annual report 2009

Nature of our business

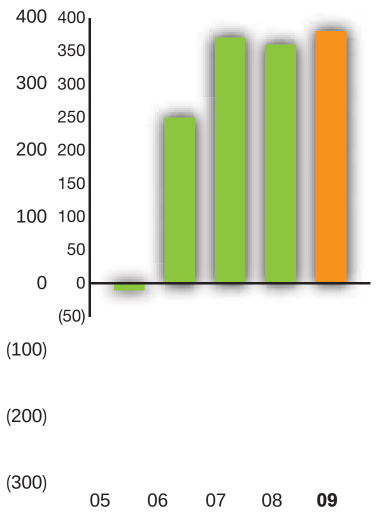
Bell Equipment is Southern Africa's premier provider of earth-moving, construction, mining and materials handling equipment, serving customers across a diverse range of industries. Our product range includes Articulated Dump Trucks, Front-End Loaders, Hauler Tractors, Excavators, Road Graders, Loader Backhoes, Fork-Lifts and Tri-Wheeled Loaders. The recent acquisition of the local distribution rights for the world's leading range of road building and compaction equipment, provides Bell Equipment unrivalled coverage of the entire construction industry's machinery needs.

Bell Equipment's after sales operations include service, refurbishment and spare parts supply. Through an extensive network of customer service centres and distributors in many parts of the world, supported by strategic financing partners, the group is able to meet the requirements of customers in and suppliers to the mining, construction and forestry industries and agriculture.

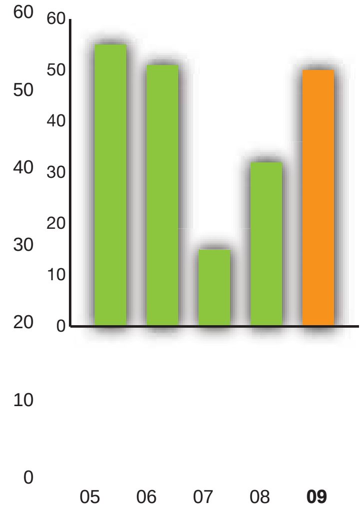
Contents

Financial snapshot
the year in brief

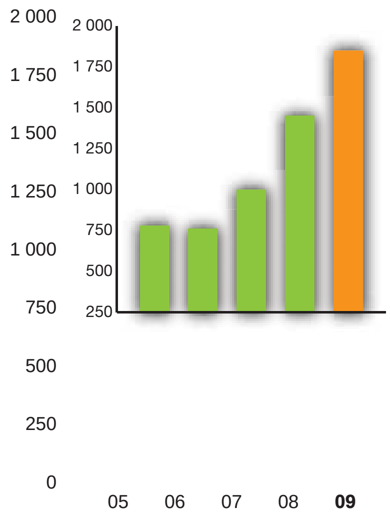
(Loss) earnings per share (cents)



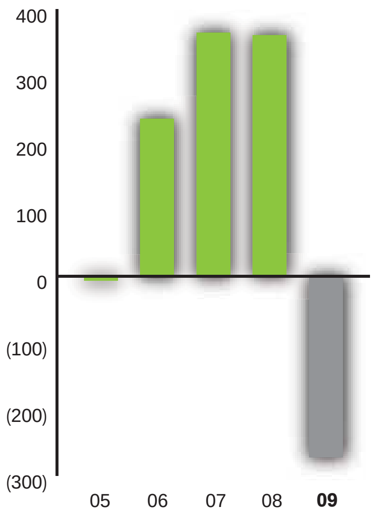
Gearing (%)



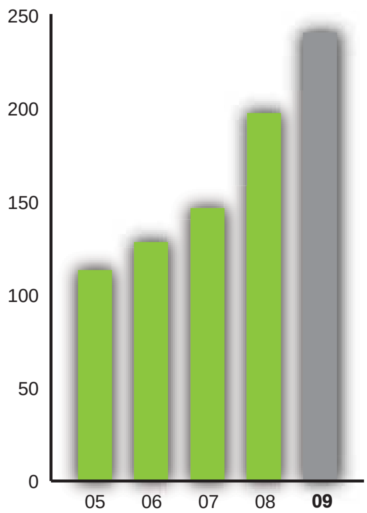
Net asset value per share (cents)



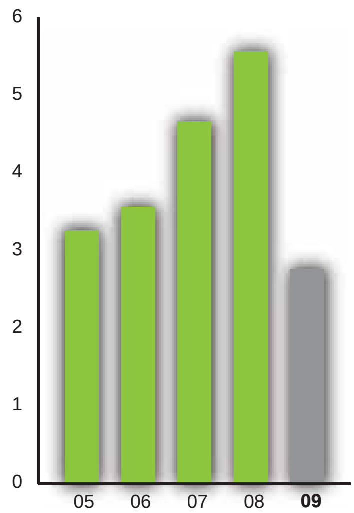
(Loss) profit for the year (R million)



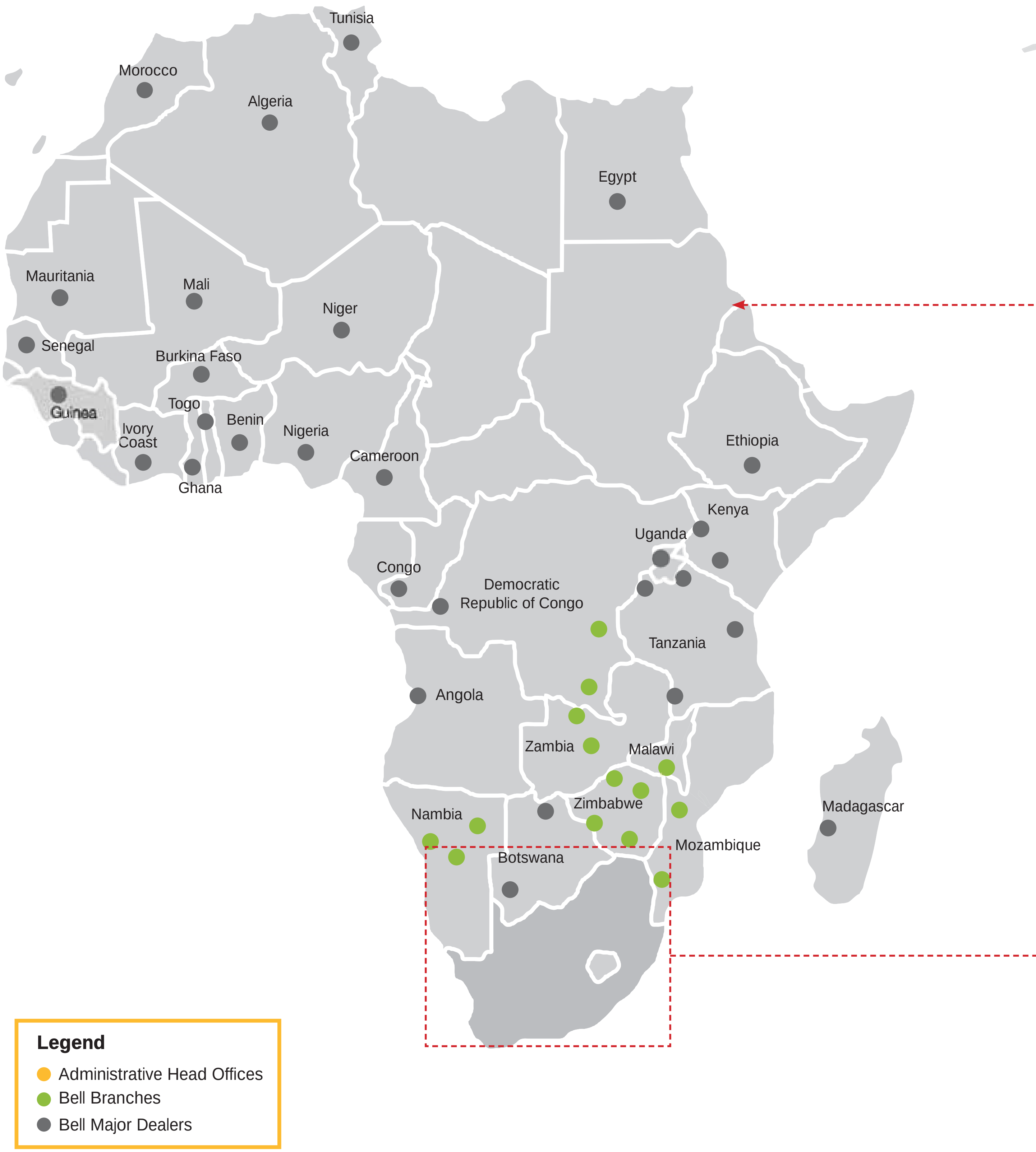
Trade cycle (days)



Revenue (R billion)



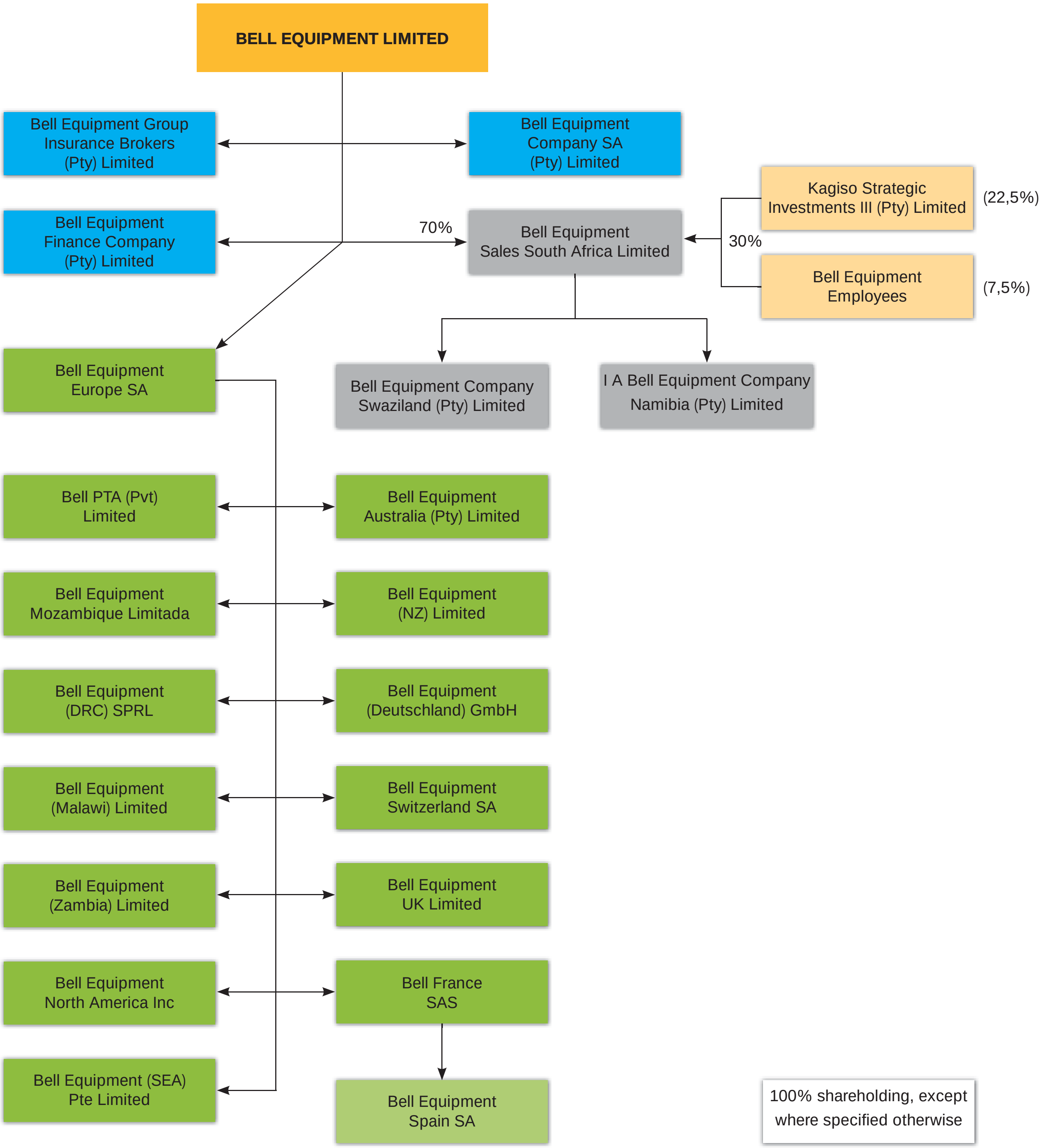
Bell's global reach




John Deere
Zambezi (forestry)
UED (construction)
United Kingdom
Germany
France
Spain
Hitachi Japan
Hitachi (HMAP)
Singapore
Latin Equipment Brazil
Latin Equipment Chile
Latin Equipment Argentina
Australia
Hitachi (HCA)
New Zealand


Tzaneen
Polokwane
Middelburg
Rustenburg
Johannesburg
Nelspruit
Swaziland
Wolmaransstad
Piet Retief
Kuruman
Vryheid
Empangeni
Kimberley
Newcastle
Richards Bay
Bloemfontein
Pietermaritzburg
Umhlali
Durban
Umtata
East London
Cape Town
Port Elizebeth
George

Global corporate structure



Timeline

2009	Bell takes over the Bomag dealership with the German-based OEM.
2008	Global logistics centre commissioned in Jet Park, Johannesburg.
2007	First equipment manufacturer in South Africa to set up a meaningful BBBEE structure.
2004	Fifty years of innovation through strong partnerships.
2003	Truck assembly operations commence in Europe.
2002	World's largest articulated dump truck, the Bell B50D, is unveiled.
2001	Launch of the D-series articulated trucks sets a new standard of excellence.
2000	Hitachi Construction Machinery Company brands Bell trucks for Australasia.
1999	John Deere begins to brand and distribute Bell trucks in America.
1998	Bell C-series ADT and wheeled loader range launched.
1995	Rights acquired to distribute John Deere construction and forestry equipment under the Bell brand.
1992	An excavator range provides a one-stop-shop service for mining and construction customers.
1989	Launch of the B40 articulated dump truck, targeting heavy duty mining applications.
1984	From the new production facility in Richards Bay, South Africa, the first articulated truck enters service.
1982	Applying the Hauler's strong, simple design philosophy, Bell enters the wheeled loader market.
1977	Bell introduces the world's first automatic transmission equipped haulage tractor.
1975	Series production of the tri-wheeled loaders begins and the timber handling version proves popular.
1970	Joined by sons Peter and Gary, Bell gains key experience providing engineering services to the construction consortium.
1964	Irvine Bell invents the revolutionary tri-wheeled loading machine.
1954	Founder Irvine Bell establishes the company and invents a self-loading sugarcane trailer.

Five-year review for the year ended 31 December 2009

		2009 R'000	2008 R'000	2007 R'000	2006 R'000	2005 R'000
INCOME STATEMENT						
Revenue		**2 699 149**	5 458 273	4 624 961	3 533 177	3 209 233
Cost of sales		**(2 164 082)**	(4 036 622)	(3 647 808)	(2 739 263)	(2 701 658)
Gross profit		**535 067**	1 421 651	977 153	793 914	507 575
Net operating costs		**(798 493)**	(832 547)	(482 891)	(425 750)	(481 351)
(Loss) profit from operating activities		**(263 426)**	589 104	494 262	368 164	26 224
Net interest paid		**(108 605)**	(74 637)	(19 696)	(21 127)	(22 404)
(Loss) profit before taxation		**(372 031)**	514 467	474 566	347 037	3 820
Taxation		**100 325**	(153 751)	(109 657)	(110 880)	(12 017)
(Loss) profit for the year		**(271 706)**	360 716	364 909	236 157	(8 197)
Shares in issue	(000)	**94 958**	94 950	94 858	94 817	94 763
Shares in issue (weighted average)	(000)	**94 952**	94 907	94 840	94 771	94 567
(Loss) earnings per share (basic)	(cents)	**(274)**	367	385	249	(9)
Dividend per ordinary share	(cents)	**–**	40	25	–	–
Net asset value per share	(cents)	**1,496**	1,864	1,456	1,007	738
STATEMENT OF FINANCIAL POSITION						
Property, plant and equipment		**520 452**	532 764	426 649	318 140	229 755
Intangible assets		**39 873**	30 309	8 328	7 074	7 639
Interest-bearing investments and long-term receivables		**73 982**	34 787	24 695	20 637	50 885
Deferred taxation		**164 138**	67 962	13 961	22 464	7 486
Inventory		**1 618 728**	2 546 512	1 698 820	1 219 834	928 838
Trade and other receivables		**412 008**	627 839	662 828	378 983	361 812
Prepayments and current portion of interest-bearing long-term receivables		**54 341**	33 679	23 813	25 757	19 860
Other financial assets		**430**	–	–	–	–
Taxation		**10 280**	12 494	1 865	1 623	2 194
Cash resources		**31 882**	36 426	20 708	47 740	33 138
Total assets		**2 926 114**	3 922 772	2 881 667	2 042 252	1 641 607
Shareholders' equity		**1 420 435**	1 769 555	1 380 869	954 912	699 259
Long-term portion of provisions, repurchase obligations and deferred income		**156 250**	190 710	138 155	156 052	84 647
Current portion of provisions, repurchase obligations and deferred income		**101 437**	128 071	74 183	93 060	74 606
Interest-bearing liabilities		**271 234**	174 425	108 462	4 786	7 485
Trade and other payables		**530 151**	839 474	758 984	557 330	390 340
Other financial liabilities		**3 922**	–	–	–	–
Taxation		**14 856**	115 905	52 927	88 741	–
Short-term interest-bearing debt		**427 829**	704 632	368 087	187 371	385 270
Total equity and liabilities		**2 926 114**	3 922 772	2 881 667	2 042 252	1 641 607

		2009	2008	2007	2006	2005
KEY RATIOS						
Operating ratios						
Operating margin	(%)	**(10)**	11	11	10	1
(Operating (loss) profit) / (Revenue)						
Return on total assets	(%)	**(8)**	17	20	20	2
(Operating (loss) profit) / (Average total assets, excluding cash)						
Financial ratios						
Gearing	(%)	**47**	48	33	15	51
(Interest-bearing liabilities) / (Total shareholders' funds)						
Interest cover	(times)	**(2)**	8	25	17	1
(Operating (loss) profit) / (Net interest paid)						
Overall performance						
Return on shareholders' funds	(%)	**(17)**	23	31	29	(1)
((Loss) profit after tax) / (Average shareholders' funds)						
Gross profit to revenue	(%)	**20**	26	21	22	16
Working capital days trade cycle						
Inventory		**273**	231	170	163	125
Receivables		**56**	42	52	39	41
Payables		**(89)**	(76)	(76)	(74)	(53)
Total		**240**	197	146	128	113

ABBREVIATED STATEMENT OF CASH FLOWS

R'000	2009	2008	2007	2006	2005
Cash operating (loss) profit before working capital changes	**(223 592)**	714 903	533 797	429 378	73 048
Cash generated from (invested in) working capital	**784 160**	(732 562)	(564 005)	(143 931)	(23 146)
Cash generated from (utilised in) operations	**560 568**	(17 659)	(30 208)	285 447	49 902
Net interest paid	**(108 605)**	(74 637)	(19 696)	(21 127)	(22 404)
Taxation (paid) refunded	**(95 526)**	(154 249)	(158 285)	(36 269)	501
Net cash generated from (utilised in) operating activities	**356 437**	(246 545)	(208 189)	228 051	27 999
Net cash flow utilised in investing activities	**(117 316)**	(171 825)	(69 745)	(100 904)	(41 085)
Net cash flow generated from financing activities	**33 138**	97 543	70 186	85 354	33 422
Net cash inflow (outflow)	**272 259**	(320 827)	(207 748)	212 501	20 336

Board of Directors as at 31 March 2010

Howard Buttery
Group Executive Chairman
CTA – University of Natal
Appointed as an employee and member of the board in 1973
Age: 63

Danie Vlok # *
Independent Non-executive Director
Chairman of the Nominations and Remuneration Committee
BCom – University of Pretoria
MBA
Currently a director of ElementOne Limited and previously served on the boards of Real Africa Holdings Limited, Real Africa Investments, African Life Limited and Lifecare Limited.
Appointed to the board in 1995
Age: 64

Gary Bell
Group Chief Executive
Mechanical Eng. Diploma – Natal Technikon
Appointed as an employee in 1971
Appointed to the board in 1983
Age: 57

Douglas Gage #
Non-executive Director
BSc Mech Eng – Rensselaer Polytechnic Institute
MBA (Executive Programme) – Kellogg School of Management – Northwestern University
Currently a director of John Deere Construction and Forestry Company and of Deere Hitachi Construction Machine Corporation
Appointed to the board in 2004
Age: 53

Karen van Haght
Group Financial Director
B Compt (Hons) – University of South Africa
CA (SA)
Appointed as an employee in 2000
Appointed to the board in 2006
Age: 43
Previously employed as Senior Audit Manager at Deloitte & Touche

Kelan Manning
Non-executive Director
Certified Public Accountant (CPA) – University of Illinois
BS Accounting/Business Administration – Illinois State University
MBA – Kellogg School of Management, Northwestern University
Currently a Division Controller at John Deere Construction & Forestry Division and serves as a director on the DuTrac Community Credit Union (Not for Profit)
Appointed to the board in 2008
Age: 46

Tiisetso Tsukudu #
Independent Non-executive Director
BA (University of the North)
MBA (Strathclyde Graduate Business School, Glasgow)
Currently holds directorships in a number of companies including Capital Edge Cement Consortium (Pty) Limited and Imbewu Mineral Resources (Pty) Limited. President of the African Federation of Human Resource Management Associations (AFHRMA) and a board member of World Federation of People Management Associations (WFPMA).
Appointed to the board in 2004
Age: 56

Nominations and Remuneration Committee

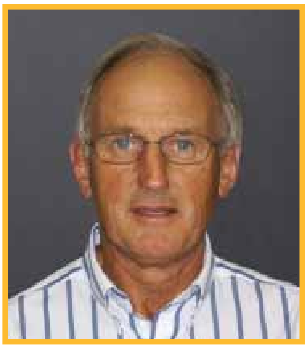
***** Risk Management and Audit Committee

Michael Mun-Gavin *
Independent Non-executive Director
Chairman of the Risk Management and Audit Committee
B Comm – University of Natal
CA (SA)
Currently a director of Grindrod Bank Limited, Marriott Asset Management (Pty) Limited and sits as a board member on the management companies of various listed property unit trusts.
Appointed to the board in 2005
Age: 60

John Kloet
Alternate Director – Non-executive
BS Degree, Accounting – University of Illinois
CPA (US)
Currently the Director of Business Planning – CIS in John Deere Construction and Forestry Company
Appointed to the board in 2002
Age: 56

Barry Schaffter
Non-executive Director
BS Degree, Engineering Management – University of Missouri-Rolla
Currently the Vice-President, Chief Information Officer for John Deere and serves as a board member on a number of Not for Profit companies
Appointed to the board in 2005
Age: 58

André McDuling
Alternate Director – Executive
N HDIP Mechanical Engineering – Durban Institute of Technology
B Tech Business Management – Durban Institute of Technology
Appointed as an employee in 1988
Age: 42
Previously employed as Director Manufacturing and Engineering at Bell Equipment



John Barton # *
Independent Non-executive Director
FCMA (UK)
AMP (Harvard)
Currently a director of the Industrial Development Corporation of SA Limited, Findevco (Pty) Limited and Redis Construction Afrika (Pty) Limited. Previously served as Chief Executive Officer of Mondi South Africa Limited and, later, as its Non-executive Deputy Chairman.
Appointed to the board in 2009
Age 62

Leon Goosen
Alternate Director – Executive
B Acc – Stellenbosch University
B Compt (Hons) CTA – UOVS
CA (Namibia)
CA (SA)
Currently the Group Commercial Director
Appointed as an employee in 2007
Appointed to the board in 2009
Age: 37
Previously employed as an audit partner at Deloitte & Touche

Guy Harris
Alternate Director – Executive
Advanced Management Programme – University of Cape Town
B Comm (Hons) (Financial Management) – University of Cape Town
CA (SA)
Certificate in Theory of Accountancy – University of Cape Town
Currently the Group Strategy and Public Affairs Director
Appointed as an employee in 1994
Appointed to board in 1994
Age: 57
Previously employed as Financial Director of the South African Sugar Association.

