Reviewed Interim Report

for the six months ended 30 June 2009

BELL

Condensed consolidated statement of financial position

as at 30 June 2009

R'000	Reviewed at 30 June 2009	Reviewed at 30 June 2008	Audited at 31 December 2008
ASSETS			
Non-current assets	**717 942**	607 940	665 822
Property, plant and equipment	**509 318**	471 461	532 764
Intangible assets	**28 917**	16 635	30 309
Interest-bearing investments and long-term receivables	**66 010**	50 897	34 787
Deferred taxation	**113 697**	68 947	67 962
Current assets	**2 635 667**	3 269 055	3 256 950
Inventory	**2 153 553**	2 248 113	2 546 512
Trade and other receivables	**406 575**	884 453	641 502
Current portion of interest-bearing long-term receivables	**55 311**	107 575	20 016
Taxation	**1 644**	–	12 494
Cash resources	**18 584**	28 914	36 426
Total assets	**3 353 609**	3 876 995	3 922 772
EQUITY AND LIABILITIES			
Capital and reserves	**1 513 347**	1 653 316	1 769 555
Stated capital (note 5)	**228 586**	228 586	228 586
Non-distributable reserves	**130 465**	179 000	200 940
Retained earnings	**1 147 114**	1 239 841	1 326 761
Equity attributable to equity holders of Bell Equipment Limited	**1 506 165**	1 647 427	1 756 287
Non-controlling interest	**7 182**	5 889	13 268
Non-current liabilities	**379 523**	303 649	273 881
Interest-bearing liabilities	**214 787**	148 840	83 171
Repurchase obligations and deferred leasing income	**70 497**	101 575	81 001
Deferred warranty income	**78 538**	48 927	95 370
Long-term provisions and lease escalation	**15 701**	4 307	14 339
Current liabilities	**1 460 739**	1 920 030	1 879 336
Trade and other payables	**532 016**	1 047 155	839 474
Current portion of interest-bearing liabilities	**70 529**	33 125	91 254
Current portion of repurchase obligations and deferred leasing income	**64 346**	18 183	66 186
Current portion of deferred warranty income	**35 121**	32 112	11 047
Current portion of provisions and lease escalation	**34 390**	47 789	50 838
Taxation	**51 811**	128 689	115 905
Short-term interest-bearing debt	**672 526**	612 977	704 632
Total equity and liabilities	**3 353 609**	3 876 995	3 922 772
Number of shares in issue ('000)	**94 950**	94 950	94 950
Net asset value per share (cents)	**1 594**	1 741	1 864

Condensed consolidated income statement

for the six months ended 30 June 2009

R'000	Reviewed six months ended 30 June 2009	Reviewed six months ended 30 June 2008	Audited 12 months ended 31 December 2008
Revenue	**1 375 295**	2 787 369	5 458 273
Cost of sales	**(1 052 316)**	(2 074 887)	(4 036 622)
Gross profit	**322 979**	712 482	1 421 651
Other operating income	**16 770**	39 590	71 300
Expenses	**(492 932)**	(343 341)	(903 847)
(Loss)/profit from operating activities (note 2)	**(153 183)**	408 731	589 104
Net interest paid (note 3)	**61 712**	34 903	74 637
(Loss)/profit before taxation	**(214 895)**	373 828	514 467
Taxation (income)/expense	**(27 987)**	106 699	153 751
(Loss)/profit for the period	**(186 908)**	267 129	360 716
(Loss)/profit for the period attributable to:			
– Non-controlling interest	**(6 086)**	4 989	12 368
– Equity holders of Bell Equipment Limited	**(180 822)**	262 140	348 348
(Loss)/earnings per share (basic) (cents) (note 4)	**(190)**	276	367
(Loss)/earnings per share (diluted) (cents) (note 4)	**(190)**	276	367
Dividend per share (cents)	**–**	40	40

