STRONG RELIABLE MACHINES

BELL EQUIPMENT LIMITED | ANNUAL REPORT 2006

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TOMORROW'S
TECHNOLOGY
BUILT WITH
TODAY'S
PASSION

CONTENTS

NATURE OF THE BUSINESS

The group manufactures and distributes a wide range of materials handling equipment such as Articulated Dump Trucks, Front End Loaders, Tractor Loader Backhoes, timber and sugar cane harvesting and loading machines, Haulage Tractors, Graders and Excavators. There are factories and assembly plants in Richards Bay, South Africa, Eisenach in Germany and with Deere in Davenport in the USA.

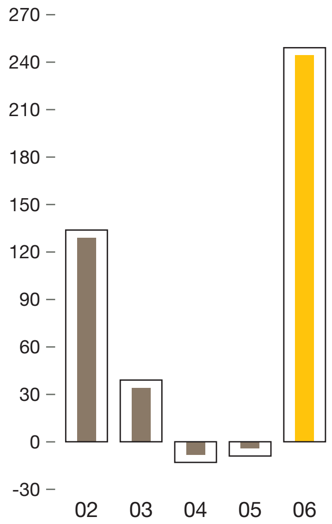
Through an extensive network of Customer Service Centres and distributors in many parts of the world, the group is able to meet the requirements of customers in the mining, construction, forestry and agriculture industries where it is regarded as a leading force in these markets.

STRATEGIC OBJECTIVES

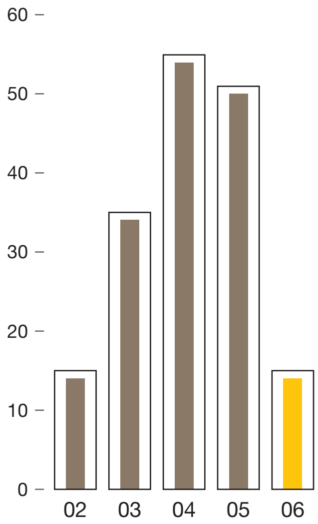
Strategic objectives, backed up by detailed action plans that are implemented effectively, are a feature of our business. In broad terms our focus areas in 2006 and 2007 are:

- **Our customers** – form the backbone of our business and will receive quality in all our dealings.
- **Our people** – We value the contribution of all our people and will develop them to their fullest potential and reward them appropriately.
- **Quality** – We aim to produce and deliver quality products and services that are at the forefront of the market, and to extend our ethic of continuous improvement in all our operations.
- **Cost management** – We aim to operate in the most cost effective manner so as to deliver the best possible yield to our stakeholders.
- **Working capital management** – We will manage our operations effectively in order to be a sustainable business.

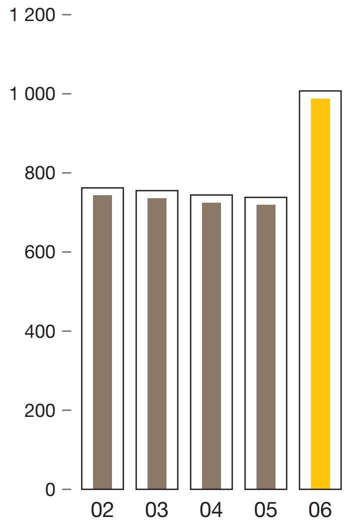
Earnings (loss) per share (cents)



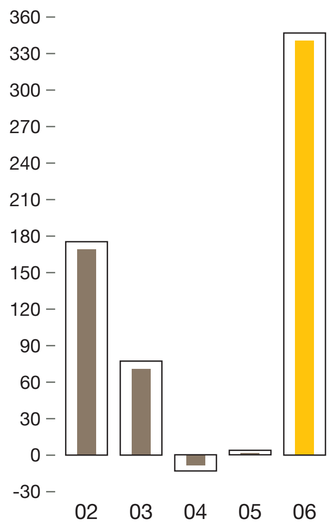
Gearing (%)



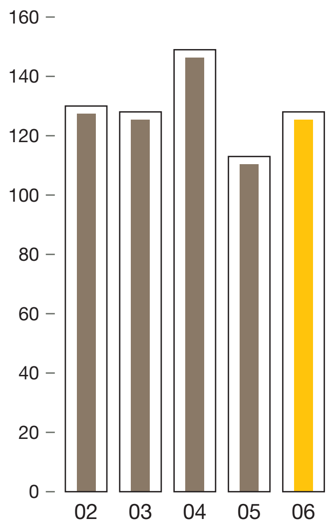
Net asset value (cents)



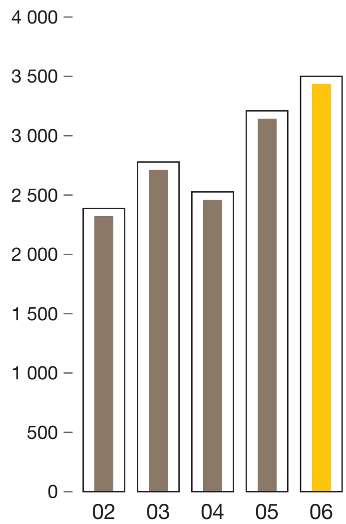
Profit (loss) before taxation (Rm)



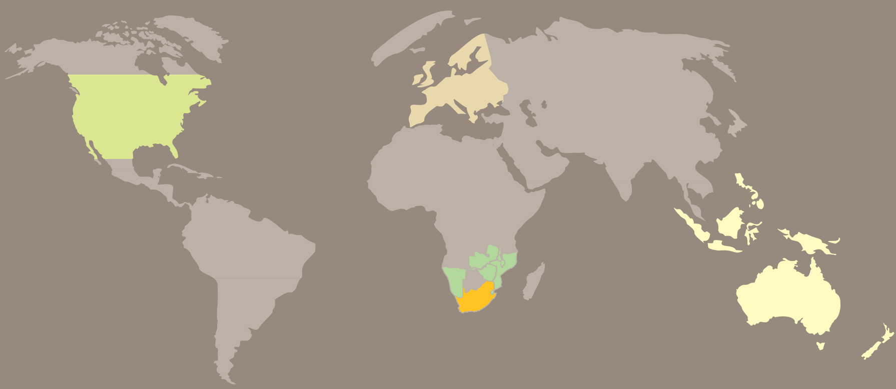
Trade cycle (days)



Revenue (Rm)



GLOBAL DISTRIBUTION



EUROPE

- Bellinter Holdings SA
- Bell Equipment Switzerland SA
- Bell France SARL
- Bell Equipment UK Limited
- Bell Equipment (Deutschland) GmbH
- Bell Equipment Spain SA

SOUTH AFRICA

- Bell Equipment Limited
- Bell Equipment Company SA (Pty) Limited
- Bell Equipment Group Insurance Brokers (Pty) Limited

USA

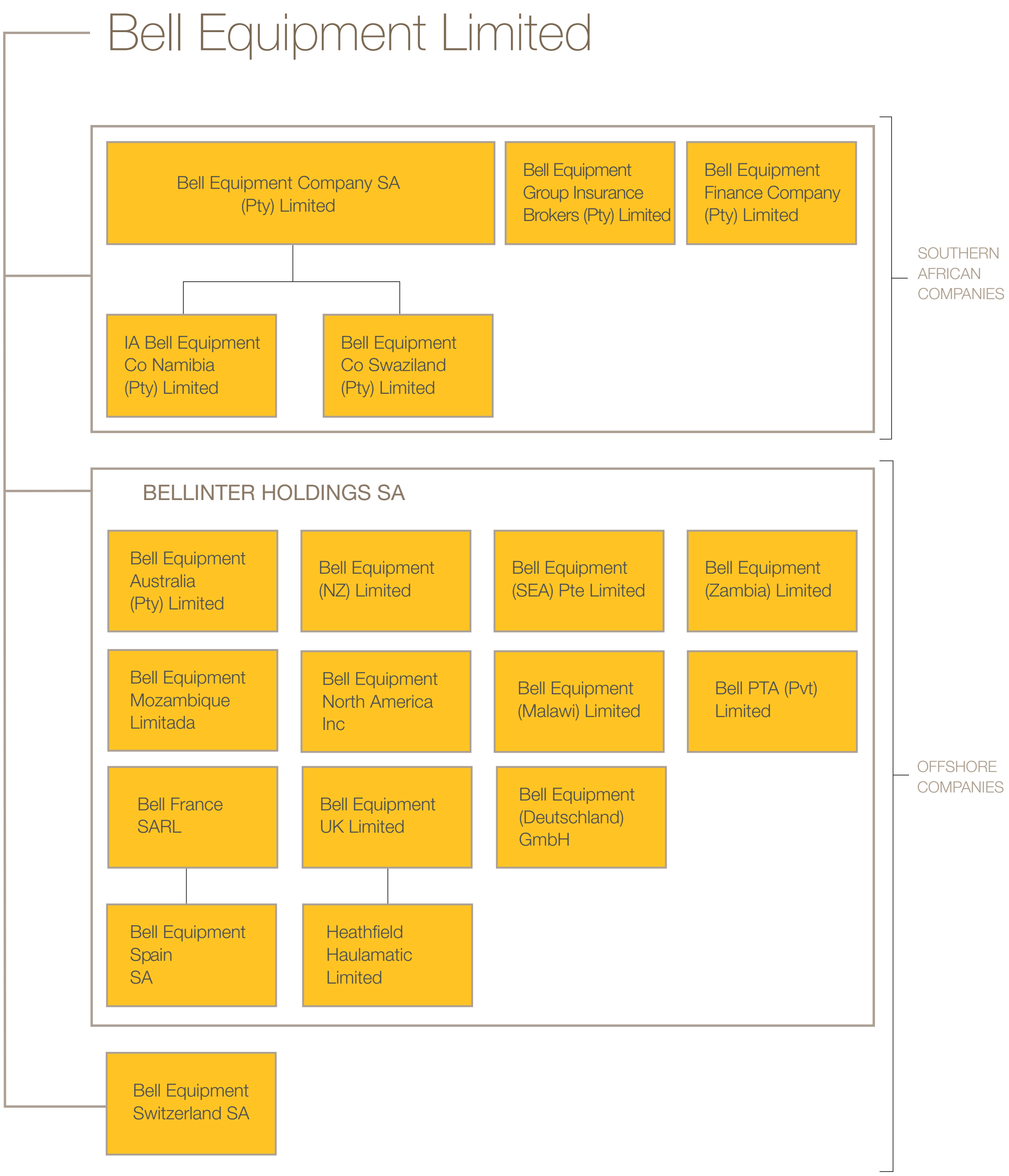
- Bell Equipment North America Inc.

REST OF AFRICA

- Bell Equipment Co Swaziland (Pty) Limited
- IA Bell Equipment Co Namibia (Pty) Limited
- Bell Equipment (Zambia) Limited
- Bell Equipment Mozambique Limitada
- Bell PTA (Pvt) Limited
- Bell Equipment (Malawi) Limited

AUSTRALASIA

- Bell Equipment Australia (Pty) Limited
- Bell Equipment (NZ) Limited
- Bell Equipment (SEA) Pte Limited


Bell Equipment Limited
Bell Equipment Company SA (Pty) Limited
Bell Equipment Group Insurance Brokers (Pty) Limited
Bell Equipment Finance Company (Pty) Limited
IA Bell Equipment Co Namibia (Pty) Limited
Bell Equipment Co Swaziland (Pty) Limited
SOUTHERN AFRICAN COMPANIES
BELLINTER HOLDINGS SA
Bell Equipment Australia (Pty) Limited
Bell Equipment (NZ) Limited
Bell Equipment (SEA) Pte Limited
Bell Equipment (Zambia) Limited
Bell Equipment Mozambique Limitada
Bell Equipment North America Inc
Bell Equipment (Malawi) Limited
Bell PTA (Pvt) Limited
Bell France SARL
Bell Equipment UK Limited
Bell Equipment (Deutschland) GmbH
Bell Equipment Spain SA
Heathfield Haulamatic Limited
OFFSHORE COMPANIES
Bell Equipment Switzerland SA

FIVE-YEAR REVIEW

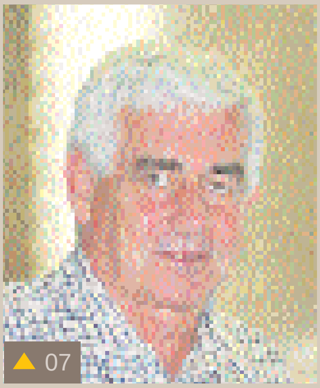
for the year ended 31 December 2006

R000	2006	Restated 2005	Restated 2004	Restated 2003	Restated 2002
INCOME STATEMENT					
Revenue	**3 533 177**	3 209 233	2 526 488	2 778 279	2 386 356
Cost of sales	**(2 739 263)**	(2 701 658)	(2 053 943)	(2 173 237)	(1 768 707)
Gross profit	**793 914**	507 575	472 545	605 042	617 649
Net operating costs	**(418 860)**	(460 296)	(447 194)	(452 333)	(386 423)
Operating profit before finance costs	**375 054**	47 279	25 351	152 709	231 226
Net finance costs	**(28 017)**	(43 459)	(31 833)	(76 001)	(56 144)
Profit (loss) before taxation	**347 037**	3 820	(6 482)	76 708	175 082
Taxation	**(110 880)**	(12 017)	(6 169)	(40 054)	(49 481)
Profit (loss) after taxation	**236 157**	(8 197)	(12 651)	36 654	125 601
Shares in issue (000)	**94 817**	94 763	94 246	94 224	94 210
Shares in issue (000) (wt avg)	**94 771**	94 567	94 237	94 219	93 892
Earnings (loss) per share (cents)	**249**	(9)	(13)	39	133
Proposed dividend per ordinary share (cents)	**25**	–	–	–	15
Net asset value per share (cents)	**1 007**	738	744	755	762
BALANCE SHEET					
Property, plant and equipment	**318 140**	229 755	219 200	154 819	142 284
Intangible assets	**7 074**	7 639	–	–	–
Investments and long-term receivables	**20 637**	50 885	57 553	56 389	30 440
Deferred taxation	**22 464**	7 486	43	16 560	5 303
Inventory	**1 219 834**	928 838	1 056 828	855 791	843 994
Trade and other receivables	**378 983**	361 812	213 139	191 518	253 171
Prepayments and current portion of long-term receivables	**25 757**	19 860	18 145	59 891	41 964
Taxation	**1 623**	2 194	21 457	15	1 121
Cash resources	**47 740**	33 138	13 081	63 744	4 806
Total assets	**2 042 252**	1 641 607	1 599 446	1 398 727	1 323 083
Shareholders' equity	**954 912**	699 259	701 462	711 257	717 688
Long-term portion of provisions, repurchase obligations and deferred income	**156 052**	84 647	46 620	20 681	–
Current portion of provisions, repurchase obligations and deferred income	**93 060**	74 606	63 510	56 849	38 794
Interest-bearing liabilities	**4 786**	7 485	10 353	13 150	8 294
Trade and other payables	**557 330**	390 340	391 952	291 291	430 493
Taxation	**88 741**	–	–	3 490	20 796
Short-term interest-bearing debt	**187 371**	385 270	385 549	302 009	107 018
Total equity and liabilities	**2 042 252**	1 641 607	1 599 446	1 398 727	1 323 083

	2006	Restated 2005	Restated 2004	Restated 2003	Restated 2002
KEY RATIOS					
Operating ratios					
Operating margin (%)					
(Operating profit) / (Revenue)	**11**	1	1	5	10
Return on total assets (%)					
(Operating profit) / (Average total assets, excluding cash)	**21**	3	2	12	19
Financial ratios					
Gearing (%)					
(Interest-bearing liabilities) / (Total shareholders' funds)	**15**	51	55	35	15
Interest cover (times)					
(Operating profit) / (Net interest paid)	**18**	2	1	7	18
Overall performance					
Return on shareholders' funds (%)					
(Profit (loss) after tax) / (Average shareholders' funds)	**29**	(1)	(2)	5	18
Gross profit to revenue (%)	**22**	16	19	22	26
Working capital days trade cycle					
Inventory	**163**	125	188	144	174
Receivables	**39**	41	31	33	45
Payables	**(74)**	(53)	(70)	(49)	(89)
Total	**128**	113	149	128	130

ABBREVIATED CASH FLOW R000	2006	Restated 2005	Restated 2004	Restated 2003	Restated 2002
Cash operating profit before working capital changes	**436 268**	94 103	16 705	187 237	211 408
Cash invested in working capital	**(143 931)**	(23 146)	(89 712)	(95 356)	(30 917)
Cash generated from (applied to) operations	**292 337**	70 957	(73 007)	91 881	180 491
Net finance costs paid	**(28 017)**	(43 459)	(31 833)	(80 492)	(57 718)
Taxation (paid) refunded	**(36 269)**	501	(28 984)	(62 599)	(64 402)
Net cash generated from (applied to) operating activities	**228 051**	27 999	(133 824)	(51 210)	58 371
Dividends paid	**–**	–	–	(14 131)	(9 385)
Invested in property, plant, equipment, intangible assets, investments and long-term receivables	**(95 988)**	(41 670)	(46 692)	(75 612)	(16 814)
Increase (decrease) in interest-bearing liabilities, repurchase obligations and deferred leasing income	**69 760**	25 899	46 251	4 856	(40 782)
Increase in deferred income from extended warranty sales	**10 439**	6 576	–	–	–
Proceeds from share options exercised	**239**	1 532	62	44	953
Net cash inflow (outflow)	**212 501**	20 336	(134 203)	(136 053)	(7 657)