Group Chairman's statement

Howard J Buttery

2009 has been the toughest and most challenging year in the Bell group's history. The global economic crisis continued to rage for most of 2009 and it was only in December that we started to see a slow upturn in sales which has continued through to February 2010. Despite this signal of an upturn it is still too early to be certain of its sustainability as the availability of finance continues to provide challenges. In 2009, as a result of a drop in sales, we implemented a number of key measures to adapt the group to a new lower cost level. From a short-term perspective these measures were both painful and costly but they were necessary to ensure the group's long-term survival and competitiveness. During the year we incurred once-off costs for personnel cut-backs, inventory and residual value write-downs and increased provisions for credit losses. With the recovery in global commodity prices, particularly copper, platinum and gold, we are seeing a recovery in several of our markets. This is allowing us to focus again more on our customers and at the same time we continue to actively manage and control our costs in all parts of the group. We will also work hard to achieve a significant increase in productivity as volumes gradually return to more normal levels. We closed the 2009 financial year with an after tax loss of R271,7 million (2008: R360,7 million profit) and a loss per share of 274 cents (2008: 367 cents earnings per share). The group made an after tax loss of R84,8 million in the six months ended 31 December as opposed to the loss of R186,9 million in the first six months. This relative improvement is largely due to our reinstatement on a government support programme which I will expand upon below. In 2009 revenue decreased by 50,6% to R2,699 billion and at the same time gross profit dropped by 62,4% to R535,1 million from last year's R1,422 billion. Gross profit as a percentage of revenue decreased from 26% to 20% as a result of the very competitive trading conditions in the market place. Other operating income more than doubled from R71,3 million to R143,5 million as a result of the re-introduction of the incentive referred to above.

By far the worst affected operation in our group was the European Division where our turnover was 34% of the previous year's and our operating losses of R68,7 million reflected a R70,9 million negative turnaround. The significant slowdown in the construction and mining sectors with very little spend on infrastructure caused this dramatic turnaround in our European business. Whilst overheads were slashed our decision to continue to support our European customer base at the highest possible level has resulted in us making losses. We have decided that this is in the longer-term interests of the group given the global importance for the articulated dump truck market. The stimulus packages for investment in infrastructure announced by several European governments has not yet had any significantly positive impact on the construction equipment industry. It is interesting to note that in 2009 the total global market for heavy equipment, compact equipment and road machinery declined by 39% year-on-year. In the heavy equipment segment in which Bell operates we estimate that this market declined worldwide by between 60% and 70%. In this very tough market Bell has been able to defend its market share thanks to our excellent distribution network and our world-class products.

Despite a 50% drop in total turnover we are pleased to advise that our focus area of after market sales including parts and services dropped by less than 13%. We experienced some problems in bedding down our new global logistics centre at Jet Park but we are pleased to report monthly improvements in this centre's efficiencies and first pick availabilities. We are expecting an improvement in turnover and profitability from parts and service.

Our operations in Africa continued to be strengthened during the year and we look forward to an improved performance in this very important market during 2010.

Exports achieved a turnover of R1,20 billion which equates to 46% of the 2008 export turnover. Despite the turnover in Africa being lower than 2008 we are very pleased with the market penetration we achieved. Our operations in Africa continued to be strengthened during the year and we look forward to an improved performance in this very important market during 2010. The first two months of 2010 have certainly been better than budget in the Africa division.

As reported in the previous year we have been encouraged through the large increases in business volumes and turnover to increase our overhead structure substantially in the years leading up to December 2008. Reducing overheads is a much more difficult task and whilst our number of employees has dropped from 3 224 at 31 December 2008 to 2 076 at 31 December 2009 the reduction in overheads is skewed by retrenchment and associated costs. In view of the huge reduction in manufacturing we were only able to recover R190,7 million in labour and overheads as compared to R653,4 million in 2008. We do expect production in 2010 to be double that for 2009 and this will allow for a better recovery rate. We are extremely unhappy to report that we have said farewell to 1 148 Bell employees during the year under review but this was necessary in order to ensure the group's sustainability. As we continue to right-size we will further reduce our work force in 2010 but hopefully this effect will be countered by the re-employment of certain manufacturing employees as production increases the demand for personnel. We have always stated that our people at Bell are our greatest asset and their actions during 2009 have once again proved this to be correct. The commitment by Bell's employees to the company during 2009 has been unbelievable. The decision by the employees and executive management to suspend any increases and to take pay cuts of between 5% – 50% of their packages has been greatly appreciated by all stakeholders. I am pleased to report that with the improved business cycle all employees have gone back to receiving their full salaries but almost 100% of them have had no salary increase for eighteen months. As mentioned in my interim report this gesture from the employees has given the board of directors a clear message that all employees are committed in their fight for the company's survival and that our company will come out of the current financial situation with a robust and sustainable platform.

Whilst the capital and reserves in our statement of financial position have declined by R349,1 million to a little over R1,4 billion the short-term interest-bearing debt of the company has dropped by R272,3 million during the twelve-month period. Positive cash flow in the first six months was only R14,3 million so the second six months achieved a far better result. We still believe that despite inventory dropping by R927,8 million during 2009 we will reduce that by a further R340 million during 2010 with a further R160 million reduction in receivables as the business is further right-sized. The objective of concentrating our efforts on reducing working capital has been successful and we expect this and positive cash flow to continue in 2010.

As we have reported annually over the past few years we have continuously engaged with our government in seeking opportunities to work with them in areas around growth, sector programmes and skills development. We require this assistance as a South African manufacturer to increase our global competitiveness and sustainability. I am pleased to report that we have had considerable assistance from the Department of Trade and Industry and the Industrial Development Corporation (IDC) during the second half of 2009. We have been readmitted to the MIDP programme and are participating in the study regarding the APDP benefits to be effective from 2013. We have been readmitted retrospectively to this key programme from the date of our exclusion, which we have always considered to be unfair and against the principles for which the programme was initially developed. We wish to pay tribute to the new Minister of Trade and Industry for his personal intervention to ensure that the situation was suitably addressed. We have not asked for any support that is not available to our competitors in their countries of manufacture or ours but merely asked for a levelling of the playing fields. This readmission has resulted in the increase in our other income of R75,3 million.

The recently announced Medium and Heavy Commercial Vehicle industry review is encouraging and we are engaging with government, their appointed consultants and other industry role-players to ensure the maximum benefit for Bell. The revised Industrial Policy Action Plan announced the day after the budget, which also emphasised entry-level job incentives, is also very welcome. The emphasis of IPAP2 on metals and capital and transport equipment is very relevant to Bell and is further enhanced by our local upstream supplier linkages. Given the right forms and levels of support we are committed to working with government and labour to create decent jobs, giving particular consideration to the communities in the area surrounding our Richards Bay factory.

As mentioned in our interim report Bell and the IDC finalised a loan of R150 million to provide working capital for the financing of inventory. We are in further negotiations with the IDC for additional funding of R300 million, R150 million of which will be used to continue to support our research and development and capex requirements so that we can take immediate advantage of any upturn with new equipment and facilities. I am pleased to report that we have effected very little reduction in our research and development budget and we continue to spend close

It has been an incredible privilege to be chairman of this company for the past thirty years and I am very proud of what has been achieved and know that the current executive team running the company will continue to grow and develop the company.

to R10 million per month in driving this success. We have a world-class group of professionals leading this team and we continue to produce and develop innovative improvements to our equipment, allowing us to stay at the cutting edge of technology in our field. I would like to pay tribute to the research and development team who have continued to strive to make us a world-class producer of our full-articulated dump truck range.

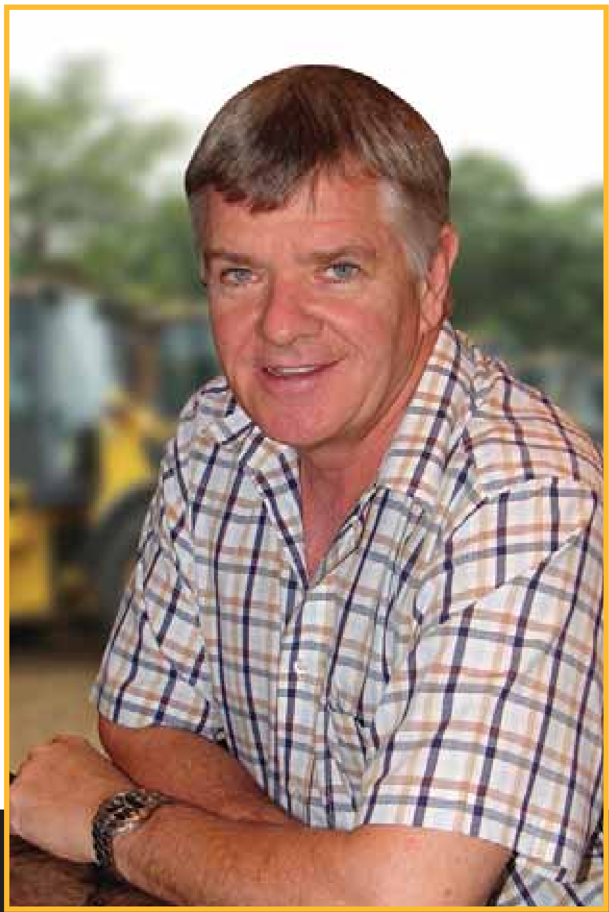
The second R150 million with the IDC is for preference share capital, which will continue to strengthen our statement of financial position and get the structure of long-term capital as opposed to short-term debt right-sized in our statement of financial position. The professional and diligent manner in which the IDC personnel have worked with the Bell team in trying to secure this total facility of R450 million has been very encouraging and a fine example of the current government's commitment to assist industries in distress. Not since the days of the wide ranging exporter's incentive scheme has Bell felt as well supported by the government sector. We are giving attention to develop a new business model that will ensure the long-term viability of the group on a sustainable basis. Although we are comfortable that we are a going concern over the short term, we need to develop and implement new strategies and direction taking into account the changes in the market. We do have a very robust and well worked out business plan that has a number of contingency plans, which will be triggered if the short-term upturn that we are encountering is not sustainable.

In an effort to further support Bell Equipment Limited's statement of financial position the directors of I A Bell & Company (Pty) Limited increased that company's cash loan facility from R150 million to R300 million during August 2009. Whilst the company has drawn down only R135 million of that loan at 12% interest per annum, it certainly will provide the necessary headroom to the company's treasury. I would also like to pay tribute to our bankers and financiers who have given us unflinching support through this very difficult period of time. We have been able to reduce our commercial bank exposure from R812 million at the end of March 2009 to R428 million at the end of December 2009. Whilst some of this has been funded by the I A Bell & Company and IDC loans the majority has come from better management of the working capital. We have also been very encouraged by the offers of continuing, if somewhat expensive, support from our bankers and financiers as we diligently work at reducing our levels of borrowings.

Finally, this is the last time I will be reporting to shareholders of the group as it is my intention to retire as both the chairman and a director of the company at the annual general meeting scheduled for 6 May. It has been an incredible privilege to be chairman of this company for the past thirty years and I am very proud of what has been achieved and know that the current executive team running the company will continue to grow and develop the company. I am continuing in my role as chairman of I A Bell & Company and will monitor the progress of the group. To my successor, Mike Mun-Gavin, I take this opportunity of wishing him everything of the best. To the customers, employees and all stakeholders at Bell it has been a great privilege and pleasure to work with you all and I wish you every success in the future.

Group Chief Executive's report

Gary Bell



There is little doubt that 2009 was an extremely challenging year for Bell Equipment and the group's results for 2009 reflect this. Despite management's implementation of aggressive action plans to curb losses, the group incurred a loss of R272 million. This loss is significantly lower than what was initially forecast in December of 2009 but it nevertheless still represents a substantial change from the R360 million after tax profit of 2008. This dramatic turnaround was undoubtedly due to the global financial crisis and its subsequent impact on commodity prices, worldwide tightening on credit extension and global demand. These global recessionary factors led to a severe reduction in demand for Bell Equipment's products in all of the markets in which it operates.

Although the downturn was of unprecedented proportions, I am pleased to confirm, as stated above, that the group's management acted proactively and decisively during the course of 2009 by putting in place a number of action plans to manage the downturn. The steps taken have undoubtedly ensured Bell's survival of what can only be described as a "super trough" and sees the group emerging as a stronger, leaner and more competitive organisation. In this regard I can confirm that the group has achieved a 43% reduction in its quarterly operating costs of R430 million in the fourth quarter of 2008 to a forecasted R245 million in the first quarter of 2010. Although this right-sizing process was not without its own hurdles and challenges, its achievement bears testimony to the resolve of the people of Bell Equipment. It must be confirmed that this right-sizing was responsibly managed at all times to ensure that there was no disruption to customer service and that the group's long term competitiveness was not jeopardised in any way. There were no cut backs on critical path research and development and I am also confident that the technical and professional skills base, which forms the fabric of the group's workforce and which I maintain is the single biggest asset of the group, is still largely intact. This skills base will be of the utmost importance in Bell's medium to long term future and will be leveraged to ensure that Bell consistently delivers a strong, reliable product as a heavy earthmoving equipment supplier of choice. I am also particularly proud of the advances made by our engineering teams and believe that the continued substantial investment in research and development will keep Bell at the forefront of the materials handling equipment industry.

Over and above the substantial decrease in operating costs in just over a year I am also pleased with a number of the group's other achievements during this period:

- Working capital was reduced from R2,3 billion at the end of the fourth quarter of 2008 to R1,4 billion at the end of the fourth quarter of 2009;

- Parts and service turnover as a percentage of total turnover showed a marked increase but was also indicative of customers deferring the replacement of equipment;

- Despite the difficult trading conditions experienced, the year saw the group reducing its inventory by almost R1 billion from R2,5 billion to R1,6 billion;

- Due to the group's efforts to aggressively generate cash the results reflect a positive cash inflow of R272 million and a 65% reduction in commercial bank debt from the peak in May 2009; and

- Our market share in South Africa (which accounted for 60% of the group's sales in 2009) increased from 21% to 23% year-on-year and we currently hold the number one market position in the Articulated Dump Truck-, Tractor Loader Backhoe- and Front-End Loader segments of this market. All three of these products are locally manufactured at our Richards Bay facility.

- Our South African Sales and Distribution which is partially owned (30%) by our employees and a broad-based BEE entity was verified as being a level 4 BEE contributor. This means that 100% of our customers' purchases qualify as BEE spend.

As stated above I have always considered the group's employees, their skills and dedication to Bell to be the group's most valuable and enduring asset and it was with great reluctance that the group's workforce had to be reduced by almost one third during 2009. Although this was absolutely essential for the survival and long-term sustainability of the group such an extensive reduction in employee numbers had never been witnessed in the history of Bell and was in itself a traumatic experience for all involved. Having said this, I point out that the overwhelming majority of these retrenchments were on a voluntary basis and that only a total of approximately 60 retrenchments were involuntary. I believe that the non-confrontational manner in which the majority of these retrenchments were effected is to be commended. We look forward to working with all our stakeholders and particularly with government to re-establish these jobs as permanent and decent jobs in the very near future. Over and above these retrenchments a number of other initiatives were implemented to reduce employee-related operating costs including the deferral of salary increases and salary reductions at higher levels. Despite these cost saving initiatives being implemented it appears as if there is still relatively good employee morale throughout the organisation and I would like to pay tribute to all Bell employees for their loyalty and support during these difficult times. Their commitment to the group and its strategic objectives is humbling and has galvanised Bell into the company it is today.

The group has been restructured into four distinct operations, each with its own managing director – this made it easier to mobilise the plans to implement the difficult steps needed and to achieve the required efficiencies. The activities of each of these operations are reported upon by the relevant managing directors in this annual report to stakeholders and, at this stage, it would suffice for me to state that all of these operations have performed exceptionally well under the difficult circumstances presented during the year under review and my praise goes out to the management teams of these operations, the support staff involved and each and every one of the employees in these operations who have given Bell their unflinching commitment.

I would also like to single out our suppliers who have stood by us in these trying times – in any destocking situation the suppliers are usually the hardest hit and I am pleased to report that our supply base is still largely intact.

The renewed and increased government interest in and support for the capital equipment and yellow metal industries has been pleasing to note. Bell's re-instatement to the Motor Industry Development Programme and the recent announcement by the Minister of Trade and Industry of the Industrial Policy Action Plan 2 (IPAP2) are clear indications that government has identified these industries as sectors that are key to the economic development of South Africa and decent job creation. Bell is a leading player in these sectors and will be engaging government on the refinement and further development of these plans to ensure increased and sustainable job creation. We are far more labour intensive than most other sectors and provide many entry level jobs in a relatively rural environment.

I confirm that the group is also contributing to the current evaluation being done by the Department of Trade and Industry of the Medium and Heavy Commercial Vehicle industry, which has been extended to cover earth-moving vehicles and tractors. Bell remains proud of the value it adds to South African materials using South African labour and South African ingenuity. We continue to work with government to find ways of supporting a buy local campaign and we will seek to encourage national, provincial and local governments to support this initiative through their own purchases and the projects they fund at these and parastatal levels. Bell believes that preferential government spend will be key to achieving the IPAP2 objectives as set by government.

Looking ahead it is encouraging to note that the global economic recovery appears to be gaining momentum and that this recovery is being supported by a continued recovery in key commodity prices. It also appears as if general product inventories are approaching normalised levels and that the oversupply of materials handling equipment is steadily reducing. It is hoped that the latter will assist in the increase of sales margins which have been under constant pressure throughout 2009. Although the level of enquiries over the last three months has improved substantially in comparison with the first three months of 2009, we remain cautious and have developed additional contingency plans should the sustainability of the current economic recovery come into question.

I take this opportunity to again thank all our valued stakeholders for their continued support and look forward with confidence to our continued success as we approach 2010 and confirm that we will be redoubling our efforts to bring our valued customers strong reliable machines, while also consistently providing them with strong reliable support.

I also take this opportunity to thank Howard Buttery for the 37 years of dedicated service he has given to the group – although his knowledge and experience will still be available to the group in his new advisory capacity, his stepping down as the chairman of the group on 6 May 2010 will mark the end of an era in which he assisted in leading the group to new heights in the heavy earth-moving equipment industry. His contribution to the group over these many years has been of immeasurable value and I believe that his legacy will be with the group for many years to come.

Chief Financial Officer's report

Karen van Haght

REVIEW OF INCOME STATEMENT

Revenue fell sharply during the first quarter of 2009, when the full impact of the global economic crisis reached Bell, and ended the year 51% lower than the previous year at R2,7 billion. Revenue for the first and second half of 2009 was very similar, at R1,38 and R1,32 billion respectively. Machine sales were hardest hit and reduced by 58% compared with 2008, while parts and service revenue was less affected and reduced by only 18%, continuing to provide reliable annuity income at attractive margins. Parts sales represented 22% of group turnover in 2009 compared with 14% in 2008. Although sales reduced in all major regions, Europe reported the most significant decline with sales down 66% on the prior year. Africa (South Africa and rest of Africa) was less affected and these regions contributed 85% of group sales in 2009 compared with 71% in 2008.

Demand for machine rentals increased and more operating rental contracts were entered into with customers than before. The rental income will be accounted for over the periods of the rental contracts, which are generally 18 to 36 months in duration. This will provide a substantial income stream over the next three years. We expect demand for machines supplied on a rental basis to increase, especially given the uncertainty that remains in the market and the tighter lending policies applied by institutions.

The gross margin reduced from 26% in 2008 to 20% in 2009. New machine margins were squeezed as Bell and its competitors de-stocked and competed for the reduced sales demand. Provisions on slow moving inventory and also on onerous buy back commitments also put pressure on margins in the year.

Other operating income of R143 million includes an accrual of R75 million for restrospective MIDP benefits from 2007, when the group was excluded from the programme. Although this revenue was accrued in 2009, the cash inflow will materialise in 2010.

Costs were cut aggressively in an attempt to manage the impact of the lower sales and gross expenses, before deducting labour and overhead recovered, are down 27%. Certain once off costs were incurred, such as retrenchment packages and bad debt provisions, and the full impact of the cost reductions will only be seen in 2010.

Production volumes were at approximately 20% of the 2008 level, as the group sold from inventory, and this resulted in very low labour and overhead recovered at the Richards Bay factory, with the majority of the high fixed costs at this location flowing straight to the bottom line. This was the main reason for the South African manufacturing operation reporting the highest operating loss of all divisions in the group.

Interest paid increased by 17% due to higher average borrowings, particularly in the first half of 2009. The higher borrowings were driven by higher working capital in that period. Working capital has reduced since quarter two of 2009 and this has had a favourable impact on borrowing costs.

The substantial tax credit in the income statement relates mainly to estimated tax losses in South African operating subsidiaries and a deferred tax asset has been recognised for these losses. The deferred tax asset will be realised when future taxable income is earned.

A longer-term view of the business cycle was taken, beyond the current crisis, and costs were not cut to match the extent of the reduction in sales, as this would have affected the sustainability of the business.

The extremely tough trading conditions resulted in an operating loss of R263 million for the year. Loss per share was 274 cents, compared with earnings per share of 367 cents in 2008.

REVIEW OF STATEMENT OF FINANCIAL POSITION

Total assets reduced by just under R1 billion to R2,9 billion. The reduction came mainly from inventory, which reduced by R928 million, and long- and short-term receivables, which together reduced by R170 million. Finished machine inventory is approaching targeted levels and production in 2010 will be substantially higher than in 2009. The greatest opportunity to reduce inventory further lies in the area of components for manufacture and the increase in production in 2010 will mean that components that have been in inventory for many months will be consumed and this will assist in driving the group closer to target levels for components inventory.

Credit risk and the quality of receivables remain a focus areas, especially in light of the additional risks arising from the global economic crisis and tighter lending by institutions. The quality of debtors throughout the group has improved in the last year. An amount of R72 million was overdue but not provided for at the end of 2009 compared with R262 million at December 2008. Capital and reserves reduced by R349 million to R1,42 billion as a result of the trading loss and the effect of the stronger Rand on the group's foreign currency translation reserve.

Short-term interest-bearing debt, principally commercial bank debt, was significantly reduced during the year by R272 million. This was funded by the reduction in working capital referred to above and also an increase in longer-term debt. This debt is in the form of a shareholder loan from I A Bell & Company, which is repayable on 30 June 2012 or when the group's gearing is sustainably maintained at 20% or less, and also the IDC trade finance facility. The intention is to further reduce the group's reliance on short-term bank financing and to move more funding to longer term, to match the investment in assets.

REVIEW OF STATEMENT OF CASH FLOWS

The priority for 2009 was to generate cash and reduce borrowings through improved working capital management and we were successful in this area, especially considering the tough year and substantial trading loss.