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2009

R'000	Reviewed six months ended 30 June 2009	Reviewed six months ended 30 June 2008	Audited 12 months ended 31 December 2008
(Loss)/profit for the period	**(186 908)**	267 129	360 716
Other comprehensive (loss)/income			
Exchange differences arising during the period	**(69 300)**	40 069	61 921
Exchange differences on translating foreign operations	**(67 283)**	39 803	60 413
Exchange differences on foreign reserves	**(2 017)**	266	1 508
Effect of change in tax rate on property revaluation reserve	**–**	–	800
Other comprehensive (loss)/income for the period, net of tax	**(69 300)**	40 069	62 721
Total comprehensive (loss)/income for the period	**(256 208)**	307 198	423 437
Total comprehensive (loss)/income attributable to:			
– Non-controlling interest	**(6 086)**	4 989	12 368
– Equity holders of Bell Equipment Limited	**(250 122)**	302 209	411 069

Condensed consolidated cash flow statement

for the six months ended 30 June 2009

R'000	Reviewed six months ended 30 June 2009	Reviewed six months ended 30 June 2008	Audited 12 months ended 31 December 2008
Cash operating (loss)/profit before working capital changes	**(187 664)**	470 973	714 903
Cash generated from/(invested in) working capital	**320 428**	(469 433)	(732 562)
Cash generated from/(utilised in) operations	**132 764**	1 540	(17 659)
Net interest paid	**(61 712)**	(34 903)	(74 637)
Taxation paid	**(70 992)**	(84 058)	(154 249)
Net cash generated from/(utilised in) operating activities	**60**	(117 421)	(246 545)
Net cash flow utilised in investing activities	**(21 697)**	(201 242)	(171 825)
Net cash flow from financing activities	**35 901**	81 979	97 543
Net cash inflow/(outflow)	**14 264**	(236 684)	(320 827)
Net short-term interest-bearing debt at beginning of the period	**(668 206)**	(347 379)	(347 379)
Net short-term interest-bearing debt at end of the period	**(653 942)**	(584 063)	(668 206)

Consolidated statement of changes in equity

for the six months ended 30 June 2009

R'000	Stated capital	Retained earnings	Non-distributable reserves	Total	Non-controlling interest	Total capital and reserves
Balance at 31 December 2007 – audited	**226 293**	**1 014 536**	**140 040**	**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 period	–	262 140	40 069	302 209	4 989	307 198
Realisation of revaluation reserve on depreciation of buildings	–	1 593	(1 593)	–	–	–
Deferred taxation on realisation of revaluation reserve on depreciation of buildings	–	(446)	446	–	–	–
Increase in legal reserve of foreign subsidiaries	–	(38)	38	–	–	–
Balance at 30 June 2008 – reviewed	**228 586**	**1 239 841**	**179 000**	**1 647 427**	**5 889**	**1 653 316**
Total comprehensive income for the period	–	86 208	22 652	108 860	7 379	116 239
Realisation of revaluation reserve on depreciation of buildings	–	1 824	(1 824)	–	–	–
Deferred taxation on realisation of revaluation reserve on depreciation of buildings	–	(511)	511	–	–	–
Increase in legal reserves of foreign subsidiaries	–	(601)	601	–	–	–
Balance at 31 December 2008 – audited	**228 586**	**1 326 761**	**200 940**	**1 756 287**	**13 268**	**1 769 555**
Total comprehensive loss for the period	–	(180 822)	(69 300)	(250 122)	(6 086)	(256 208)
Realisation of revaluation reserve on depreciation of buildings	–	1 708	(1 708)	–	–	–
Deferred taxation on realisation of revaluation reserve on depreciation of buildings	–	(478)	478	–	–	–
Increase in legal reserves of foreign subsidiaries	–	(55)	55	–	–	–
Balance at 30 June 2009 – reviewed	**228 586**	**1 147 114**	**130 465**	**1 506 165**	**7 182**	**1 513 347**

Abbreviated notes to the interim report

for the six months ended 30 June 2009

1. ACCOUNTING POLICIES

The accounting policies and methods of computation are consistent with those applied in the financial statements for the year ended 31 December 2008, which complied with International Financial Reporting Standards.

