foreign operations	(11 385)	10 607	(5 715)
Exchange differences on foreign reserves	(740)	119	(711)
Reclassification to profit or loss of foreign currency translation reserve on deregistered operations	-	-	(15 489)
Other comprehensive (loss) income for the period/year, net of taxation	(12 125)	10 726	(21 915)
Total comprehensive income for the period/year	88 851	71 044	44 505
Total comprehensive income attributable to:			
- Owners of Bell Equipment Limited	88 385	69 349	41 537
- Non-controlling interest	466	1 695	2 968

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the period ended 30 June 2015

R'000	Unaudited six months ended 30 June 2015	Reviewed six months ended Restated 30 June 2014	Audited twelve months ended 31 December 2014
Cash operating profit before working capital changes (Note 6)	214 760	248 327	368 119
Cash (utilised in) generated from working capital (Note 6)	(773 563)	233 406	571 458
Cash (utilised in) generated from operations	(558 803)	481 733	939 577
Net interest paid	(25 699)	(37 583)	(54 818)
Taxation paid	(26 949)	(41 373)	(77 043)
Net cash (utilised in) generated from operating activities	(611 451)	402 777	807 716
Net cash utilised in investing activities (Note 6)	(34 013)	(78 134)	(183 600)
Net cash generated from (utilised in) financing activities	82 808	(14 518)	(37 993)
Net cash (outflow) inflow	(562 656)	310 125	586 123
Net cash (short-term interest-bearing debt) at beginning of the period/year	125 176	(460 947)	(460 947)
Net (short-term interest-bearing debt) cash at end of the period/year	(437 480)	(150 822)	125 176
Comprising:			
Cash resources	66 150	186 801	258 955
Short-term interest-bearing debt	(503 630)	(337 623)	(133 779)
Net (short-term interest-bearing debt) cash at end of the period/year	(437 480)	(150 822)	125 176

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2015

Attributable to owners of Bell Equipment Limited

Non- Non- Total

R'000	Stated capital	distributable reserves	Retained earnings	Total	controlling interest	capital and reserves
Balance at 31 December 2013 - audited	230 534	485 145	1 766 067	2 481 746	6 915	2 488 661
Share options exercised	33	-	-	33	-	33
Recognition of share-based payments	-	1 378	-	1 378	-	1 378
Total comprehensive income for the period	-	10 726	58 623	69 349	1 695	71 044
Balance at 30 June 2014 - reviewed	230 567	497 249	1 824 690	2 552 506	8 610	2 561 116
Recognition of share-based payments	-	1 754	-	1 754	-	1 754
Total comprehensive (loss) income for the period	-	(32 641)	4 829	(27 812)	1 273	(26 539)
Transactions with non-controlling interest	-	-	2 247	2 247	(2 247)	-
Increase in statutory reserves of foreign subsidiaries	-	307	(307)	-	-	-
Balance at 31 December 2014 - audited	230 567	466 669	1 831 459	2 528 695	7 636	2 536 331
Recognition of share-based payments	-	928	-	928	-	928
Total comprehensive (loss) income for the period	-	(12 125)	100 510	88 385	466	88 851
Decrease in statutory reserves of foreign subsidiaries	-	(461)	461	-	-	-
Balance at 30 June 2015 - unaudited	230 567	455 011	1 932 430	2 618 008	8 102	2 626 110

ABBREVIATED NOTES TO UNAUDITED INTERIM REPORT
for the period ended 30 June 2015

R'000	Unaudited six months ended 30 June 2015	Reviewed six months ended 30 June 2014	Audited twelve months ended 31 December 2014

1 BASIS OF PREPARATION

The accounting policies applied in the preparation of this interim report are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements, except for the adoption of new and amended standards and the change in functional currency as described below.

In the current period the group has adopted all of the new and amended standards relevant to its operations and effective for annual reporting periods beginning 1 January 2015. The adoption of these new and amended standards has not had any significant impact on the amounts reported in the interim report or the disclosures herein.

In the current period the functional currency of the group's operation in Mozambique changed from Meticais to United States Dollar (US Dollar). The operation's primary economic environment is significantly influenced by the US Dollar. A significant portion of sales and the cost of goods and services has been indexed against the US Dollar.