BOARD OF DIRECTORS as at 1 January 2007



01
Gary Bell
Chief Executive
Dip Mech Eng
Years' service: 36
Age: 54

02
Peter Bell
Alternate Director
Years' service: 39
Age: 57

03
Roger Bridges^+•
Director
BS Bus Admin
Years' service: 2
Age: 55

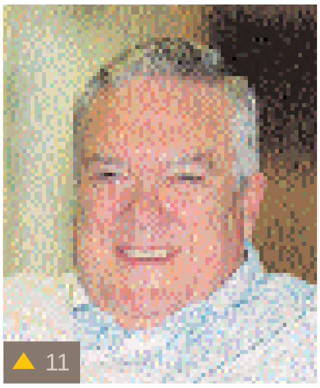
04
Howard Buttery
Group Chairman
CTA
Years' service: 36
Age: 60

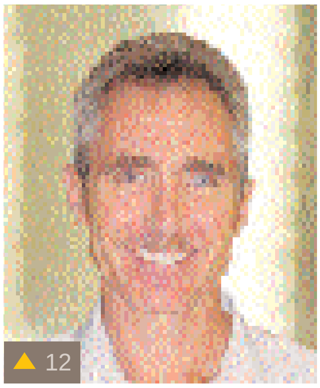
05
Michael Campbell
Alternate Director
Years' service: 30
Age: 49

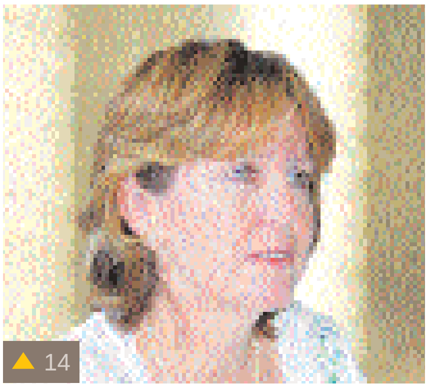
06
Douglas Gage^•
Alternate Director
BSc Mech Eng, MBA
Years' service: 3
Age: 50

07
Guy Harris
Director
BCom (Hons), CA(SA)
Years' service: 13
Age: 54

08
Jeremy Horne^*
Director
Chair of Risk Management and Audit Committee
ACMA, CA(SA)
Years' service: 10
Age: 69







09 John Kloet^*•
Director
BSc Acctg, CPA
Years' service: 5
Age: 53

10 Michael Mun-Gavin^*
Director
BCom, CA(SA)
Years' service: 1
Age: 57

11 Barry Schaffter^•
Director
BSc Eng, Mgt
Years' service: 2
Age: 56

12 Derek Smythe
Director
BCompt
Years' service: 20
Age: 49

13 Tiisetso Tsukudu^+
Director
BA, MBA
Years' service: 3
Age: 53

14 Karen van Haght
Director
BCompt (Hons),
CA(SA)
Years' service: 6
Age: 40

15 Danie Vlok^*+
Chair of Nominations and
Remuneration Committee
BCom, MBA
Years' service: 12
Age: 61

^ Non-executive
* Risk Management and Audit Committee
\+ Nominations and Remuneration Committee
• USA

Increased demand for our range of equipment

"Over the past three years the South African business community has been seriously challenged on the question of Black Economic Empowerment. We have made substantial progress and are currently identifying suitable partners."

Howard Buttery, Group Chairman

Exports currently represent 51,3% of our total revenues and our future growth will be generated in the northern hemisphere where we already have production facilities.

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 taken the necessary action to turn the results around following two years of small after tax losses. The profitability earned for shareholders in the first six months of R102,0 million was improved in the second half of the year to 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 after taking into account revenue recognition accounting policies, which reduced profits by R5,7 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 renegotiation 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 due to the termination of our North American ADT supply contracts but still represent 51,3% of our total revenues. Bearing in mind that the continent of Africa only absorbs 2% of the world's mining and construction equipment spend, the future growth in Bell revenues will come mainly from business generated in the northern hemisphere especially, given that ADTs are used primarily in developed markets.

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. Bell earns a royalty on ADTs made in the Deere plant in Davenport, USA. The other operating income from the MIDP (Motor Industry Development Programme) was substantially lower at R30,9 million for the year. As from 9 February 2007 Bell has been removed from the MIDP programme as a result of a change in legislation prompted by over four years of continued pressure on the South African Government by one of our foreign competitors. We believe that we have more than successfully contributed to every objective of the MIDP programme but have reluctantly agreed to abide by and accept the Department's ruling. Bell is exploring other opportunities in which we can work with the DTI and other Government agencies to contribute to and benefit from key Government policies around growth, sector programmes and skills development.

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. We assure our all-important customer base of the best quality and reliability of our products and of our ongoing commitment to strive to produce innovative world-class products at the cutting edge of the latest technology available in the market.

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, which I reported on in the previous Annual Report and which will assist manufacturers. It is essential that Government, through tax allowances or programmes such as the proposed WTO friendly vehicle programme, assists South African manufacturers and exporters to compete in the world markets and thereby create or retain value-adding jobs in this country. Many of our competitors who manufacture in the northern hemisphere, close to the major markets and suppliers, enjoy substantial supply-side measures from their governments at various levels. Bell needs this assistance to be able to overcome locational disadvantages and compete on an equal basis in the major European and North American markets.

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 US$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.

In reviewing our balance sheet 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. Revenue recognition accounting treatment, mainly in the UK, is obliging us to carry an additional R153,20 million as fixed assets with corresponding repurchase obligations and deferred leasing income resulting in a R150,27 million provision. 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.

Financing of customers in their purchase of our equipment continues to be a very important part of our business. Our joint venture with WesBank (a division of FirstRand Bank Limited) goes from strength to strength. During 2006 in both South Africa and Zambia we jointly wrote over R322,0 million worth of business and we are providing an important financing facility for our customers. We are currently negotiating an agreement with the Export Import Bank (Ex-Im

Bell Equipment research and development engineers put in tremendous effort to ensure that our products are innovative, strong and reliable, and are at the cutting edge of the latest technology.

Bank) based in Washington in the USA to finance the importation of US manufactured goods and components into South Africa. The initial line of credit is for US$9,95 million and will be used to support our working capital needs as well as being available to be used to provide three-year credit on certain of the Deere products that we import, distribute and support in southern Africa. Bell will manage the credit granted to customers from this line through our joint venture with WesBank. An effective Government supported Ex-Im Bank equivalent in South Africa should be a priority for Government. We continue to work with Deutsche Leasing AG (Germany) to finance sales in Europe and with a Swiss-based leasing company for sales in sub-Saharan Africa and South America. Supplier finance and our various financial cooperation agreements provide us with a valuable tool to enhance our sales, market shares and gross profit.

Corporate governance best practices continue to enjoy high priority and commitment. The Board of Directors, which consists of a majority of non-executive directors, ensures that management, who are the stewards of our shareholders' capital, pursues the best interests of all stakeholders. Of vital importance are the roles, functions and responsibilities of our non-executive directors and our management's respect for the contribution of these directors. Bell continues to apply most of the best practice recommendations contained in the second King Report and is very conscious of our commitment to excel in this area. All board sub-committees comprise only non-executive directors and are chaired by independent non-executive directors. Bell Audit Services, our internal audit function, provides valuable service and advice to our Risk Management and Audit Committee as well as our management teams. The independent non-executive chairman of the Risk Management and Audit Committee spends a considerable amount of time in the company in pursuit of his duties as well as attending all of the Bell Audit Services Committee meetings. The Risk Management focus group has been active during the year and has further refined and confirmed the top 40 risks facing the group. Strategies have been put in place to either mitigate or eliminate each risk and the group will meet regularly going forward to monitor and improve our management of these risks.

Over the past three years the South African business community has been seriously challenged on the question of Black Economic Empowerment (BEE). We at Bell have set up a task team to recommend to the board, who over two years ago approved the principle of introducing a BEE shareholding in relevant operations in our group, a way forward to roll out the implementation of a structure to satisfy this critical need in our business. Given the finalisation and gazetting of the codes we can now proceed with greater clarity and certainty. We have always supported the Government stance on this matter, especially the broad-based aspects, but have wanted to be sure that our BEE structure is in the best business interests of the company and more importantly for all of our previously disadvantaged employees to benefit. We have made substantial progress and are currently identifying suitable partners for the new company to be formed. It is envisaged that Bell Equipment Limited will own 70% of the new company with our employees and suitable BEE partners owning the balance. We will be reporting to shareholders on this subject as soon as we have finalised the structure and partners but confirm that the deal will be concluded before the end of this current year if the necessary approvals are obtained.

Our strategic alliances with John Deere Construction and Forestry Company, Hitachi Construction Machinery and Liebherr-Hydraulikbagger GmbH continue to flourish and provide invaluable benefits to our group. Bell strives to strengthen these alliances and mutually to maximise the benefits that our enterprises can obtain from the partnerships.

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.

I take this opportunity to thank the management team and my Board colleagues for their support, time given and energy spent in turning around the group during 2006. The efforts of the whole Bell team in turning the group around on a sustainable basis deserve the highest praise.

In conclusion, I would like to make special reference to the cornerstone on which our business has been built – our three most important stakeholders, ie our customers, our suppliers and our employees. Their invaluable contribution to the success of our company stems from the exceptional relationships we have built up over the years. Recent customer surveys have indicated higher than expected levels of customer satisfaction and we are working hard to implement other opportunities for improvement. We are partnering with our suppliers to help meet ever-increasing and demanding requirements. Our people, particularly, are regarded as a strategic priority and we appreciate their commitment to make our company a success and a role model. I salute them and their families who have given much to the company and brought us to where we are today.

HJ Buttery
Group Chairman
20 March 2007

COST EFFECTIVE MATERIALS HANDLING

Dramatic return to profitability

"As can be readily seen from our financial results we have emerged from several consecutive years of unimpressive performance to end the year with the highest profit after tax in the group's history."

Gary Bell, Group Chief Executive

By concentrating on quality, cost-reduction, safety and working capital management we are continuing our march to become a truly world-class organisation.

General review

2006 has been a most significant year in the history of our group. As can be readily seen from our financial results we have emerged from several consecutive years of unimpressive performance to end the year with the highest profit after tax in the group's history. There are a number of factors which contributed to this turnaround, the biggest contributions coming from the implementation of our new business model, buoyant economies in various countries in which we operate and the benefits of the Project 100 Plus cost savings which have flowed through to our bottom line.

Production

Our new business model is centred on collaborative manufacturing and distribution agreements which were concluded with our largest strategic partner, John Deere Construction and Forestry Company. In terms of these agreements Deere purchases ADT kits from Bell at factory cost plus a margin and then assemble these units at their facility in Davenport, USA. In addition Deere pays Bell a royalty on each unit sold. This arrangement has replaced the previous export of fully assembled ADTs to North America. Bell and Deere pool their research and development on these products and also combine their component purchasing requirements where there is a distinct economic advantage in doing so.

On the other side of the coin, Bell assembles a number of Deere designed products such as a full Front End Loader range and side shift Tractor Loader Backhoes in our Richards Bay factory and similar pricing and royalty arrangements apply. This effectively reduces our exposure to the vagaries of exchange rates and gives us the added advantage of being able to respond more quickly to the requirements of our customers.

Richards Bay factory production in 2006 was more or less on a par with 2005 and when reckoning in the export of kits to the USA and our other factory in Germany we were able to keep the plants at a healthy level of output.

Much focus was given to improving our quality and the improvement in our warranty expense when compared to sales.

We continue to invest heavily in research and development in line with our philosophy of continuous improvement to ensure that we are the technologically most advanced original equipment manufacturer across our product range. Our practice of writing off all research and development expenditure as incurred remains.

Supply-side assistance programmes

Much publicity was given in 2006 to the Government's review of the Motor Industry Development Programme and the possibility that Bell might not continue to be a beneficiary of this programme. We have engaged in constructive negotiations regarding our continuation in the MIDP and these are continuing.

To counter the possible reduction in MIDP benefits we are looking forward to the increased tax deduction advantages of research and development expenditure. Early indications are that we will be able to gain a considerable benefit, in all probability offsetting any reduction in what we are currently receiving under the MIDP.

Regional review

In the past, several of our offshore operations have been unprofitable but have been retained in view of their contribution to overall group results. In the year under review this has changed considerably and there have been very pleasing contributions from most of these areas. Zambia in particular has had an exceptional year as has Zimbabwe, Spain and Germany.

The Southern Africa Sales and Distribution operations continue to form the backbone of the group and have reinforced Bell Equipment's market leadership position in ADTs and has shown steady gains in market share of other products such as TLBs and Front End Loaders. Overall the contribution from Parts has shown steady growth and this annuity revenue now forms a substantial proportion of group revenue. We will continue our ongoing efforts to increase this lifetime revenue stream.

After signs of a record year in the UK, our progress in that region has slowed down but we are hopeful that this strong market will generate increased returns in the coming year.

Strategic objectives

We have maintained our focus on a limited number of key results areas which we refer to as our Vital Few. By concentrating on quality, cost reduction, safety and working capital management we are continuing our march to become a truly world-class organisation. All employees from executive level to shop floor are encouraged to achieve continuous improvements in the Vital Few and on the rewards that this will deliver in producing strong, reliable machines that are appreciated by our customers and envied by our competitors.

Management is proud of the support it enjoys from all levels of staff in all areas of operation and their alignment with our strategic objectives. Our remuneration incentive scheme uses as its cornerstones the success in achieving results in our strategic initiatives.

Prospects

We have had a record year in all facets of our operation and do not regard this as a flash in the pan. Whilst it is not possible to give exact predictions of the future we can base our business confidence in several key indicators. In this regard we see our products and their acceptance in the marketplace in various countries around the world as the fundamental factor in the sustainability of our results. We are confident that the financial benefits achieved in our Project 100 Plus cost reduction programme are an ingrained feature of our business and that the disciplines learnt from this project will be applied to good effect in the future.

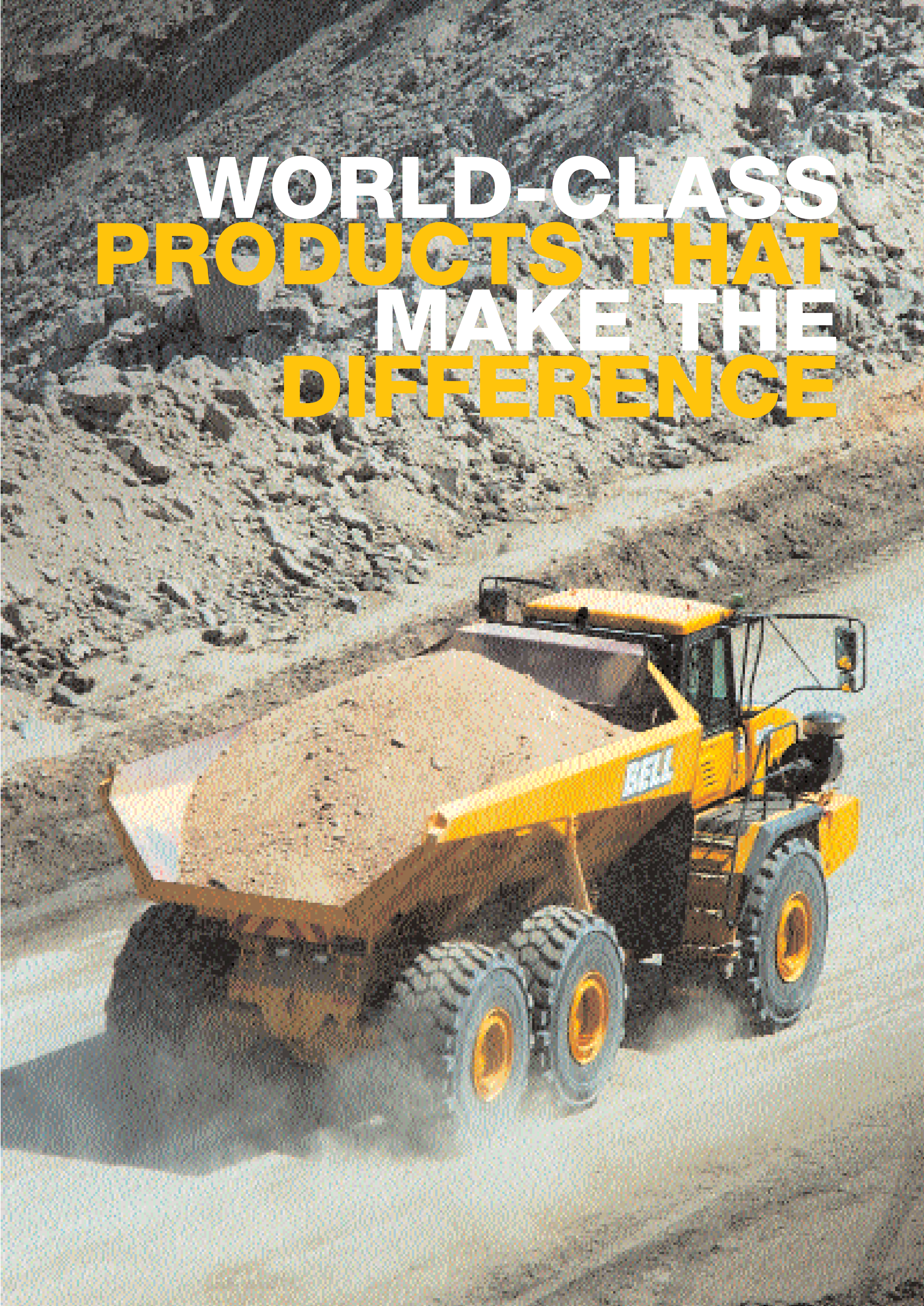
The mining industry is in good shape and there are several key infrastructure projects tied in with the Soccer World Cup that will be held in South Africa in 2010 that present business opportunities in the construction industry. Elsewhere there are several signs of a sustainable growth economy which together augur well for Bell Equipment.