This abridged report complies with IAS 34, the Standard on Interim Financial Reporting and has adopted Revised IAS 1 – Presentation of Financial Statements and IFRS 8 – Operating Segments.

R'000	Reviewed six months ended 30 June 2009	Reviewed six months ended 30 June 2008	Audited 12 months ended 31 December 2008
2. (LOSS)/PROFIT FROM OPERATING ACTIVITIES			
(Loss)/profit from operating activities is arrived at after taking into account:			
Income			
Currency exchange gains	**114 490**	291 192	499 590
Net surplus on disposal of property, plant and equipment	**318**	1 040	40
Royalties	**(248)**	7 157	11 573
Decrease in warranty provision	**16 597**	11 134	–
Expenditure			
Auditors' remuneration – audit and other services	**3 710**	3 664	6 503
Amortisation of intangible assets	**3 590**	1 189	3 915
Currency exchange losses	**111 970**	298 841	566 640
Depreciation of property, plant and equipment	**46 633**	24 696	54 784
Operating lease charges			
– equipment and motor vehicles	**12 918**	15 175	28 312
– properties	**27 481**	15 947	33 825
Research and development expenses (excluding staff costs)	**10 388**	15 100	34 268
Staff costs	**350 097**	398 300	812 931
3. NET INTEREST PAID			
Interest paid	**66 956**	44 752	104 237
Interest received	**(5 244)**	(9 849)	(29 600)
Net interest paid	**61 712**	34 903	74 637
4. (LOSS)/EARNINGS PER SHARE			
Basic (loss)/earnings per share is arrived at as follows:			
(Loss)/profit for the period attributable to equity holders of Bell Equipment Limited	**(180 822)**	262 140	348 348
Weighted average number of ordinary shares in issue during the period	**94 950 000**	94 862 490	94 906 604
Basic (loss)/earnings per share (cents)	**(190)**	276	367
Diluted (loss)/earnings per share is arrived at as follows:			
(Loss)/profit for the period attributable to equity holders of Bell Equipment Limited	**(180 822)**	262 140	348 348
Fully converted weighted average number of shares	**94 963 402**	94 905 004	94 946 517
Diluted (loss)/earnings per share (cents)	**(190)**	276	367
Headline (loss)/earnings per share is arrived at as follows:			
(Loss)/profit for the period attributable to equity holders of Bell Equipment Limited	**(180 822)**	262 140	348 348
Net surplus on disposal of property, plant and equipment	**(318)**	(1 040)	(40)
Tax effect of net surplus on disposal of property, plant and equipment	**89**	291	11
Headline (loss)/earnings	**(181 051)**	261 391	348 319
Weighted average number of ordinary shares in issue during the period	**94 950 000**	94 862 490	94 906 604
Headline (loss)/earnings per share (cents)	**(191)**	276	367
Diluted headline (loss)/earnings per share is arrived at as follows:			
Headline (loss)/earnings calculated above	**(181 051)**	261 391	348 319
Fully converted weighted average number of shares	**94 963 402**	94 905 004	94 946 517
Headline (loss)/earnings per share (diluted) (cents)	**(191)**	275	367
5. STATED CAPITAL			
Authorised			
100 000 000 (June 2008: 100 000 000) ordinary shares of no par value			
Issued			
94 950 000 (June 2008: 94 950 000) ordinary shares of no par value	**228 586**	228 586	228 586
6. CAPITAL EXPENDITURE COMMITMENTS			
Contracted	**1 897**	13 349	3 552
Authorised, but not contracted	**10 347**	52 905	50 341
Total capital expenditure commitments	**12 244**	66 254	53 893