The first half of 2009 was especially challenging due to significant cash outflows to suppliers for components that, due to long lead times with suppliers and a long delivery pipeline, continued to stream in to the factory long after sales fell and production was cut. Income tax payments of R96 million, relating mainly to 2008 profits, was also paid during the first half of 2009. Borrowings peaked in May 2009, but since then have followed a consistent downward trend and we were able to generate cash and reduce commercial bank debt by R272 million in the year. The group was cash flow positive for quarters two, three and four of 2009.

THE YEAR AHEAD

The focus for 2010 remains on cash generation and working capital management. There are signs of a modest recovery in some markets in 2010 and this, together with increased production volumes will make further significant reductions in working capital more difficult to achieve. We plan, however, to maintain the improvement in the group's cash flow by continued right-sizing of inventory, receivables and expenses in the business to align with lower sales levels.

Group Executive Committee as at 31 March 2010

Gary Bell
Chairman –
Group Executive Committee and
Group Chief Executive
Mechanical Eng. Diploma –
Natal Technikon
Appointed as an employee in 1971
Age: 57

Marc Schürmann
Managing Director – Bell Equipment
European Operations
B Ing (Mech) Prof Ing –
University of Pretoria
Appointed as an employee in 1994
Age: 41
Previously employed as a Roll Pass
Development Engineer –
Iscor Pretoria Works

André McDuling
Managing Director –
Bell Equipment Company SA
N HDIP Mechanical Engineering –
Durban Institute of Technology
B Tech Business Management –
Durban Institute of Technology
Appointed as an employee in 1988
Age: 42
Previously employed as Director
Manufacturing and Engineering at
Bell Equipment

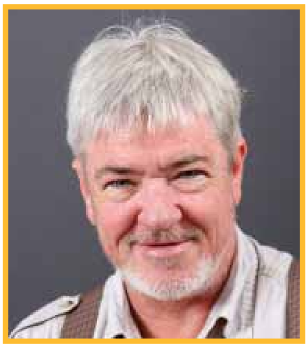
Karen van Haght
Group Financial Director
B Compt (Hons) –
University of South Africa
CA (SA)
Appointed as an employee in 2000
Age: 43
Previously employed as Senior Audit
Manager at Deloitte & Touche

Mike Dutton
Managing Director – Bell Equipment
International Operations
NTC2/3/4
Appointed as an employee in 1988
Age: 44
Previously employed as the Group
Executive Manager: After Sales at
Bell Equipment

Lucas Maloka
Director: Group Human Resources
BA
MMHR
Appointed as an employee in 2007
Age: 48
Previously employed as Human
Resources Manager, Caterpillar Africa
(Pty) Limited

Bokkie Coertze
Managing Director –
Bell Equipment Sales South Africa
Post Graduate – Paper Technology
(Robert Gordon's – Aberdeen,
Scotland)
Appointed as an employee in 1986
Age: 58
Previously employed as SA
Operations Manager at
Bell Equipment

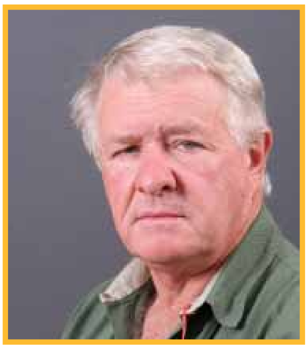
Leon Goosen
Group Commercial Director
B Acc – Stellenbosch University
B Compt (Hons) CTA – UOVS
CA (Namibia)
CA (SA)
Appointed as an employee in 2007
Age: 37
Previously employed as an audit partner at Deloitte & Touche



Paul Bell
Director: Communications and Advertising
Appointed as an employee in 1974
Age: 52

Rino D'Alessandro
Director: Group Information Systems
CPIM (APICS)
Senior Diploma (Datametrics) – University of South Africa
Bachelor of Science – University of South Africa
Appointed as an employee in 1996
Age: 46
Previously employed as a Manufacturing Manager at Ingersoll Rand

Dominic Chinnapen
Director: Group Sales and Operations Planning
B Com (Logistics) – University of South Africa
CPIM – American Production and Inventory Control Society
Appointed as an employee in 1987
Age: 41
Previously employed as a Master Scheduler at Bell Equipment



Peter Bell
Director: Engineering
Mech Fitting and Turner Dip – Natal Technikon
Appointed as an employee in 1974
Age: 60

Avishkar Goordeen
Director: Group Risk
B Compt (Hons) – University of South Africa
CA (SA)
Appointed as an employee in 2007
Age: 30
Previously employed as Internal Auditor and Treasury Accountant at Bell Equipment

Riaan Verster
Group Company Secretary
B Proc (Cum Laude) – University of Pretoria
LLB – University of Pretoria
LLM (Labour Law) – University of South Africa
Appointed as an employee and company secretary in 2008
Previously employed as Company Secretarial Advisor at Sasol
Age: 33

Products

Articulated Dump Trucks

Bell Equipment is a world-class leader in Articulated Dump Truck (ADT) development. The Bell ADT range comprises eight trucks from the 18 – 50 ton range, as well as an additional three articulated tractor derivatives.

Bell ADTs are designed and manufactured in Richards Bay, with an additional assembly plant in Eisenach, Germany. Bell ADTs are also manufactured under licence, by Deere Construction Equipment in Davenport, USA. Bell also manufactures and brands trucks for Hitachi Construction Equipment, which is sold in the Oceania and Far East regions.

Bell is a technology leader in articulated truck design offering exclusive features such as onboard weighing, advanced software and fleetm@tic. Periodic advancements ensure customers optimum operating performance and return on investment.

Front-End Loaders

In terms of the manufacturing and distribution agreement with John Deere, Bell Equipment assembles a comprehensive range of utility and production 4WD Wheeled loaders at the group's main factory facility in Richards Bay. Bell Equipment also distributes Bell-branded Liebherr compact loaders for the smaller sector of the market. Bell's wheeled loader offering commences with the 1,1 m^3 compact loader, through various machine sizes to culminate in the powerful 4,7 m^3 production workhorse.

Bell loaders have made a huge impact on the local market and are seen as one of the market leaders in South Africa. Used in tandem, the wheeled loaders are often seen loading Bell ADTs in industrial, mining, construction and quarrying applications. They have proven their worth in yielding high machine uptime and superior fuel consumption figures. John Deere and Bell are able to collaborate their research and development efforts and respond to feedback from customers in an effort to achieve continuous improvement.

Tractor Loader Backhoes

Bell Equipment manufactures the John Deere designed side-shift Tractor Loader Backhoe (TLB) at the group's main factory facility in Richards Bay for the local market, as well as for the supply of John Deere's international customer base.

Bell TLBs also had a significant impact on the local market and are considered as a market leading product in South Africa. TLBs are extremely versatile and are seen in all applications in the construction

and agriculture environments. 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 proudly joins other Bell products in the deserved reputation of being strong and reliable machines that are backed up by strong, reliable service.

Excavators, Graders and Dozers
Bell Equipment has strategically partnered itself with world-class organisations to increase our product offering and provide our customers a full line solution. Bell is the sole distributor in southern Africa of these alliance partner products which complement our own to offer a one-stop-shop for our customers.

These machines are imported as fully assembled units and are branded Bell to be sold and supported through our proven customer service centre and dealer distribution network. We have over 26 customer service centre outlets throughout southern Africa and over 40 CSCs and dealers throughout Africa, justifying our claim of delivering strong, reliable support.

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 worldwide.

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 Africa. Our customer's focus on efficiency, ergonomics and safety has resulted in continuous evolution of the three-wheeler range. 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 and economically.

Bomag
Bell Equipment is the sole distributor for Bomag compaction equipment in Southern Africa. The Bomag range covers the full spectrum of compaction machinery as well as pavers and cold milling machines.

The Bomag range covers various models for use in the light equipment, soil compaction and asphalt sectors of the market. The availability of a full range of solutions in this market ensures that Bell Equipment can supply a full solution to meet the customer's needs.

Bomag is part of the Fayat group of companies, which include all equipment required to build, maintain and repair asphalt roads.

Bell Equipment Company SA

André McDuling – Managing Director

The extreme challenges faced by our industry during 2009 have again proven to have brought out the best in our people and business partners. All stakeholders were forced to take drastic actions to reduce costs and to adjust strategies and operations to meet the challenges presented by the dramatic reduction in demand globally.

In meeting these challenges we have taken the opportunity to develop and implement key organisational changes. These changes have resulted in the consolidation of our Marketing, Technical, Supply Chain, Product Research and Development, Manufacturing and Logistics components of the Bell Group into a single unit, being Bell Equipment Company SA. This enhanced organisation of technological and operational functions has set us up to further improve overall efficiency, speed and precision in execution. We are focused on delivering world-class products and services to our sales operations and customers globally.

SAFETY
Our organisational philosophy puts stakeholder safety and health at the core of every employee's objectives. This core philosophy has driven us to continue to deliver improvements in safety and health in our processes resulting in our injury rates reducing throughout the year.

QUALITY
Quality of our products and services is fundamental to exceeding customer expectations and the ongoing success of the Bell brand. Our quest to continuously improve our world-class quality standards in every product and service has continued to be a focus area in 2009. Despite the significant staff reductions required in terms of the right-sizing and reorganisation of our manufacturing operations, we have continued to improve the quality of our manufactured product.

INFORMATION
The implementation of our Product Lifecycle Management Strategy has continued unhindered by the financial constraints in 2009. This strategy will drive the ongoing improvement in the availability, precision and user friendliness of information within our organisation and customer group. In support of this strategy our Fleetm@tic Asset Management service released several key enhancements during 2009. Fleetm@tic delivers a distinct competitive advantage to our Articulated Dump Truck customers in their continued quest to enhance productivity and efficiency.

TALENT
Our strategy to retain, nurture and grow our talent continued during 2009, as did our ability to productively harness our spirit of innovation in the design of our products. This will deliver new and enhanced customer-

Despite the significant staff reductions required in terms of the right-sizing and reorganisation of our manufacturing operations, we have continued to improve the quality of our manufactured product.

driven features across our range of products and services. This heightened state of readiness will position us well to strengthen our market position once the expected recovery in the world economy starts in earnest.

Through this talent base we have accelerated our investment in design and development. The result of this investment will be the launch of several new products during 2010 through to 2012. These new products will offer advancement in all areas that our customers have defined as key to the performance of their businesses. Of particular importance is the launch of the latest upgrade to our Articulated Dump Truck range. These enhancements place our ADT product at the forefront in the real world application of technology in a form that serves our customers. We are committed to remain aligned with our customers' goals to improve performance and sustainably reduce costs in their businesses.

OUR ENVIRONMENT

On the environmental front significant progress was made toward turning the cost challenges posed by the need to meet the escalating emission legislation into opportunities for enhancing our competitive advantage in terms of energy efficiency and lowest cost per unit productivity. We continued to embrace the need to develop safe and environmentally responsible products and services. Our innovative spirit and willingness to strive to be at the forefront of technology enables us to leverage the best technology in our industry to meet this objective.

SOUTH AFRICA

Our support of global efforts to raise the safety and quality standards for equipment is unwavering, as is our commitment to the South African Government's Industrial Policy Action Plan (IPAP). We believe that our prominent role in the metals fabrication, capital and transport equipment sector is key to the success of these plans. 2009 saw continued investment in our capacity to design and manufacture in this centre of economic development. It is critical that we maintain the ability to fulfil our role in creating decent jobs for sustainable employment while enhancing South African industrial competitiveness.

RECOVERY

We are committed to being resolute, courageous but responsible in maintaining our operational preparedness for the recovery in our markets. The sales and operations planning processes throughout the Bell Group were extensively reviewed and improved during 2009. These improvements are critical in order that we are positioned to meet the challenges posed by the uncertainty surrounding the precise timing and nature of the recovery in demand. We have focussed on improving our flexibility, communication, decision making and controls in all the key processes that manage our working capital.

PARTNERSHIPS

The reliability and responsiveness of our supply base are critical to our recovery plans. We are confident that these key stakeholders in the Bell business have weathered the storm well and are ready and able to partner with us in driving recovery efforts. Our confidence in our suppliers is testimony to the assertive and astute leadership that these key stakeholders showed during 2009. We have continued to make progress in manufacturing localisation of products currently imported from our alliance partners. Localisation is a key component to our contribution toward enhancement of the beneficiation chain planned under IPAP. In addition to the benefits to our business in terms of flexibility and responsiveness of our supply chain, these localisation initiatives can create sustainable, decent jobs throughout the industry.

2010

Bell Equipment Company South Africa and its partners have had to make significant sacrifices and show strong resolve in meeting the challenges of the global economic crisis. I can confidently report that the renewed enterprise is stronger than ever, and prepared to meet the further challenges 2010 will bring.

Bell Equipment Sales South Africa

Bokkie Coertze – Managing Director

BESSA is the Bell Equipment Group's South African sales and distribution division and carries the group's black economic empowerment aspirations with its shareholding comprised of 22,5% of shares owned by Kagiso Strategic Investments, 7,5% of shares owned by staff and the balance of 70% of the shares owned by Bell Equipment Limited.

This operation includes a sales head office in Jet Park, Gauteng with three main regional offices in KwaZulu-Natal, Gauteng and Cape Town and in total we have twenty customer service centres within the above-mentioned areas. Our Namibian, Swaziland and Lesotho operations also reside under the BESSA banner.

Our business is concentrated around selling a full range of machines within the mining, construction, plant hire, forestry, sugar and industrial markets. These markets are then further supported by the sales effort of parts and service ensuring our customer maximum uptime.

The period under review was unquestionably a very difficult and demanding time for new machine sales within our territories of operation.

The global economic recession, coupled with shrinking commodity prices and reduced demand for these commodities, saw an unprecedented decline in the demand for the products and services we offer to the mining, construction and forestry industries.

Mining was the largest casualty. Existing mines saw production dramatically reduced. Smelters were switched off, in some cases literally overnight, with others being placed on care and maintenance programmes. All of this saw a massive reduction in the need for opencast mining equipment. This, in turn, resulted in new machine orders in the sector virtually coming to a standstill. Worse still, existing orders we had received from various mining contractors were cancelled.

The construction industry, largely led by the roads and earthworks side of this industry, was less affected because of a number of major FIFA 2010 Soccer World Cup projects, the Gautrain, the Gauteng Freeway Improvement Programme and various Government-led infrastructural projects.

Our business is concentrated around selling a full range of machines within the mining, construction, plant hire, forestry, sugar and industrial markets.

In 2009 we held dominant positions, in the ADT, Front-End Loader and TLB sectors, whilst being in second position in the grader and roller categories.

The tightening of lending policies by all the major banking institutions within South Africa aggravated the position and the procurement of appropriate financing products for our customers was, and still is, a major challenge and an inhibitor to increased sales activities.

As a consequence of these events, machine sales in 2009 decreased by 49% when compared with 2008. In other words, the market we compete in halved from one year to the next.

In spite of this, we increased our market share in five of the seven categories of machines we compete in. In 2009 we held dominant positions, in the ADT, Front-End Loader and TLB sectors, whilst being in second position in the grader and roller categories. Effectively we enjoyed "a far larger slice of a much smaller cake".

Bell Equipment European Operations

Mark Schürmann – Managing Director

Feeling the first effects of the economic downturn in the second half of 2008, this trend continued into 2009 for the European Operations and affected our United Kingdom and Spanish markets most – rated respectively the first and fourth largest ADT markets in Europe.

Year-on-year turnover for the region is down 58% from €86 million to €36 million and more importantly gross profit is down by €12 million. The poor level of revenue has been compensated by a solid effort in reducing salaries, wages and general overheads by 33% from the 2008 level. Government incentives offered in Germany have benefited the operations by allowing employees to be placed on paid short-time, whilst in other countries we have had to regretfully invoke forced retrenchments, with a minimal impact on our critical sales, service and assembly skills.

With the long lead time to bring these into effect, obviously these were not sufficient enough to fully counter the severe drop in revenue, which has resulted in a substantial operating loss for the region.

Considering that our market has seen a 76% reduction, the employees in this region did well to maintain market share and continue to expand our product range and distribution into important strategic markets – often against fierce competition.

Most of our efforts in the 2009 financial year were focused on cash generation which saw us reduce our inventory by €16 million. These reductions have been generated in all categories of working capital barring used inventory, where we have seen a substantial increase. With the extent of this crisis spreading to all parts of our territory during the course of 2009, I am pleased to report that we managed our debtors account to such a level whereby we have minimal exposure.

Despite the impact of the recent financial crisis I believe we have managed to steer the European operations to long-term, regional sustainability. Going forward we are working to increase sales and reduce overhead expenses in line with a clearly defined recovery plan for Bell Equipment's European operations which is in the process of being implemented. We are confident that these efforts will go a long way in ensuring the future sustainability of these operations and seeing them return to profit in 2010 and beyond.

This has been a trying time especially in Europe where the downturn was unprecedented – my appreciation goes out to all employees, dealers and customers who have assisted us to make the best of these unfortunate circumstances.

Going forward we are working to increase sales and reduce overhead expenses in line with a clearly defined recovery plan for Bell Equipment's European operations which is in the process of being implemented.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Bell Equipment International Operations

Mike Dutton – Managing Director

The Bell Equipment International Operations (BEIO) business unit within Bell Equipment, which consists of four divisions (Northern Region, Africa Dealers, Australasia and the Americas), strives to be the leading supplier of mining, earthmoving, compaction and agriculture haulage and loading equipment. Customer and supplier relationships are the primary focus of this business unit and this reflects in its success.

The Northern Region (which consists of Zimbabwe, Zambia, DRC and Mozambique) performed well considering the decline in mining sector activity during the 2009 financial year. The agriculture sector in this region also performed well with a slight growth on 2008 sales, while the government sector in this region fell off in the second half of the year. The construction sector remained depressed. It is, however, pleasing to report that our market share of ADT sales into this region grew from 60% to 70%, taking into account that the total ADT market in this region reduced by 61% over this period, with overall units being delivered in this region having reduced by 37%. I am also pleased with the sales performance of this business unit and the fact that gross margins held up reasonably well despite the negative impact of currency fluctuations in this region. Expenses finished off slightly above budget largely due to some support costs to a few key projects that accounted for an increase in revenue and profits.

Our African dealers experienced some turmoil during this period with a reduced availability of finance and a substantial drop in foreign aid resulting in the ADT market covered by these dealers dropping by 25% and our ADT market share dropping from 53% to 22%. Overall units delivered dropped by 34% mainly due to sugar and timber sectors holding up reasonably well. As with other areas, mining and construction sectors were hardest hit during the year.

The Australasia region went into the 2009 year with stock on hand and the low levels of sales resulted in low levels of replenishment orders. This market is, however, showing substantive signs of improving with a number of prospects arising and some orders being placed with us in December 2009.

We continue to be well positioned to exploit the opportunities presented to us as a southern African Development Community and African Union manufacturer.

Working under these conditions requires individuals with a strong resolve to succeed and in this regard these employees have excelled.

Unfortunately all markets in the Americas were badly affected, with timber and sugar sector sales seeing a material decline mainly due to our dealer network in this region experiencing severe cash flow and financing constraints. A number of substantial order cancellations brought about by the recent financial crisis resulted in excess stock levels for most of the year. I am pleased to report that these markets have shown signs of recovery.

A number of key skills were lost in 2009 and a number of suitably talented and dedicated employees (all sourced from within the Bell Equipment group) were employed in December 2009. The focus of the management team will remain on customer support and the continued fostering of these relationships. We also intend to seek out more projects that will provide sustainable growth and the sustainable increase of our footprint in this business unit's market sector and region. We continue to be well positioned to exploit the opportunities presented to us as a southern African Development Community and African Union manufacturer. In addition the opportunities presented by Carbon Credit requirements suit our current location of outlets and our machine line up complements this opportunity. Going forward our key focus will be to drive and support our independent dealer network so that these dealers grow in strength and thus generate an improved turnover for the business unit. We are also in the process of considering further growth into two regions (being West Africa and East Africa) and will be dedicating resources to this area in 2010 should the opportunity presented by these regions be suited to our strategic goals. Efforts to improve our working capital management and governance structure of this business unit are also ongoing.

I take this opportunity to express my sincere gratitude to this business unit's team of highly dedicated staff that have proved their worth under difficult operational and financial conditions. Working under these conditions requires individuals with a strong resolve to succeed and in this regard these employees have excelled.

Research and development

Ivan Terblanche – General Manager: Engineering

Technology and innovation have been core elements leading to the initiation and growth of Bell Equipment as it is known today.

What started off as an individual entrepreneur making the investment in time, effort and capital in order to answer to customers' needs, has become a way of life at Bell Equipment which continuously invests in product development, drawing from the experience and spirit of innovation amongst the technical experts and designers.

From humble beginnings, the enterprise established by company founder Irvine Bell, in order to provide engineering and repair services to the pioneer farming community in KwaZulu-Natal South Africa, became known for its skill and ability to resolve even the most complex technical problems. Rapid growth followed as the product line grew with the introduction of more innovative machines based on the strong, simple design philosophy.

The culture initiated by founder Irvine Bell and subsequent generations of the Bell family was conducive to stimulating innovation and Bell's design engineers have discovered the importance of learning from trial and error, not being scared to experiment, not to restrict thoughts to the status quo, to share knowledge and encourage exploring ideas, to tolerate failures, and to reward and celebrate breakthroughs. Our design engineers have also learnt that there is a time to explore, a time to consolidate, a time to action and a time to wait.

Over the years of existence, the "can do" attitude established from early days remained characteristic of the environment created for machine designers to operate within, subsequently resulting in the boundaries of innovation constantly being expanded and new industry standards being set.

The Bell Equipment brand has since experienced phases of further expansion, consolidation and progression. Looking forward, the Product Development Strategy, based on an understanding of the characteristics of technology, has been revitalised in order to stay abreast with international product development tools and best practices aimed at reducing risk and further improving the quality of Bell products.

We recognise that, to a large extent, this has been made possible due to the close working relationship and cooperation with our international alliance partner John Deere and other local and international supply partners of an exceptional standard.

The experience and technology-based "know-how" developed over the years is a valuable asset and resides in our people, the employees at Bell Equipment. Performance management is subsequently applied to ensure the four hundred plus "man years" design experience is applied efficiently and that the R&D Intensity, as a measure of R&D Spend, remains highly competitive.

At Bell Equipment, the Design Philosophy, as a decision making guideline applied during the product development process, is frequently reviewed and adjusted in alignment with customer and business requirements. This requires a close working relationship with customers and all other business stakeholders alike.

Recent years have seen the Design Philosophy mature by adopting a low risk product evolution approach with the emphasis being on machine durability and consideration given to the total cost of ownership impact to the end customer.

At Bell Equipment we are committed to reducing the impact on the environment in alignment with changing industry standards and legislation. Most notably, 2009 saw significant improvements in the reduction of operator noise exposure levels on the Articulated Dump Truck range of products, and during 2010 we will continue with development to improve operator conditions, further reduce air borne noise and reduce harmful engine emissions into the atmosphere.The challenges related to the technology required to reduce engine emissions have dominated technical discussion forums and boardroom update sessions across the world. Most profoundly, the next levels of engine emission legislation that will become effective in the next three to four years have dictated development schedules and forced preparation work in the adoption of highly specialised engine technology and exhaust after-treatment devices.

The required research, in conjunction with the participation and support of major supply partners, is ongoing, and Bell Equipment is confident that it will be in a good position to support plans to reduce the impact on the environment, whilst continuing to offer highly competitive products to its existing and future customer base.

Global communication remains an area of rapid change and continues to be characterised by significant developments. From early days at Bell Equipment, recognition has been given to the opportunities in the development of communication systems, and subsequently it has become a world leader in this field having initiated, developed and implemented a home-grown satellite-based fleet management tool known as Fleetm@tic.