Acknowledgments

Whatever success we have had in the past and the progress that we make in the future rests on the contribution of our most significant stakeholder: our people. I would like to pay tribute to our employees who have worked with us through troubled times, often willingly going the extra mile without reward. To them and their leaders, well done! We are a team to be reckoned with!

GW Bell
Chief Executive
20 March 2007

WORLD-CLASS PRODUCTS THAT MAKE THE DIFFERENCE



GROUP EXECUTIVE MANAGEMENT as at 1 January 2007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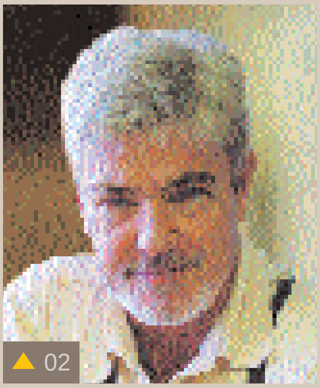
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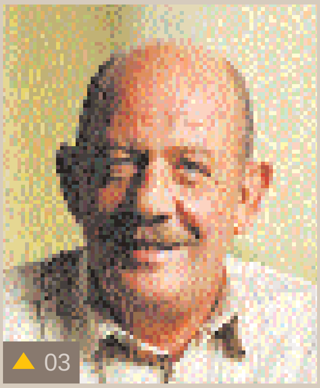
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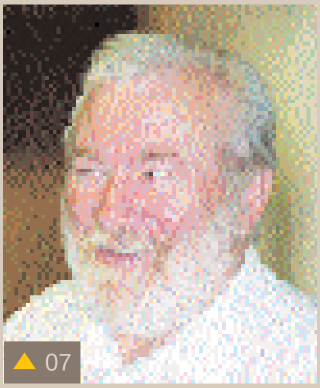
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The group management team comprising executive directors, group executive management and regional general managers meets in Richards Bay on a monthly basis to review operations and agree on priorities. This team supports the board in the achievement of strategic objectives and the implementation of risk management in the organisation.

01 Clive Barrett
Group Executive Manager – Parts
Years' service: 30
Age: 62

02 Paul Bell
Alternate Director
Years' service: 30
Age: 49

03 Bokkie Coertze
Executive Manager Africa Sales and Distribution
Years' service: 21
Age: 56

04 Rino D'Alessandro
Group Executive Manager Information Systems CPIM
Years' service: 10
Age: 43

05 Mike Dutton
Executive Manager Technical Services
Years' service: 19
Age: 41

06 Lukas Maloka
Executive Manager Human Resources
BA, MMHR
Newly appointed
Age: 45

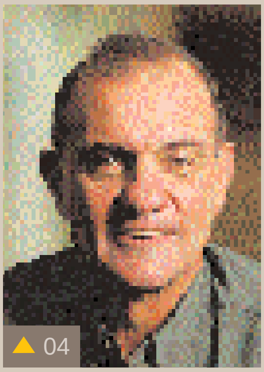
07 Pat Mahony
Group Company Secretary
FCIS, FCIBM
Years' service: 11
Age: 63

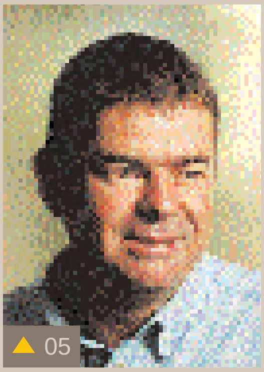
08 Simon Padgett
Group Risk Manager
FCCA, ACFE
Years' service: 1
Age: 43

09 Donald Paynter
Group Marketing Manager
Dip MM
Newly appointed
Age: 38

10 Marc Schurmann
Executive Manager Engineering and Manufacturing Operations
BEng (Mech), Pr Eng
Years' service: 11
Age: 38

DIVISIONAL GENERAL MANAGEMENT as at 1 January 2007





01 Dominic Chinnapen
General Manager
Planning and Scheduling
CPIM, BCom Logistics
Years' service: 19
Age: 38

02 John Collins
General Manager: Africa
BBS (Hons), BAcc (Hons)
Years' service: 12
Age: 43

03 Cameron Crawford
Financial Director
Bellinter Holdings SA
BCompt, MBA,
FCMA
Years' service: 16
Age: 45

04 Terry Gillham
General Manager
Sales and Marketing: Africa
Sales and Distribution
Years' service: 16
Age: 54

05 Garth Jones
General Manager
Technical: Africa Sales
and Distribution
BEng Mech, Pr Eng,
GCC, DABM
Years' service: 12
Age: 42

06 Bertie Kok
General Manager
Distribution Centre
BCompt, MBA
Years' service: 11
Age: 49

07 Aldo Mayer
General Manager
Programme Manager
NH Dip Mech Eng, BTech BM
Years' service: 10
Age: 34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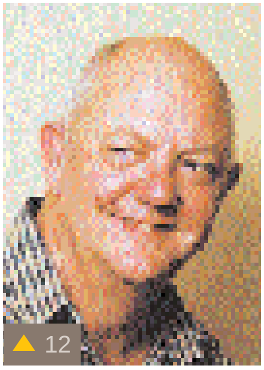
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08 Andre McDuling
General Manager
Manufacturing RSA
Dip Mech Eng
Years' service: 19
Age: 39

09 Neville Paynter
Managing Director
Bell Equipment UK
Limited
NTC 4 Aircraft Tech
Dip BM, Dip BES
Years' service: 3
Age: 42

10 Sonja Pepper
General Manager
Human Resources:
Africa Sales and
Distribution
BA (Psychology)
Years' service: 3
Age: 44

11 Peter Purchase
General Manager
Logistics
Years' service: 20
Age: 48

12 Gerard Rokebrand
General Manager
Finance:
Africa Sales and
Distribution
BCompt (Hons),
CA(SA)
Years' service: 12
Age: 53

13 Ivan Terblanche
General Manager
Engineering
BEng (Mech), Pr Eng
Years' service: 11
Age: 37

14 Albie Weakley
General Manager Parts:
Africa Sales and
Distribution
Dip PM
Newly appointed
Age: 45

Leading products

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01 Articulated Dump Trucks

Bell Equipment is a leading manufacturer of Articulated Dump Trucks which are designed and built in Richards Bay and assembled in facilities in Eisenach in Germany and Davenport, USA. The full range comprises 20, 30, 35, 40 and 50 tonne units and these have established a solid reputation in the mining and construction industries in numerous countries around the world.

Features of these trucks are the robust construction, superior power plants and transmissions where Bell research and development engineers have incorporated state-of-the-art technology and innovative ideas to produce machines that are strong and reliable. Operators report excellent fuel consumption coupled with high availability which translates into favourable operating costs per tonne.

These ADTs are branded as Hitachi units when sold in Eastern countries in terms of our strategic alliance with that company and are assembled and branded as Deere units when sold in the Americas.

When fitted with the Bell-designed *Fleetm@tic* management system, dynamic information is available to ensure optimum operating performance and maximising the benefits of the investment.

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02 Front End Loaders

In terms of a manufacturing and distribution agreement with Deere a comprehensive range of Front End Loaders is assembled at the company's main factory in Richards Bay. The complete range commences with the 1,1 cubic metre bucket, through various sizes and culminates in the powerful 4,7 cubic metre workhorse.

Used in tandem, the FELs are often seen in construction and quarrying applications loading Bell ADTs. Since commencing local production of these units, Bell FELs have made a huge impact on the local market in South Africa and have proven their worth in yielding high availability and superior fuel consumption figures.

Deere and Bell collaborate their research and development efforts and respond to feedback from customers in an effort to achieve continuous improvement.

03 Tractor Loader Backhoes

In 2005 Bell Equipment started assembling Deere-designed side shift Tractor Loader Backhoes in our Richards Bay factory for the local market and also to supply units on behalf of Deere to their customers in the East.

These units are extremely versatile and are seen in diverse applications in the construction and agriculture environments. In South Africa a TLB is often regarded as an entry level piece of equipment by emerging entrepreneurs entering the contracting and plant hire business arenas.

Owners of Bell TLBs achieve optimum operating efficiencies and this quality product is making steady progress in gaining market share and proudly joins other Bell products in the deserved reputation of being strong and reliable machines which are backed up by strong, reliable service.

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04 Tri-Wheelers

The trusted Bell name first started earning its reputation with our pioneer product, the Bell Cane Loader. Its simple, yet highly functional design revolutionised the sugar cane industry in South Africa and its success spread further afield to other countries. Most recently we have sold significant numbers of these machines into new markets such as Brazil, but there is still strong support from the South African growers.

Responding to requests from the timber industry the Tri-Wheeler products have been adapted and the highly successful Bell Telelogger is a familiar sight in forests throughout South Africa. The basic elements of the original design have been retained in various adaptations such as the Rough Terrain Forklift – yet another example of Bell Equipment's ability to give our customers what they want: machines that can do the job efficiently without costing an arm and a leg.

05 Excavators, Graders, Compaction Rollers, Dozers (ie imported units)

Bell Equipment is the appointed distributor in South Africa of a range of products that complement our own so as to offer a 'One Stop Shop' for our customers. These machines are imported as fully assembled units and we rebrand them as Bell units which we are confident in selling and supporting through our proven customer service centre distribution network. We have 28 such outlets throughout southern Africa, justifying our claim of delivering strong, reliable support.

Pictured above is a selection of these products which have earned a solid reputation in the marketplace and make a contribution to our operating results.

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06 Specials

A feature of the Bell Equipment success story is that we take pride in going the extra mile to care for our customers. We use tomorrow's technology in combination with today's passion in meeting and beating the needs and expectations of our customers.

Pictured above is a water tanker that has been developed from our basic product offering but which has been designed to meet the specialised applications of our customers.

07 Parts

With a range of products as wide as we offer, Bell Equipment needs to maintain a level of spares and components that will ensure that our customers' machines are kept running as economically as possible. From the key spares that are located in each of our Customer Service Centres to the comprehensive stocks that are supplied from our distribution centres conveniently located in Jet Park in South Africa and in Alsfeld in Germany, we are able to respond promptly to orders from our customers around the world.

Getting the basics right yields long-term results

Environment

Bell Equipment places environmental responsibility among our core values and recognises the importance of preserving the integrity of our natural heritage. We aim to comply with the environmental regulatory standards of all countries into which we sell our products.

Our concern for the environment will be subject to review of accomplishment and continuous improvement processes.

In designing and manufacturing our products we aim to ensure that:

- all industrial effluent and waste products generated by our manufacturing operations are managed so as to minimise their impact on the environment;
- our products will be designed so as to ensure that emissions have the least impact on the environment and that operating noise levels are minimised; and
- the environmental impact of our products shall be minimised by having due regard to their functionality in working in the industries into which they are sold.

As part of our drive towards sound corporate governance the group is committed to complying with environmental requirements for its Richards Bay factory, German assembly plant and distribution operations worldwide.

In addition, we launched the Tier 3 Emissions regulated engines on our ADT models in 2006. All the models meet and exceed the required European emissions standards.

We have implemented a number of efforts to reduce waste by increasing the use of recyclable materials in applications that traditionally generate considerable waste.

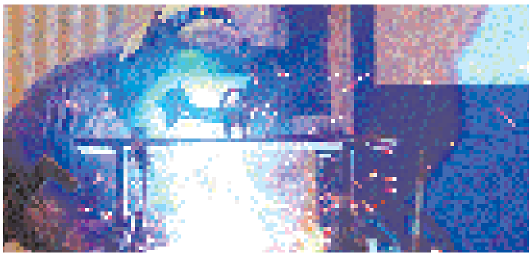
Employment equity

Bell Equipment has committed itself to and takes pride in providing fulfilling work opportunities and creating a workplace in which all employees, regardless of background, race or gender, can enjoy equal opportunities. Substantial investment is being made in the development of our people, particularly those who were previously disadvantaged.

Safety

The company has implemented an effective safety management process, based on the highly successful ‘STOP’ (Safety Training Observation Programme) model, which is aimed at making the workplace and all work processes safe. All safety breach incidents are thoroughly investigated to ensure that these are not repeated and proper training and retraining is given where appropriate. We work positively to inculcate a safety awareness ethic in all our employees and others who visit our site.

VERSATILE MACHINES THAT SERVE DIVERSE INDUSTRIES



Production lines aim to deliver continuous improvement and quality.

We have aligned our safety initiative for our Richards Bay factory with the standards as defined in ISO 9000 and also ISO 18000 which were implemented in the course of 2006. Our African Sales and Distribution operations headquarters in Jet Park has achieved the Technilaw 5-star grading and achieved some notable successes in the past year.

At the Technilaw Annual National Awards ceremony held in December 2006, Bell Equipment won six awards in the seven categories. These included the trophies for the highest points awarded for a star rating, the best administration of a Technilaw Compliance System, the best housekeeping – all of the above being adjudicated amongst Technilaw clients in South Africa and abroad.

Individual prizes for the most committed health and safety manager and the most outstanding health and safety representatives were awarded to Bell Equipment employees. Notably our Swaziland operation improved from a 3-star to a 5-star grading in the year under review and for this achievement secured the award for the most improved safety programme for 2006.

The enhanced employees' induction process and the STOP safety programme implemented in our manufacturing operations during 2006 has resulted in a significant reduction in minor injuries.

2007 will see further integration of these programmes with our manufacturing best practice implementation strategy. This implementation includes proven models that enhance communication, measurement and leadership throughout the organisation.

We look forward to continued reduction in risk throughout our operations as a result of these efforts.

Social responsibility

While our annual report focuses on the events of the past year we recognise that being a successful enterprise means that one has to plan for the future. Key to the ongoing success of any business is how it manages its responsibilities to all stakeholders and in particular its employees.

Our stable and committed workforce around the world has continued to keep the company on track and enthusiastically supported key initiatives to improve profitability and maintain project and service competitiveness. A high level of teamwork between our various divisions and work teams has contributed to the positive spirit needed to sustain the company in its objective to be a world-class organisation.

People development

Bell Equipment believes in identifying skills required to run its business successfully. It also believes in ensuring that employees are given the opportunity to develop these skills and the opportunity to use them. The company is aware of its obligation to employees coming from previously disadvantaged backgrounds and the negative impact this has had on their opportunities and career advancement.

Our employment equity and skills development initiatives are integrated in such a way that we continuously seek to reach our employment equity goals and create skills necessary to

Our focus on safety has yielded exceptional results of which management is justifiably proud.

sustain our business. We are justifiably proud of our record of training artisans and technical professionals to ensure that we sustain our ability to develop innovative products and services for the benefit of our customers. Our programmes have produced people who have proved themselves in diverse roles around the world and have been the nursery for our strong management team.

Employee wellness

Bell Equipment continues to treat employee health as a key concern. Occupations are classified into various risk categories and are managed accordingly. We remain acutely aware of the HIV/AIDS threat to our employees and have maintained a comprehensive education and treatment programme to minimise its spread among our workforce to extend the productive working life and quality of life of infected employees. Employees are encouraged to belong to the medical aid scheme to ensure coverage against any form of illnesses.

We also recognise that employees have many other socio-economic issues which may impact negatively on their work performance and private lives from time to time. Bell Equipment's employee assistance programme is in place to help those experiencing problems in areas such as coping with disability, substance abuse, family problems, financial management and trauma.

Relationships

In 2006 efforts were made to continue with building of sound relationships conducive for doing business and sustaining jobs in the company. Updated incentive schemes which reward our employees for superior operational performance and achievement of targets and which are in line with the market were also implemented.

Union membership statistics

	2006 %	2005 %
Non-union members	**48**	45
Solidarity	**20**	20
NUMSA	**25**	26
UASA	**6**	8
NICWU	**1**	1

Key:

NUMSA = The National Union of Metalworkers of South Africa

UASA = United Association of South Africa

NICWU = National Industrial Commercial Workers' Union

Black Economic Empowerment

Bell Equipment supports broad-based black economic empowerment (BBBEE) and provided input on the draft codes released in December 2005. We are disappointed that the codes do not give any recognition for local job creation or local content. We believe that the first step of true broad-based empowerment is ensuring that as many historically disadvantaged people as possible have access to jobs. It is also disappointing that a marginally more empowered importer will gain competitive advantage over a local manufacturer that is directly and indirectly creating many jobs which support many families. We have continued to make representations both directly to the DTI and via organisations such as SEIFSA, NUMSA and NEDLAC on these and other aspects.

Well engineered products that are built to last.

BBBEE has been an important part of our strategic planning process at group level especially for our South African operations. In August 2004 the board approved a BEE strategy for the group and this was expanded on by management in the strategic plans in the light of subsequent developments. Various activities are taking place so that as soon as the final codes are published we will be able to put some of them in action. In the *Financial Mail* Empowerdex BEE survey in 2006 we were ranked halfway in the 200 listed companies included in the survey.