The condensed consolidated interim report is 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 the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and IAS 34 - Interim Financial Reporting. The preparation of this interim report was supervised by the Group Finance Director, KJ van Haght CA(SA).

2 PROFIT FROM OPERATING ACTIVITIES

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

R'000	Unaudited six months ended 30 June 2015	Reviewed six months ended 30 June 2014	Audited twelve months ended 31 December 2014
Income			
Currency exchange gains	117 158	94 089	195 831
Decrease in warranty provision	17 964	-	-
Deferred warranty income	25 350	18 899	41 500
Import duty rebates	30 190	23 741	42 706
Reclassification to profit or loss of foreign currency translation reserve on deregistered operations	-	-	15 489
Royalties	2 139	2 216	4 647
Net surplus on disposal of property, plant and equipment and intangible assets	5 766	692	1 485
Expenditure			
Amortisation of intangible assets	8 833	12 755	25 280

Auditors' remuneration - audit and other services	5 324	5 697	10 214
Currency exchange losses	92 173	96 042	186 976
Depreciation of property, plant and equipment	69 770	53 187	114 881
Increase in provision for doubtful debts	15 488	33 326	69 887
Increase in warranty provision	-	5 739	6 814
Operating lease charges			
- equipment and motor vehicles	19 669	19 754	42 205
- land and buildings	44 241	43 047	86 236
Research expenses (excluding staff costs)	13 428	13 607	35 072
Severance pay	22 573	-	21 378
Staff costs (including directors' remuneration)	628 840	626 496	1 234 012

3 NET INTEREST PAID

Interest paid	30 909	41 250	67 722
Interest received	(5 210)	(3 667)	(12 904)
Net interest paid	25 699	37 583	54 818

4 EARNINGS PER SHARE

Basic earnings per share is arrived at as follows:			
Profit for the period attributable to owners of Bell Equipment Limited (R'000)	100 510	58 623	63 452
Weighted average number of ordinary shares in issue during the period ('000)	95 147	95 145	95 146
Earnings per share (basic) (cents)	106	62	67
Diluted earnings per share is arrived at as follows:			
Profit for the period attributable to owners of Bell Equipment Limited (R'000)	100 510	58 623	63 452
Fully converted weighted average number of shares ('000)	95 147	96 400	95 640
Earnings per share (diluted) (cents)	106	61	66
Headline earnings per share is arrived at as follows:			
Profit for the period attributable to owners of Bell Equipment Limited (R'000)	100 510	58 623	63 452
Net surplus on disposal of property, plant and equipment and intangible assets (R'000)	(5 766)	(692)	(1 485)
Taxation effect of net surplus on disposal of property, plant and equipment and intangible assets (R'000)	1 614	194	416
Reclassification to profit or loss of foreign currency translation reserve on deregistered operations (R'000)	-	-	(15 489)
Headline earnings (R'000)	96 358	58 125	46 894
Weighted average number of ordinary shares in issue during the period ('000)	95 147	95 145	95 146
Headline earnings per share (basic) (cents)	101	61	49
Diluted headline earnings per share is arrived at as follows:			
Headline earnings calculated above (R'000)	96 358	58 125	46 894
Fully converted weighted average number of shares ('000)	95 147	96 400	95 640
Headline earnings per share (diluted) (cents)	101	60	49

5 STATED CAPITAL

Authorised			
100 000 000 (June 2014: 100 000 000) ordinary shares of no par value			
Issued			
95 146 885 (June 2014: 95 146 885) ordinary shares of no par value	230 567	230 567	230 567

6 RECLASSIFICATION IN STATEMENT OF CASH FLOWS

Cash generated from working capital in the June 2014 comparative included an amount of R33,3 million relating to the movement in the provision for doubtful debts. This non-cash movement has been reclassified from cash generated from working capital to cash operating profit before working capital changes.

Net cash utilised in investing activities in the June 2014 comparative included an amount of R37,8 million relating to rental asset additions. These additions are working capital in nature and accordingly has been reclassified from investing activities to cash generated from working capital.