As the technology applied in the field of communication continues to be improved and optimised, substantial opportunities exist to further develop the ability of a customer to track and measure the performance of a fleet of Bell products. In addition, technology now allows for the integration of various communication, operational and asset management systems with the potential to enable customers with a true full fleet management solution.

The global economic downturn has had a major impact on most industries and companies around the world, and in many instances development programmes have come under exceptional scrutiny against the background of financial pressure and shareholder uncertainty. Bell Equipment has, in keeping with its strategy, developed a Product Portfolio Plan that is robust yet flexible and achievable despite the challenges associated with advancing technologies and the challenges presented by the global economic crisis. It is confident of the course it has taken and remains committed to the direction that has been set in order to continue to offer competitive products and meet customer expectations.

Local investment in training and skills development remains a key element required to sustain product development at Bell Equipment. The international skills shortage is likely to return as the economies slowly recover from the global downturn.

For a skills supply programme to be effective, Bell Equipment has adopted a strategy to get involved at all levels of development from school awareness programmes to vacation work, trainee programmes and bursary sponsorships. The programme has been delayed due to the economic downturn, but will be revitalised at the appropriate time, pending the recovery of the industry.

Looking forward, exciting and rewarding development opportunities exist to introduce new products, with government support and potential financial assistance from developmental financial institutions, ensuring engineering ownership and intellectual property reside in South Africa. Further opportunities include extending the usable life and services of Bell products, thereby increasing value to the customer over the total lifecycle of the equipment.

It is acknowledged that it is key to our current strategy and our future sustainability to continue with product development against the philosophy of increased upfront development focus and investment, and the subsequent outcomes of reduced risk, improved machine reliability, durability, quality and value. We will continue to drive our processes in such a way that we achieve these desired outcomes and are constantly looking to improve these processes.

Sustainability report

RISK MANAGEMENT AND INTERNAL CONTROL

Bell Equipment is committed to managing its business in accordance with sound corporate governance principles, which includes an effective and efficient approach to Enterprise-wide Risk Management. The board is responsible for the governance of Risk Management within Bell Equipment. This is achieved by the use of a board-approved group risk management policy statement and accompanying framework. This policy statement and framework are periodically reviewed and have been made available to all employees.

Management is responsible for the process of Risk Management in terms of the abovementioned framework. This encompasses an ongoing systematic and multi-tiered approach to identifying, assessing, managing and monitoring risks and opportunities on an enterprise-wide basis. This ensures that the individual and joint impact of risks and opportunities on Bell Equipment are considered on a regular basis.

Senior managers or 'risk champions' periodically carry out a self-assessment of risk. This process identifies critical strategic, operational, financial and compliance exposures and opportunities facing Bell Equipment, 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 identified top risks are elevated to the Bell Equipment Group Executive Committee. All identified material risks, their possible implications for Bell Equipment and management's action plans to mitigate and manage those risks are reported to the Risk Management and Audit Committee. Where necessary the appropriate Executive Manager is invited to the Risk Management and Audit Committee to provide a comprehensive presentation of the relevant mitigation plans.

Bell Equipment's Commercial Director is responsible for risk management within Bell Equipment. He oversees the process from the perspective of strategic direction, ongoing improvement in methodology and process, and technical assistance. The Risk Management and Audit Committee carry out an independent oversight role of the process.

Bell Equipment is insured against various losses. The need for insurance cover is determined on the evaluation of the risk, whether the risk is insurable, cost of cover and Bell Equipment's propensity to self-insure.

INTERNAL AUDIT AND INTERNAL CONTROL SYSTEMS

Bell Equipment has an internal audit function which covers its global operations. The internal audit function has the full support and cooperation of the board of directors, management and staff. Internal audit personnel have the requisite professional integrity and experience to perform their duties. Internal audit is performed using a risk-based methodology. The annual internal audit rotation plan is developed giving due consideration to the requirements of management and is approved by the Risk Management and Audit Committee. Bell Equipment's Group Executive Committee and Bell Audit Services Committee are kept fully appraised of the internal audit function's activities through comprehensive reports that include the internal audit findings, management comments and regular status updates.

There are inherent limitations to 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 Bell Equipment's key internal controls and systems occurred during 2009.

IT MANAGEMENT

Information Systems and Technology is regarded as being strategically important and Bell Equipment has continued to invest in a centralised world-class data centre housing all the core information technology services to the Bell Equipment Group. This investment has resulted in a high level of availability of these services. These information technology services are also supported with a full back-up strategy and Disaster Recovery Plan to ensure business continuity. The IT strategy has focused on the consolidation of services centrally to ensure efficient and effective emphasis on service delivery. Access to the systems and information is well controlled with effective, audited access policies.

Focus also remains on providing new and improved automated business solutions to improve efficiency and productivity. This focus is supported with the IT strategy of integration, consolidation and extendibility and drives all improvement efforts.

SAFETY, HEALTH AND ENVIRONMENT

Environment

Bell Equipment places environmental responsibility among its core values and recognises the importance of preserving the integrity of the natural heritage. Bell Equipment aims to comply with the environmental regulatory standards of all countries into which it sells its products and services. The board of directors attaches great emphasis on caring for the environment and will ensure transparency in maintaining operations, which are recognised as role models in the earth-moving equipment industry. Bell Equipment's concern for the environment is subject to continuous review and improvement.

As part of its drive towards sound corporate governance, Bell Equipment is committed to comply with environmental requirements for its Richards Bay factory, German assembly plant and all distribution operations worldwide. All products distributed meet the required European emissions standards and the Bell Equipment Product Development Process is well positioned to ensure that its products will meet the more onerous engine emissions requirements which are to be implemented in Europe and the USA over the next few years.

Bell Equipment has continued its efforts to reduce waste by increasing the use of recyclable materials such as packaging materials, oils and steel offcuts in applications which traditionally generate considerable waste.

Safety

Bell Equipment has attained excellent results from the implementation of a safety management process, based on the highly successful Safety Training Observation Programme (STOP) model, which is aimed at making the workplace and all work processes safe. Bell Equipment works hard to inculcate a safety awareness ethic in all of its employees and others who visit its different sites. To further this end the Bell Equipment Richards Bay factory has seen significant investment in the review of all its legal compliance processes with regard to occupational health and safety. Critically, the review included refresher training for all levels of management and supervision. The enhanced employees' induction process and the STOP safety programme that has been running for the past three years in Bell Equipment's manufacturing operations, continue to reduce workplace injuries.

Bell Equipment looks forward to continued reduction in risk throughout its operations as a result of these efforts.

Employee health and wellness

This remains a major focus at Bell Equipment and it remains acutely aware of the HIV/AIDS threat to Bell Equipment employees. Bell Equipment has maintained a comprehensive education and treatment programme as well as voluntary counselling and testing to minimise its spread amongst the workforce and to extend the productive working life and quality of life of employees living with the disease. Bell Equipment is pleased to report that as a result of these ongoing efforts more and more employees are enjoying the benefits of these programmes.

Bell Equipment operates an occupational health clinic at its Richards Bay factory and treats all work-related injuries. The clinic is headed up by a qualified nursing sister and Bell Equipment has contracted the services of a general medical practitioner to assist in various activities. A regular programme undertaken by the clinic is to offer basic and advanced first-aid training to as many employees as possible. Employees are encouraged to belong to the medical aid scheme to ensure coverage against any form of illness, including HIV/AIDS.

An employee wellness day is held on an annual basis to afford employees an opportunity to undergo a series of medical tests to assist them to understand their health status and therefore manage it appropriately. Bell Equipment undertakes pre-employment medicals for all employees and thereafter on an annual cycle. Exit medicals are also conducted.

Bell Equipment also recognises 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.

While Bell Equipment's annual report focuses on the events of the past year, Bell Equipment recognises 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. Bell Equipment employees are part of the communities in which Bell Equipment operates and it views its socio-economic efforts within these communities as an integral part of improving the quality of life of Bell Equipment's employees, their families and the members of those communities. Key areas on which Bell Equipment is focusing its efforts are on the creation of decent jobs, education and sponsorship of socio-economic developmental initiatives.

While the global economic environment has had a negative impact on Bell Equipment's socio-economic programme for the past financial year (2009), the long-term strategy is still to focus on the following key areas:

– Educational programmes
– School infrastructure
– Environmental and sustainability projects
– HIV/AIDS programmes
– Community sports and recreation

Bell Equipment also believes that for a successful business to continue into the future, it is necessary to reinvest some of its earnings into the communities in which it operates. Bell Equipment's employees form part of this community and by helping to improve the community's standard of living, Bell Equipment is also improving the quality of life for its employees and their families. Bell Equipment focuses its efforts on the key areas of job creation, skills development education, environmental preservation issues, HIV/AIDS, crime prevention and the upliftment of the poorest sector of the communities where Bell Equipment operates. Bell Equipment's approach, in this regard, has been to empower the communities it operates in to encourage sustainability, well-being and a sense of self-worth.

Bell Equipment will continue to support various fundraising drives and make donations to ease the financial concerns of deserving charities. Bell Equipment remains an active member of the Zululand Chamber of Business Forum and Business Against Crime and works together with other employers and the community in tackling the scourge of HIV/AIDS in the region.

BLACK ECONOMIC EMPOWERMENT

Bell Equipment's commitment to transformation was evidenced in October 2008, when both its major South African subsidiaries, Bell Equipment Company SA (Pty) Limited (BECSA) and Bell Equipment Sales SA Limited (BESSA) were rated by a BEE verification agency against the full scorecard covering ownership, management diversity, employment equity, skills development, preferential procurement, enterprise and socio-economic development. BECSA was rated as a level 7 contributor whilst BESSA was recently rated a level 4 contributor and 100% of its customers' purchases rank as BEE expenditure.

EMPLOYEE RELATIONS

Bell Equipment has a stable and committed workforce. Many employees have long service records with Bell Equipment and have shown their preparedness to go the extra mile in order to serve its customers. Due to difficult trading conditions throughout 2009, Bell Equipment unfortunately has had to right-size the headcount of its workforce to a level that is suited to current market conditions and to ensure the sustainability of Bell Equipment. The unions were consulted in line with the provisions of the Labour Relations Act and the process culminated in the conclusion of a collective agreement on the layoffs with certain employee stakeholders.

Union membership statistics	**% 2009**	% 2008
NUMSA	**25**	31
Solidarity	**19**	30
UASA	**3**	2
Non-union employees	**38**	25
Non-union employees part of MEIBC collective bargaining unit	**15**	12

PEOPLE DEVELOPMENT

Bell Equipment regards its people as a valuable resource and does not tolerate discrimination of any kind, whether on the grounds of gender, race, sexual orientation, background or religious beliefs. Bell Equipment has identified the required skills to run its business successfully on an ongoing basis and will recruit people who meet these needs either immediately or after appropriate training and skills development. Bell Equipment also believes in ensuring that its employees are given the opportunity to develop these skills and the opportunity to use them. Bell Equipment 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. A transformation forum has been created with the view of allowing employees to make inputs with regard to employment equity issues and accelerating changes within Bell Equipment.

Bell Equipment is justifiably proud of its record in training artisans and technical professionals to ensure that it maintains the ability to develop innovative products and services for the benefit of its customers. Bell Equipment also takes pride in its apprenticeship scheme, being the largest South African employer in the earthmoving equipment industry to have such a programme. During 2009, Bell Equipment took in 28 new apprentices, the majority of whom come from previously disadvantaged groups. Bell Equipment diligently manages their progress to becoming fully-fledged artisans.

Bell Equipment's programmes have produced people who have proved themselves in diverse roles around the world and who have developed into leading roleplayers on its strong executive and senior management teams.

Bell Equipment runs several in-house and externally-resourced development programmes to facilitate on-the-job training and offers a study assistance programme whereby employees are encouraged to further their tertiary qualifications (at no cost to themselves should they apply themselves to their studies and pass their examinations).

REMUNERATION

Bell Equipment operates in a highly competitive market where key skills and technical know-how are critical to the success of Bell Equipment. Bell Equipment seeks to reward employees fairly and in line with the market in similar industries and in this regard the services of a reputable consulting firm are engaged from time to time to ensure an objective salary structure and equity within Bell Equipment.

The Remuneration Committee oversees and makes recommendations to the board on matters such as salary increases and employee benefits in consultation with the Chief Executive and Bell Equipment's management.

Bell Equipment remunerates its executive directors based on reliable benchmarking data and seeks to achieve market-related cost to employer packages that are a combination of basic salaries augmented by incentives provided that Bell Equipment achieves set returns on shareholders' funds. Although Bell Equipment has a range of incentive schemes structured to reward performance and to align the interests of senior management with the interests of shareholders, the difficult trading conditions during 2009 have resulted in these incentive schemes not yielding any incentive payments to employees and executive directors during the year.

In determining the salary increases of executives and the payment of incentives, the Nominations and Remuneration Committee evaluates the performance of each executive against the achievement of predetermined objectives. Although there have not been any increases in remuneration offered to staff in 2009 as a result of the difficult trading conditions, Bell Equipment's long-term objective is still to ensure that market-related and fair compensation is paid to employees in order for key skills to be retained.

The performance of the Chief Executive is evaluated annually by the independent Chairman of the Nominations and Remuneration Committee in order to determine his salary package for the ensuing year. Likewise, the Chief Executive conducts an annual review of the performance of all senior executives, including the Chairman of the board in respect of his executive functions. There were no increases in the remuneration of the Chief Executive and the Chairman in 2009 and they, along with many other employees, have agreed to reductions in remuneration to assist Bell Equipment during 2009. The remuneration of these executives and other executive directors are detailed in the annual financial statements on page 93.

Bell Equipment does not have long-term service contracts with any of its executives. Normal notice periods apply as stated in all letters of appointment.

Corporate governance

The directors and management of Bell Equipment are constantly aware of the need to apply sound principles of corporate governance to all its operations in South Africa and internationally. Bell Equipment sees its compliance with the recommendations made in the King II Report as an essential feature of the way it behaves as a responsible corporate citizen and an integral part of Bell Equipment's drive to become world-class. With this concerted focus on implementing corporate governance best practice, Bell Equipment has also given due consideration to the principles contained in the King III report which was released in September 2009 with a view to implementing the recommendations of this report and will make adjustments where necessary. It appears from initial assessments that Bell Equipment already complies with most of the substantive recommendations in this report.

An assessment of Bell Equipment's compliance with the recommendations made in the King II Report confirms that it substantially complied with all material aspects of this report in 2009. It is the policy of Bell Equipment that the board and management actively review and enhance Bell Equipment's systems of control and governance continuously and ensure Bell Equipment's business is managed ethically and within acceptable risk parameters.

The following are aspects upon which additional and specific comments are made:

STRUCTURE OF THE BOARD AND COMMITTEES

The roles of the Chairman, who is an executive director, and Chief Executive are distinct and there are currently seven non-executive directors. Of these seven non-executive directors, four are independent. The Risk Management and Audit Committee and the Nominations and Remuneration Committee meetings throughout the year under review were chaired by independent non-executive directors.

Bell Equipment has a unitary board which meets at least four times per year. The size and diversity of the board is considered appropriate to Bell Equipment. With the exception of the Chief Executive all directors are subject to retirement by rotation every three years. Bell Equipment's Financial Director serves as an executive director on the board.

In terms of the shareholders' agreement concluded between I A Bell and Company (Pty) Limited and John Deere Construction and Forestry Company, these two principal shareholder parties are, in terms of their current shareholding in Bell Equipment Limited, both entitled to nominate three directors respectively. During the year under review an additional seat for an independent non-executive director was created bringing the total number of seats for independent non-executive directors to five. Of these five seats available for independent non-executive directors, four are currently filled and efforts are underway to recruit an additional independent non-executive director to fill the remaining vacancy.

Non-executive directors are independent of, and have unfettered access to management.

Newly appointed directors are briefed on their fiduciary duties, their legal obligations and Bell Equipment's history, operations and key initiatives. If there are areas for strengthening the performance of individual directors, suitable training will be considered.

The board of directors is ultimately responsible for ensuring that Bell Equipment is a viable business and to this end effectively controls Bell Equipment and its subsidiaries, monitors executive management and takes all decisions that are material for this purpose. The board has approved and regularly reviews Bell Equipment's schedule of authorities which allows for the clear segregation of duties within Bell Equipment.

COMPANY SECRETARY

The board considers the company secretary qualified to perform his duties in accordance with applicable legislation and fit and proper for the position. 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. The company secretary ensures compliance with applicable procedures and legislation and the removal from office of the company secretary is a matter for the board as a whole.

DIRECTORS' ATTENDANCE AT MEETINGS

During 2009, the board met on five occasions, with attendance recorded as follows:

Executive	
G W Bell	5 out of 5
H J Buttery (Chairman)	5 out of 5
K J van Haght	5 out of 5
D L Smythe*	4 out of 4
Non-executive	
B W Schaffter	4 out of 5
D M Gage	5 out of 5
K Manning	3 out of 5
Independent non-executive	
J Barton**	1 out of 1
M A Mun-Gavin	5 out of 5
T O Tsukudu	5 out of 5
D J J Vlok	5 out of 5
Alternates	
J W Kloet***	3 out of 3

** Resigned on 2 November 2009*

*** Appointed on 2 November 2009*

****Attending in the stead of B W Schaffter and K Manning*

Mr Derek Smythe resigned as an executive director from the board with effect from 2 November 2009, while Mr John Barton was appointed as an independent non-executive director from the same date.

The responsibilities of the board include the consideration of issues related to Bell Equipment's strategy, business plans, annual budgets, monitoring the financial and operational performance of group management and other matters having a material effect on Bell Equipment or required by statute.

The board of directors conducts periodic reviews of its performance and implements action plans to achieve strengthening and effectiveness in areas which are identified in this process. The directors have fully complied with their collective and individual obligations in terms of the JSE listings requirements, inter alia with regard to disclosures and observance of closed periods. Particulars of the composition of the board of directors and its committees appear on pages 10 to 11 of this report.

RISK MANAGEMENT AND AUDIT COMMITTEE

The Chairman of the Risk Management and Audit Committee is an independent non-executive director and this committee only has independent non-executive directors as members. This committee operates in terms of a formally approved charter, which clearly sets out the terms of reference, roles and responsibilities of committee members and one of its main tasks is to ensure the maintenance of and, where necessary, review the effectiveness of internal controls in Bell Equipment in view of the findings of the external or internal auditors. The charter of this committee has been redrafted in accordance with the additional requirements applicable to audit committees brought about by the changes to the South African Companies Act (the Act) and it has complied with the terms of this charter. This committee performed (and was mandated to perform) the following specific functions for the 2009 financial year:

- nominated for appointment the auditor of the company who, in the opinion of this committee, is independent of the company;
- determined the fees to be paid to the auditor and the auditor's terms of engagement;
- ensured that the appointment of the auditor complies with the Act and any other legislation relating to the appointment of auditors;
- determined the nature and extent of any non-audit services which the auditor may provide to the company and its subsidiaries;
- pre-approved any proposed contract with the auditor for the provision of non-audit services to the company or any of its subsidiaries;
- mandated to receive and deal appropriately with any complaints (whether from within or outside the company) relating either to the accounting practices and internal audit of the company or to the content or auditing of its financial statements, or to any related matter; and
- performed other functions determined by the board.

This committee has confirmed the suitability of the head of Bell Equipment Internal Audit function and the Financial Director of Bell Equipment. The external auditors do not perform any internal audit functions, but may perform certain non-audit services on a periodic basis. The Risk Management and Audit Committee has set the principles, which have been duly confirmed by the board, as well as the limitations for making use of the external auditors for non-audit services.

Other areas that are reviewed include 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 Bell Equipment's risk management programme.

ATTENDANCE AT MEETINGS

During 2009, the Risk Management and Audit Committee met on five occasions, with attendance being as follows:

Members	
M A Mun-Gavin (Chairman)	5 out of 5
D J J Vlok	5 out of 5

Certain senior executive managers attend meetings of the committee and all directors are invited to attend its meetings and receive the committee papers. The audit partner of Deloitte & Touche was invited and attended all 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 executive directors and senior management in line with their individual contributions to Bell Equipment's overall performance.

It also reviews the skills, qualifications, suitability, calibre and credibility of candidates, taking due consideration of diversity and skills, and makes formal recommendations to the board for appointment of directors. All members of this committee are non-executive directors and it is chaired by an independent non-executive director. The committee met on three occasions in the year, with attendance as shown below. This committee has complied with the terms of its charter.

Members	
D J J Vlok (Chairman)	3 out of 3
T O Tsukudu	3 out of 3
D M Gage	3 out of 3

Certain senior executive managers attend each meeting of the committee.

Bell Equipment's remuneration philosophy and strategy with regard to employees and executive directors are reflected in the Remuneration section of this report on page 37.

Independent non-executive directors receive basic annual retainers, similarly based on 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 fee premium for this additional responsibility.

The non-executive directors and their alternates 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. Details of the remuneration paid to directors of Bell Equipment are fully disclosed on page 93 of the financial statements.

STAKEHOLDER COMMUNICATION

The board is committed to the principles of openness, integrity and accountability, and to providing timely, relevant and meaningful reporting to all stakeholders.

Bell Equipment holds annual conferences with its external business partners (principally suppliers, customers and dealers) and uses this opportunity to communicate its plans for the year ahead so that these stakeholders are fully apprised of Bell Equipment's expectations and requirements. At the same time Bell receives valuable feedback from its customers with regard to its products and services and where these can be improved. No one individual has unfettered powers of decision making.

Bell Equipment produces annual and interim reports as required and publishes these on Bell Equipment's investor relations website (www.bellir.co.za). Bell Equipment's external website (www.bellequipment.com) is an important means of effectively communicating with all stakeholders – keeping them abreast of developments within Bell Equipment and providing essential information relating to Bell Equipment and its operations. Bell Equipment produces an annual employee report and has other regular communications with employees.

The Bell Equipment Intranet also plays an important role in keeping its employees around the world informed of Bell Equipment's activities and facilitates communication amongst its various operations.

CODE OF ETHICS AND CODE OF BUSINESS CONDUCT

Bell Equipment has a code of ethics which commits Bell Equipment 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. This code has been effectively communicated to all Bell Equipment operations worldwide and covers the interactive relationships between Bell Equipment, its directors, management and employees amongst themselves and outside stakeholders, customers, shareholders and society at large.

This code of ethics has been augmented by a code of business conduct, which has recently been approved by the board and is applicable to all Bell Equipment employees worldwide. This code deals with a number of aspects and provides a broad framework on how different stakeholders must be engaged and prescribes the ethical standards to which employees are expected to adhere.

Bell Equipment realises the importance of a facility for the reporting of any unethical or improper actions and Bell Equipment has, in conjunction with Tip-Offs Anonymous, established a reporting facility that is available 24 hours a day. All stakeholders are encouraged to report any unethical and improper behaviour via this facility. More information on this reporting facility is available from Bell Equipment's official external website.

Contents for the annual financial statements

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 47 to 93 were approved by the directors on 9 March 2010 and are signed on their behalf by:

HJ Buttery
Group Chairman

GW Bell
Group Chief Executive

9 March 2010

Certification by Company 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.

R Verster
Company Secretary

9 March 2010

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 statement of financial position and consolidated statement of financial position as at 31 December 2009, the income statement and consolidated income statement, the statement of comprehensive income and consolidated statement of comprehensive income, the statement of changes in equity and consolidated statement of changes in equity and the statement of cash flows and consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 47 to 93.

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, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Bell Equipment Limited as at 31 December 2009, and its consolidated and separate financial performance and consolidated and separate 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.