To date there has not been much impact on our business but with more focus on the mining and construction charters as well as preferential procurement there will be increased advantage from proactively addressing this area of Government policy. We continue to receive regular approaches from BEE companies which are carefully evaluated.

In the area of management we have recently made two senior appointments, in the areas of business development and group human resources. In the area of employment equity we are behind our targets but are making progress. We continue to score well and for many years now the majority of our apprentices and learnership intakes have been focused on historically disadvantaged individuals.

We have partnered with emerging plant hire, construction and mining groups to assist them in establishing their operations and are looking at similar developments in the forestry and sugar industries, for sustainable growth opportunities.

Apart from providing BEE companies with opportunities to grow their business, Bell Equipment believes it has a responsibility to play an active role in identifying such initiatives and supports the emergence of these enterprises.

Community obligations

Bell Equipment believes that for successful business to continue in the future, it is necessary to plough back some of its earnings into the community in which it operates.

Our employees form part of this community and by helping to improve their standard of living the company is also improving the quality of life for its employees and their families.

The company focuses its efforts on the key areas of job creation, education, development, environmental preservation issues, HIV/AIDS, crime prevention and the upliftment of the poorest sector of our community.

In the past our approach has been to empower the community to encourage sustainability, well-being, and sense of self-worth, but the company will continue to support various fundraising drives and make modest donations to ease the financial concerns of deserving charities.

Bell Equipment remains an active member of the Zululand branch of Business Against Crime and we work together with other employers and the community in tackling the scourge of HIV/AIDS in the region.


SUPERIOR
PRODUCTS THAT
DELIVER
POWERFUL
PERFORMANCE

Our success stems from how we run our business

The directors and management of Bell Equipment are constantly aware of the need to apply sound principles of corporate governance to all our operations in South Africa and internationally. We are strongly committed to ensuring that our business is built on the fundamental pillars of corporate governance contained in the second report of the King Committee. We see our compliance with the recommendations made in the King II Report as an essential feature of the way we behave as a responsible corporate citizen and an integral part of our drive to become world class.

An assessment of our compliance with the recommendations made in the second King Report confirms that the group substantially complies with the majority of aspects.

Some aspects upon which we wish to make additional and specific comments are:

Internal control systems

The internal audit function of the group enjoys the full support and cooperation of the Board of Directors, management and staff. The internal audit function, which was expanded in 2006, has the requisite professional integrity and experience for this task and they have given the assurance to the Risk Management and Audit Committee that the internal control systems are adequate. The Board of Directors is kept fully informed of the proceedings of the Risk Management and Audit Committee.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and asset safeguarding. Furthermore, the effectiveness of an internal control system can change with circumstances, and for this reason this needs to be, and is, reviewed and updated on a regular basis.

Nothing has come to the attention of the directors, or of the internal or external auditors, to indicate that any material breakdown in the functioning of the group's key internal controls and systems occurred during 2006.

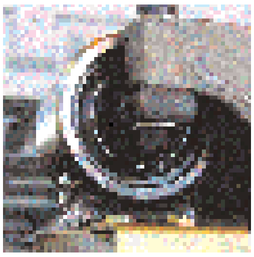
Going concern

After making due inquiries, the directors expect that the group has adequate resources to continue to operate for the foreseeable future. For this reason the financial statements have been prepared on the going-concern basis.

In reaching this view the directors took into account the following factors:

- Our current order book for new unit sales;
- The technology of our products;

Each and every employee contributes value.



- The budget for the next financial year;
- The volume of the after sales market;
- The liquidity and working capital of the company including its credit facilities;
- The banking facilities available to the group;
- Market share for its products as monitored by independent third parties;
- The positive working relationships with suppliers and employees; and
- The ongoing benefits that flow from our Project 100 Plus.

Risk management

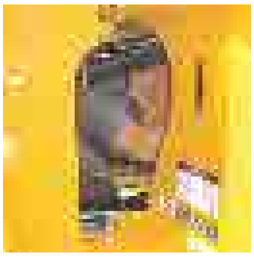
In terms of a written group risk management policy statement and accompanying framework issued by the Chief Executive and endorsed by the Board of Directors, the company is committed to managing its risks, threats and opportunities, in line with good corporate governance in the interests of all stakeholders.

An ongoing strategic, systematic, multi-tiered and enterprise-wide risk assessment process supports the group's risk management philosophy which in turn supports the group's corporate strategy. This ensures that risks and opportunities are not only adequately identified, evaluated and managed at the appropriate level, but also that their individual and joint impact on the group as a whole is taken into consideration.

Senior managers or 'risk champions' carry out a self-assessment of risk regularly. This process identifies critical business, operational, financial and compliance exposures facing the group and the adequacy and effectiveness of control factors at those levels. The assessment methodology takes into account the impact or severity and probability of occurrence and applies a rating based on the quality of control effectiveness, thereby ranking risks and setting priorities. The top risks, elevated to group level and regularly reported to the Risk Management and Audit Committee, are addressed through action plans put in place with responsibilities assigned to accountable persons.

The Group Risk Manager, in raising the profile of risk awareness, oversees the process from the perspective of strategic direction, ongoing improvement in methodology and process, and technical assistance. The internal auditors check for compliance and alignment and provide assurance thereon through their own reporting procedures.

The risk tolerance levels are set in each business unit and vary depending on the nature, scope and size of the business. The tolerance levels are based not only on financial impact, but also on the potential threat to the integrity of the business as a going concern, its reputation and the well-being of employees and other stakeholders.



Continuous improvement is the basis of how we work.

As the group develops new business and expands into new markets and territories, it is faced with increasingly complex and changing environments. By integrating the risk management process with the group's strategic direction, the risk-return trade-off is optimised. This enhances competitive advantage, growth and the employment of capital. In the case of all stakeholders, the company encourages adherence to the same risk management philosophy and policies.

Structure of the board and committees

The roles of the Chairman and Chief Executive are distinct and there are seven non-executive directors, one of whom chaired the Risk Management and Audit Committee and another the Nominations and Remuneration Committee throughout the year under review. The company has a unitary board which meets at least four times per annum.

All directors have access to the Company Secretary and are entitled to seek other independent professional advice with regard to the performance of their duties.

Newly appointed directors, should they not have the relevant prior experience and knowledge, are briefed on their fiduciary duties, their legal obligations and the company's history, operations and key initiatives.

The Board of Directors is ultimately responsible for ensuring that Bell Equipment is a viable business and to this end effectively controls the company and its subsidiaries, monitors executive management and is involved in all decisions that are material for this purpose.

Directors' attendance at meetings

During 2006 the board met on four occasions, with attendance recorded as follows:

Executive	
GW Bell	4 out of 4
HJ Buttery (Chairman)	4 out of 4
JP du Toit	1 out of 1
KJ van Haght	3 out of 3
GP Harris	4 out of 4
DL Smythe	4 out of 4
Non-executive	
RL Bridges	3 out of 4
JW Kloet	3 out of 4
BW Schaffter	2 out of 4
Independent non-executive	
PJC Horne	4 out of 4
MA Mun-Gavin	4 out of 4
TO Tsukudu	4 out of 4
DJJ Vlok	4 out of 4
Alternates	
DM Gage	4 out of 4
By invitation	
KJ van Haght	1 out of 1

At least two John Deere directors attended each meeting of the board and all board committees. Mr Schaffter who resides in the USA was unable to travel due to health concerns and sought leave of absence for two meetings.

The board is well balanced in terms of representation and skills and is committed to achieving a sustainable enterprise for all stakeholders.

Particulars of the composition of the Board of Directors and committees appear on pages 8 and 9 of this report.

Risk Management and Audit Committee

The chairman of the Risk Management and Audit Committee is an independent non-executive director. This committee operates in terms of a formally approved charter which clearly sets out the roles and responsibilities of committee members and its main task is to maintain and, where necessary, review the effectiveness of internal controls in the group in the light of the findings of the external or internal auditors. It has complied with the terms of the charter.

Other areas that are reviewed include the important accounting issues, pending changes in legislation which will give rise to changes in practice, specific disclosures in the financial statements and the publication of the interim and annual reports, as well as reviewing the company's risk management programme.

Risk Management and Audit Committee attendance at meetings

During 2006 the Risk Management and Audit Committee met on four occasions, with attendance being as follows:

Members	
PJC Horne (Chairman)	4 out of 4
JW Kloet	3 out of 4
MA Mun-Gavin	4 out of 4
DJJ Vlok	4 out of 4

By invitation	
GW Bell	4 out of 4
RL Bridges	3 out of 4
HJ Buttery	4 out of 4
DM Gage	4 out of 4
KJ van Haght	4 out of 4
SP Padgett	4 out of 4

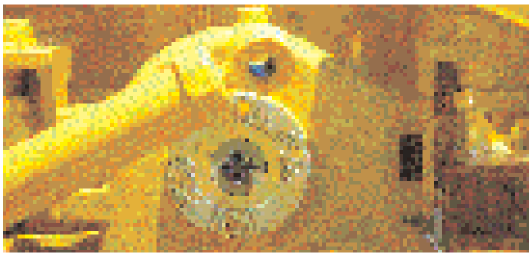
The audit partner of Deloitte & Touche attended three meetings of this committee during the year.

Nominations and Remuneration Committee

Bell Equipment's Nominations and Remuneration Committee, which also operates in terms of a formally approved charter, is chaired by an independent non-executive director and reviews and approves the remuneration of the executive directors and senior management in line with their individual contributions to the company's overall performance. It also reviews the qualifications and suitability of candidates and makes recommendations to the board for appointment of directors. All members of this committee are non-executive directors. The committee met twice in the year, with attendance as shown below and has complied with the terms of its charter.

Members	
DJJ Vlok (Chairman)	2 out of 2
RL Bridges	1 out of 2
TO Tsukudu	2 out of 2

By invitation	
GW Bell	2 out of 2
HJ Buttery	2 out of 2
DM Gage	1 out of 1



Each component of each machine is a quality product.

The company's remuneration philosophy is to reward its people fairly and in line with the market in similar industries. As recognition for superior performance the company has incentive schemes which pay monthly and annual bonuses which could place employees' remuneration packages beyond the norm provided that certain hurdles are cleared.

The company remunerates its executive directors based on reliable benchmarking data and seeks to achieve market related cost to company packages that are a combination of basic salaries augmented by incentives provided that the group achieves set returns on shareholders' funds. Independent non-executive directors receive basic annual retainers, similarly determined by market surveys, but the bulk of their remuneration comes from attendance fees for meetings that they attend. The independent non-executive directors who chair board subcommittees receive a premium for this additional responsibility.

The non-executive directors and their alternate who are appointed by John Deere in terms of the shareholders' agreement with I.A. Bell and Company (Pty) Limited have elected not to receive remuneration for their services. The remuneration paid to directors of the company is disclosed in page 81 of the financial statements.

Stakeholder communication and worker participation

The board recognises the importance and value of communications with all stakeholders and this is achieved in a variety of ways.

For our external business partners (principally our suppliers, customers, and dealers) we hold annual conferences where we communicate our plans for the year ahead so that our stakeholders are fully appraised of our expectations and requirements.

We produce our annual and interim reports as required and also have these published on the company's website. The company also issues trading updates when there are significant aspects on which to report to stakeholders.

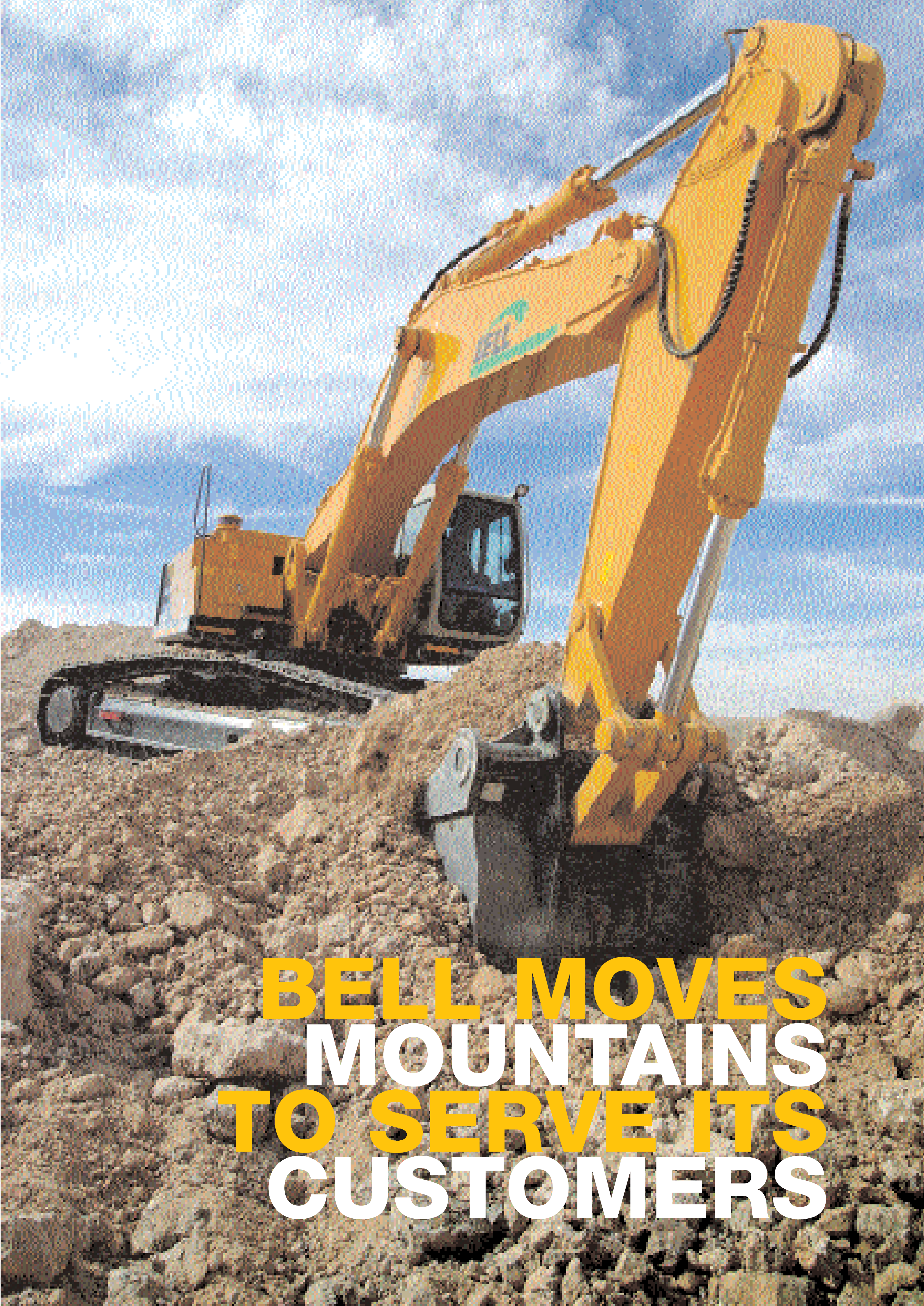
The company produces an annual employee report and has other regular communications with our employees. Among the foremost of these are 'Bell Online' which is an effective, transparent, balanced and fair mechanism whereby we address topical issues with our employees approximately on a five-weekly basis. Employees are encouraged to make use of this publication to raise contentious issues and air their views.

The company takes pride in its '*Bulletin*', a quarterly magazine which is distributed worldwide to customers, suppliers and other interested parties and has articles of technical, commercial and general interest for its readership.

Code of ethics

The company has a code of ethics which commits the company and its employees to the highest standards of ethical and professional integrity and has the full commitment of the Board of Directors and the Chief Executive. It is effectively communicated to all Bell Equipment operations worldwide.

The code of ethics covers the interactive relationships between the company, its directors, management and employees as between themselves and outside stakeholders, customers, shareholders and society at large.

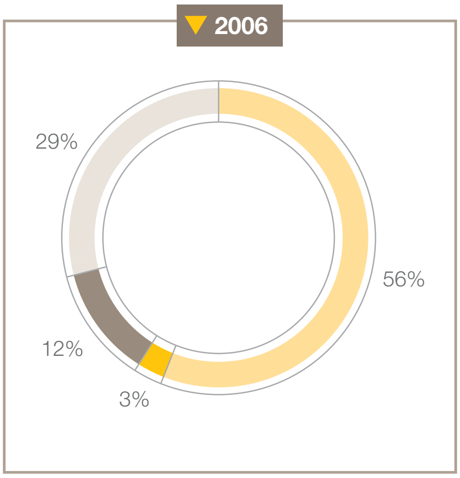


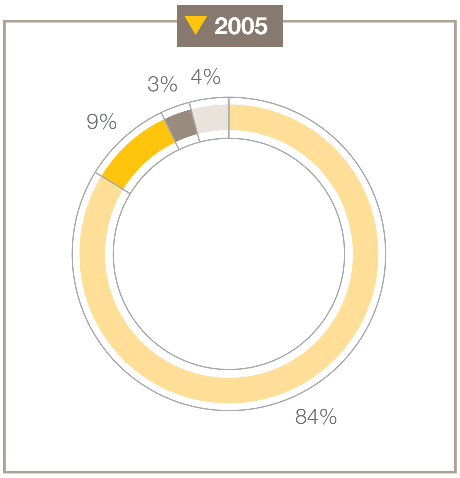
BELL MOVES MOUNTAINS TO SERVE ITS CUSTOMERS

VALUE ADDED STATEMENT

for the year ended 31 December 2006

	2006 R000	2006 %	2005 R000	2005 %
Revenue	3 533 177		3 209 233	
Goods and services acquired	2 602 547		2 721 401	
Total value added	930 630		487 832	
Applied as follows:				
To employees – remuneration benefits	515 417	56	408 987	84
To lenders – net finance costs	28 017	3	43 459	9
To governments – taxation	110 880	12	12 017	3
Retained for investment in the group				
– Depreciation and amortisation of intangible assets	40 159	4	31 566	6
– Profit (deficit)	236 157	25	(8 197)	(2)
Total value added	930 630	100	487 832	100





To employees
To lenders
To governments
Retained for investment in the group

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors of Bell Equipment Limited are responsible for the integrity of the annual financial statements of the group and the company and the objectivity of the other information presented in these statements.