7. ABBREVIATED SEGMENTAL ANALYSIS

R'000	Revenue	Operating (loss)/profit	Assets	Liabilities
June 2009				
South African sales operation	**1 046 351**	**(17 742)**	**1 035 651**	**990 843**
South African manufacturing operation	**490 087**	**(137 965)**	**2 081 577**	**818 696**
European operation	**183 123**	**(25 439)**	**667 408**	**508 686**
North African operation	**441 223**	**(9 995)**	**385 772**	**346 529**
All other operations	**4 834**	**3 789**	**477 531**	**(251 078)**
Inter-segmental elimination	**(790 323)**	**34 169**	**(1 294 330)**	**(573 414)**
Total – reviewed	**1 375 295**	**(153 183)**	**3 353 609**	**1 840 262**
June 2008				
South African sales operation	1 496 358	73 480	1 297 540	1 257 044
South African manufacturing operation	1 683 204	419 208	1 885 702	623 047
European operation	712 466	54 570	972 628	719 113
North African operation	834 508	61 707	833 956	762 251
All other operations	2 298	50 294	792 813	139
Inter-segmental elimination	(1 941 465)	(250 528)	(1 905 644)	(1 137 915)
Total – reviewed	2 787 369	408 731	3 876 995	2 223 679
December 2008				
South African sales operation	3 154 063	126 387	1 479 239	1 414 147
South African manufacturing operation	3 291 442	570 237	1 794 545	410 187
European operation	1 156 682	2 193	885 446	667 617
North African operation	1 682 155	121 425	721 069	627 817
All other operations	11 061	36 558	791 405	(8 148)
Inter-segmental elimination	(3 837 130)	(267 696)	(1 748 932)	(958 403)
Total – audited	5 458 273	589 104	3 922 772	2 153 217

R'000	Reviewed at 30 June 2009	Reviewed at 30 June 2008	Audited at 31 December 2008
8. CONTINGENT LIABILITIES			
8.1 The repurchase of units sold to customers and financial institutions has been guaranteed by the group for an amount of	**5 411**	19 724	10 473
In the event of repurchase, it is estimated that these units would presently realise	**6 764**	24 171	11 741
Net contingent liability	**–**	–	–
The provision for residual value risk is based on the assessment of the probability of return of the units.			
8.2 The group has assisted customers with the financing of equipment purchased through a financing venture with WesBank, a division of FirstRand Bank Limited. In respect of a certain category of this financing provided and in the event of default by customers, the group is at risk for the full balance due to WesBank by the customers.			
At period-end the amount due by customers to WesBank in respect of these transactions totalled	**149 737**	7 677	120 508
In the event of default, the units financed would be recovered and it is estimated that they would presently realise	**125 670**	33 355	103 986
	24 067	(25 678)	16 522
Less: Provision for non-recovery	**(3 000)**	–	–
Net contingent liability	**21 067**	–	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 balance due by the customers to WesBank, a provision for the full shortfall is made.			
8.3 The residual values of certain equipment sold to financial institutions has been guaranteed by the group. In the event of a residual value shortfall, the group would be exposed to an amount of	**12 972**	13 903	13 801
Less: Provision for residual value risk	**–**	–	–
Net contingent liability	**12 972**	13 903	13 801
The provision for residual value risk is based on the assessment of the probability of return of the units.			

	30 June 2009 Weighted average	30 June 2009 Closing	30 June 2008 Weighted average	30 June 2008 Closing	31 December 2008 Weighted average	31 December 2008 Closing
9. EXCHANGE RATES						
The following major rates of exchange were used:						
United States $: Euro	**1,34**	**1,40**	1,55	1,58	1,47	1,41
SA Rand: United States $	**8,99**	**7,71**	7,72	7,83	8,24	9,23
United States $: British GBP	**1,50**	**1,65**	1,98	1,99	1,84	1,45

Abbreviated notes to the interim report (continued)

for the six months ended 30 June 2009

10. DIRECTORS' UPDATE ON GOING CONCERN

Reduced demand and difficult trading conditions as a result of the global economic recession continue to impact on the liquidity and trading results of the Bell Equipment group ("the group"). The priority remains cash generation and realising the value in inventory and receivables.

Additional financing has been obtained from IA Bell & Company (Pty) Ltd subsequent to half-year end. The initial facility of R150 million provided by the shareholder has been increased to R300 million. The additional facility is on the same terms and conditions as the original facility and is repayable on the later of 30 June 2010 or when the group's gearing is sustainably maintained at 20% or less. Furthermore, a loan agreement for R150 million has been finalised with the Industrial Development Corporation.