Emphasis of matter
Without qualifying our opinion, we draw attention to the comments in the directors' report which refer to the reduced sales demand, difficult trading conditions and the group's liquidity challenges. These conditions indicate a material uncertainty which may cast significant doubt on the group's ability to continue as a going concern.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Audit-KZN

Per **C Howard-Browne**
Partner

9 March 2010

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South Africa

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 2009.

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 financing 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.

Going concern

Although there are signs that we can expect a modest market recovery in 2010, reduced demand for equipment and difficult trading conditions continued to impact on the trading results and liquidity during the year under review. As was the case in 2009, the priority remains cash generation, working capital management and realising the value in inventory and receivables.

The shareholders continue to support the group and subsequent to year-end I A Bell & Company extended the term on its R300 million loan to the group until 30 June 2012 or when the group's gearing is sustainably maintained at 20% or less. At the date of this report, R135 million of the loan has been drawn down and R165 million remains available to the group. The other major shareholder and the largest creditor of the group, John Deere, continues to provide assistance on account settlement in respect of machines and kits supplied.

Assistance has been provided by Government and the Department of Trade and Industry by way of retrospective readmission to the MIDP programme. This readmission will provide significant additional cash inflow to the group during 2010. Furthermore, subsequent to year-end, application has been made to the Industrial Development Corporation for additional longer-term financing of R300 million. The due diligence has been completed and we expect the outcome of our application by the end of March 2010.

During 2009, steps were taken to reduce costs and right-size the group and the full benefits of this will be realised in 2010. Further contingency plans have also been developed and these will be implemented if the market and sales volumes do not recover as expected. Careful consideration has been given in these contingency plans to the long-term sustainability of the business.

The group's financiers remain fully apprised of the group's results, liquidity challenges, future business and contingency plans and have continued to support the group during the year under review. The group acknowledges that the continued support of the group's financiers remains vital to the group's future success.

Regarding the group's ability to continue as a going concern at the time of approving these annual financial statements, the directors, taking full cognisance of all the issues referred to above, the improved market outlook and sales forecasts going forward, believe that the going concern assumption is appropriate.

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 2009 comprised 94 958 000 (December 2008: 94 950 000) ordinary shares of no par value.

Directors' report (continued)

Dividends
The directors have not declared a dividend for this year (2008: nil cents per share).

Property, plant and equipment
The group's accounting policy in respect of property, plant and equipment is recorded in note 2.5 to the annual financial statements.

Share option schemes
The company currently has two operating employee share option schemes. The maximum number of shares any employee may acquire in terms of the existing schemes may not exceed 200 000 shares. The options of both schemes have a maximum contractual life of 10 years from the date of award. The options on scheme number one are equity-settled, vest immediately and are forfeited on leaving the company. Scheme number two was approved by the board in December 2009 and share options were granted to employees on 15 February 2010. The options on scheme number two are equity-settled, each year's allocation of options will vest one third in each period after three years, five years and seven years respectively after the date of grant and are forfeited on leaving the company.

Particulars of transactions which occurred on scheme number one (which scheme is being wound up) during the year are as follows:

	31 December 2009	31 December 2008
Options granted brought forward	**50 000**	142 100
Options granted and accepted	**–**	–
Options exercised	**(8 000)**	(92 100)
Options forfeited	**(8 000)**	–
Options granted carried forward	**34 000**	50 000

Executive directors, senior and general management held the 34 000 unexercised options at 31 December 2009. The maximum aggregate number of shares available to employees under scheme number one was 2 159 200. The unallocated balance at 31 December 2009 was nil shares (December 2008: nil).

Directors
During the year under review the following change in the composition of the board of directors took place:

Mr PA Bell resigned as an alternate director on 13 January 2009
Mr MA Campbell resigned as an alternate director on 13 January 2009
Mr L Goosen was appointed as an alternate director on 13 January 2009
Mr AR McDuling was appointed as an alternate director on 13 January 2009
Mr PC Bell resigned as an alternate director on 2 November 2009
Mr DL Smythe resigned as a director on 2 November 2009
Mr JR Barton was appointed as a director on 2 November 2009

Details of the directors and Group Executive Committee of the Bell Equipment group appear on pages 10 to 11 and 20 to 21 of this report.

Audit committee functions
The group's Risk Management and Audit Committee performed (and was mandated to perform) the specific functions listed on page 39 of this report for the 2009 financial year.

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

	Number of shares held					
	Direct beneficial 2009	Direct beneficial 2008	**Indirect beneficial 2009**	Indirect beneficial 2008	**Associates 2009**	Associates 2008
GW Bell	**120 600**	120 600	**8 671 264**	8 671 264	**–**	–
PA Bell	**–**	–	**8 671 264**	8 671 264	**–**	–
PC Bell	**–**	–	**8 671 264**	8 671 264	**–**	–
HJ Buttery	**–**	–	**3 691 473**	3 691 473	**7 800**	7 800
MA Campbell	**–**	–	**3 009 152**	3 009 152	**–**	–
GP Harris	**–**	–	**1 800**	1 800	**–**	–
MA Mun-Gavin	**–**	–	**10 000**	10 000	**–**	–
L Goosen	**2 040**	–	**–**	–	**–**	–
AR McDuling	**–**	–	**–**	134	**–**	–
Total	**122 640**	120 600	**32 726 217**	32 726 351	7 800	7 800

There has been no change in the shareholding of directors as reflected above between the end of the financial year and 9 March 2010.

Major shareholders

The major shareholders in Bell Equipment Limited as at 31 December 2009 were:

	2009 %	2008 %
I A Bell & Company (Proprietary) Limited	**37,62**	37,62
John Deere Construction and Forestry Company	**31,59**	31,60

Company secretary

Particulars of the Company Secretary and his business and postal addresses appear on the inside back cover of this report.

Subsidiaries

Details of the company's interest in its subsidiary companies are contained on page 92 of this report. The principal subsidiaries are Bell Equipment Company SA (Proprietary) Limited and Bell Equipment Sales South Africa Limited, both of which are incorporated in South Africa.

Subsequent events

There is no material fact or circumstance that has arisen between the end of the reporting period and the date of this report.

Signed on behalf of the board

HJ Buttery
Group Chairman

GW Bell
Group Chief Executive

9 March 2010

Statements of financial position as at 31 December 2009

	Notes	**Group 2009 R'000**	Group 2008 R'000	**Company 2009 R'000**	Company 2008 R'000
ASSETS					
Non-current assets		**798 445**	665 822	**369 143**	383 996
Property, plant and equipment	6	**520 452**	532 764	**–**	–
Intangible assets	7	**39 873**	30 309	**–**	–
Investments in subsidiary companies	8	**–**	–	**369 143**	383 996
Interest-bearing investments	9	**–**	3 370	**–**	–
Interest-bearing long-term receivables	10	**73 982**	31 417	**–**	–
Deferred taxation	11	**164 138**	67 962	**–**	–
Current assets		**2 127 669**	3 256 950	**1 684**	109
Inventory	12	**1 618 728**	2 546 512	**–**	–
Trade and other receivables	13	**412 008**	627 839	**220**	109
Current portion of interest-bearing long-term receivables	10	**37 409**	20 016	**–**	–
Prepayments		**16 932**	13 663	**–**	–
Other financial assets	14	**430**	–	**–**	–
Taxation		**10 280**	12 494	**1 464**	–
Cash resources		**31 882**	36 426	**–**	–
Total assets		**2 926 114**	3 922 772	**370 827**	384 105
EQUITY AND LIABILITIES					
Capital and reserves		**1 420 435**	1 769 555	**370 356**	368 893
Stated capital	15	**228 605**	228 586	**228 605**	228 586
Non-distributable reserves	16	**123 984**	200 940	**–**	–
Retained earnings		**1 066 540**	1 326 761	**141 751**	140 307
Attributable to equity holders of Bell Equipment Limited		**1 419 129**	1 756 287	**370 356**	368 893
Non-controlling interest	17	**1 306**	13 268	**–**	–
Non-current liabilities		**374 654**	273 881	**–**	–
Interest-bearing liabilities	18	**218 404**	83 171	**–**	–
Repurchase obligations and deferred leasing income	19	**49 724**	81 001	**–**	–
Deferred warranty income	20	**89 047**	95 370	**–**	–
Lease escalation	21	**10 899**	4 384	**–**	–
Provisions	22	**6 580**	9 955	**–**	–
Current liabilities		**1 131 025**	1 879 336	**471**	15 212
Trade and other payables	23	**530 151**	839 474	**471**	361
Current portion of interest-bearing liabilities	18	**52 830**	91 254	**–**	–
Current portion of repurchase obligations and deferred leasing income	19	**46 639**	66 186	**–**	–
Current portion of deferred warranty income	20	**17 599**	11 047	**–**	–
Current portion of lease escalation	21	**3 834**	1 344	**–**	–
Current portion of provisions	22	**33 365**	49 494	**–**	–
Other financial liabilities	24	**3 922**	–	**–**	–
Taxation		**14 856**	115 905	**–**	14 851
Short-term interest-bearing debt		**427 829**	704 632	**–**	–
Total equity and liabilities		**2 926 114**	3 922 772	**370 827**	384 105
Number of shares in issue ('000)		**94 958**	94 950		
Net asset value per share (cents)		**1,496**	1,864		

Income statements for the year ended 31 December 2009

		Notes	**Group 2009 R'000**	Group 2008 R'000	**Company 2009 R'000**	Company 2008 R'000
Revenue		25	**2 699 149**	5 458 273	**–**	–
Cost of sales			**(2 164 082)**	(4 036 622)	**–**	–
Gross profit			**535 067**	1 421 651	**–**	–
Other operating income			**143 477**	71 300	**1 269**	46 124
Distribution costs			**(541 347)**	(663 826)	**–**	–
Administration expenses			**(45 223)**	(66 638)	**(3 325)**	(2 245)
Other operating expenses			**(355 400)**	(173 383)	**–**	–
(Loss) profit from operating activities		26	**(263 426)**	589 104	**(2 056)**	43 879
Interest paid			**(121 912)**	(104 237)	**(522)**	–
Interest received			**13 307**	29 600	**–**	–
(Loss) profit before taxation			**(372 031)**	514 467	**(2 578)**	43 879
Taxation		27	**100 325**	(153 751)	**4 022**	(22 419)
(Loss) profit for the year			**(271 706)**	360 716	**1 444**	21 460
(Loss) profit for the year attributable to:						
– Equity holders of Bell Equipment Limited			**(259 744)**	348 348		
– Non-controlling interest			**(11 962)**	12 368		
(Loss) earnings per share						
Basic	(cents)	28	**(274)**	367		
Diluted	(cents)	28	**(274)**	367		
Dividend per ordinary share	(cents)		**–**	40		

Statements of comprehensive income

for the year ended 31 December 2009

	Group 2009 R'000	Group 2008 R'000	**Company 2009 R'000**	Company 2008 R'000
(Loss) profit for the year	**(271 706)**	360 716	**1 444**	21 460
Other comprehensive (loss) income				
Exchange differences arising during the period	**(77 433)**	61 921	**–**	–
Exchange differences on translating foreign operations	**(74 954)**	60 413	**–**	–
Exchange differences on foreign reserves	**(2 479)**	1 508	**–**	–
Effect of change in tax rate on property revaluation reserve	**–**	800	**–**	–
Other comprehensive (loss) income for the year, net of tax	**(77 433)**	62 721	**–**	–
Total comprehensive (loss) income for the year	**(349 139)**	423 437	**1 444**	21 460
Total comprehensive (loss) income attributable to:				
– Equity holders of Bell Equipment Limited	**(337 177)**	411 069		
– Non-controlling interest	**(11 962)**	12 368		

Statements of changes in equity

for the year ended 31 December 2009

	Attributable to equity holders of Bell Equipment Limited					
	Stated capital R'000	Non-distributable reserves R'000	Retained earnings R'000	Total R'000	Non-controlling interest R'000	Total capital and reserves R'000
Group						
Balance at 31 December 2007	226 293	140 040	1 014 536	1 380 869	–	1 380 869
Issue of share capital to non-controlling shareholders	–	–	–	–	900	900
Share options exercised	2 293	–	–	2 293	–	2 293
Dividend paid	–	–	(37 944)	(37 944)	–	(37 944)
Total comprehensive income for the year	–	62 721	348 348	411 069	12 368	423 437
Realisation of revaluation reserve on depreciation of buildings	–	(3 417)	3 417	–	–	–
Deferred taxation on realisation of revaluation reserve on depreciation of buildings	–	957	(957)	–	–	–
Increase in legal reserves of foreign subsidiaries	–	639	(639)	–	–	–
Balance at 31 December 2008	228 586	200 940	1 326 761	1 756 287	13 268	1 769 555
Share options exercised	19	–	–	19	–	19
Total comprehensive loss for the year	–	(77 433)	(259 744)	(337 177)	(11 962)	(349 139)
Realisation of revaluation reserve on depreciation of buildings	–	(3 418)	3 418	–	–	–
Deferred taxation on realisation of revaluation reserve on depreciation of buildings	–	957	(957)	–	–	–
Increase in legal reserves of foreign subsidiaries	–	2 938	(2 938)	–	–	–
Balance at 31 December 2009	**228 605**	**123 984**	**1 066 540**	**1 419 129**	**1 306**	**1 420 435**
Company						
Balance at 31 December 2007	226 293	–	156 791	383 084	–	383 084
Share options exercised	2 293	–	–	2 293	–	2 293
Dividend paid	–	–	(37 944)	(37 944)	–	(37 944)
Total comprehensive income for the year	–	–	21 460	21 460	–	21 460
Balance at 31 December 2008	228 586	–	140 307	368 893	–	368 893
Share options exercised	19	–	–	19	–	19
Total comprehensive income for the year	–	–	1 444	1 444	–	1 444
Balance at 31 December 2009	**228 605**	**–**	**141 751**	**370 356**	**–**	**370 356**

Statements of cash flows for the year ended 31 December 2009

	Notes	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
CASH FLOW FROM OPERATING ACTIVITIES					
Cash generated from (utilised in) operations	A	**560 568**	(17 659)	**(2 057)**	44 011
Interest paid		**(121 912)**	(104 237)	**(522)**	–
Interest received		**13 307**	29 600	**–**	–
Taxation paid	B	**(95 526)**	(154 249)	**(12 293)**	(29 206)
Net cash generated from (utilised in) operating activities		**356 437**	(246 545)	**(14 872)**	14 805
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of additional property, plant and equipment and intangible assets		**(146 798)**	(209 918)	**–**	–
Purchase of replacement property, plant and equipment and intangible assets		**(4 324)**	(3 593)	**–**	–
Proceeds on disposal of property, plant and equipment and intangible assets		**30 436**	31 592	**–**	–
Increase in investments in subsidiary companies		**–**	–	**–**	(197 263)
Decrease in interest-bearing investments		**3 370**	10 094	**–**	–
Net cash utilised in investing activities		**(117 316)**	(171 825)	**–**	(197 263)
CASH FLOW FROM FINANCING ACTIVITIES					
Repayments from subsidiaries		**–**	–	**14 853**	218 109
Interest-bearing liabilities raised	C	**143 607**	98 009	**–**	–
Interest-bearing liabilities repaid	C	**(46 798)**	(32 046)	**–**	–
(Decrease) increase in repurchase obligations and deferred leasing income		**(50 824)**	42 854	**–**	–
Increase in deferred warranty income		**229**	53 180	**–**	–
Increase in interest-bearing long-term receivables		**(13 095)**	(29 703)	**–**	–
Share issue to non-controlling shareholders		**–**	900	**–**	–
Proceeds from share options exercised		**19**	2 293	**19**	2 293
Dividend paid		**–**	(37 944)	**–**	(37 944)
Net cash generated from financing activities		**33 138**	97 543	**14 872**	182 458
Net increase (decrease) in cash for the year		**272 259**	(320 827)	**–**	–
Net short-term interest-bearing debt at beginning of the year		**(668 206)**	(347 379)	**–**	–
Net short-term interest-bearing debt at end of the year	D	**(395 947)**	(668 206)	**–**	–

Notes to the statements of cash flows

for the year ended 31 December 2009

		Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
A.	**Cash generated from (utilised in) operations**				
	(Loss) profit from operating activities	**(263 426)**	589 104	**(2 056)**	43 879
	Adjustments for:				
	Depreciation	**94 144**	54 784	**–**	–
	Amortisation of intangible assets	**8 137**	3 915	**–**	–
	(Decrease) increase in warranty provision	**(17 398)**	2 742	**–**	–
	Increase (decrease) in provision for residual value risk	**844**	(299)	**–**	–
	Increase in lease escalation	**9 005**	2 352	**–**	–
	Gain arising on financial assets at fair value through profit or loss	**(430)**	–	**–**	–
	Loss arising on financial liabilities at fair value through profit or loss	**3 922**	–	**–**	–
	Net surplus on disposal of property, plant and equipment and intangible assets	**(826)**	(40)	**–**	–
	Exchange differences on translation of foreign subsidiaries	**(57 564)**	62 345	**–**	–
	Operating (loss) profit before working capital changes	**(223 592)**	714 903	**(2 056)**	43 879
	Decrease (increase) in inventory	**927 784**	(847 692)	**–**	–
	Decrease (increase) in trade and other receivables and prepayments	**212 562**	34 640	**(111)**	(15)
	(Decrease) increase in trade and other payables	**(309 323)**	80 490	**110**	147
	Increase in trade receivables recoverable beyond 12 months	**(46 863)**	–	**–**	–
	Total cash generated from (utilised in) operations	**560 568**	(17 659)	**(2 057)**	44 011
B.	**Taxation paid**				
	Net taxation owing at beginning of the year	**(103 411)**	(51 062)	**(14 851)**	(21 638)
	Tax charge for the year:				
	South African normal taxation	**(153)**	(184 979)	**4 022**	(22 419)
	Foreign taxation	**4 235**	(21 619)	**–**	–
	Withholding tax on dividends	**(773)**	–	**–**	–
	Net taxation owing at end of the year	**4 576**	103 411	**(1 464)**	14 851
	Total taxation paid	**(95 526)**	(154 249)	**(12 293)**	(29 206)
C.	**Interest-bearing liabilities**				
	Long-term portion of interest-bearing liabilities at beginning of the year	**83 171**	76 624	**–**	–
	Add: current portion at beginning of the year	**91 254**	31 838	**–**	–
	Total interest-bearing liabilities at beginning of the year	**174 425**	108 462	**–**	–
	Interest-bearing liabilities raised	**143 607**	98 009	**–**	–
	Interest-bearing liabilities repaid	**(46 798)**	(32 046)	**–**	–
	Less: current portion at end of the year	**(52 830)**	(91 254)	**–**	–
	Long-term portion of interest-bearing liabilities at end of the year	**218 404**	83 171	**–**	–
D.	**Net short-term interest-bearing debt**				
	Short-term interest-bearing debt	**(427 829)**	(704 632)	**–**	–
	Cash resources	**31 882**	36 426	**–**	–
	Net short-term interest-bearing debt at end of the year	**(395 947)**	(668 206)	**–**	–

Notes to the annual financial statements

for the year ended 31 December 2009

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 into line with those used by the company.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original acquisition and the non-controlling shareholders' share of changes in equity since the date of the acquisition. Losses applicable to the non-controlling shareholders in excess of their interest in the subsidiaries' equity are allocated against the interests of the group except to the extent that the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

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. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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 three 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 are depreciated over the shorter of their expected useful lives and the period of the lease. Rental assets under short-term rentals are depreciated based on the hours utilised while on rental. Rental assets under buy-back agreements are depreciated to the value of the buy-back over the buy-back period. 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.

The annual rate of amortisation currently used is 20%.

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.

The annual rate of amortisation currently used varies from 17% to 50%.

Notes to the annual financial statements
for the year ended 31 December 2009 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Intangible assets (continued)

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.

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 statement of financial position 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, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's policy on borrowing costs (see note 2.20).

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 statement of financial position when the group becomes a party to the contractual provisions of the instrument.

Financial instruments carried on the statement of financial position include cash and bank balances, interest-bearing investments, interest-bearing long-term receivables, trade and other receivables, interest-bearing liabilities, trade and other payables and short-term interest-bearing debt.

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 held for trading at fair value through profit and loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial instruments (continued)

Interest-bearing long-term receivables, trade and other receivables

Interest-bearing long-term receivables, trade and other receivables are recognised at amortised cost, less provision for impairment.

Cash resources

Cash resources 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 overdrafts and borrowings on call which are measured at amortised cost.

Trade and other payables

Trade and other payables are recognised at amortised cost.

Interest-bearing liabilities

Interest-bearing liabilities are measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing 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 offset 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:

Merchandise spares, components, raw materials, 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 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.

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.

Notes to the annual financial statements

for the year ended 31 December 2009 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Share-based payments (continued)

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.

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 the end of each reporting period.

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 end of the reporting period.

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 the end of each reporting period 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.

2.13 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Foreign currency translation (continued)

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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 statement of financial position are translated at the exchange rates prevailing at the end of the reporting period;
- income and expenses for each income statement are translated at average exchange rates for the period; and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in equity in the group's foreign currency translation reserve.

Such translation differences are reclassified to 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 effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

Deferred warranty income

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.

Notes to the annual financial statements

for the year ended 31 December 2009 (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 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.

2.17 Impairment of tangible and intangible assets excluding goodwill

At the end of the reporting period, 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 (or 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 its 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 (or 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 (or 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 its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.18 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 end of the reporting period, 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.

2.19 Segmental information

The operating segments of the group have been identified on the basis of internal reports about components of the group that are regularly reviewed by the board of directors in order to allocate resources to the segments and to assess their performance.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.21 Government grants

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

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 2009.

3.1 Standards affecting presentation and disclosure in these financial statements

The following new and revised Standards have been adopted in the current period and have affected the presentation and disclosure in these financial statements:

3.1.1 IAS 1 – Presentation of Financial Statements: Comprehensive revision including requiring a statement of comprehensive income

IAS 1, as revised in 2007, has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

3.1.2 IFRS 8 – Operating Segments

IFRS 8 is a disclosure Standard and requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance. Following the adoption, the identification of the group's reportable segments has changed (see note 5).

3.2 Standards and Interpretations adopted with no significant effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in the financial statements:

IFRIC 13 – Customer Loyalty Programmes

IFRIC 15 – Agreements for the Construction of Real Estate

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

IFRS 1 – First-time Adoption of International Financial Reporting Standards: Amendment relating to cost of an investment on first-time adoption

IFRS 2 – Share-based Payments: Amendment relating to vesting conditions and cancellations

Notes to the annual financial statements

for the year ended 31 December 2009 (continued)

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

3.2 Standards and Interpretations adopted with no significant effect on the financial statements (continued)

IFRS 7 – Financial Instruments – Disclosure: Amendments enhancing disclosures about fair value and liquidity risk

IAS 1 – Presentation of Financial Statements: Amendments relating to disclosure of puttable instruments and obligations arising on liquidation

IAS 23 – Borrowing Costs: Comprehensive revision to prohibit immediate expensing

IAS 27 – Consolidated and Separate Financial Statements: Amendment relating to cost of an investment on first-time adoption

IAS 32 – Financial Instruments – Presentation: Amendments relating to puttable instruments and obligations arising on liquidation

IAS 39 – Financial Instruments – Recognition and Measurement: Amendments for embedded derivatives when reclassifying financial instruments

3.3 Annual improvements to International Financial Reporting Standards (2008)

In 2008, the IASB issued improvements to International Financial Reporting Standards – a collection of amendments to International Financial Reporting Standards. These amendments consist of various necessary, but non-urgent, amendments to Standards. These amendments have not had any significant effect on the amounts reported in these financial statements. The majority of these amendments are effective from 1 January 2009.