In order to fulfil this responsibility, the group maintains internal accounting and administrative control systems and procedures designed to provide assurance that assets are safeguarded and that transactions are executed and recorded in accordance with the group's policies and procedures.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and examined by independent auditors in conformity with International Standards on Auditing.

The annual financial statements of the group and the company which appear on pages 43 to 81 were approved by the directors on 20 March 2007 and are signed on their behalf by:

HJ Buttery
Group Chairman

GW Bell
Group Chief Executive

20 March 2007

CERTIFICATION BY THE SECRETARY

I certify that the company has, in respect of the financial year reported upon, lodged with the Registrar of Companies all returns required of a public company and that all such returns are, to the best of my knowledge and belief, correct and current.

DP Mahony
Company Secretary

20 March 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BELL EQUIPMENT LIMITED

We have audited the annual financial statements and group annual financial statements of Bell Equipment Limited which comprise the directors' report, the balance sheet and consolidated balance sheet as at 31 December 2006, the income statement and consolidated income statement, the statement of changes in equity and consolidated statement of changes in equity and cash flow statement and consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 43 to 81.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and the group as of 31 December 2006 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Deloitte & Touche
Registered Auditors
Audit – KZN

Per L Goosen
Partner

Suite 8 Bateleur Park
Krugerrand CBD
Richards Bay 3900
PO Box 351
Richards Bay
South Africa

20 March 2007

DIRECTORS' REPORT

The directors submit the annual financial statements for the group and the company together with the reports thereon for the year ended 31 December 2006.

GENERAL REVIEW

The group manufactures and distributes a wide range of materials handling equipment both locally and internationally through an extensive wholly owned network of customer service centres, strategic alliances and independent dealers. Through its joint venture with WesBank it is able to offer financing to facilitate sales in southern Africa.

The group's principal products are Articulated Dump Trucks, Haulage Tractors, Tractor Loader Backhoes, Front End Loaders, sugar cane and timber loading equipment and construction equipment such as Graders, Dozers and Excavators, and related parts and service.

FINANCIAL RESULTS

The results of the group and the company are fully disclosed in the accompanying financial statements and notes thereon and in the Chief Executive's report and Chairman's statement.

STATED CAPITAL

The company's authorised share capital remains at 100 000 000 ordinary shares of no par value.

The stated capital account as at 31 December 2006 comprised 94 816 900 (December 2005: 94 763 400) ordinary shares of no par value.

DIVIDENDS

Subsequent to year-end, the directors have declared a dividend of 25 cents per share (2005: Nil).

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are recorded in note 6 to the annual financial statements. The fixed property will again be revalued in 2007 in line with our policy. A full revaluation of all major plant and equipment was undertaken during the year essentially as part of the group's risk management procedures.

SHARE OPTION SCHEMES

The company has two employee share option schemes. The maximum number of shares any employee may acquire in terms of these schemes shall not exceed 200 000. The options have a maximum contractual life of ten years from the date of award. The options are equity settled, vest immediately and are forfeited on leaving the company. Particulars of transactions which occurred on scheme number one during the year are as follows:

	31 December 2006	31 December 2005
Options granted brought forward	**157 000**	723 450
Options granted and accepted	**90 600**	–
Options exercised	**(53 500)**	(526 400)
Options forfeited	**(11 000)**	(40 050)
Options granted carried forward	**183 100**	157 000

Directors and senior and general management hold 105 600 of the unexercised options at 31 December 2006 (2005: 47 500), the balance of which is held by other employees throughout the group.

The maximum aggregate number of shares available to employees under scheme number one was 2 159 200.

The unallocated balance at 31 December 2006 was nil shares (December 2005: 79 600).

There were no transactions during the year under review for scheme number two which has a maximum of 5 000 000 shares available for allocation.

DIRECTORS

In terms of the shareholders' agreement concluded between I.A. Bell & Co (Pty) Limited and John Deere Construction and Forestry Company, these two principal shareholder parties are entitled to nominate four and three directors respectively.

During the year under review the following changes in the composition of the Board of Directors took place:

DIRECTORS

JP du Toit – Resigned 8 May 2006

KJ van Haght – Appointed 8 May 2006

ALTERNATE DIRECTORS

Unchanged

Mr GP Harris has intimated his intention to resign at the forthcoming Annual General Meeting of the company, at which stage he will become a director of the main South African operating company. Subsequent to the year-end Mr RL Bridges resigned as a director and Mr DM Gage, previously an alternate director, was appointed in his stead.

Details of the directors and senior management of the Bell Equipment group appear on pages 8, 9 and 20 of this report.

As at the end of the period under review the directors' shareholdings were as follows:

	Number of shares held					
	Direct beneficial		Indirect beneficial		Indirect non-beneficial	
	2006	2005	**2006**	2005	**2006**	2005
GW Bell	**–**	10 000	**9 692 672**	10 906 333	**–**	–
PA Bell	**–**	–	**9 692 672**	10 906 333	**23 400**	23 400
PC Bell	**–**	–	**9 692 672**	10 906 333	**–**	–
HJ Buttery	**–**	–	**4 126 301**	4 642 968	**–**	–
MA Campbell	**–**	–	**3 363 606**	3 784 758	**–**	–
GP Harris	**–**	–	**1 800**	1 800	**–**	–
PJC Horne	**–**	–	**20 000**	20 000	**5 500**	5 500
MA Mun-Gavin	**–**	–	**10 000**	–	**–**	–

MAJOR SHAREHOLDERS

The major shareholders in Bell Equipment Limited as at 31 December 2006 were:

IA Bell & Co (Pty) Limited	42,11%
John Deere Construction and Forestry Company	31,64%

SECRETARY

Particulars of the Company Secretary and his business and postal addresses appear on page 86 of this report.

SUBSIDIARIES

Details of the company's interest in its subsidiary companies are contained on page 80 of this report.

SUBSEQUENT EVENTS

There is no material fact or circumstance which has arisen since the balance sheet date and the date of this report.

Signed on behalf of the board

HJ Buttery
Group Chairman

GW Bell
Group Chief Executive

20 March 2007

BALANCE SHEETS
as at 31 December 2006

	Notes	Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company 2005 R000
ASSETS					
Non-current assets		**368 315**	295 765	**291 470**	232 438
Property, plant and equipment	6	**318 140**	229 755	**–**	–
Intangible assets	7	**7 074**	7 639	**–**	–
Interest in subsidiary companies	8	**–**	–	**291 470**	232 438
Investment	9	**14 348**	36 537	**–**	–
Long-term receivables	10	**6 289**	14 348	**–**	–
Deferred taxation	11	**22 464**	7 486	**–**	–
Current assets		**1 673 937**	1 345 842	**–**	–
Inventory	12	**1 219 834**	928 838	**–**	–
Trade and other receivables	13	**378 983**	361 812	**–**	–
Current portion of long-term receivables	10	**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	**291 470**	232 438
EQUITY AND LIABILITIES					
Capital and reserves		**954 912**	699 259	**277 473**	225 066
Stated capital	14	**226 185**	225 946	**226 185**	225 946
Non-distributable reserves	15	**55 490**	36 921	**–**	–
Retained earnings (accumulated loss)		**673 237**	436 392	**51 288**	(880)
Non-current liabilities		**158 371**	89 401	**–**	–
Interest-bearing liabilities	16	**2 319**	4 754	**–**	–
Repurchase obligations and deferred leasing income	17	**133 253**	69 176	**–**	–
Deferred warranty income	18	**11 724**	6 576	**–**	–
Lease escalation	19	**3 643**	3 922	**–**	–
Provisions	20	**7 432**	4 973	**–**	–
Current liabilities		**928 969**	852 947	**13 997**	7 372
Trade and other payables	21	**557 330**	390 340	**596**	1 647
Current portion of interest-bearing liabilities	16	**2 467**	2 731	**–**	–
Current portion of repurchase obligations and deferred leasing income	17	**17 021**	8 639	**–**	–
Current portion of deferred warranty income	18	**5 291**	–	**–**	–
Current portion of lease escalation	19	**1 179**	1 330	**–**	–
Current portion of provisions	20	**69 569**	64 637	**–**	–
Taxation		**88 741**	–	**13 401**	5 725
Short-term interest-bearing debt		**187 371**	385 270	**–**	–
TOTAL EQUITY AND LIABILITIES		**2 042 252**	1 641 607	**291 470**	232 438
Shares issued (000)		**94 817**	94 763		
Net asset value per share (cents)		**1 007**	738		

INCOME STATEMENTS

for the year ended 31 December 2006

	Notes	Group 2006 R000	Group 2005 R000	Company 2006 R000	Company 2005 R000
Revenue	22	**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	**59 912**	–
Distribution costs		**(415 194)**	(441 523)	**–**	–
Administration expenses		**(60 307)**	(62 615)	**(1 616)**	(1 621)
Other operating expenses		**(45 963)**	(48 773)	**–**	(33 600)
Profit (loss) from operating activities		**375 054**	47 279	**58 296**	(35 221)
Finance costs	23	**(169 548)**	(155 308)	**–**	(520)
Finance income	24	**141 531**	111 849	**25**	243
Profit (loss) before taxation	25	**347 037**	3 820	**58 321**	(35 498)
Taxation	26	**(110 880)**	(12 017)	**(6 153)**	(1 778)
Net profit (loss) for the year		**236 157**	(8 197)	**52 168**	(37 276)
		Cents	Cents		
Earnings (loss) per share					
Basic	27	**249**	(9)		
Diluted	27	**249**	(9)		
Proposed dividend per share		**25**	–		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2006

	Stated capital R000	Non-distributable reserves R000	Retained earnings (accumulated loss) R000	Total equity R000
GROUP				
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**
COMPANY				
Balance at 31 December 2004	224 414	–	36 396	260 810
Share options exercised	1 532	–	–	1 532
Net loss for the year	–	–	(37 276)	(37 276)
Balance at 31 December 2005	225 946	–	(880)	225 066
Share options exercised	239	–	–	239
Net profit for the year	–	–	52 168	52 168
Balance at 31 December 2006	**226 185**	**–**	**51 288**	**277 473**

CASH FLOW STATEMENTS

for the year ended 31 December 2006

	Notes	Group 2006 R000	Group Restated 2005 R000	Company 2006 R000	Company 2005 R000
CASH FLOW FROM (APPLIED TO) OPERATING ACTIVITIES					
Cash generated from (applied to) operations	A	292 337	70 957	28 992	(1 184)
Net finance costs (paid) received		(28 017)	(43 459)	25	(277)
Taxation (paid) refunded	B	(36 269)	501	1 523	601
Net cash flow from (applied to) operating activities		228 051	27 999	30 540	(860)
CASH FLOW APPLIED TO INVESTING ACTIVITIES					
Purchase of additional property, plant and equipment and intangible assets		(120 781)	(54 259)	–	–
Purchase of replacement property, plant and equipment and intangible assets		(3 212)	(2 169)	–	–
Proceeds on disposal of property, plant and equipment and intangible assets		900	8 954	–	–
Decrease in investment		22 189	6 389	–	–
Net cash flow applied to investing activities		(100 904)	(41 085)	–	–
CASH FLOW FROM (APPLIED TO) FINANCING ACTIVITIES					
Advances to subsidiaries		–	–	(30 779)	(672)
Interest-bearing liabilities repaid	C	(3 113)	(5 405)	–	–
Interest-bearing liabilities raised	C	414	2 537	–	–
Increase in repurchase obligations and deferred leasing income		72 459	28 767	–	–
Increase in deferred income from extended warranty sales		10 439	6 576	–	–
Decrease (increase) in long-term receivables		4 916	(585)	–	–
Proceeds from share options exercised		239	1 532	239	1 532
Net cash flow from (applied to) financing activities		85 354	33 422	(30 540)	860
Net increase in cash for the year		212 501	20 336	–	–
Net short-term interest-bearing debt at beginning of the year		(352 132)	(372 468)	–	–
Net short-term interest-bearing debt at end of the year	D	(139 631)	(352 132)	–	–

NOTES TO THE CASH FLOW STATEMENTS

for the year ended 31 December 2006

		Group		Company	
		2006	Restated 2005	**2006**	2005
		R000	R000	**R000**	R000
A.	**CASH GENERATED FROM (APPLIED TO) OPERATIONS**				
	Profit (loss) from operating activities	**375 054**	47 279	**58 296**	(35 221)
	Adjustments for:				
	Depreciation	**39 910**	31 015	**–**	–
	Amortisation of intangible assets	**249**	551	**–**	–
	Increase in warranty provision	**4 831**	16 212	**–**	–
	(Decrease) increase in provision for residual value risk	**(3 134)**	3 458	**–**	–
	Decrease in lease escalation	**(430)**	(159)	**–**	–
	(Decrease) increase in provision for impairment of interest in subsidiary company	**–**	–	**(28 253)**	33 600
	Loss (surplus) on disposal of property, plant and equipment and intangible assets	**3 450**	(2 372)	**–**	–
	Exchange differences on translation of foreign subsidiaries	**16 338**	(1 881)	**–**	–
	Operating profit (loss) before working capital changes	**436 268**	94 103	**30 043**	(1 621)
	(Increase) decrease in inventory	**(290 996)**	127 990	**–**	–
	(Increase) decrease in receivables and prepayments	**(19 925)**	(149 524)	**–**	2
	Increase (decrease) in trade and other payables	**166 990**	(1 612)	**(1 051)**	435
	Total cash generated from (applied to) operations	**292 337**	70 957	**28 992**	(1 184)
B.	**TAXATION (PAID) REFUNDED**				
	Net refund due (taxation owing) at beginning of the year	**2 194**	21 457	**(5 725)**	(3 346)
	Tax charge for the year:				
	South African normal taxation	**(108 937)**	(18 339)	**(6 153)**	(1 778)
	Foreign taxation	**(15 295)**	(227)	**–**	–
	Withholding tax on dividends	**(1 349)**	(196)	–	–
	Net taxation owing (refund due) at end of the year	**87 118**	(2 194)	**13 401**	5 725
	Total taxation (paid) refunded	**(36 269)**	501	**1 523**	601
C.	**INTEREST-BEARING LIABILITIES**				
	Interest-bearing liabilities at beginning of the year	**4 754**	6 669	**–**	–
	Add: current portion at beginning of the year	**2 731**	3 684	**–**	–
	Total non-current liabilities at beginning of the year	**7 485**	10 353	**–**	–
	Interest-bearing liabilities raised	**414**	2 537	**–**	–
	Interest-bearing liabilities repaid	**(3 113)**	(5 405)	**–**	–
	Less: current portion at end of the year	**(2 467)**	(2 731)	**–**	–
	Interest-bearing liabilities at end of the year	**2 319**	4 754	**–**	–
D.	**NET SHORT-TERM INTEREST-BEARING DEBT**				
	Short-term interest-bearing debt	**187 371**	385 270	**–**	–
	Cash resources	**(47 740)**	(33 138)	**–**	–
	Net short-term interest-bearing debt at end of the year	**139 631**	352 132	**–**	–

1. GENERAL INFORMATION

Bell Equipment Limited (the company) is a public company incorporated in South Africa. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the company and its subsidiaries (the group) are described in the directors' report under the heading general review.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and are consistent with those applied to the previous year, except for new and revised standards adopted per note 3 to the financial statements. 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.

The significant accounting policies adopted are set out below:

2.2 Basis of consolidation

The group annual financial statements incorporate the financial position and results of the company and of its subsidiaries. The results of subsidiaries are included from the dates effective control was acquired until the effective dates of their disposal. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the company.

2.3 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is capitalised and reviewed for impairment at least annually. Any excess in the group's interest in the net fair value of a subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

2.4 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

2.5 Property, plant and equipment

Freehold land is not depreciated and is stated at valuation with subsequent additions at cost, less any subsequent accumulated impairment losses. Freehold buildings are stated at valuation, with subsequent additions at cost less subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations, on the depreciated replacement cost basis, are undertaken every five years. Other assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

Depreciation of assets commences when the asset is available for use. Depreciation on revalued buildings is charged to income. The depreciable values of leasehold buildings and materials handling equipment held as rental assets are depreciated over the shorter of their expected useful lives and the period of the lease. Depreciation on other assets is provided on a straight-line basis over the anticipated useful lives of the assets taking residual values into account. Depreciation ceases on an asset only when the asset is derecognised or when it is classified as held for sale.

The annual rates of depreciation currently used are:

Freehold buildings	2% to 3,33%
Leasehold buildings	5% to 10%
Plant and equipment	10% to 33%
Aircraft	12,5%
Vehicles	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Useful lives and residual values are reviewed annually.

2.6 Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

2.6 **Intangible assets (continued)**

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

2.7 **Leases**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the lessee. Operating leases are those leases which do not fall within the scope of the above definition.