7 CAPITAL EXPENDITURE COMMITMENTS

Contracted	3 232	10 744	21 460
Authorised, but not contracted	36 419	59 240	59 418
Total capital expenditure commitments	39 651	69 984	80 878

8 ABBREVIATED 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 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	Assets R'000	Liabilities R'000
June 2015				
South African sales operation	1 247 877	44 591	1 181 268	854 281
South African manufacturing and logistics operation	1 889 229	43 507	2 448 233	1 048 779
European operation	919 819	40 800	1 016 512	669 574
Rest of Africa and other international operations	466 160	35 706	790 491	622 912
North American operation	244 989	5 257	155 273	103 007
All other operations	-	(6 319)	1 074 794	135 393
Inter-segmental eliminations *	(1 870 065)	3 809	(1 830 665)	(1 224 150)
Total - unaudited	2 898 009	167 351	4 835 906	2 209 796
June 2014				
South African sales operation	1 523 559	72 303	982 354	739 385
South African manufacturing and logistics operation	1 848 575	226	2 813 871	1 437 853
European operation	1 034 577	65 494	1 157 060	890 323
Rest of Africa and other international operations	697 340	(38 925)	1 108 422	975 469
North American operation	217 796	433	93 869	55 837
All other operations	-	2 926	1 133 382	115 549
Inter-segmental eliminations *	(1 883 197)	29 891	(2 558 985)	(2 045 559)
Total - reviewed	3 438 650	132 348	4 729 973	2 168 857
December 2014				
South African sales operation	2 866 868	110 591	1 048 204	763 578
South African manufacturing and logistics operation	3 757 830	(2 709)	2 684 551	1 307 601
European operation	1 917 207	42 892	907 854	683 686
Rest of Africa and other international operations	1 540 758	6 537	951 258	825 981
North American operation	374 200	(15 855)	60 719	16 934
All other operations	-	(36 913)	1 113 956	137 515
Inter-segmental eliminations *	(3 848 318)	80 548	(2 272 038)	(1 777 122)
Total - audited	6 608 545	185 091	4 494 504	1 958 173

* 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 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.

	Unaudited six months ended 30 June 2015	Reviewed six months ended 30 June 2014	Audited twelve months ended 31 December 2014
9 CONTINGENT LIABILITIES			

9.1 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 period end the group's credit risk exposure to WesBank under Bell-backed deals for which the group carries all the credit risk totalled	169 823	172 344	204 829
At period 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	2 590	6 101	995
In the event of default, the equipment financed would be recovered and it is estimated that they would presently realise the following towards the above liabilities	206 317	189 605	243 954
	(33 904)	(11 160)	(38 130)
Less: Provision for non-recovery	-	(315)	-
Net contingent liability	-	-	-

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 period end the group's credit risk exposure to these financial institutions totalled	20 165	23 660	21 645
In the event of default, the equipment financed would be recovered and it is estimated that they would presently realise the following towards the above liability	31 029	18 551	25 902
	(10 864)	5 109	(4 257)
Less: Provision for non-recovery	(1 188)	(400)	(1 782)
Net contingent liability	-	4 709	-

Where customers are in arrears with these financial institutions and there is a shortfall between the estimated realisation values of the equipment and the balances due by the customers to these financial institutions, an assessment of any additional security is done and a provision for any residual credit risk is made on a deal-by-deal basis.

9.2 The repurchase of equipment sold to customers and financial institutions has been guaranteed by the group for an amount of	853	25 854	4 420
In the event of repurchase, it is estimated that the equipment would presently realise	3 192	33 089	19 037
Net contingent liability	-	-	-

This relates to sales transactions with buy-back obligations where the probability of return of the equipment by the customer at the end of the buy-back period has been assessed as remote and revenue has been recognised upfront. A provision for residual value risk is recognised subsequent to initial recognition of the sale on a deal-by-deal basis, to the extent that the assessed market value of the equipment is less than the cost of meeting the buy-back obligation.

9.3 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	8 611	24 741	8 457
Less: Provision for residual value risk	(525)	(1 524)	(670)
Net contingent liability	8 086	23 217	7 787

In certain other transactions the group has paid cash collateral as security for the residual value risk. This cash collateral is recognised as retention deposits under interest-bearing long-term receivables. In the event of a residual value shortfall on this equipment, the group would be exposed to a maximum amount equal to the cash collateral of	2 903	4 357	2 867
Less: Impairment of retention deposits	(2 008)	(436)	-
Net retention deposits and net contingent liability	895	3 921	2 867

This relates 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.
The provision for residual value risk and the impairment of retention deposits are based on an assessment of the market value of the equipment.