3.4 Annual improvements to International Financial Reporting Standards (2009)

As part of the IASB's 2009 Annual Improvements Project, a collection of amendments has been made to the following Standards:

		Effective date for annual periods beginning on or after:
IFRS 2	– Share-based Payments	1 July 2009
IFRS 5	– Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
IFRS 8	– Operating Segments	1 January 2010
IAS 1	– Presentation of Financial Statements	1 January 2010
IAS 7	– Statement of Cash Flows	1 January 2010
IAS 17	– Leases	1 January 2010
IAS 36	– Impairment of Assets	1 January 2010
IAS 38	– Intangible Assets	1 July 2009
IAS 39	– Financial Instruments: Recognition and Measurement	1 January 2010

The directors are in the process of evaluating the requirements of the amendments.

3.5 Standards and Interpretations in issue not yet adopted

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

New		Effective date for annual periods beginning on or after:
IFRIC 17	– Distributions of Non-cash Assets to Owners	1 July 2009
IFRIC 18	– Transfers of Assets from Customers	1 July 2009
IFRIC 19	– Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

3.5 Standards and Interpretations in issue not yet adopted (continued)

Revised		Effective date for annual periods beginning on or after:
IFRS 1	– First-time Adoption of International Financial Reporting Standards: Amendments relating to oil and gas assets and determining whether an arrangement contains a lease	1 January 2010
IFRS 1	– First-time Adoption of International Financial Reporting Standards: Revised and restructured	1 July 2009
IFRS 1	– First-time Adoption of International Financial Reporting Standards: Limited exemption from comparative IFRS 7 disclosures for first-time adopters	1 July 2010
IFRS 2	– Share-based Payments: Amendments relating to group cash-settled share-based payment transactions	1 January 2010
IFRS 3	– Business Combinations: Comprehensive revision on applying the acquisition method	1 July 2009
IFRS 9	– Financial Instruments: Classification and measurement	1 January 2013
IAS 24	– Related Party Disclosures: Revised definition of related parties	1 January 2011
IAS 27	– Consolidated and Separate Financial Statements: Consequential amendments arising from amendments to IFRS 3	1 July 2009
IAS 28	– Investments in Associates: Consequential amendments arising from amendments to IFRS 3	1 July 2009
IAS 31	– Interests in Joint Ventures: Consequential amendments arising from amendments to IFRS 3	1 July 2009
IAS 32	– Financial Instruments – Presentation: Amendments relating to classification of rights issues	1 February 2010
IAS 39	– Financial Instruments – Recognition and Measurement: Amendments for eligible hedged items	1 July 2009

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.

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.

Notes to the annual financial statements

for the year ended 31 December 2009 (continued)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

4.1 Judgements made by management (continued)

Impairment of assets

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

Recoverability of trade receivables

In assessing the amounts recoverable from trade receivables, assumptions are made based on past default experience, estimations of the value of any security, in the form of second hand equipment, and the estimated costs of preparing the equipment for resale, including transport.

Recoverable value of inventory

The recoverable value of inventory takes into account current market conditions and the amounts expected to be realised from the sale of equipment, less estimated costs to sell.

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 end of the reporting period.

Warranty provision

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

Deferred warranty income

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.

Revenue recognition

Where buy-back agreements with customers are concluded, management uses the guidance from IAS 18 with regard to the transfer of risks and rewards for the purposes of revenue recognition.

Provisions for residual value risks and repurchase commitments

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 revenue is not recognised on a transaction which includes a buy-back, then the residual value risks are pertaining to products that are reported as rental assets in the statement of financial position and these risks are reflected by depreciation or write-down of the carrying value of these assets. If revenue is recognised on a transaction which includes a buy-back, then the residual value risks are pertaining to products which are not reported as assets in the statement of financial position and these risks are reflected under the line item provisions. Significant assumptions are made in estimating residual values. These are assessed based on past experience and take into account expected future market conditions and projected disposal values.

Deferred taxation asset

A deferred taxation asset is recognised to the extent that future taxable income of sufficient amount is expected to be earned.

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 end of the reporting period 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.

5. OPERATING SEGMENTS

Information regarding the group's reportable segments is presented below. Amounts reported for the prior year have been restated to conform to the requirements of IFRS 8.

In the prior year the reportable segments were:
South Africa and Rest of World.

In order to comply with IFRS 8, the reportable segments have changed to:
South African sales operation; South African manufacturing operation; European operation; Rest of Africa operation; and All other operations.

Information reported to the group's chief operating decision-maker for purposes of resource allocation and assessment of segment performance is focused on geographical areas.

Each reportable segment derives its revenues from the sale of goods (machines and parts) and related services and rental income.

The accounting policies of the reportable segments are the same as the group's accounting policies described in note 2.

	South African sales operation R'000	South African manu-facturing operation R'000	European operation R'000	Rest of Africa operation R'000	All other operations R'000	Elimi-nations R'000	Con-solidated R'000
Group 2009							
Revenue							
External revenue	1 645 729	50 556	359 315	634 332	9 217	–	2 699 149
Inter-segment revenue	168 989	808 023	39 641	169 134	–	(1 185 787)	–
Total revenue	1 814 718	858 579	398 956	803 466	9 217	(1 185 787)	2 699 149
Loss from operating activities	(51 163)	(221 029)	(68 731)	(15 621)	(7 759)	100 877	(263 426)
Net interest paid	(23 830)	(74 988)	(345)	(6 232)	(3 210)	–	(108 605)
Taxation	12 951	92 268	3 475	3 533	6 093	(17 995)	100 325
Loss for the year	(62 042)	(203 749)	(65 601)	(18 320)	(4 876)	82 882	(271 706)
Segment assets	867 119	1 828 593	527 842	312 905	556 850	(1 167 195)	2 926 114
Segment liabilities	841 898	644 662	409 454	273 357	131 215	(794 907)	1 505 679
Other information							
Additions to property, plant and equipment and intangible assets	97 002	24 938	24 899	4 267	16	–	151 122
Depreciation and amortisation of intangibles	34 069	41 040	22 471	4 678	23	–	102 281
Other material items of income and expense:							
– Net foreign currency (gains) losses	(2 723)	12 953	(14 211)	11 158	92	(559)	6 710
– Staff costs (including directors' emoluments)	187 489	294 694	66 993	57 479	10 674	277	617 606
– (Decrease) increase in warranty provision	(6 884)	4 752	(10 712)	(4 496)	(58)	–	(17 398)
– Warranty expenditure	30 217	38 959	12 842	2 152	58	(4 739)	79 489

Notes to the annual financial statements

for the year ended 31 December 2009 (continued)

5. OPERATING SEGMENTS (continued)

	South African sales operation R'000	South African manu-facturing operation R'000	European operation R'000	Rest of Africa operation R'000	All other operations R'000	Elimi-nations R'000	Con-solidated R'000
Group 2008 – restated							
Revenue							
External revenue	2 706 220	499 258	1 114 444	1 127 290	11 061	–	5 458 273
Inter-segment revenue	163 422	2 792 184	42 239	342 613	–	(3 340 458)	–
Total revenue	2 869 642	3 291 442	1 156 683	1 469 903	11 061	(3 340 458)	5 458 273
Profit from operating activities	126 387	570 237	2 193	121 425	36 567	(267 705)	589 104
Net interest paid	(37 555)	(50 227)	(1 217)	17 770	(3 408)	–	(74 637)
Taxation	(18 372)	(145 863)	(5 651)	(11 025)	(24 637)	51 797	(153 751)
Profit (loss) for the year	70 460	374 147	(4 675)	128 170	8 522	(215 908)	360 716
Segment assets	1 408 605	1 794 545	885 446	610 140	688 620	(1 464 584)	3 922 772
Segment liabilities	1 343 513	410 187	667 617	516 888	179 205	(964 193)	2 153 217
Other information							
Additions to property, plant and equipment and intangible assets	30 914	97 856	70 856	13 885	–	–	213 511
Depreciation and amortisation of intangibles	5 585	31 467	17 835	3 764	48	–	58 699
Other material items of income and expense:							
– Net foreign currency (gains) losses	(4 037)	74 209	30 062	6 629	(39 775)	(38)	67 050
– Staff costs (including directors' emoluments)	212 693	421 578	115 404	64 363	13 115	–	827 153
– (Decrease) increase in warranty provision	(564)	7 699	(6 807)	2 534	(120)	–	2 742
– Warranty expenditure	32 541	28 473	29 737	4 648	434	(173)	95 660

	Cost/ valuation 2009 R'000	Accu- mulated depre- ciation 2009 R'000	Net book value 2009 R'000	Cost/ valuation 2008 R'000	Accu- mulated depre- ciation 2008 R'000	Net book value 2008 R'000
6. PROPERTY, PLANT AND EQUIPMENT						
Group						
Owned						
Freehold land and buildings	**205 259**	**13 859**	**191 400**	204 462	7 168	197 294
Leasehold buildings	**5 242**	**1 653**	**3 589**	5 933	1 782	4 151
Plant and equipment	**355 927**	**208 110**	**147 817**	356 040	181 154	174 886
Rental assets	**188 299**	**35 640**	**152 659**	169 722	39 569	130 153
Aircraft	**7 841**	**1 722**	**6 119**	7 191	1 408	5 783
Vehicles	**23 622**	**11 686**	**11 936**	29 014	9 592	19 422
Leased						
Plant and equipment	**9 227**	**3 107**	**6 120**	3 912	2 837	1 075
Vehicles	**1 393**	**581**	**812**	–	–	–
Total	**796 810**	**276 358**	**520 452**	776 274	243 510	532 764

	Freehold land and buildings R'000	Lease- hold buildings R'000	Plant and equip- ment R'000	Rental assets R'000	Aircraft R'000	Vehicles R'000	Total R'000
Movement in property, plant and equipment							
2009							
Net book value at beginning of the year	**197 294**	**4 151**	**175 961**	**130 153**	**5 783**	**19 422**	**532 764**
Additions	**797**	**65**	**16 639**	**111 469**	**1 159**	**3 107**	**133 236**
Disposals	**–**	**–**	**(736)**	**(27 756)**	**(248)**	**(663)**	**(29 403)**
Depreciation	**(6 691)**	**(179)**	**(34 324)**	**(47 187)**	**(575)**	**(5 188)**	**(94 144)**
Translation differences	**–**	**(448)**	**(3 603)**	**(14 020)**	**–**	**(3 930)**	**(22 001)**
Net book value at end of the year	**191 400**	**3 589**	**153 937**	**152 659**	**6 119**	**12 748**	**520 452**
2008							
Net book value at beginning of the year	184 739	2 591	119 009	101 216	5 252	13 842	426 649
Additions	18 309	1 163	81 079	75 706	695	10 663	187 615
Disposals	–	–	(568)	(30 262)	(50)	(655)	(31 535)
Depreciation	(5 754)	(159)	(27 132)	(17 800)	(114)	(3 825)	(54 784)
Translation differences	–	556	3 573	1 293	–	(603)	4 819
Net book value at end of the year	197 294	4 151	175 961	130 153	5 783	19 422	532 764

Certain property, plant and equipment is encumbered as indicated in note 18.

The rental assets are subject to repurchase obligations as reflected in note 19.

Notes to the annual financial statements

for the year ended 31 December 2009 (continued)

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
6. PROPERTY, PLANT AND EQUIPMENT (continued)				
Freehold land and buildings at cost/valuation comprise:				
Lot 1892 Alton Industrial Township, Richards Bay				
– at valuation on 1 October 2007	**20 648**	20 648	**–**	–
– subsequent additions at cost in 2007	**501**	501	**–**	–
– subsequent additions at cost in 2008	**1 422**	1 422	**–**	–
Lot 1894 Alton Industrial Township, Richards Bay				
– at valuation on 1 October 2007	**56 618**	56 618	**–**	–
– subsequent additions at cost in 2007	**1 437**	1 437	**–**	–
– subsequent additions at cost in 2008	**1 189**	1 189	**–**	–
– subsequent additions at cost in 2009	**170**	–	**–**	–
Lot 10024 Alton Industrial Township, Richards Bay				
– at valuation on 1 October 2007	**104 642**	104 642	**–**	–
– subsequent additions at cost in 2007	**2 307**	2 307	**–**	–
– subsequent additions at cost in 2008	**15 698**	15 698	**–**	–
– subsequent additions at cost in 2009	**627**	–	**–**	–
Total freehold land and buildings at cost/valuation	**205 259**	204 462	**–**	–

The freehold land and buildings were valued by the Mills Fitchet Group, independent qualified valuers, on the depreciated replacement cost basis, on 1 October 2007.

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:

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Historical cost	**100 076**	99 279	**–**	–

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
7. INTANGIBLE ASSETS				
Capitalised software				
Cost				
At beginning of the year	**39 098**	13 202	**–**	–
Acquired	**2 400**	25 896	**–**	–
Disposed	**(256)**	–	**–**	–
At end of the year	**41 242**	39 098	**–**	–
Accumulated amortisation				
At beginning of the year	**8 789**	4 874	**–**	–
Charge for the year	**7 225**	3 915	**–**	–
Disposed	**(71)**	–	**–**	–
At end of the year	**15 943**	8 789	**–**	–
Carrying amount at end of the year	**25 299**	30 309	**–**	–
Capitalised development expenditure				
Cost				
At beginning of the year	**–**	–	**–**	–
Acquired	**15 486**	–	**–**	–
At end of the year	**15 486**	–	**–**	–
Accumulated amortisation				
At beginning of the year	–	–	**–**	–
Charge for the year	**912**	–	**–**	–
At end of the year	**912**	–	**–**	–
Carrying amount at end of the year	**14 574**	–	**–**	–
Total intangible assets	**39 873**	30 309	**–**	–
8. INVESTMENTS IN SUBSIDIARY COMPANIES				
Local subsidiaries				
Shares at cost	**–**	–	**14 164**	14 164
Indebtedness by subsidiary*	**–**	–	**64 842**	79 695
Total local subsidiaries	**–**	–	**79 006**	93 859
Foreign subsidiaries				
Shares at cost	**–**	–	**290 137**	290 137
Total foreign subsidiaries	–	–	**290 137**	290 137
Total investments in subsidiary companies	**–**	–	**369 143**	383 996

* *No interest is charged on the indebtedness by subsidiaries. This is unsecured and has no fixed terms of repayment.*

Further details of investments in subsidiary companies are set out on page 92.

Notes to the annual financial statements

for the year ended 31 December 2009 (continued)

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
9. INTEREST-BEARING INVESTMENTS				
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.				
Total investment in WesBank venture	**48 899**	29 501	**–**	–
In terms of this arrangement, the following categories of financing are provided for:				
– specific transactions, the risks and rewards of which are for the group. In respect of these transactions, the group is required to invest an amount equal to 25% of the value of the financing provided by WesBank to customers as collateral. A fee is paid to WesBank for administering this business. This investment which earns interest at prime less 3,5% is reflected as interest-bearing long-term receivables on the statement of financial position (note 10)	**(48 899)**	(26 131)	**–**	–
– 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 level of risk shared by the group. No collateral investment is required by the group to support these transactions.	**–**	3 370	**–**	–

In respect of the first 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 is reflected in note 29.1.

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

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
10. INTEREST-BEARING LONG-TERM RECEIVABLES				
WesBank financing venture (note 9)	**48 899**	26 131	**–**	–
Less: provision for non-recovery	**(6 239)**	–	**–**	–
	42 660	26 131	**–**	–
Bank of Scotland (Ireland) Limited*	**3 196**	4 474	**–**	–
Retention deposits**	**15 735**	17 891	**–**	–
Trade receivables recoverable beyond 12 months	**49 800**	2 937	**–**	–
	111 391	51 433	**–**	–
Less: current portion	**(37 409)**	(20 016)	**–**	–
Total interest-bearing long-term receivables	**73 982**	31 417	**–**	–

* *Deposit held as security for subsidiary's obligations under a customer's stocking finance agreement.*

** *Deposits held by financial institutions as security for residual values on units guaranteed by the group. The recoverability of these deposits is dependent on the units realising the guaranteed residual values at the end of the guarantee period. This contingent liability and the group's provision for non-recovery are included in note 29.3.*

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:

	Group Net deferred taxation asset at beginning of year R'000	Group Credit (charge) to profit/loss for year R'000	Group Net deferred taxation asset at end of year R'000	Company Net deferred taxation asset at beginning of year R'000	Company Credit (charge) to profit/loss for year R'000	Company Net deferred taxation asset at end of year R'000
Deferred income	**27 336**	**2 114**	**29 450**	**–**	**–**	**–**
Excess tax allowances over depreciation charge	**(17 378)**	**(6 253)**	**(23 631)**	**–**	**–**	**–**
Finance leases	**–**	**1 448**	**1 448**	**–**	**–**	**–**
Investment subsidies	**223**	**(61)**	**162**	**–**	**–**	**–**
Prepayments	**(1 274)**	**49**	**(1 225)**	**–**	**–**	**–**
Provision for bonuses	**3 935**	**(3 929)**	**6**	**–**	**–**	**–**
Provision for doubtful debts	**(830)**	**5 464**	**4 634**	**–**	**–**	**–**
Provision for lease escalation	**1 651**	**2 483**	**4 134**	**–**	**–**	**–**
Provision for leave pay	**6 500**	**(816)**	**5 684**	**–**	**–**	**–**
Provision for residual value risk	**–**	**236**	**236**	**–**	**–**	**–**
Provision for unit additional costs	**8 961**	**(5 434)**	**3 527**	**–**	**–**	**–**
Provision for warranty expenditure	**14 441**	**(2 953)**	**11 488**	**–**	**–**	**–**
Other provisions	**688**	**44**	**732**	**–**	**–**	**–**
Revaluation of properties	**(25 470)**	**719**	**(24 751)**	**–**	**–**	**–**
Sales in advance	**3 243**	**2 823**	**6 066**	**–**	**–**	**–**
Taxable losses	**45**	**117 084**	**117 129**	**–**	**–**	**–**
Unrealised foreign currency gains and losses	**(3 812)**	**1 112**	**(2 700)**	**–**	**–**	**–**
Unrealised profit in inventory	**49 703**	**(17 954)**	**31 749**	**–**	**–**	**–**
Total	**67 962**	**96 176**	**164 138**	**–**	**–**	**–**

Notes to the annual financial statements

for the year ended 31 December 2009 (continued)

		Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
12.	**INVENTORY**				
	Merchandise spares, components and raw materials	**788 931**	1 028 288	**–**	–
	Work in progress	**123 712**	229 145	**–**	–
	Finished goods	**706 085**	1 289 079	**–**	–
	Total inventory	**1 618 728**	2 546 512	**–**	–

Included above is inventory of R275,2 million (2008: R154,9 million) carried at net realisable value.

Inventory to the value of R68,8 million (2008: R64,0 million) was written off to profit and loss during the year.

		Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
13.	**TRADE AND OTHER RECEIVABLES**				
	Amounts receivable from the sale of goods and services	**312 965**	543 398	**–**	–
	Allowance for estimated irrecoverable amounts	**(25 921)**	(32 908)	**–**	–
		287 044	510 490	**–**	–
	Sundry receivables	**124 964**	117 349	**220**	109
	Total trade and other receivables	**412 008**	627 839	**220**	109

In assessing the amounts recoverable from trade receivables, assumptions are made based on past default experience, estimations of the value of any security, in the form of secondhand equipment, and the estimated costs of preparing the equipment for resale, including transport.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Further information regarding the group's credit risk management is set out in note 32.3.

		Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
14.	**OTHER FINANCIAL ASSETS**				
	Financial assets carried at fair value through profit or loss				
	Forward foreign exchange contracts	**430**	–	**–**	–

The fair value of forward foreign exchange contracts is determined with reference to quoted market prices.

		Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
15.	**STATED CAPITAL**				
	Authorised				
	100 000 000 (2008: 100 000 000) ordinary shares of no par value	**–**	–	**–**	–
	Issued				
	94 958 000 (2008: 94 950 000) ordinary shares of no par value	**228 605**	228 586	**228 605**	228 586

The increase in issued share capital relates to 8 000 share options exercised at an average share price of R2,40 per share.

At 31 December 2009, the company had granted options in terms of share option scheme one to directors and employees to subscribe for 34 000 (2008: 50 000) shares in the company as set out on page 48.

Refer to directors' report regarding share option scheme two.

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

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
16. NON-DISTRIBUTABLE RESERVES				
Net surplus arising from revaluation of freehold land and buildings				
– prior years	**89 327**	90 987	**–**	–
– current year realisation	**(3 418)**	(3 417)	**–**	–
– deferred taxation on current year realisation	**957**	957	**–**	–
– effect of change in tax rate	**–**	800	**–**	–
Net surplus arising from revaluation of freehold land and buildings	**86 866**	89 327	**–**	–
Legal reserves of foreign subsidiaries				
– prior years	**5 496**	3 629	**–**	–
– current year transfer	**2 938**	639	**–**	–
– exchange difference	**(1 252)**	1 228	**–**	–
Total legal reserves of foreign subsidiaries	**7 182**	5 496	**–**	–
Foreign currency translation reserve of foreign subsidiaries				
– prior years	**106 117**	45 424	**–**	–
– current year transfer	**(74 954)**	60 413	**–**	–
– exchange difference	**(1 227)**	280	**–**	–
Total foreign currency translation reserve of foreign subsidiaries	**29 936**	106 117	**–**	–
Total non-distributable reserves	**123 984**	200 940	**–**	–

17. NON-CONTROLLING INTEREST

An agreement with an effective date of 1 January 2008 was entered into between the company and a subsidiary of the Kagiso group, Kagiso Strategic Investments 111 (Proprietary) Limited (Kagiso). In terms of this agreement, the sales and customer service centres in South Africa as well as the investments in IA Bell Equipment Co Namibia (Proprietary) Limited and Bell Equipment Co Swaziland (Proprietary) Limited were acquired by a newly formed group company Bell Equipment Sales South Africa Limited (BESSA) from Bell Equipment Company SA (Proprietary) Limited. The shares in the capital of BESSA were subscribed for and held by Kagiso (22,5%), by group employees in the South African, Namibian and Swazi operations (7,5%) and by Bell Equipment Limited (70%).

The investment by Kagiso was funded by the allotment and issue of shares for a subscription price of R675 000 and by the provision of loan funding to BESSA of R78,9 million. The subscription price of R225 000 for shares allotted and issued to group employees was donated by the group.