The group as lessee

Assets classified as finance lease agreements are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are depreciated on the straight-line basis over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are charged to operating profit when incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

The group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.8 **Financial guarantee contracts**

Financial guarantee contracts are accounted for as insurance contracts and, consequently, are measured initially at cost and thereafter in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

2.9 **Financial instruments**

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Financial instruments carried on the balance sheet include cash and bank balances, investments, trade receivables, trade payables and borrowings. The estimated fair values of these instruments approximate their carrying amounts.

Derivative financial instruments

Derivative financial instruments, principally forward foreign exchange contracts, are used by the group in its management of financial risks. These contracts are accounted for on a mark to market basis and the associated gains and losses are recognised in the results of the current period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (continued)

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held on call with banks and are subject to an insignificant risk of changes in value.

Short-term interest-bearing debt

Short-term interest-bearing debt comprises bank borrowings at call and on bank overdraft which are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Investments

Investments are initially recorded at cost and are adjusted for interest earned thereon and the group's share of the profits or losses of the investee after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment.

Offsetting financial agreements

Financial assets and liabilities are set off where the group has a legal and enforceable right to set off the recognised amounts and it intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.10 Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is generally determined on the following bases: Raw materials, merchandise spares, work-in-progress and finished goods are valued on the first-in first-out basis. Finished goods, work-in-progress and manufactured components include the cost of direct materials, and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Redundant and slow moving inventory is identified and written down with regard to their estimated economic or realisable values. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.11 Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

2.11 Share-based payments (continued)

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled share-based payments.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

2.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in South African Rand, which is the company's functional and presentation currency.

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Forward cover contracts are separately valued at equivalent forward rates ruling at the reporting date.

Surpluses and losses arising on translation of foreign currency transactions are dealt with in the income statement.

Foreign subsidiary translation

The results and financial position of all group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet are translated at the exchange rates prevailing on the balance sheet date;
- income and expenses for each income statement are translated at average exchange rates for the period; and
- all resulting exchange differences are recognised as equity and transferred to the group's foreign currency translation reserve.

Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Where a subsidiary reports in the currency of a hyperinflationary economy, its financial statements are restated by applying a general price index pertaining to that economy before they are translated and included in the consolidated financial statements. Translation of the restated financial statements of the subsidiary is performed at rates of exchange ruling at the year-end.

2.14 Revenue

Revenue comprises the invoiced value of sales, service income and rentals received. Sales to group companies are invoiced at cost plus a mark-up and are reversed on consolidation.

2.15 Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer. If the sale of goods is combined with a buy-back agreement or a residual value guarantee, the sale is accounted for as an operating lease transaction if significant risks of the goods are retained in the group. Revenue from services is recognised when the services have been rendered. Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Deferred income from extended warranty sales

Proceeds from extended warranty contracts sold are deferred and recognised in income over the extended warranty period on a basis that matches the income earned with the related costs.

2.16 Research and development

Research and development costs, excluding capital items, are charged against operating income as incurred.

2.17 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the group's obligation under the plans is equivalent to those arising in a defined contribution retirement benefit plan.

2.18 Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.19 Provisions

A provision is recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Warranties

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the group's obligation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Segmental information

The principal segments of the group have been identified on a primary basis by significant geographical regions. The primary basis is representative of the internal structure for management reporting purposes.

2.21 Borrowing costs

Borrowing costs are charged against operating profit as incurred.

2.22 Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year the group has adopted 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 its operations and effective for annual reporting periods beginning on 1 January 2006. The adoption of these new and revised Standards and Interpretations did not have a material impact.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

New
IFRS 7 – Financial Instruments: Disclosures
IFRS 8 – Operating Segments
IFRIC 7 – Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8 – Scope of IFRS 2
IFRIC 9 – Reassessment of Embedded Derivatives
IFRIC 10 – Interim Financial Reporting and Impairment
IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions
IFRIC 12 – Service Concession Arrangements

Revised
IAS 1 – Presentation of Financial Statements

The directors are in the process of evaluating the impact that the adoption of these Standards and Interpretations in future periods will have on the financial statements of the group.

The impact of AC 503 – Accounting for Black Economic Empowerment Transactions is also being assessed in view of the planned transaction referred to in the Chairman's statement.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 Judgements made by management

Preparing financial statements in accordance with IFRS requires estimates and assumptions that affect reported amounts and related disclosures. Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments. The items for consideration have been identified as follows:

Asset lives and residual values

Property, plant and equipment are depreciated over the useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually taking into account factors such as technological innovation, product life cycles and maintenance programmes. Residual value assessments consider issues such as market conditions, the remaining life of the asset and projected disposal values.

Impairment of assets

Ongoing assessments are made regarding any potential impairment of assets, using assumptions made in terms of the models allowed under IFRS.

Valuation of financial instruments

The value of derivative financial instruments fluctuates on a daily basis and the actual amounts realised may differ materially from their value at the balance sheet date.

Warranty provision

The provision for future warranty costs on products sold is based on past experience.

Provisions for residual value risks

Residual value risks are attributable to operating lease contracts and sales transactions combined with buy-back agreements or residual value guarantees. Residual value risks are the risks that the group in the future would have to dispose of used products at a loss if the price realised for these products is less than what was expected when the contracts were entered into. If the residual value risks are pertaining to products that are reported as rental assets on the balance sheet, these risks are reflected by depreciation or write down of the carrying value of these assets. If the residual value risks are pertaining to products which are not reported as assets on the balance sheet, these risks are reflected under the line item provisions.

4.2 Key sources of estimation uncertainty

There are no other key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that management have assessed as having a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

	South Africa R000	Rest of world R000	Eliminations R000	Consolidated R000
5. SEGMENTAL ANALYSIS				
Group				
2006				
Revenue				
External sales	1 720 506	1 812 671	–	3 533 177
Inter-segment sales	13 379	679 831	(693 210)	–
Total revenue	1 733 885	2 492 502	(693 210)	3 533 177
Net profit				
Profit from operating activities	295 573	79 481		375 054
Net finance costs				(28 017)
Taxation				(110 880)
Net profit				236 157
Other information				
Assets	1 458 397	583 855		2 042 252
Current liabilities	696 307	232 662		928 969
Non-current liabilities	57 904	95 857		153 761
Long-term warranty provision	4 610	–		4 610
Total liabilities	758 821	328 519		1 087 340
Capital expenditure	49 938	74 055		123 993
Depreciation and amortisation of intangibles	26 425	13 734		40 159
Other non-cash expenses (income)	1 803	(536)		1 267
Group				
Restated				
2005				
Revenue				
External sales	1 372 508	1 836 725	–	3 209 233
Inter-segment sales	11 614	630 095	(641 709)	–
Total revenue	1 384 122	2 466 820	(641 709)	3 209 233
Net loss				
Profit (loss) from operating activities	55 271	(7 992)		47 279
Net finance costs				(43 459)
Taxation				(12 017)
Net loss				(8 197)
Other information				
Assets	1 193 701	447 906		1 641 607
Current liabilities	658 965	193 982		852 947
Non-current liabilities	50 894	36 059		86 953
Long-term warranty provision	2 448	–		2 448
Total liabilities	712 307	230 041		942 348
Capital expenditure	40 778	15 650		56 428
Depreciation and amortisation of intangibles	25 421	6 145		31 566
Other non-cash expenses	12 407	7 104		19 511

	Group					
	Cost/ valuation R000 2006	**Accumulated depreciation R000 2006**	**Net book value R000 2006**	Cost/ valuation R000 2005	Accumulated depreciation R000 2005	Net book value R000 2005
6. PROPERTY, PLANT AND EQUIPMENT						
Restated						
Owned						
Freehold land and buildings	**88 569**	**6 322**	**82 247**	87 283	3 203	84 080
Leasehold buildings	**2 499**	**1 743**	**756**	2 378	1 645	733
Plant and equipment	**205 512**	**137 633**	**67 879**	177 817	121 128	56 689
Rental assets – materials handling equipment	**178 725**	**25 524**	**153 201**	82 082	6 733	75 349
Aircraft	**3 499**	**1 160**	**2 339**	2 866	1 062	1 804
Vehicles	**11 575**	**4 522**	**7 053**	9 693	3 624	6 069
Capitalised leased assets						
Leasehold buildings	**2 711**	**874**	**1 837**	2 207	602	1 605
Plant and equipment	**3 912**	**1 868**	**2 044**	3 912	1 583	2 329
Vehicles	**1 181**	**397**	**784**	1 410	313	1 097
Totals	**498 183**	**180 043**	**318 140**	369 648	139 893	229 755

	Freehold land and buildings R000	Lease-hold buildings R000	Plant and equip-ment R000	Rental assets R000	Aircraft R000	Vehicles R000	Total 2006 R000	Total 2005 R000
Movement in property, plant and equipment								
Restated								
Net book value at beginning of the year	84 080	2 338	59 018	75 349	1 804	7 166	**229 755**	211 013
Additions	1 286	33	27 358	92 026	633	2 657	**123 993**	56 425
Disposals	–	–	(113)	(3 679)	–	(242)	**(4 034)**	(6 582)
Depreciation	(3 119)	(140)	(17 735)	(17 391)	(98)	(1 427)	**(39 910)**	(31 015)
Translation differences	–	362	1 395	6 896	–	(317)	**8 336**	(86)
Net book value at end of the year	82 247	2 593	69 923	153 201	2 339	7 837	**318 140**	229 755

Certain property, plant and equipment is encumbered as indicated in note 16. The rental assets are subject to repurchase obligations as reflected in note 17.

		Group	
		Total 2006 R000	Total 2005 R000
6.	**PROPERTY, PLANT AND EQUIPMENT (continued)**		
	Freehold land and buildings at cost/valuation comprise:		
	Lot 1894 Alton Industrial Township, Richards Bay		
	– at valuation on 1 October 2004	**27 669**	27 669
	– subsequent additions at cost in 2006	**1 215**	–
	Lot 10024 Alton Industrial Township, Richards Bay		
	– at valuation on 1 October 2004	**59 614**	59 614
	– subsequent additions at cost in 2006	**71**	–
	Total freehold land and buildings at cost/valuation	**88 569**	87 283
	The freehold land and buildings were valued by the Mills Fitchet Group, independent qualified valuers, on the depreciated replacement cost basis, on 1 October 2004. The valuations were undertaken in accordance with the handbook of the Royal Institute of Chartered Surveyors in the United Kingdom. The book values of these properties were adjusted to their valuations during the relevant financial period and the resultant net surpluses credited to the revaluation reserve. The comparable amounts under the historical cost convention for the freehold land and buildings were:		
	Historical cost	**69 579**	68 293

The plant, machinery and equipment in South Africa was revalued at 1 July 2006 on the gross current replacement cost basis for insurance purposes at R435,1 million.

	Group		Company	
	2006 R000	Restated 2005 R000	2006 R000	2005 R000
7. INTANGIBLE ASSETS				
Capitalised software				
Cost				
At 1 January	11 805	11 802	–	–
Acquired	–	3	–	–
Disposed	(316)	–	–	–
At 31 December	11 489	11 805	–	–
Accumulated amortisation				
At 1 January	4 166	3 615	–	–
Charge for the year	249	551	–	–
At 31 December	4 415	4 166	–	–
Carrying amount				
At 31 December	7 074	7 639	–	–
Capitalised software is amortised at 20% per annum on a straight-line basis.				
8. INTEREST IN SUBSIDIARY COMPANIES				
Local subsidiaries				
Shares at cost	–	–	12 063	12 063
Indebtedness by subsidiaries	–	–	188 286	157 507
Total local subsidiaries	–	–	200 349	169 570
Foreign subsidiaries				
Shares at cost	–	–	96 468	96 468
Impairment loss recognised	–	–	(5 347)	(33 600)
Total foreign subsidiaries	–	–	91 121	62 868
Total interest in subsidiary companies	–	–	291 470	232 438

Further details of interest in subsidiary companies are set out on page 80.

The company impaired its investment in a subsidiary in prior years due to accumulated operating losses incurred in underlying subsidiaries. In the current year, R28,3 million of this provision was reversed as a result of the improved profitability of these entities.

	Group		Company	
	2006 R000	2005 R000	**2006 R000**	2005 R000
9. INVESTMENT				
A financing venture has been entered into with WesBank, a division of FirstRand Bank Limited, in order to assist customers with the financing of equipment purchased from the group.				
In terms of this arrangement, the following categories of financing are provided for:				
– transactions for which WesBank requires support, either due to the credit risk profile of the customer or the specific structuring of the financing deal. The group is entitled to a share of the profits from these transactions. Applications from customers are categorised into WesBank's risk grading system, with the risk category determining the funding required and level of risk shared by the group. The group's risk is, however, limited to the amount of its investment. This portion of the investment is reflected as an interest-bearing investment under non-current assets on the balance sheet in the amount of	**14 348**	36 537	**–**	–
– specific transactions, the risks and rewards of which are for the group. In respect of these transactions, the group is required to deposit an amount equal to 25% of the value of the financing provided by WesBank to customers. A fee is paid to WesBank for administering this business.				
This deposit is reflected as receivables on the balance sheet as follows:				
Long-term receivables under non-current assets	**2 291**	9 929	**–**	–
Current portion of long-term receivables under current assets	**3 707**	4 969	**–**	–
Total long-term receivables (note 10)	**5 998**	14 898	**–**	–
Total investment	**20 346**	51 435	**–**	–

In respect of the second category above, in the event of default by a customer, the group is at risk for the full balance due to WesBank by the customer. This contingent liability and the group's provision for non-recovery is reflected in note 28.1.

The directors consider that the carrying amount of investments approximates their fair value.

	Group 2006 R000	Group 2005 R000	Company 2006 R000	Company 2005 R000
10. LONG-TERM RECEIVABLES				
WesBank financing venture (note 9)	**5 998**	14 898	**–**	–
Bank of Scotland (Ireland) Limited	**2 906**	2 306	**–**	–
– deposit held as security for subsidiary's obligations under a customer's stocking finance agreement.				
Retention deposits	**12 138**	8 494	**–**	–
Deferred consideration on sale of subsidiary	**518**	778	**–**	–
	21 560	26 476	**–**	–
Less: current portion	**(15 271)**	(12 128)	**–**	–
Total long-term receivables	**6 289**	14 348	**–**	–

	Group: Net deferred taxation asset at beginning of year R000	Group: Credit (charge) to income for year R000	Group: Net deferred taxation asset at end of year R000
11. DEFERRED TAXATION			
The deferred taxation asset analysed by major category of temporary difference and the reconciliation of the movement in the deferred tax balance is as follows:			
Revaluation of properties	(8 421)	280	**(8 141)**
Prepayments	(1 057)	(644)	**(1 701)**
Provision for doubtful debts	3 101	1 135	**4 236**
Provision for lease escalation	1 244	238	**1 482**
Deferred income	–	2 645	**2 645**
Excess tax allowances over depreciation charge	(7 386)	2 242	**(5 144)**
Sales in advance	2 300	(451)	**1 849**
Provision for warranty expenditure	11 041	2 026	**13 067**
Provision for leave pay	3 197	1 249	**4 446**
Provision for bonuses	–	5 480	**5 480**
Provision for unit additional costs	–	1 893	**1 893**
Taxable losses	371	(126)	**245**
Embedded forward exchange derivatives	248	(248)	**–**
Provision for residual value risk	2 357	(1 146)	**1 211**
Unrealised foreign currency gains and losses with controlled foreign companies	491	116	**607**
Investment subsidies	–	289	**289**
Totals	7 486	14 978	**22 464**

		Group		Company	
		2006 R000	2005 R000	**2006 R000**	2005 R000
12.	**INVENTORY**				
	Work in progress	**214 130**	144 727	**–**	–
	Finished goods	**468 309**	372 678	**–**	–
	Merchandise spares, components and raw materials	**537 395**	411 433	**–**	–
	Total inventory	**1 219 834**	928 838	**–**	–
	Included above is inventory of R131,8 million (2005: R134,9 million) carried at net realisable value.				
13.	**TRADE AND OTHER RECEIVABLES**				
	Amounts receivable from the sale of goods and services	**337 641**	288 048	**–**	–
	Sundry receivables	**41 342**	73 764	**–**	–
	Total trade and other receivables	**378 983**	361 812	**–**	–
	An allowance has been made for estimated irrecoverable amounts from the sale of goods of R10 million (2005: R9,7 million). This allowance has been determined by reference to past default experience. The directors consider that the carrying amount of trade and other receivables approximates their fair value.				
14.	**STATED CAPITAL**				
	Authorised				
	100 000 000 (2005: 100 000 000) ordinary shares of no par value	–	–	**–**	–
	Issued				
	94 816 900 (2005: 94 763 400) ordinary shares of no par value	**226 185**	225 946	**226 185**	225 946

The unissued shares are under the unrestricted control of the directors until the next annual general meeting of shareholders.

At 31 December 2006, the company had granted options to directors and employees to subscribe for 183 100 (2005: 157 000) shares in the company as set out on page 43.