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

Although the group continues to experience liquidity constraints and this leads to material uncertainty at the time of approving these half-year results, the directors, taking full cognisance of the issues referred to above, current right sizing efforts and sales forecasts going forward, believe that the going concern assumption is appropriate.

11. INDEPENDENT AUDITORS' REPORT

The interim financial statements of the group have been reviewed by the company's independent auditors, Deloitte & Touche. The review was performed in accordance with International Standards on Review Engagements – Review Of Interim Financial Information Performed By The Independent Auditor Of The Entity (ISRE 2410). Their review report has been modified to draw attention to a material uncertainty regarding the group's funding facilities, which has been referred to in the note above.

12. SUBSEQUENT EVENTS

No fact or circumstance material to the appreciation of this report has occurred between 30 June 2009 and the date of this report.

Commentary

Many dramatic changes have occurred in the world markets for mining and construction equipment since the third Quarter of 2008. This time last year I reported to shareholders that the results for the six months ended 30 June 2008 were the best half-year results in the group's history. I am now reporting to shareholders that we have had the worst six months results in the Bell group's history. The turmoil from the ongoing global recession continues to deeply impact on sales for our industry however we are managing the company to generate cash flow from a reduction in inventory and receivables.

Sales revenue is down 51% from R2,787 billion to R1,375 billion and, more importantly, gross profit is down by R389,5 million. Considering the serious downturn in our markets we are pleased to report that the gross profit percentage has held up reasonably well at 23% of sales as opposed to 26% in the comparable period. This is despite intense competition in the market place and constantly fluctuating exchange rates.

Parts and service sales represent 26,2% of total sales for the six months as compared to 14,9% of total turnover in the first six months of 2008. The opening of our global logistics centre in the first Quarter of 2009 at Jet Park in Johannesburg was not without its challenges but I am now pleased to report that not only are parts and service sales increasing on a monthly basis but we are now providing our customer base world wide with a more efficient and cost effective service. There is no doubt that our service levels earlier this year were below the usual Bell standard but in the last two months we have made enormous progress and are now proudly offering improved service in ensuring parts supply to our customers. The consolidation of four disparate parts locations under one roof has provided many opportunities and we wish to pay tribute to the Bell Equipment Distribution Division (BEDD) team and our internal service providers for the magnificent job they have done in getting this facility up and running. The introduction of the new Bomag range of compaction equipment that we have marketed since the beginning of this year has performed well and will undoubtedly be a significant profit provider to the group going forward. The Bomag range offers our customer base a perfect match when considering infrastructure spending.

Expenses are up 44% on the comparable period of 2008. This is almost exclusively due to the massive drop in production from which overheads are recovered at our two manufacturing facilities where we have not produced one single unit at our German factory in the six months. The production at our Richards Bay plant was also 20% of capacity for the six months. The recovery of labour and overheads for the six months was R224,2 million less than the comparable period in 2008. Taking this into consideration there continues to be a focus on reduction in total expenses. As part of our total program to right size the business to operate at a level of 50% of the 2008 sales, we have reduced the number of employees by 617 compared with 30 June 2008. Some of this was by natural attrition and we are currently in the process of finalising a voluntary retrenchment initiative, which we expect will result in a staff reduction of close to 300. When this program is completed and after having exhausted the required legal procedures we will be forced to consider the triggering of a general retrenchment of excess employee requirements. This has been a traumatic experience for our group and has only been done after very serious consideration to each of the positions identified for retrenchment. Not only are there costs to retrenchment in terms of the ruling labour legislation but we are also losing skilled people who have benefited from and been developed by the various Bell training programs. These costs, which have been incurred over many years, are not recoverable. Not only have we considered the social consequences of the retrenchments but have taken into account the effect these may have on the very fabric of our business. It is a fine judgment call as to how far the dismissals can go without materially damaging the future of Bell. We are awaiting details of the Government's distressed sector program and possible training time assistance, which could reduce some of the general retrenchments. We have continued to invest in the programs of our Research and Development Division to ensure that Bell is kept at the forefront and cutting edge of the development of technology required for our equipment although we have limited the capital expenditure of this division as we have for the whole group. We also continue in our quest for engineering leadership to ensure that our customers are able to source the latest and most cost effective and reliable equipment for use in their industry.