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
Balance at beginning of the year	**13 268**	–	**–**	–
Share capital issued	**–**	900	**–**	–
Share of (loss) profit for the year	**(11 962)**	12 368	**–**	–
Balance at end of the year	**1 306**	13 268	**–**	–

Notes to the annual financial statements

for the year ended 31 December 2009 (continued)

		Group 2009 R'000	Group 2008 R'000	**Company 2009 R'000**	Company 2008 R'000
18. INTEREST-BEARING LIABILITIES					
Secured	Variable rate of interest (%)				
Repayable in instalments by:					
November 2011	5,6	**932**	–	**–**	–
May 2012	8,8	**721**	–	**–**	–
August 2012	8,5	**4 244**	5 906	**–**	–
August 2014	8,0	**2 590**	–	**–**	–
Total secured liabilities		**8 487**	5 906	**–**	–
Less: current portion		**(2 894)**	(1 598)	**–**	–
Long-term portion		**5 593**	4 308	**–**	–
Unsecured	Fixed rate of interest (%)				
Repayable in instalments by:					
November 2010	12,0	**37 312**	70 510	–	–
Less: current portion*		**(37 312)**	(70 510)	**–**	–
Long-term portion		**–**	–	**–**	–
Unsecured – no fixed repayment	Fixed rate of interest (%)				
Loan – Kagiso Strategic Investments 111 (Proprietary) Limited**	determined annually	**91 487**	98 009	**–**	–
Loan – I A Bell & Company (Proprietary) Limited***	12,0	**133 948**	–	**–**	–
Less: current portion		**(12 624)**	(19 146)	**–**	–
Long-term portion		**212 811**	78 863	**–**	–
Total current portion of interest-bearing liabilities		**52 830**	91 254	**–**	–
Total long-term portion of interest-bearing liabilities		**218 404**	83 171	**–**	–

The following property, plant and equipment, at net book value, is encumbered as security for the secured borrowings above:

Plant and equipment in South Africa	R6 120 469 (2008: R4 277 988)
Capitalised software in South Africa	R229 319 (2008: R443 637)
Vehicles in France	R812 443 (2008: Nil)

* *At year-end, the group was in breach of a loan agreement covenant regarding the group's interest cover ratio. The lender has, however, not requested accelerated repayment of the loan.*

** *The loan from Kagiso Strategic Investments 111 (Proprietary) Limited relates to the non-controlling interest loan funding referred to in note 17. This loan has been subordinated, to the extent of negative equity in the BESSA group, and in proportion to Kagiso's shareholding in BESSA, in favour of the other creditors of the BESSA group. Interest on the loan for 2009 and 2010 has also been waived. The group has the right to defer settlement of the loan for a period of 12 months after the date of this report.*

*** *The loan is repayable on 30 June 2012 or when the group's gearing is maintained at 20% or less.*

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

The directors have unlimited borrowing powers in terms of the articles of association of the holding company, but additional borrowings are subject to the prior consent of the financiers of the group.

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
19. REPURCHASE OBLIGATIONS AND DEFERRED LEASING INCOME				
Total repurchase obligations and deferred leasing income	**96 363**	147 187	**–**	–
Less: current portion	**(46 639)**	(66 186)	**–**	–
Long-term portion of repurchase obligations and deferred leasing income	**49 724**	81 001	**–**	–

Repurchase obligations and deferred leasing income are in respect of the rental assets reflected in note 6 and relate to sales transactions combined with buy-back agreements or residual value guarantees where the revenue was not recognised on the transaction.

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
20. DEFERRED WARRANTY INCOME				
Total deferred income from extended warranty contracts sold	**106 646**	106 417	**–**	–
Less: current portion	**(17 599)**	(11 047)	**–**	–
Long-term portion of deferred warranty income	**89 047**	95 370	**–**	–

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.

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
21. LEASE ESCALATION				
Total lease escalation	**14 733**	5 728	**–**	–
Less: current portion	**(3 834)**	(1 344)	**–**	–
Long-term portion of lease escalation	**10 899**	4 384	**–**	–

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.

Notes to the annual financial statements

for the year ended 31 December 2009 (continued)

	Group Warranty provision R'000	Group Provision for residual value risk R'000	Group Total R'000	Company Warranty provision R'000	Company Provision for residual value risk R'000	Company Total R'000
22. PROVISIONS						
Balance at 31 December 2007	51 093	299	51 392	–	–	–
Raised during the year	104 016	–	104 016	–	–	–
Utilised during the year	(95 660)	(299)	(95 959)	–	–	–
Balance at 31 December 2008	59 449	–	59 449	–	–	–
Less: current portion	(49 494)	–	(49 494)	–	–	–
Long-term provisions at 31 December 2008	9 955	–	9 955	–	–	–
Balance at 31 December 2008	**59 449**	**–**	**59 449**	**–**	**–**	**–**
Raised during the year	**59 141**	**844**	**59 985**	**–**	**–**	**–**
Utilised during the year	**(79 489)**	**–**	**(79 489)**	**–**	**–**	**–**
Balance at 31 December 2009	**39 101**	**844**	**39 945**	**–**	**–**	**–**
Less: current portion	**(32 521)**	**(844)**	**(33 365)**	**–**	**–**	**–**
Long-term provisions at 31 December 2009	**6 580**	**–**	**6 580**	**–**	**–**	**–**

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

The provision for residual value risk relates to sales transactions combined with buy-back agreements or residual value guarantees where the revenue was recognised on the transaction. 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 2009 R'000	Group 2008 R'000	**Company 2009 R'000**	Company 2008 R'000
23. TRADE AND OTHER PAYABLES				
Trade creditors	**284 789**	579 766	**14**	–
Industrial Development Corporation of South Africa – trade finance	**90 844**	–	**–**	–
Accruals	**154 518**	259 708	**457**	361
Total trade and other payables	**530 151**	839 474	**471**	361

The directors consider that the carrying amount of trade and other payables approximates their fair value.

	Group 2009 R'000	Group 2008 R'000	**Company 2009 R'000**	Company 2008 R'000
24. OTHER FINANCIAL LIABILITIES				
Financial liabilities carried at fair value through profit or loss				
Forward foreign exchange contracts	**3 922**	–	**–**	–

The fair value of forward foreign exchange contracts is determined with reference to quoted market prices.

	Group 2009 R'000	Group 2008 R'000	**Company 2009 R'000**	Company 2008 R'000
25. REVENUE				
Revenue represents:				
Sale of machines	**1 875 674**	4 494 247	**–**	–
Sale of parts	**600 353**	737 979	**–**	–
Service income	**164 654**	189 628	**–**	–
Rental income	**58 468**	36 419	**–**	–
Total revenue	**2 699 149**	5 458 273	**–**	–

Related party sales are disclosed in note 33.

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
26. (LOSS) PROFIT FROM OPERATING ACTIVITIES				
(Loss) profit from operating activities is arrived at after taking into account:				
Income				
Currency exchange gains	**184 078**	499 590	**–**	43 691
Decrease in provision for residual value risk	**–**	299	**–**	–
Decrease in warranty provision	**17 398**	–	**–**	–
Deferred warranty income	**36 428**	4 106	**–**	–
Import duty rebates	**75 340**	–	**–**	–
Royalties	**–**	11 573	**–**	–
Net surplus on disposal of property, plant and equipment and intangible assets	**826**	40	**–**	–
Expenditure				
Amortisation of intangible assets				
– capitalised software	**7 225**	3 915	**–**	–
– capitalised development expenditure	**912**	–	**–**	–
Auditors' remuneration				
– audit fees – current	**5 964**	5 593	**455**	200
– prior	**714**	582	**126**	35
– other services	**1 007**	262	**–**	–
– expenses	**157**	66	**–**	–
Consulting fees	**8 042**	14 066	**–**	–
Currency exchange losses	**190 788**	566 640	**–**	–
Depreciation				
– freehold buildings	**6 691**	5 754	**–**	–
– leasehold buildings	**179**	159	**–**	–
– plant and equipment	**34 324**	27 132	**–**	–
– rental assets	**47 187**	17 800	**–**	–
– aircraft	**575**	114	**–**	–
– vehicles	**5 188**	3 825	**–**	–
Directors' emoluments				
Paid by company:				
– non-executive directors' fees	**893**	656	**893**	656
Paid by subsidiaries:				
Executive directors				
– salaries	**9 106**	8 509	**–**	–
– benefits	**2 760**	5 057	**–**	–
Impairment loss recognised on interest-bearing long-term receivables	**39 790**	–	**–**	–
Increase in provision for residual value risk	**844**	–	**–**	–
Increase in warranty provision	**–**	2 742	**–**	–
Operating lease charges				
– equipment and vehicles	**24 502**	28 312	**–**	–
– land and buildings	**56 852**	33 825	**–**	–
Research and development expenses (excluding staff costs)	**17 791**	34 268	**–**	–
Staff costs	**604 847**	812 931	**–**	–
Number of employees at the end of the year	**2 076**	3 224	**–**	–

Details of emoluments paid to directors of the company are set out on page 93.

Notes to the annual financial statements

for the year ended 31 December 2009 (continued)

		Group 2009 R'000	Group 2008 R'000	**Company 2009 R'000**	Company 2008 R'000
27. TAXATION					
South African normal taxation					
Current taxation					
– current year		**18**	185 391	**–**	26 274
– prior year		**135**	(412)	**(4 022)**	(3 855)
Deferred taxation					
– current year		**(90 942)**	(57 856)	**–**	–
– prior year		**(3 341)**	8 495	**–**	–
Foreign taxation					
Current taxation					
– current year		**1 080**	23 419	**–**	–
– prior year		**(5 315)**	(1 800)	**–**	–
Deferred taxation					
– current year		**(2 733)**	(3 486)	**–**	–
Withholding tax on dividends		**773**	–	**–**	–
Total taxation		**(100 325)**	153 751	**(4 022)**	22 419
Reconciliation of rate of taxation					
Standard rate of taxation	(%)	**28**	28	**28**	28
Adjustment for:					
Disallowable expenditure	(%)	**–**	1	**(6)**	1
Special allowances for tax	(%)	**4**	(3)	**–**	–
Income attributed from controlled foreign company	(%)	**–**	4	**(6)**	46
Prior year taxation	(%)	**2**	1	**156**	(9)
Rebates for foreign tax paid	(%)	**–**	(1)	**–**	(15)
Tax loss	(%)	**–**	–	**(16)**	–
Different tax rates of subsidiaries operating in other jurisdictions and the utilisation of tax losses by these subsidiaries	(%)	**(7)**	–	**–**	–
Effective rate of taxation		**27**	30	**156**	51

Estimated tax losses amount to approximately R548 million (2008: R43 million). Included in this amount are losses of R10 million that will expire in 2013, R26 million in 2014 and R7 million in 2019. Other losses may be carried forward indefinitely. The utilisation of these losses is dependent on there being future taxable income of sufficient amount. A deferred tax asset of R117 million has been recognised in respect of such losses as reflected in note 11.

		Group 2009 R'000	Group 2008 R'000
28. (LOSS) EARNINGS PER SHARE			
28.1 (Loss) earnings per share (basic)			
(Loss) profit attributable to equity holders of Bell Equipment Limited		**(259 744)**	348 348
Weighted average number of shares in issue	('000)	**94 952**	94 907
(Loss) earnings per share (basic)	(cents)	**(274)**	367
28.2 (Loss) earnings per share (diluted)			
(Loss) profit attributable to equity holders of Bell Equipment Limited		**(259 744)**	348 348
Fully converted weighted average number of shares	('000)	**94 955**	94 947
(**Loss) earnings per share (diluted)**	(cents)	**(274)**	367
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 48.			
28.3 Headline (loss) earnings per share			
(Loss) profit attributable to equity holders of Bell Equipment Limited		**(259 744)**	348 348
Net surplus on disposal of property, plant and equipment and intangible assets		**(826)**	(40)
Tax effect of net surplus on disposal of property, plant and equipment and intangible assets		**231**	11
Headline (loss) earnings		**(260 339)**	348 319
Weighted average number of shares in issue	('000)	**94 952**	94 907
Headline (loss) earnings per share (basic)	(cents)	**(274)**	367
28.4 Headline (loss) earnings per share (diluted)			
(Loss) profit as calculated in 28.3 above		**(260 339)**	348 319
Fully converted weighted average number of shares per 28.2 above	('000)	**94 955**	94 947
Headline (loss) earnings per share (diluted)	(cents)	**(274)**	367

Notes to the annual financial statements

for the year ended 31 December 2009 (continued)

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
29. CONTINGENT LIABILITIES				
29.1 The group has assisted customers with the financing of equipment purchased through a financing venture with WesBank, a division of FirstRand Bank Limited.				
In respect of the different categories of financing provided by WesBank, the group is liable for the full balance due to WesBank by default customers with regard to Bell-backed deals and a portion of the balance with regard to Bell shared risk deals.				
At year-end the amount due by customers to WesBank in respect of these transactions totalled	**151 517**	120 508	**–**	–
In the event of default, the units financed would be recovered and it is estimated that they would presently realise	**(146 862)**	(103 986)	**–**	–
	4 655	16 522	**–**	–
Less: provision for non-recovery	**(6 239)**	–	**–**	–
Net contingent liability	**–**	16 522	**–**	–
To the extent that customers are both in arrears with WesBank and there is a shortfall between the estimated realisation values of units and the balances due by the customers to WesBank, a provision for the full shortfall is made.				
29.2 The repurchase of units sold to customers and financial institutions has been guaranteed by the group for an amount of	**6 903**	10 473	**–**	–
In the event of repurchase, it is estimated that these units would presently realise	**(17 475)**	(11 741)	**–**	–
Net contingent liability	**–**	–	**–**	–
29.3 The residual values of certain equipment sold to financial institutions have been guaranteed by the group.				
In the event of a residual value shortfall, the group would be exposed to an amount of	**12 100**	13 801	**–**	–
Less: provision for residual value risk	**(844)**	–	**–**	–
Net contingent liability	**11 256**	13 801	**–**	–
The provision for residual value risk is based on the assessment of the probability of return of units.				
29.4 The company provided unlimited suretyship for the overdrafts, short-term borrowings and loans made to subsidiaries	**–**	–	**794 013**	977 850
29.5 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.				
29.6 A retention guarantee has been provided to a certain customer for a period of 12 months.	**786**	–	**–**	–

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
30. COMMITMENTS				
30.1 Capital expenditure				
Contracted	**58**	3 552	**–**	–
Authorised, but not contracted	**29 487**	50 341	**–**	–
Total capital expenditure commitments	**29 545**	53 893	**–**	–
This capital expenditure is to be financed from internal resources and long-term facilities.				
30.2 Operating lease commitments				
The group has commitments under non-cancellable operating leases as set out below:				
Land and buildings:				
Less than one year	**45 124**	54 702	**–**	–
Two to five years	**144 541**	178 128	**–**	–
More than five years	**228 191**	277 623	**–**	–
Equipment and vehicles:				
Less than one year	**11 183**	19 899	**–**	–
Two to five years	**6 491**	18 002	**–**	–
More than five years	**503**	–	**–**	–
Total operating lease commitments	**436 033**	548 354	**–**	–

31. 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 group to identify its share of the underlying financial position and performance and to account for the plan as a defined benefit plan. The last actuarial review as at 31 March 2005 found the fund to be in a sound financial position.

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.

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 R49 million during the current year (2008: R44 million) and were charged against income.

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

Notes to the annual financial statements

for the year ended 31 December 2009 (continued)

	Group 2009 R'000	Group 2008 R'000
32. FINANCIAL INSTRUMENTS		
Financial instruments as disclosed in the statement of financial position include long and short-term borrowings, interest-bearing investments, cash resources, interest-bearing long-term receivables, trade receivables, trade payables and forward foreign exchange contracts.		
Categories of financial instruments		
Financial assets		
Loans and receivables at amortised cost		
– Interest-bearing investments	**–**	3 370
– Interest-bearing long-term receivables (including current portion)	**111 391**	51 433
– Trade and other receivables	**412 008**	627 839
– Cash resources	**31 882**	36 426
Financial assets at fair value through profit or loss	**430**	–
Total financial assets	**555 711**	719 068
Financial liabilities		
Financial liabilities at amortised cost		
– Interest-bearing liabilities (including current portion)	**271 234**	174 425
– Trade and other payables	**530 151**	839 474
– Short-term interest-bearing debt	**427 829**	704 632
Financial liabilities at fair value through profit or loss	**3 922**	–
Total financial liabilities	**1 233 136**	1 718 531

Financial risk management

The group's approach to risk management includes being able to identify, describe and analyse risks at all levels throughout the group, with mitigating actions being implemented at the appropriate point of activity. The very significant, high impact risk areas and the related mitigating action plans are monitored by the board. The overall risk strategy remains unchanged with emphasis on liquidity.

In the normal course of its operations, the group is exposed to capital, liquidity, credit and market risks (foreign currency and interest rate risks). In order to manage these risks, the group may enter into transactions which make use of derivatives. They include forward foreign exchange contracts. The group does not speculate in derivative instruments.

The group's treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to operations of the group through internal risk reports which analyse exposures and the magnitude of risks.

The group's liquidity, credit and market risks (foreign currency and interest rate 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.

32. FINANCIAL INSTRUMENTS (continued)

32.1 Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The group's overall strategy is to generate cash and reduce borrowings.

The capital structure of the group consists of debt, which includes short-term and long-term borrowings as disclosed in note 18, cash and cash equivalents, all components of equity, comprising issued capital, reserves and non-controlling interest, as disclosed in notes 15 to 17, and retained earnings.

The reduction during the period in short-term interest-bearing debt, comprising bank overdrafts and borrowings on call, was funded by the reduction in inventory and the loan from I A Bell & Company (Proprietary) Limited as disclosed in note 18.

Gearing ratio

The board reviews the capital structure on a regular basis. As part of this review, the board considers the cost of capital and the risks associated with each class of capital.

In terms of the agreement for certain long-term borrowings, the group is required to maintain a debt to equity ratio of not more than 75%.

The group complied with this capital requirement during the year.

The gearing ratio at the year-end was as follows:

		Group 2009 R'000	Group 2008 R'000
Short-term and long-term borrowings		**699 063**	879 057
Cash resources		**(31 882)**	(36 426)
Net debt		**667 181**	842 631
Total equity		**1 420 435**	1 769 555
Equity attributable to holders of Bell Equipment Limited		**1 419 129**	1 756 287
Non-controlling interest		**1 306**	13 268
Net debt-to-equity ratio	(%)	**47**	48

32.2 Liquidity risk

The group manages liquidity risk by management of working capital and cash flows. Banking facilities are constantly monitored for adequacy. The general banking facilities are repayable on demand and their utilisation at 31 December 2009 is as follows:

	Group Facilities 2009 R'000	Group Utilisation 2008 R'000
General banking facilities	**606 701**	427 829

Notes to the annual financial statements

for the year ended 31 December 2009 (continued)

32. FINANCIAL INSTRUMENTS (continued)

32.2 Liquidity risk (continued)

The following details the group's remaining contractual maturities for its non-derivative financial liabilities.

The table has been drawn up based on the undiscounted cash flows and where applicable includes both interest and principal cash flows.

	Less than one year R'000	One to two years R'000	Two to three years R'000	More than three years R'000	Total R'000
Non-derivative financial liabilities					
Group 2009					
Secured interest-bearing liabilities	**3 524**	**3 077**	**1 950**	**1 168**	**9 719**
Unsecured interest-bearing liabilities	**52 776**	**133 948**	**–**	**78 863**	**265 587**
Trade and other payables	**530 151**	**–**	**–**	**–**	**530 151**
Short-term interest-bearing debt	**427 829**	**–**	**–**	**–**	**427 829**
Total	**1 014 280**	**137 025**	**1 950**	**80 031**	**1 233 286**
Group 2008					
Secured interest-bearing liabilities	2 247	2 058	1 788	1 192	7 285
Unsecured interest-bearing liabilities	99 450	–	–	78 863	178 313
Trade and other payables	839 474	–	–	–	839 474
Short-term interest-bearing debt	704 632	–	–	–	704 632
Total	1 645 803	2 058	1 788	80 055	1 729 704

The following details the group's maturity analysis for its derivative financial instruments.

The table has been drawn up based on the undiscounted gross cash inflows (outflows) on the derivative instruments that settle on a gross basis.

	Group 2009 R'000	Group 2008 R'000
Derivative financial instruments		
Less than one year		
Gross settled forward foreign exchange contracts – imports	**(167 592)**	(322 267)
Gross settled forward foreign exchange contracts – exports	**31 943**	166 968
	(135 649)	(155 299)

32. FINANCIAL INSTRUMENTS (continued)

32.3 Credit risk

Credit risk consists mainly of short-term cash deposits, interest-bearing long-term receivables 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. Before accepting any new customer, the group assesses the potential customer's credit quality and defines credit limits by customer.

The average credit period on sales of goods and services is 30 days (2008: 30 days). Other than in specific circumstances, no interest is charged on overdue balances. An allowance has been made for estimated irrecoverable amounts from the sale of goods and has been determined by reference to past default experience and the value of the underlying security.

With the exception of the credit risk disclosed in note 29.1 the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk. At 31 December 2009, the group does not consider there to be any material credit risk that has not been adequately provided for.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Included in the group's trade receivable balance are debtors with a carrying amount of R71,6 million (2008: R262,1 million) which are past the original expected collection date (past due) at the reporting date for which the group has not provided against as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Included in interest-bearing long-term receivables is an amount of R57,6 million (2008: R158,4 million) outstanding from a single customer in the Democratic Republic of the Congo. The credit terms for this customer have been renegotiated and the debt is repayable by July 2012. Provision for impairment of this receivable has been made to the extent that there is a shortfall between the balance outstanding and the estimated value of the underlying security, being secondhand equipment, less costs to re-sell.

A summarised age analysis of past due debtors is set out below.

	Group 2009 R'000	Group 2008 R'000
Ageing of past due but not impaired		
60 – 90 days	**16 685**	32 497
90 – 120 days	**15 640**	33 634
120+ days	**39 310**	196 007
Total	**71 635**	262 138
Movement in the allowance for doubtful debts		
Balance at beginning of the year	**32 908**	11 280
Amounts written off as uncollectible	**(2 665)**	(4 915)
Amounts recovered during the year	**(1 043)**	(657)
(Decrease) increase in allowance	**(3 279)**	27 200
Balance at end of the year	**25 921**	32 908

32.4 Market risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the group's exposure to market risks or the manner in which it manages and measures the risks.

Notes to the annual financial statements

for the year ended 31 December 2009 (continued)

32. FINANCIAL INSTRUMENTS (continued)

32.4 Market risk (continued)

32.4.1 Currency risk

The group undertakes certain transactions denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. 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 2009 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	Market value in Rands R'000	Fair value gain (loss) R'000
Group 2009				
Import contracts				
Euro	**989**	**10,73**	**10 612**	**(318)**
Japanese Yen	**304 198**	**12,33**	**24 671**	**(784)**
United States Dollar	**17 346**	**7,42**	**128 707**	**(2 585)**
Export contracts				
Euro	**2 972**	**10,60**	**31 503**	**449**
Group 2008				
Import contracts				
Euro	2 258	13,48	30 438	1 376
Japanese Yen	60 901	9,47	6 431	(555)
United States Dollar	30 527	9,69	295 807	9 553
Export contracts				
Euro	12 465	13,38	166 782	207

The group is mainly exposed to the United States Dollar and the Euro. The analysis below details the group's sensitivity to a 20% strengthening or weakening in the South African Rand against these currencies and assumes that the relationship between the United States Dollar and the Euro remains the same.

If the South African Rand had been 20% weaker against these currencies and all other variables were held constant, the group's:

- loss for the year ended 31 December 2009 would have decreased by R121 million (2008: profit increase of R260 million)
- other equity at the year end would have increased by R81 million (2008: R96 million).

For a 20% strengthening, there would have been an equal and opposite impact on the loss and other equity.

32. FINANCIAL INSTRUMENTS (continued)

32.4 Market risk (continued)

32.4.2 Interest rate risk

The group is exposed to interest rate risk as entities in the group borrow funds at both fixed and floating interest rates.

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 2009, is as follows:

		Call	Long-term borrowings	Long-term borrowings	Total borrowings
Group 2009					
Borrowings	(R'000)	**427 829**	**262 747**	**8 487**	**699 063**
Rate profile		floating	fixed	floating	
Percentage of total borrowings	(%)	**61**	**38**	**1**	
Group 2008					
Borrowings	(R'000)	704 632	168 519	5 906	879 057
Rate profile		floating	fixed	floating	
Percentage of total borrowings	(%)	80	19	1	

The sensitivity analysis below has been determined based on the exposure to interest rates on borrowings at the balance sheet date.