		Group		Company	
		2006	2005	**2006**	2005
		R000	R000	**R000**	R000
15. NON-DISTRIBUTABLE RESERVES					
Surplus arising from revaluation of freehold land and buildings					
– prior years		**18 156**	18 579	**–**	–
– effect of change in tax rate		**–**	265	**–**	–
– current year realisation		**(688)**	(688)	**–**	–
Total surplus arising from revaluation of freehold land and buildings		**17 468**	18 156	**–**	–
Legal reserves of foreign subsidiaries					
– prior years		**2 403**	2 227	**–**	–
– exchange difference		**407**	176	**–**	–
Total legal reserves of foreign subsidiaries		**2 810**	2 403	**–**	–
Foreign currency translation reserve of foreign subsidiaries					
– prior years		**16 362**	12 341	**–**	–
– current year transfer		**18 577**	2 666	**–**	–
– exchange difference		**273**	1 355	**–**	–
Total foreign currency translation reserve of foreign subsidiaries		**35 212**	16 362	**–**	–
Total non-distributable reserves		**55 490**	36 921	**–**	–
16. INTEREST-BEARING LIABILITIES					
	Rate of interest				
Secured					
Repayable in instalments by:					
July 2007	8,5%	**31**	66	**–**	–
March 2008	6,4%	**350**	578	**–**	–
September 2008	9,0%	**458**	724	**–**	–
October 2008	11,8%	**129**	297	**–**	–
February 2009	10,5%	**3 818**	5 820	**–**	–
Total interest-bearing liabilities		**4 786**	7 485	**–**	–
Less: current portion		**(2 467)**	(2 731)	**–**	–
Long-term portion		**2 319**	4 754	**–**	–

The following property, plant and equipment, at net book value, is encumbered as security for the secured borrowings above:
Motor vehicles in France, Zambia and Mozambique R783 234 (2005: R1 096 955)
Leasehold buildings in France R1 926 905 (2005: R1 605 614)
Plant and equipment in South Africa R5 759 854 (2005: R6 239 211)

The company has provided suretyship for the repayment of the secured borrowings.

The directors have unlimited borrowing powers in terms of the articles of association of the holding company.

		Group		Company	
		2006 **R000**	Restated 2005 R000	**2006** **R000**	2005 R000
17.	**REPURCHASE OBLIGATIONS AND DEFERRED LEASING INCOME**				
	Total repurchase obligations and deferred leasing income	**150 274**	77 815	**–**	–
	Less: current portion	**(17 021)**	(8 639)	**–**	–
	Long-term portion	**133 253**	69 176	**–**	–
	Repurchase obligations and deferred leasing income are in respect of the rental assets reflected in note 6.				
18.	**DEFERRED WARRANTY INCOME**				
	Total deferred income from extended warranty sales	**17 015**	6 576	**–**	–
	Less: current portion	**(5 291)**	–	**–**	–
	Long-term portion	**11 724**	6 576	**–**	–
	Deferred income relates to extended warranty contracts sold where the warranty commitment period of the group extends beyond the warranty period contained in the standard conditions of sale.				
19.	**LEASE ESCALATION**				
	Total lease escalation	**4 822**	5 252	**–**	–
	Less: current portion	**(1 179)**	(1 330)	**–**	–
	Long-term portion	**3 643**	3 922	**–**	–

The lease escalation liability relates to rental and lease contracts with escalation clauses. Rentals payable under the contracts are charged to profit or loss on a straight-line basis over the term of the relevant lease.

	Group		
	Warranty provision R000	Provision for residual value risk R000	Total R000
20. PROVISIONS			
Restated			
Balance at 31 December 2004	51 002	4 669	55 671
Raised during the year	121 596	3 458	125 054
Utilised during the year	(111 115)	–	(111 115)
Balance at 31 December 2005	61 483	8 127	69 610
Less: current portion	(59 035)	(5 602)	(64 637)
Long-term provisions at 31 December 2005	2 448	2 525	4 973
Balance at 31 December 2005	61 483	8 127	69 610
Raised during the year	91 766	–	91 766
Utilised during the year	(81 241)	(3 134)	(84 375)
Balance at 31 December 2006	72 008	4 993	77 001
Less: current portion	(67 398)	(2 171)	(69 569)
Long-term provisions at 31 December 2006	**4 610**	**2 822**	**7 432**

The warranty provision represents management's best estimate of the group's liability under warranties granted on product sold, based on past experience.

The provision for residual value risk relates to sales transactions combined with buy-back agreements or residual value guarantees. Residual value risk is the risk that the group in the future will have to dispose of used products at a loss if the price realised for these products is less than what was expected when the contracts were entered into.The provision represents the discounted value of management's best estimate of the group's liability.

	Group		Company	
	2006 R000	2005 R000	**2006 R000**	2005 R000
21. TRADE AND OTHER PAYABLES				
Trade creditors	**227 755**	167 696	**–**	–
Accruals	**329 575**	222 644	**596**	1 647
Total trade creditors and accruals	**557 330**	390 340	**596**	1 647

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The directors consider that the carrying amount of trade and other payables approximates their fair value.

	Group		Company	
	2006 R000	Restated 2005 R000	**2006 R000**	2005 R000
22. REVENUE				
Revenue represents				
Sale of machines	**2 623 540**	2 520 946	**–**	–
Sale of parts	**740 454**	554 571	**–**	–
Services	**138 576**	126 260	**–**	–
Rental income	**30 607**	7 456	**–**	–
Total revenue	**3 533 177**	3 209 233	**–**	–
Related party sales are disclosed in note 32.				
23. FINANCE COSTS				
Interest paid	**27 818**	30 939	**–**	520
Currency exchange losses:				
Borrowings	**9 330**	1 637	**–**	–
Operations	**132 400**	122 732	**–**	–
Total finance costs	**169 548**	155 308	**–**	520
24. FINANCE INCOME				
Interest received	**6 691**	8 535	**25**	243
Currency exchange gains:				
Operations	**134 840**	103 314	**–**	–
Total finance income	**141 531**	111 849	**25**	243
25. PROFIT (LOSS) BEFORE TAXATION				
Profit (loss) before taxation is arrived at after taking into account:				
Income				
Decrease in provision for impairment of interest in subsidiary company	**–**	–	**28 253**	–
Decrease in provision for residual value risk	**3 134**	–	**–**	–
Dividend received	**–**	–	**30 000**	–
Import duty rebates	**30 940**	42 116	**–**	–
Royalties	**30 419**	1 133	**–**	–
Surplus on disposal of property, plant and equipment	**–**	2 372	**–**	–

	Group		Company	
	2006	Restated 2005	**2006**	2005
	R000	R000	**R000**	R000
25. PROFIT (LOSS) BEFORE TAXATION (continued)				
Expenditure				
Auditors' remuneration				
– audit fees – current	**3 740**	3 395	**11**	12
– prior	**379**	244	**–**	–
– other services	**203**	6 789	**–**	–
– expenses	**55**	383	**–**	–
Amortisation of intangible assets				
– capitalised software	**249**	551	**–**	–
Increase in provision for impairment of interest in subsidiary company	**–**	–	**–**	33 600
Increase in provision for residual value risk	**–**	3 458	**–**	–
Depreciation				
– freehold buildings	**3 119**	3 274	**–**	–
– leasehold buildings	**140**	139	**–**	–
– plant and equipment	**17 735**	19 974	**–**	–
– rental assets	**17 391**	6 214	**–**	–
– aircraft	**98**	240	**–**	–
– vehicles	**1 427**	1 174	**–**	–
Loss on disposal of property, plant and equipment	**3 450**	–	**–**	–
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	**–**	–
Increase in warranty provision	**4 831**	16 212	**–**	–
Staff costs	**515 417**	408 987	**–**	–
Number of employees at the end of the year	**2 541**	2 414	**–**	–
Directors' emoluments				
Paid by company:				
– non-executive directors' fees			**749**	490
Paid by subsidiaries:				
Executive directors				
– salaries			**6 726**	6 046
– benefits			**2 818**	1 856
Total directors' emoluments			**10 293**	8 392

Details of directors' emoluments paid to directors of the company are set out on page 81.

	Group		Company	
	2006 R000	2005 R000	**2006 R000**	2005 R000
26. TAXATION				
South African normal taxation				
Current taxation				
– current year	**102 836**	12 972	**6 153**	1 891
– prior year	**6 101**	5 367	**–**	(113)
Deferred taxation				
– current year	**(13 334)**	(4 484)	**–**	–
– prior year	**–**	(5 959)	**–**	–
Foreign taxation				
Current taxation				
– current year	**15 594**	902	**–**	–
– prior year	**(299)**	(675)	**–**	–
Deferred taxation				
– current year	**(1 367)**	3 698	**–**	–
Withholding tax on dividends	**1 349**	196	**–**	–
Total taxation	**110 880**	12 017	**6 153**	1 778
Reconciliation of rate of taxation (%)				
Standard rate of taxation	**29**	29	**29**	29
Adjustment for:				
Disallowable expenditure	**2**	5	**–**	(28)
Non-taxable income	**–**	(23)	**(29)**	–
Special allowances for tax	**–**	(10)	**–**	–
Income attributed from controlled foreign company	**2**	68	**13**	(7)
Prior year taxation	**1**	(16)	**–**	–
Rebates for foreign tax paid	**–**	(9)	**(2)**	1
Different tax rates of subsidiaries operating in other jurisdictions and the utilisation of tax losses by these subsidiaries	**(2)**	271	**–**	–
Effective rate of taxation	**32**	315	**11**	(5)

Estimated tax losses attributable to foreign subsidiaries amount to approximately R74 million (2005: R83 million). The utilisation of these losses is dependent on there being future taxable income of sufficient amount. A deferred tax asset has been recognised in respect of R1 million of such losses. No deferred tax asset has been recognised in respect of the remaining R73 million due to the unpredictability of future profit streams in these countries. Included in unrecognised tax losses are losses of R0,6 million that will expire in 2010. Further amounts totalling R32 million will expire between 2019 and 2026. Other losses may be carried forward indefinitely.

		Group	
		2006	2005
27.	**EARNINGS (LOSS) PER SHARE**		
27.1	**Earnings (loss) per share (basic)**		
	Profit (loss) attributable to shareholders (R000)	**236 157**	(8 197)
	Weighted average number of shares in issue	**94 770 619**	94 566 938
	Earnings (loss) per share (basic) (cents)	**249**	(9)
27.2	**Earnings (loss) per share (diluted)**		
	Profit (loss) attributable to shareholders (R000)	**236 157**	(8 197)
	Fully converted weighted average number of shares	**94 836 123**	94 633 599
	Earnings (loss) per share (diluted) (cents)	**249**	(9)
	The number of shares in issue for this calculation has been adjusted for the effect of the dilutive potential ordinary shares relating to the unexercised options as set out on page 43.		
27.3	**Headline earnings (loss) per share (basic)**		
	Profit (loss) attributable to shareholders (R000)	**236 157**	(8 197)
	Loss (surplus) on disposal of property, plant and equipment (R000)	**2 450**	(2 372)
	Headline earnings (loss) (R000)	**238 607**	(10 569)
	Weighted average number of shares in issue	**94 770 619**	94 566 938
	Headline earnings (loss) per share (basic) (cents)	**252**	(11)
27.4	**Headline earnings (loss) per share (diluted)**		
	Profit (loss) as calculated in 27.3 above (R000)	**238 607**	(10 569)
	Fully converted weighted average number of shares per 27.2 above	**94 836 123**	94 633 599
	Headline earnings (loss) per share (diluted) (cents)	**252**	(11)

		Group		Company	
		2006	Restated 2005	**2006**	2005
		R000	R000	**R000**	R000
28.	**CONTINGENT LIABILITIES**				
28.1	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 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 both customers are in arrears with WesBank and there is a shortfall between the estimated realisation values of units and the balances due by the customers to WesBank, a provision for the full shortfall is made.				
28.2	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 units.

	Group		Company	
		Restated		
	2006	2005	**2006**	2005
	R000	R000	**R000**	R000
28. CONTINGENT LIABILITIES (continued)				
28.3 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	**–**	–
28.4 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	**–**	–
28.5 The company provided unlimited suretyship for the overdrafts and short-term borrowings made to subsidiaries	**–**	–	**507 419**	427 068
28.6 Letters of support have been issued by the company to certain of the subsidiaries to the effect that financial assistance would be provided should the subsidiaries be unable to meet their commitments.				
29. COMMITMENTS				
29.1 Capital expenditure				
Contracted	**5 531**	475	**–**	–
Authorised, but not contracted	**95 309**	44 591	**–**	–
Total capital expenditure commitments	**100 840**	45 066	**–**	–
This capital expenditure is to be financed from internal resources and long-term facilities.				
29.2 Operating lease commitments				
The group has commitments under non-cancellable operating leases as set out below:				
Land and buildings:				
Less than one year	**13 535**	11 591	**–**	–
Two to five years	**42 835**	29 104	**–**	–
More than five years	**27 174**	26 208	**–**	–
Equipment and vehicles:				
Less than one year	**8 389**	7 627	**–**	–
Two to five years	**16 318**	5 363	**–**	–
Total operating lease commitments	**108 251**	79 893	**–**	–

30. RETIREMENT BENEFIT INFORMATION

South African group employees in certain scheduled occupations are required by legislation to join an industrial defined benefit plan. The pension fund is governed by the Pension Funds Act and retirement benefits are determined with reference to the employees' pensionable remuneration and years of service. Sufficient information regarding this multi-employer plan is not available to enable the company to identify its share of the underlying financial position and performance and to account for the plan as a defined benefit plan. The actuarial review as at 31 March 2005 found the fund to be in a sound financial position with the market value of assets at R27 074 million and liabilities of R16 676 million.

Other employees are eligible to join the Bell Equipment Pension Fund and the Bell Equipment Provident Fund, which are externally managed defined contribution plans. These funds are governed by the Pension Funds Act and retirement benefits are determined with reference to the employees' contributions to the fund. These funds are actuarially valued but by their nature the group has no commitment to meet any unfunded benefits.

The Pension Funds Second Amendment Act, 2001 became effective on 7 December 2001. The changes to the Act aim to make provision for the apportionment of actuarial surpluses and for minimum benefits to members. The Act requires an equitable once-off apportionment of the existing surplus at the surplus apportionment date between members, former members, pensioners and the employer.

The Act defines an actuarial surplus as follows:
– an actuarial surplus in a defined benefit fund;
– an employer reserve account in a defined contribution fund; and
– a surplus that has been utilised improperly by the employer prior to the surplus apportionment date.

The surplus apportionment date of the fund can be no later than the next statutory actuarial valuation of the fund.

It has been actuarially determined that the surplus is nil.

Certain of the foreign subsidiaries offer pension fund plans to their employees. These funds are externally managed defined contribution plans and are not actuarially valued. These companies have no commitment to meet any unfunded benefits.

The employer contributions to retirement benefit funds were R27 million during the current year (2005: R22,2 million) and were charged against income.

There is no obligation to meet any post-retirement medical costs of employees.

31. FINANCIAL INSTRUMENTS

Financial instruments as disclosed in the balance sheet include long and short-term borrowings, investments, cash resources, trade receivables and trade payables. The estimated fair values of these instruments approximate their carrying amounts.

31.1 Financial risk management

The group's liquidity, credit, currency and interest risks are monitored regularly by a treasury committee, consisting of certain directors and senior executives, which reports to the board. The committee operates within group policies approved by the board.

31. FINANCIAL INSTRUMENTS (continued)

31.2 Liquidity risk

The group manages liquidity risk by management of working capital and cash flows. Adequate banking facilities are maintained. The general banking facility utilisation at 31 December 2006 is as follows:

	Facilities R000	Utilisation R000
General banking facilities	**507 419**	**187 371**

In terms of the facility granted by a certain bank the group's gearing level, as defined by this institution, is required to be maintained at below 70% and the bank concerned is made aware of the current gearing levels on a monthly basis. At year-end this gearing level was at 16%. This borrowing covenant was removed subsequent to year-end.

31.3 Credit risk

Credit risk consists mainly of short-term cash deposits and trade receivables. The group only deposits short-term cash with approved financial institutions and counterparty credit limits are in place. Trade receivables comprise a widespread customer base and operations management undertake ongoing credit evaluations of the financial condition of their customers. At 31 December 2006, the group does not consider there to be any material credit risk that has not been insured or adequately provided for.

31.4 Currency risk

The group follows a policy of matching import and export cash flows where possible. The foreign subsidiaries do not hedge their intra-group purchases. The majority of any remaining inward or outward trade exposure is covered forward. In this regard the group has entered into certain forward exchange contracts which do not relate to specific items appearing in the balance sheet, but which were entered into to cover foreign commitments not yet due.