Net interest paid is substantially higher at R61,7 million (June 2008 R34,9 million), this despite a reduction in the overall interest rate. This is due to the very high borrowings during the period under review as a result of the excess inventory and long-term receivables we have had to finance. The loss per share was 190 cents down from earnings per share of 276 cents in the comparable period. The net asset value per share has decreased by R2,70 since the beginning of the year to R15,94 per share at 30 June 2009.

On a more positive note the reduction in short-term interest bearing debt was R14,3 million, this despite an operating loss of R153,2 million. We are very pleased to report that R627,9 million was realised from a decrease in inventory and receivables. R375,1 million of this cash was used to reduce payables and taxation due and over R61,7 million was required to pay interest. Based on the current sales levels, which have improved since April, we believe that we will be able to reduce inventory and receivables during the current six-month period and the bulk of the forecasted cash flow from this will be used to settle interest-bearing debt. This reduction in interest-bearing debt is required to right size the borrowings to match the size of our business going forward.

It is important to note that our bankers, financiers and two major shareholders have continued to support the group. These entities have not only been brought in to assist with the program of debt reduction through inventory and overhead reduction but have provided enormous support and encouragement to the executive directors of the group. Without this assistance it would have been very difficult for us to be in the position that we are today. As mentioned earlier in my report the right sizing exercise in respect of overheads continues and should be completely rolled out by the end of the current calendar year. Likewise, we need to continue with the right sizing of inventory, receivables and facilities from our financiers to match the business going forward into 2010 and beyond. Whilst certain markets have stabilised at very low levels, others continue to weaken. Our business in Europe is suffering more than anywhere else in the group and further cuts in those overheads are inevitable. We have responded aggressively in reducing costs throughout the group and continue to be focused on the reduction of interest-bearing debt.

We are pleased to report that the Industrial Development Corporation (IDC) and ourselves have been able to finalise a loan of R150 million on much the same terms and conditions as funding granted by our existing commercial banks. These funds will be used not only to retire existing debt but more importantly to provide working capital for the financing of inventory that we need and do not have in stock. We also have had very positive discussions with the new Minister of Trade and Industry and his team and hopefully in the near future we will be able to announce assistance from Government in helping us and our employees and suppliers through this difficult period. There is no doubt that our competitors continue to enjoy supply-side support measures from their Governments and by our Government assisting us, it will help to level the playing fields. Our BBBEE Company Bell Equipment Sales SA Limited (BESSA) continues to operate successfully although not at the same levels of profitability earned in 2008. Our partners Kagiso Trust Investments and the Bell employee share scheme continue to be very supportive and actively assist and advise this 70% owned subsidiary on a regular basis. We are pleased to note that we are now at a Level 4 recognition so our customers' purchases of equipment, parts and service qualify as 100% BEE.

By far the most impressive achievement of the Bell group in the past six months has been the unbelievable commitment given to the company by its employees. I cannot pay high enough tribute to the enormous support, letters of encouragement and the additional time that they have given during this very difficult period. Most of the employees from the shop floor to executive level have accepted salary cuts from 5% to 50% of their packages. This has been totally voluntary and I particularly wish to pay tribute to the Bell Zambia team where 100% of the seventy-one employees have voluntarily agreed to salary sacrifices. From the board of directors' perspective this gesture from the employees has provided us with serious commitment to ensure that the group not only gets through this difficult financial situation but also comes out of it a better company. We have deliberately not aggressively attacked the fabric but are working with a robust plan to right size the company to make it more agile and profitable in 2010 and beyond. It is important that when the markets do improve we have as much of our human capital and supply base intact as is possible.

Howard J Buttery
Group Chairman
6 August 2009

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