For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the period was outstanding for the whole year. A 100 basis points increase or decrease is used and presents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher and all other variables were held constant, the group's:

- loss for the year ended 31 December 2009 would have increased by R4,1 million (2008: decrease in profit of R3,9 million).

For a 100 basis points decrease, there would have been an equal and opposite impact on the profit.

Notes to the annual financial statements

for the year ended 31 December 2009 (continued)

	Group 2009 R'000	Group 2008 R'000	**Company 2009 R'000**	Company 2008 R'000
33. 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.				
The nature and value of the transactions concluded during the year and balances at the year-end are detailed below:				
Shareholders				
I A Bell & Company (Proprietary) Limited				
– amounts owing to	**133 948**	–	**–**	–
– interest paid	**13 029**	–	**–**	–
John Deere Construction and Forestry Company				
– sales	**20 125**	101 650	**–**	–
– purchases	**203 487**	689 485	**–**	–
– royalties received	**–**	11 573	**–**	–
– royalties paid	**6 939**	6 545	**–**	–
– interest paid	**14 568**	–	**–**	–
– amounts owing to	**139 592**	225 687	**–**	–
– amounts owing by	**4 729**	33 226	**–**	–
Enterprises over which directors are able to exercise significant influence and/or in which directors have a beneficial interest				
Loinette Company Limited				
– property rental paid	**5 393**	6 260	**–**	–
Loinette Company Leasing Limited				
– interest paid	**–**	5 096	**–**	–
– amounts owing to	**–**	40 438	**–**	–
Minosucra SARL				
– sales	**6 443**	2 766	**–**	–
– amounts owing by	**1 312**	1 124	**–**	–
Triumph International Madagascar SARL				
– sales	**3 861**	3 709	**–**	–
– amounts owing by	**1 065**	852	**–**	–
Triumph International Trading Limited				
– sales	**2 962**	22 136	**–**	–
– amounts owing to	**1 060**	2 132	**–**	–
– amounts owing by	**181**	239	**–**	–
Tractor and Equipment (Mauritius) Limited				
– sales	**1 142**	12 313	**–**	–
– commission received	**12**	–	**–**	–
– amounts owing to	**836**	–	**–**	–
– amounts owing by	**209**	474	**–**	–

	Group 2009 R'000	Group 2008 R'000	Company 2009 R'000	Company 2008 R'000
33. RELATED PARTY TRANSACTIONS (continued)				
Enterprises over which directors are able to exercise significant influence and/or in which directors have a beneficial interest (continued)				
Buttery Family Investments (Proprietary) Limited				
– management fees paid	**253**	210	**–**	–
– commission paid	**75**	332	**–**	–
Ruthbut Investments (Proprietary) Limited				
– property rental paid	**114**	108	**–**	–
Castle Crest Properties 33 (Proprietary) Limited				
– property rental paid	**525**	147	**–**	–
– amounts owing by	**49**	49	**–**	–
Sno-Shu Investments (Proprietary) Limited				
– sales	**10**	–	**–**	–
– leasing costs paid	**73**	622	**–**	–
– service fees received	**–**	441	**–**	–
– amounts owing to	**10**	42	**–**	–
BAC Aviation (Proprietary) Limited				
– property rental received	**180**	65	**–**	–
– profit on sale of assets	**382**	656	**–**	–
– aircraft maintenance expenses	**218**	33	**–**	–
– other income	**64**	–	**–**	–
– aircraft rebuild expenses	**1 074**	–	**–**	–
– amounts owing by	**20**	75	**–**	–
Bravo Equipment Rental Close Corporation				
– transport revenue received	**58**	–	**–**	–
– amounts owing by	**12**	–	**–**	–
Subsidiaries				
Bell Equipment Company SA (Proprietary) Limited				
– management fee received	**–**	–	**150**	150
– administration fee paid	**–**	–	**456**	456
– amounts owing by	**–**	–	**64 842**	79 695
Bell Equipment Group Insurance Brokers (Proprietary) Limited				
– commission received	**–**	–	**1 365**	2 282
– administration fee paid	**–**	–	**9**	–

Amounts owing by related parties that are in respect of the sale of equipment by the group, are secured by the underlying secondhand equipment. Other amounts outstanding are unsecured. Amounts will be settled in cash.

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 93.

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

34. 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.

Subsidiaries at 31 December 2009

	Business Type	Issued share capital 2009 R	Effective holding 2009 %	Interest of Bell Equipment Limited: Book value of shares 2009 R'000	Book value of shares 2008 R'000	Amounts owing by 2009 R'000	Amounts owing by 2008 R'000
Southern Africa							
Bell Equipment Company SA (Proprietary) Limited	**O**	**2**	**100**	**12 064**	12 064	**64 842**	79 695
Bell Equipment Sales South Africa Limited	**O**	**3 000 000**	**70**	**2 100**	2 100	**–**	–
Bell Equipment Group Insurance Brokers (Proprietary) Limited	**O**	**360**	**100**				
I A Bell Equipment Co Namibia (Proprietary) Limited	**O**	**4**	**70**				
Bell Equipment Co Swaziland (Proprietary) Limited	**O**	**2**	**70**				
Bell Equipment Finance Company (Proprietary) Limited	**D**	**100**	**100**				
Other Africa							
Bell Equipment (Zambia) Limited	**O**	**1 398 801**	**100**				
Bell PTA (Pvt) Limited	**O**	**3 947 112**	**100**				
Bell Equipment (Malawi) Limited	**O**	**2**	**100**				
Bell Equipment Mozambique Limitada	**O**	**912 976**	**100**				
Bell Equipment (DRC) SPRL	**O**	**80 250**	**100**				
Europe							
Bell Equipment Europe SA*	**H**	**317 907 000**	**100**	**290 137**	290 137	**–**	–
Bell France SAS	**O**	**36 172 455**	**100**				
Bell Equipment UK Limited	**O**	**60 393 704**	**100**				
Heathfield Haulamatic Limited	**D**	**72 366**	**100**				
Bell Equipment Switzerland SA	**O**	**1 204 316**	**100**				
Bell Equipment (Deutschland) GmbH	**O**	**47 686 050**	**100**				
Bell Equipment Spain SA	**O**	**1 059 690**	**100**				
United States of America							
Bell Equipment North America Inc	**D**	**50 865 120**	**100**				
Asia							
Bell Equipment (SEA) Pte Limited	**O**	**163 319**	**100**				
Australasia							
Bell Equipment (NZ) Limited	**O**	**2 564**	**100**				
Bell Equipment Australia (Proprietary) Limited	**O**	**20**	**100**				
Interest in subsidiary companies				**304 301**	304 301	**64 842**	79 695

D *Dormant companies*
H *Holding companies*
O *Operating companies*

* *Subsequent to year-end, Bell Equipment Europe SA changed its name to Bell Equipment International SA.*

Directors' emoluments for the year ended 31 December 2009

	Salary R	Bonus R	Pension/ provident fund R	Other benefits and allowances R	Total 2009 R	Total 2008 R
Paid to directors of the company by the company and its subsidiaries:						
Executive directors						
G W Bell	**1 292 711**	**65 625**	**120 000**	**134 164**	**1 612 500**	2 904 061
P A Bell						
(resigned as director 13 January 2009)	**289 314**	**23 335**	**120 000**	**140 721**	**573 370**	847 020
P C Bell						
(resigned as director 2 November 2009)	**923 178**	**50 750**	**120 000**	**153 072**	**1 247 000**	2 237 573
H J Buttery	**1 173 235**	**62 708**	**180 000**	**124 893**	**1 540 836**	2 771 561
M A Campbell						
(resigned as director 13 January 2009)	**466 374**	**30 066**	**73 499**	**110 941**	**680 880**	769 390
L Goosen						
(appointed as director 13 January 2009)	**1 503 716**	**54 600**	**209 535**	**136 557**	**1 904 408**	–
G P Harris	**474 101**	**18 958**	**73 337**	**97 800**	**664 196**	996 476
A R McDuling						
(appointed as director 13 January 2009)	**1 083 490**	**59 662**	**144 668**	**30 273**	**1 318 093**	–
D L Smythe						
(resigned as director 2 November 2009)	**845 296**	**30 917**	**149 034**	**43 945**	**1 069 192**	1 457 005
K J van Haght	**1 054 478**	**36 458**	**140 210**	**24 000**	**1 255 146**	1 582 608
	9 105 893	**433 079**	**1 330 283**	**996 366**	**11 865 621**	13 565 694

	Retirement grant R	Fees R	Total 2009 R	Total 2008 R
Non-executive directors				
P J C Horne (retired 7 May 2008)	**147 000**	**–**	**147 000**	168 000
M A Mun-Gavin	**–**	**295 770**	**295 770**	162 750
T O Tsukudu	**–**	**170 520**	**170 520**	141 750
D J J Vlok	**–**	**262 508**	**262 508**	183 750
J R Barton (appointed 2 November 2009)	**–**	**17 640**	**17 640**	–
	147 000	**746 438**	**893 438**	656 250
Total			**12 759 059**	14 221 944

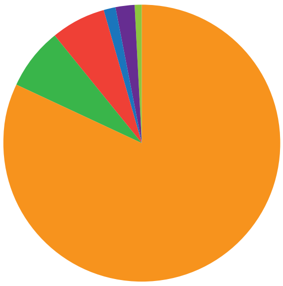
Other benefits and allowances comprise travel allowances and reimbursive allowances, annual leave encashments, the group's contributions to medical aid and life insurance.

Voluntary salary sacrifices by directors during the year totalled R2 438 131 (2008: nil).

Total number of unexercised share options held by Mr A R McDuling at the end of the year was 15 000 shares at R9,00 each. There were no unexercised share options held by other directors at 31 December 2009.

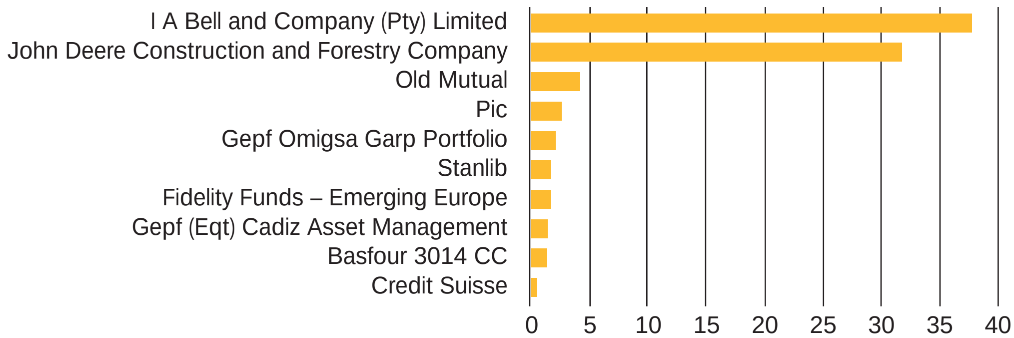
Shareholder information at 31 December 2009

	Number of share holders	Percentage of total shareholders	Number of shares	Percentage of total issued shares
ANALYSIS OF SHAREHOLDINGS				
1 – 5 000	1 272	82,17	1 608 886	1,69
5 001 –10 000	110	7,11	833 531	0,88
10 001 – 50 000	100	6,46	2 267 308	2,39
50 001 – 100 000	22	1,42	1 507 693	1,59
100 001 – 1 000 000	32	2,07	10 755 653	11,33
1 000 001 and more	12	0,77	77 984 929	82,12
Total	**1 548**	**100,00**	**94 958 000**	**100,00**



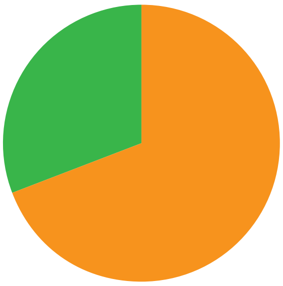
1 – 5 000	82,17
5 001 –10 000	7,11
10 001 – 50 000	6,46
50 001 – 100 000	1,42
100 001 – 1 000 000	2,07
1 000 001 and more	0,77

	Number of shares	Percentage of total issued shares
MAJOR BENEFICIAL SHAREHOLDERS		
(5% and more of the shares in issue)		
I A Bell and Company (Pty) Limited	35 723 570	37,62
John Deere Construction and Forestry Company	30 000 000	31,59
TOP TEN HOLDERS INCLUDING FUND MANAGERS		
I A Bell and Company (Pty) Limited	35 723 570	37,62
John Deere Construction and Forestry Company	30 000 000	31,59
Old Mutual	3 848 766	4,05
Pic	2 393 752	2,52
Gepf Omigsa Garp Portfolio	1 896 770	2,00
Stanlib	1 497 408	1,58
Fidelity Funds – Emerging Europe	1 449 577	1,53
Gepf (Eqt) Cadiz Asset Management	1 265 049	1,33
Basfour 3014 CC	1 174 638	1,24
Credit Suisse	390 085	0,41



	Number of share holders	Percentage of total shareholders	Number of shares	Percentage of total issued shares
SHAREHOLDER SPREAD				
Non-public	**8**	**0,52**	**65 865 943**	**69,36**
Directors	4	0,26	134 574	0,14
Associates	1	0,07	7 800	0,01
10% of issued capital or more	3	0,19	65 723 569	69,21
Public	**1 540**	**99,48**	**29 092 057**	**30,64**
Total	**1 548**	**100,00**	**94 958 000**	**100,00**

	Number of share holders	Percentage of total shareholders	Number of shares	Percentage of total issued shares
DISTRIBUTION OF SHAREHOLDERS				
Individuals	1 326	85,66	13 062 889	13,76
Private companies	22	1,42	68 590 990	72,23
Public companies	2	0,13	6 892	0,00
Nominees and trusts	114	7,36	1 059 213	1,12
Close corporations	20	1,29	1 302 739	1,37
Other corporate bodies	23	1,49	1 098 019	1,16
Banks	8	0,52	1 734 416	1,83
Insurance companies	9	0,58	4 034 897	4,25
Pension funds and medical aid societies	17	1,10	828 855	0,87
Collective investment schemes and mutual funds	7	0,45	3 239 090	3,41
Total	**1 548**	**100,00**	**94 958 000**	**100,00**



Non-public	69,36
Directors	0,14
Associates	0,01
10% of issued capital or more	69,21
Public	30,64

Shareholder information as at 31 December 2009 (continued)

STOCK MARKET STATISTICS

		Year ended 31 December 2009
Market price of shares		
– Year-end	(cents)	960
– Highest	(cents)	1 450
– Lowest	(cents)	488
Net asset value per share	(cents)	1 496
Number of shares traded	('000)	20 685
Value of shares traded	(R'000)	193 254
Market capitalisation to net asset value		0,64

EXCHANGE RATES

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

	2009		2008	
	Weighted average	**Year-end**	Weighted average	Year-end
United States Dollar: Australian Dollar	**0,80**	**0,90**	0,85	0,69
United States Dollar: British Pound	**1,57**	**1,61**	1,84	1,45
United States Dollar: Euro	**1,40**	**1,44**	1,47	1,41
Japanese Yen: United States Dollar	**93,69**	**92,36**	102,64	90,11
Malawi Kwacha: United States Dollar	**139,81**	**140,00**	140,22	141,50
Mozambique Meticais: United States Dollar	**27,32**	**28,25**	24,07	25,10
United States Dollar: New Zealand Dollar	**0,64**	**0,73**	0,71	0,58
SA Rand: United States Dollar	**8,29**	**7,36**	8,24	9,23
Singapore Dollar: United States Dollar	**1,45**	**1,40**	1,41	1,44
Swiss Franc: United States Dollar	**1,08**	**1,03**	1,07	1,06
Zambia Kwacha: United States Dollar	**5 037**	**4 630**	3 795	4 820

Notice of annual general meeting

Bell Equipment Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1968/013656/06)
ISIN: ZAE000028304
Share Code: BEL
("Bell Equipment" or "the company" or "the group")

Notice is hereby given that the 42nd annual general meeting of members of Bell Equipment will be held at the company's registered office, 13 – 19 Carbonode Cell Road, Alton, Richards Bay, on Thursday, 6 May 2010 at 11:00 to attend to the following matters, with or without modification:

ORDINARY BUSINESS

1. To adopt the annual financial statements of the company and the group for the year ended 31 December 2009 together with the auditors' and directors' reports thereon.

2. Re-election of directors in terms of article 94.1 of the company's articles of association by way of separate resolutions:

2.1 To re-elect Ms K J van Haght as a director;

2.2 To re-elect Mr B W Schaffter as a director;

2.2 To re-elect Mr K Manning as a director; and

2.3 To re-elect Mr M Mun-Gavin as a director;

who retire by rotation in terms of the company's articles of association at this annual general meeting and, being eligible, make themselves available for re-election. Brief particulars of the qualifications and experience of the above are available on page 10 to 11 of this report. Mr Howard Buttery has announced his retirement with effect from the end of business on 6 May 2010 and is not seeking re-election.

3. To elect Mr J R Barton who retires in accordance with article 94.3 of the company's articles of association due to being appointed during the period and being eligible, offers himself for election. Brief particulars of the qualifications and experience of Mr J R Barton are available on page 11 of this report.

4. To authorise the directors to re-appoint Deloitte & Touche as the independent auditors of the company and Ms Camilla Howard-Browne as the individual registered auditor who will undertake the audit for the company for the ensuing year.

SPECIAL BUSINESS

As special business, to consider, and if deemed fit, to pass, with or without modification, the following ordinary and special resolutions:

ORDINARY RESOLUTION NUMBER 1

5. To resolve that, in accordance with the provisions of section 221 of the Companies Act, Act 61 of 1973, as amended, the authorised but unissued shares of the company in respect of the share option schemes be and are hereby placed under the control of the directors who are hereby authorised to allot and issue any of the same to such person/s and on such terms and conditions as specified in the share option scheme rules and at such time/s as the directors may determine.

Note: The company has authorised unissued share capital totalling 5 042 000 shares of no par value reserved for the purposes of the employee share option schemes. Of this, 34 000 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.

VOTING AND PROXIES

Members who have not dematerialised their shares or who have dematerialised their shares with 'own name' registration who are unable to attend the meeting are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a member. Proxy forms must be received by the group company secretary at the registered office of the company at 13 – 19 Carbonode Cell Road, Alton, Richards Bay or posted to Private Bag X20046, Empangeni, 3880 or the company's share transfer secretaries, Link Market Services SA (Pty) Limited, 11 Diagonal Street, Johannesburg or posted to PO Box 4844, Johannesburg, 2000 by 11:00 on Tuesday, 4 May 2010. Proxy forms must only be completed by members who have not dematerialised their shares or who have dematerialised their shares with 'own name' registration.

On a show of hands, every member of the company present in person or represented by proxy shall have one vote only. On a poll, every member of the company shall have one vote for every share held in the company by such member.

Members who have dematerialised their shares, other than those members who have dematerialised their shares with 'own name' registration, should contact their CSDP or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

By order of the board

R Verster
Group Company Secretary

9 March 2010

Form of proxy

Bell Equipment Limited
Company registration number: 1968/013656/06
Share code: BEL
ISIN code: ZAE000028304
("Bell" or "the company" or "the group")

TO BE COMPLETED BY THOSE WHO HAVE NOT DEMATERIALISED THEIR SHARES OR WHO HAVE DEMATERIALISED THEIR SHARES WITH OWN NAME REGISTRATION

For use at the annual general meeting to be held on Thursday, 6 May 2010 at 11:00 at the registered office of the company, 13 – 19 Carbonode Cell Road, Alton, Richards Bay.

If members have dematerialised their shares with a CSDP or broker, they must arrange with the CSDP or broker concerned to provide them with the necessary authorisation to attend the annual general meeting or the members concerned must instruct them as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the member and the CSDP or broker concerned.

I/ We (full names)

of (address)

being a member/s of ordinary shares in the company, hereby appoint:

1. or failing him/her

2. or failing him/her

3. or failing him/her

the chairman of the annual general meeting as my/our proxy to attend, speak and on a poll to vote or abstain from voting on my/our behalf at the annual general meeting of the company to be held at 13 – 19 Carbonode Cell Road, Alton, Richards Bay, on Thursday, 6 May 2010 at 11:00 or at any adjournment thereof.

I/We desire to vote as follows:

	For	Against	Abstain
1. Adoption of annual financial statements			
2. Directors:			
2.1 Re-election of Ms K J van Haght			
2.2 Re-election of Mr B W Schaffter			
2.3 Re-election of Mr K Manning			
2.4 Re-election of Mr M Mun-Gavin			
3. Election of Mr J R Barton			
4. Appointment of auditors			
5. **Ordinary resolution number one** Control of authorised but unissued shares in terms of employee share option schemes			

Signed at on 2010

Signature/s

Notes to the proxy

1. A person who holds ordinary shares in Bell (“member”) is entitled to attend and vote at the annual general meeting and to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company. A member may insert the name of a proxy or the names of two alternative proxies of the member’s choice in the space/s provided overleaf, with or without deleting “the chairman of the annual general meeting”, but any such deletion must be initialled by the member. Should this space be left blank, the proxy will be exercised by the chairman of the annual general meeting. The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. A member’s voting instructions to the proxy must be indicated by the insertion of an “X”, or the number of votes exercisable by that member, in the appropriate spaces provided overleaf. Failure to do so will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting, as he/she thinks fit in respect of all the member’s exercisable votes. A member or his/her proxy is not obliged to use all the votes exercisable by him/her or by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the member or by his/her proxy.

3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.

4. To be valid, the completed forms of proxy must be lodged with the group company secretary at the registered office of the company at 13 – 19 Carbonode Cell Road, Alton, Richards Bay or posted to Private Bag X20046, Empangeni, 3880 or the company’s share transfer secretaries, Link Market Services SA (Pty) Limited, 11 Diagonal Street, Johannesburg or posted to PO Box 4844, Johannesburg, 2000 by 11:00 on Tuesday, 4 May 2010.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.

6. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.

7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.

8. The chairman of the annual general meeting shall be entitled to decline or accept the authority of a person signing the proxy form:

   a. under a power of attorney; or
   b. on behalf of a company

   unless his power of attorney or authority is deposited at the offices of the Group Company Secretary or that of the transfer secretaries not later than 48 hours before the meeting.

   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

   Or the company’s share transfer secretaries:

   Link Market Services SA (Pty) Limited
   PO Box 4844
   Johannesburg
   2000

   by no later than 11:00 on Tuesday, 4 May 2010.

Shareholders' diary

Financial year-end	31 December
Annual report	March 2010
Annual general meeting	Thursday, 6 May 2010
Interim results announcement	August 2010

Corporate information

KEY CONTACT PEOPLE
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
Riaan Verster
Tel: +27 (0)35 907 9111
riaanv@bell.co.za

ADMINISTRATION
GROUP COMPANY SECRETARY
R Verster
Private Bag X20046
Empangeni 3880
South Africa

BUSINESS ADDRESS
13 – 19 Carbonode Cell Road
Alton
Richards Bay
3900

ATTORNEYS
Chapman Dyer Inc

AUDITORS
Deloitte & Touche
Telephone: +27 (0)35 789 1912
Facsimile: +27 (0)35 789 1919

SHARE TRANSFER SECRETARIES
Link Market Services South Africa (Pty) Limited
11 Diagonal Street
Johannesburg
2001
PO Box 4844
Johannesburg 2000
Telephone: +27 (0)11 630 0800
Facsimile: +27 (0)11 834 4398

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

WEB
www.bellequipment.com

E-MAIL
Company Secretary – riaanv@bell.co.za

INVESTOR RELATIONS
www.bellir.co.za

JSE SPONSORS
RMB Corporate Finance

COMPANY REGISTRATION NUMBER
1968/013656/06

SHARE CODE
BEL

ISIN CODE
ZAE000028304

www.bellequipment.com