The details of contracts held at 31 December 2006 are listed below. These contracts will be utilised during the next six months. These contracts have been fair valued at the year-end as follows:

	Foreign amount 000	Rate	Fair value in Rand R000	Fair value gain (loss) R000
Import contracts				
Euro	3 374	9,31	31 412	(865)
Japanese Yen	382 350	16,72	22 868	(1 656)
United States Dollar	19 495	7,06	137 635	(2 939)
Export contracts				
British Pound	550	13,79	7 585	35
Euro	1 554	9,31	14 468	103
United States Dollar	4 446	7,02	31 210	2 495

31.5 Interest risk

Exposure to interest rate risk on borrowings and investments is monitored on a proactive basis. The financing of the group is structured on a combination of floating and fixed interest rates. The group's interest rate profile of borrowings at 31 December 2006 is as follows:

	Call	Long-term borrowings	Total borrowings
Borrowings (R000)	187 371	4 786	192 157
Rate	Floating	Fixed	
% of total borrowings	98	2	

	Group 2006 R000	Group 2005 R000	Company 2006 R000	Company 2005 R000
32. RELATED PARTY TRANSACTIONS				
Details of transactions between the group and other related parties are disclosed below.				
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.				
Related party relationships exist between certain directors and trading partners. All purchasing and selling transactions are concluded at arm's length. The nature and value of the transactions concluded during the year and balances at the year-end are detailed below:				
Shareholders				
John Deere Construction and Forestry Company				
– sales	411 032	860 036	–	–
– purchases	382 795	189 737	–	–
– amounts owing to	106 948	36 054	–	–
– amounts owing by	51 854	79 374	–	–
Enterprises over which directors are able to exercise significant influence and/or in which directors have a beneficial interest				
Loinette Company Leasing Limited				
– leasing costs	3 626	3 380	–	–
– interest paid	68	245	–	–
– amounts owing by	1 156	–	–	–
– amounts owing to	–	254	–	–
Minosucra SARL				
– sales	3 024	4 611	–	–
– leasing costs	–	99	–	–
– commission	–	130	–	–
– amounts owing by	1 511	1 210	–	–
Triumph International Madagascar SARL				
– sales	167	147	–	–
– amounts owing by	14	11	–	–
Triumph International Trading Limited				
– sales	6 384	719	–	–
– amounts owing to	1 683	639	–	–
Tractor and Equipment (Mauritius) Limited				
– sales	26 054	8 366	–	–
– amounts owing by	521	276	–	–
Buttery Family Investments (Pty) Limited				
– property rental	210	235	–	–
Ruthbut Investments (Pty) Limited				
– property rental	129	73	–	–

	Group		Company	
	2006	2005	**2006**	Restated 2005
	R000	R000	**R000**	R000
32. RELATED PARTY TRANSACTIONS (continued)				
Subsidiaries				
Bell Equipment Company SA (Pty) Limited				
– management fee received	**–**	–	**600**	–
– administration fee paid	**–**	–	**456**	–
– amounts owing by	**–**	–	**188 286**	157 507
Bell Equipment Group Insurance Brokers (Pty) Limited				
– commission received	**–**	–	**1 515**	–

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Compensation of key management personnel

Executive directors are defined as key management personnel and their remuneration during the year is reflected on page 81.

The remuneration of directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

33. SUBSEQUENT EVENTS

No fact or circumstance material to the appreciation of these annual financial statements has occurred between the financial year-end and the date of this report.

34. COMPARATIVE INFORMATION

In accordance with IAS 1 the following changes have been made to comparative information:

– computer software has been reclassified as intangible assets and is shown separately on the face of the balance sheet.

– revenue from rental activities is separately disclosed under turnover.

The above had no impact on the results of the group.

SUBSIDIARIES

at 31 December 2006

	Business type	Issued share capital 2006 R	Effective holding 2006 %	Interest of Bell Equipment Limited: Book value of shares 2006 R000	Book value of shares 2005 R000	Amounts owing by 2006 R000	Amounts owing by 2005 R000
SOUTHERN AFRICA							
Bell Equipment Company SA (Pty) Limited	O	2	100	12 063	12 063	188 286	157 507
Bell Equipment Group Insurance Brokers (Pty) Limited	O	360	100				
I.A. Bell Equipment Co Namibia (Pty) Limited	O	4	100				
Bell Equipment Co Swaziland (Pty) Limited	O	2	100				
Bell Equipment Finance Company (Pty) Limited	D	100	100				
OTHER AFRICA							
Bell Equipment (Zambia) Limited	O	1 152 283	100				
Bell PTA (Pvt) Limited	O	3 251 503	100				
Bell Equipment (Malawi) Limited	O	2	100				
Bell Equipment Mozambique Limitada	O	752 083	100				
EUROPE							
Bellinter Holdings SA	H	129 893 100	100	89 627	61 374		
Bell France SARL	O	24 889 852	100				
Bell Equipment UK Limited	O	49 750 335	100				
Heathfield Haulamatic Limited	D	83 750	100				
Bell Equipment Switzerland SA	O	992 076	100	1 494	1 494		
Bell Equipment (Deutschland) GmbH	O	40 008 520	100				
Bell Equipment Spain SA	O	840 464	100				
UNITED STATES OF AMERICA							
Bell Equipment North America Inc	O	41 901 000	100				
ASIA							
Bell Equipment (SEA) Pte Limited	O	10 490 691	100				
AUSTRALASIA							
Bell Equipment (NZ) Limited	O	2 117	100				
Bell Equipment Australia (Pty) Limited	O	17	100				
Interest in subsidiary companies				103 184	74 931	188 286	157 507

D Dormant companies
H Holding companies
O Operating companies

DIRECTORS' EMOLUMENTS

for the year ended 31 December 2006

	Salary R	Bonus R	Pension/ provident fund R	Other benefits and allowances R	**2006 Total R**	2005 Total R
Paid to directors of the company by the company and its subsidiaries						
Executive directors						
GW Bell	1 519 087	215 933	114 996	179 914	**2 029 930**	1 675 667
PA Bell	373 948	82 695	114 371	142 730	**713 744**	594 206
PC Bell	1 038 847	159 867	114 371	194 783	**1 507 868**	1 257 000
HJ Buttery	1 392 640	202 333	134 996	172 364	**1 902 333**	1 571 000
MA Campbell	437 887	74 033	59 128	27 013	**598 061**	595 546
JP du Toit (resigned 8 May 2006)	215 589	–	30 556	71 501	**317 646**	626 670
GP Harris	355 256	59 500	56 815	90 000	**561 571**	480 000
DB Rhind (deceased 24 March 2005)	–	–	–	–	**–**	270 198
DL Smythe	682 736	104 408	117 871	81 513	**986 528**	832 140
KJ van Haght (appointed 8 May 2006)	710 087	98 917	93 412	24 000	**926 416**	–
	6 726 077	997 686	836 516	983 818	**9 544 097**	7 902 427
				Fees R		
Non-executive directors						
PJC Horne				242 000	**242 000**	165 643
MA Mun-Gavin (appointed 1 November 2005)				145 000	**145 000**	37 500
SCM Nyembezi (resigned 5 August 2005)				–	**–**	36 000
TO Tsukudu				140 000	**140 000**	83 500
DJJ Vlok				222 000	**222 000**	167 000
				749 000	**749 000**	489 643
Total					**10 293 097**	8 392 070

Mr GW Bell has current share options in terms of the Employee Share Option Scheme in respect of 90 600 shares at R25,25 each (expiry date 21 December 2016). All other executive directors have no unexercised share options.

SHAREHOLDERS' INFORMATION

as at 31 December 2006

BENEFICIAL SHAREHOLDER SPREAD

Shareholder type	Number of beneficial shareholders in South Africa and percentage holdings				Number of beneficial shareholders other than in South Africa and percentage holdings				Total beneficial shareholders			
	2006		2005		**2006**		2005		**2006**		2005	
	No	**%**	No	%	**No**	**%**	No	%	**No**	**%**	No	%
Public	**1 009**	**23,34**	877	23,98	**53**	**34,55**	43	32,57	**1 062**	**57,89**	920	56,55
Directors	**8**	**42,11**	7	43,45	**–**	**–**	–	–	**8**	**42,11**	7	43,45
Total	**1 017**	**65,45**	884	67,43	**53**	**34,55**	43	32,57	**1 070**	**100,00**	927	100,00

A list of senior management holdings in the shares of the company is obtainable from the Company Secretary.

STOCK MARKET STATISTICS

	Year ended 31 December 2006	Year ended 31 December 2005
Market price of shares (cents)		
– Year-end	**2 600**	950
– Highest	**2 600**	1 000
– Lowest	**950**	500
Net asset value per share (cents)	**1 007**	738
Number of shares traded (000)	**25 213**	17 276
Value of shares traded (R000)	**404 959**	143 455
Market capitalisation to net asset value	**2,58**	1,29

EXCHANGE RATES

The following rates of exchange were used in the preparation of the financial statements:

	31 December 2006		31 December 2005	
	Weighted average	**Year-end**	Weighted average	Year-end
Australian $: United States $	**0,76**	**0,79**	0,76	0,73
British £: United States $	**1,85**	**1,97**	1,81	1,72
Euro: United States $	**1,26**	**1,32**	1,24	1,18
Japanese Yen: United States $	**116,23**	**118,84**	110,70	117,26
Malawi Kwacha: United States $	**138,62**	**140,04**	120,34	125
Mozambique MZM: United States $	**26 487**	**26 176**	23 409	24 500
New Zealand $: United States $	**0,65**	**0,71**	0,70	0,69
SA Rand: United States $	**6,80**	**6,98**	6,36	6,33
Singapore $: United States $	**1,59**	**1,54**	1,67	1,66
Swiss Franc: United States $	**1,25**	**1,22**	1,25	1,31
Zambia Kwacha: United States $	**3 683**	**4 450**	4 448	3 500
Zimbabwe $: United States $	**2 800**	**2 800**	27 317	87 125

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 39th Annual General Meeting of members of Bell Equipment Limited will be held at the company's registered office, Carbonode Cell, Alton, Richards Bay on Thursday, 3 May 2007 at 10:00 for the following purposes:

1. To present the annual financial statements of the company and the group for the year ended 31 December 2006 together with the auditors' and directors' reports thereon.
2. To note that in terms of the company's articles of association Messrs HJ Buttery, DM Gage and TO Tsukudu and Mrs KJ van Haght retire by rotation at this Annual General Meeting but being eligible have offered themselves for re-election. Brief particulars of the qualifications and experience of the above are available on pages 8 and 9 of this report.
3. In accordance with the provisions of section 221 of the Companies Act, 1973, as amended, to place control of the unissued shares of the company in respect of the share option schemes in the hands of the directors who may allot and issue any of the same to such person or persons and on such terms and conditions as specified in the share option scheme rules and at such time or times as they may determine.

   The company has unissued share capital totalling 5 183 100 shares of no par value. Of this, 183 100 shares are committed to the employee share option scheme number one as reported in the directors' report and the balance is in respect of share option scheme number two.
4. SPECIAL RESOLUTIONS
   To consider and if thought fit to pass the following special resolution:
   Special resolution 1: share repurchases
   'The directors be and are hereby authorised to approve and implement the acquisition by the company (or by a subsidiary of the company from time to time), of shares issued by the company by way of a general authority, which shall only be valid until the company's next Annual General Meeting, unless it is then renewed, provided it shall not extend beyond 15 (fifteen) months from the date of passing of the special resolution, whichever period is the shorter, in terms of sections 85 and 89 of the Companies Act, 61 of 1973, as amended, and the Rules and Requirements of the JSE Limited ('the JSE') which provide, inter alia, that the company may only make a general repurchase of its shares subject to:
   (a) the repurchase being implemented through the order book operated by the JSE trading system, without any prior understanding or arrangement between the company and the counterparty;
   (b) the company being authorised thereto by its articles of association;
   (c) repurchases not being made at a price greater than 10% (ten percent) above the weighted average of the market value of the shares for the 5 (five) business days immediately preceding the date on which the transaction was effected;
   (d) an announcement being published as soon as the company has repurchased ordinary shares constituting, on a cumulative basis, 3% (three percent) of the initial number of ordinary shares, and for each 3% (three percent) in aggregate of the initial number of ordinary shares repurchased thereafter, containing full details of such repurchases;
   (e) repurchases not exceeding 20% (twenty percent) in aggregate of the company's issued ordinary share capital in any one financial year;
   (f) the company's sponsor confirming the adequacy of the company's working capital for purposes of undertaking the repurchase of shares in writing to the JSE prior to entering the market to proceed with the repurchase;
   (g) the company remaining in compliance with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread after such repurchase;
   (h) the company not repurchasing securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements; and
   (i) the company only appointing one agent to effect any repurchases on its behalf.'

   The directors, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of the aforegoing general authority, are of the opinion that for a period of 12 (twelve) months after the date of the notice of the Annual General Meeting:
   – the company and the group will be able, in the ordinary course of business, to pay its debts;

- the assets of the company and the group, fairly valued in accordance with generally accepted accounting practice, will exceed the consolidated liabilities of the company and the group; and
- the company's and the group's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes.

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of this general authority:

- Directors and management – pages 8, 9, 20, 22 and 23;
- Major beneficial shareholders – page 45;
- Directors' interests in ordinary shares – page 44; and
- Stated capital of the company – page 66.

LITIGATION STATEMENT

In terms of section 11.26 of the JSE Listings Requirements, the directors whose names appear on pages 8 and 9 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings including proceedings that are pending or threatened, that may have or have had in the recent past (being at least the previous 12 (twelve) months) a material effect on the group's financial position.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names appear on pages 8 and 9 of the annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information.

MATERIAL CHANGES

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

The directors have no specific intention, at present, for the company to repurchase any of its shares but consider that such a general authority should be put in place should an opportunity to do so present itself during the year which is in the best interests of the company and its shareholders.

REASON FOR AND EFFECT OF SPECIAL RESOLUTION 1

The reason for and effect of the special resolution is to grant the directors of the company a general authority in terms of the Companies Act, 61 of 1973, as amended, and the JSE Listings Requirements for the repurchase by the company of the company's shares.

Any member who is unable to be present may appoint a proxy to attend, speak and, on a poll, vote in his stead. A proxy need not be a member of the company. In order to be valid, instruments appointing proxies should reach the Group Company Secretary by no later than 10:00 on Wednesday, 2 May 2007.

By order of the board

DP Mahony
FCIS FCIBM
Group Company Secretary

20 March 2007

SHAREHOLDERS' DIARY

Financial year-end	31 December
Annual report	March 2007
Annual General Meeting	Thursday, 3 May 2007
Interim results announcement	August 2007

KEY CONTACT PEOPLE

Group Chairman
Howard Buttery
Tel: +27 (0) 31 569 1100
howardb@bell.co.za

Group Chief Executive
Gary Bell
Tel: +27 (0) 35 907 9111
garyb@bell.co.za

Group Financial Director
Karen van Haght
Tel: +27 (0) 35 907 9111
karenv@bell.co.za

Group Company Secretary
Pat Mahony
Tel: +27 (0) 35 907 9111
patm@bell.co.za

ADMINISTRATION

SECRETARY
DP Mahony FCIS FCIBM

BUSINESS ADDRESS
13 – 19 Carbonode Cell
Alton
Richards Bay 3900

Telephone: +27 (0) 35 907 9111
Facsimile: +27 (0) 35 797 4336

POSTAL ADDRESS
Private Bag X20046
Empangeni 3880
South Africa

ATTORNEYS
Chapman Dyer Inc.

AUDITORS
Deloitte & Touche

SHARE TRANSFER SECRETARIES
Link Market Services South Africa (Pty) Limited
11 Diagonal Street
Johannesburg 2001

PO Box 4844
Johannesburg 2000

Telephone: +27 (0) 11 834 2266
Facsimile: +27 (0) 11 834 4398

Shareholders are reminded to notify the transfer secretaries of any change in address or dividend payment mandates.

BANKERS TO THE GROUP
ABSA Bank Limited
African Banking Corporation of Zimbabwe Limited
Banco Internacional de Mocambique
Banco Santander – Spain
Banque Cantonale de Fribourg – Switzerland
Barclays Bank plc – London and Zambia
Commerzbank AG
FNB Corporate, a division of FirstRand Bank Limited
Investec Bank Limited
National Australia Bank Limited
National Bank of New Zealand Limited
Nedbank Limited – London
The Development Bank of Singapore Limited
UBS SA – Switzerland
Uniao Commercial de Bancos – Mozambique

WEB
www.bellequipment.com

EMAIL
Company Secretary – patm@bell.co.za

INVESTOR RELATIONS
www.bellir.co.za

FORM OF PROXY

For the Annual General Meeting to be held on Thursday, 3 May 2007 at 10:00.

TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS ONLY

For use at the Annual General Meeting to be held on Thursday, 3 May 2007 at the registered office of the company, 13 – 19 Carbonode Cell Road, Alton, Richards Bay.

I/We ______________________________

the undersigned, being the holder/s of [ ] ordinary shares of no par value in Bell Equipment Limited, do hereby appoint

____

or ______________________________

or failing him the chairman of the meeting as my/our proxy to act on my/our behalf at the Annual General Meeting of the company to be held at 10:00 on Thursday, 3 May 2007 and at each adjournment thereof.

Please indicate with an "X" in the appropriate space below how you wish your vote to be cast:

	For	Against	Abstain
Ordinary resolution number 1 To adopt the annual financial statements for the year ended 31 December 2006			
Ordinary resolution number 2 (a) To elect HJ Buttery as a director (b) To elect TO Tsukudu as a director (c) To elect KJ van Haght as a director (d) To elect DM Gage as a director			
Ordinary resolution number 3 To place control over the unissued shares of the company in the hands of the directors subject to terms as specified in the notice			
Special resolution 1 To place control over the possible repurchase of shares with the directors			

Signature ______________________________ Date ______________________________

NOTES TO THE FORM OF PROXY

1. A member who is entitled to attend and vote at a meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. The person so appointed need not be a member.
2. If no direction is given as to how a vote is to be cast, then the proxy holder will be entitled to vote as he/she deems fit.
3. Proxy forms should be signed, dated and forwarded to the Group Company Secretary whose address is stated below or delivered to the registered office of the company at Carbonode Cell Road, Alton, Richards Bay, to be received by no later than 10:00 on Wednesday, 2 May 2007.

Note: In order to be valid this form must be completed and returned to:

The Group Company Secretary
Bell Equipment Limited
Private Bag X20046
Empangeni 3880

by no later than 10:00 on Wednesday, 2 May 2007.