10 RELATED PARTY TRANSACTIONS

Information regarding transactions with significant related parties is presented below.
Transactions are carried out on an arms length basis.

Shareholders

John Deere Construction and Forestry Company

- sales	56 987	87 854	185 029
- purchases	377 131	371 452	611 230
- amounts owing to	128 351	134 713	153 836
- amounts owing by	25 375	70 561	34 944

11 FINANCIAL INSTRUMENTS

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

- Loans and receivables at amortised cost comprising interest-bearing long-term receivables, trade and other receivables and cash resources.
  The directors consider that the carrying amount of loans and receivables at amortised cost approximates their fair value.
- Financial liabilities at amortised cost comprising interest-bearing liabilities, trade and other payables and short-term interest-bearing debt.
  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 and fair value is determined based on a Level 2 fair value measurement. Level 2 fair value measurements are those derived from inputs other than quoted prices and is based on observable forward exchange rates at period end.
- Available for sale financial asset comprising an unlisted equity investment at cost for which a reliable fair value could not be determined.

12 POST FINANCIAL POSITION EVENTS

No fact or circumstance material to the appreciation of this interim report has occurred between 30 June 2015 and the date of this report.

COMMENTARY

MARKET OVERVIEW

Bell Equipment Limited has seen a modest improvement in the mid year results relative to 2014 despite difficulties in a number of our major markets and industries. Favourable exchange rates as well as efficiency improvements and a strategy to focus on our Northern Hemisphere construction equipment markets have made a positive impact.

Restructuring actions taken in the early part of the year have better aligned our expenses to the current lower level of activities encountered in our domestic market and other regions where we have traditionally been more reliant on mining related business.

There is no expectation that there will be an improvement in commodity demand in the short term and factory production rates have been adjusted accordingly.

FINANCIAL RESULTS

The profit after tax of R101 million and earnings per share of 106 cents for the first half, an increase of 67% and 71% respectively on the first half of 2014, is an acceptable improvement under tougher market conditions. Revenue for the period was R2,9 billion, down 16% from R3,4 billion in the same period last year. The right-sizing and restructuring initiatives undertaken, improved efficiency at the factory and foreign currency gains earned during the period were the main reasons for the improvement.

Due to markets being even more depressed than was expected at the start of the year, inventory levels have increased by R259 million since the December 2014 year end. This, together with a record sales month in June 2015 that resulted in high receivables at half year end, contributed to an increase in net short-term interest-bearing debt of R563 million from the end of 2014. Receivables normalised in July and plans are in place to bring inventory levels back in line with long term targets by year end.

OPERATIONS REVIEW

The decision to combine the control and management of all of our Southern African Sales operations under a single structure has delivered the necessary efficiencies expected and together with a full line product offering is well positioned to participate as and when the anticipated infrastructure activity accelerates.

A substantial investment has been made in upgrading a number of our key Customer Service Centers in the region and the contribution from our aftermarket business continues to show steady gains.

Power supply interruptions across our South African operations and our more than one thousand domestic suppliers of component parts and services, has been disruptive and has contributed to the increasing costs of doing business in this country.

Engineering and research and development activity continues at Richards Bay and the final models of our new E-Series range of Articulated Dump Trucks will be introduced shortly. The emphasis in design has been to deliver machines offering a lower lifecycle cost and performance improvements.

Tough trading conditions are expected to endure and further initiatives are underway to ensure that our cost structures are appropriate and will allow BELL to respond rapidly to any changes in demand.

John Barton	Gary Bell
Chairman	Chief Executive Officer

6 August 2015

Directors
Non-executive
JR Barton* (Chairman), AJ Bell, B Harie*, TO Tsukudu*, DJJ Vlok*
*Independent
Resignation: MA Mun-Gavin resigned as director on 4 May 2015
Executive
GW Bell (Chief Executive Officer), KJ van Haght (Group Finance Director), L Goosen

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Rand Merchant Bank
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Release date: 11 August 2015

www.bellequipment.com