

Reviewed Interim Report

for the six months ended 30 June 2010



BELL

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2010	Reviewed at 30 June 2010	Reviewed at 30 June 2009	Audited at 31 December 2009
R'000			
ASSETS			
Non-current assets	733 242	717 942	798 445
Property, plant and equipment	453 898	509 318	520 452
Intangible assets	51 124	28 917	39 873
Interest-bearing investments and long-term receivables	57 632	66 010	73 982
Deferred taxation	170 588	113 697	164 138
Current assets	1 972 427	2 635 667	2 127 669
Inventory	1 396 041	2 153 553	1 618 728
Trade and other receivables and prepayments	496 570	406 575	428 940
Current portion of interest-bearing long-term receivables	27 256	55 311	37 409
Other financial assets	2 054	-	430
Taxation	8 031	1 644	10 280
Cash resources	42 475	18 584	31 882
TOTAL ASSETS	2 705 669	3 353 609	2 926 114
EQUITY AND LIABILITIES			
Capital and reserves	1 408 147	1 513 347	1 420 435
Stated capital (note 5)	228 605	228 586	228 605
Non-distributable reserves	99 852	130 465	123 984
Retained earnings	1 075 959	1 147 114	1 066 540
Attributable to equity holders of Bell Equipment Limited	1 404 416	1 506 165	1 419 129
Non-controlling interest	3 731	7 182	1 306
Non-current liabilities	365 210	379 523	374 654
Interest-bearing liabilities	218 410	214 787	218 404
Repurchase obligations and deferred leasing income	54 614	70 497	49 724
Deferred warranty income	73 072	78 538	89 047
Long-term provisions and lease escalation	19 114	15 701	17 479
Current liabilities	932 312	1 460 739	1 131 025
Trade and other payables	511 343	532 016	530 151
Current portion of interest-bearing liabilities	34 985	70 529	52 830
Current portion of repurchase obligations and deferred leasing income	26 200	64 346	46 639
Current portion of deferred warranty income	18 733	35 121	17 599
Current portion of provisions and lease escalation	36 815	34 390	37 199
Other financial liabilities	303	-	3 922
Taxation	11 744	51 811	14 856
Short-term interest-bearing debt	291 769	672 526	427 829
TOTAL EQUITY AND LIABILITIES	2 705 669	3 353 609	2 926 114
Number of shares in issue ('000)	94 958	94 950	94 958
Net asset value per share (cents)	1 483	1 594	1 496

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2010	Reviewed 6 months ended 30 June 2010	Reviewed 6 months ended 30 June 2009	Audited 12 months ended 31 December 2009
R'000			
Revenue	1 502 344	1 375 295	2 699 149
Cost of sales	(1 177 975)	(1 052 316)	(2 164 082)
Gross profit	324 369	322 979	535 067
Other operating income	63 496	16 770	143 477
Expenses	(350 773)	(492 932)	(941 970)
Profit (loss) from operating activities (note 2)	37 092	(153 183)	(263 426)
Net interest paid (note 3)	(36 013)	(61 712)	(108 605)
Profit (loss) before taxation	1 079	(214 895)	(372 031)
Taxation	9 669	27 987	100 325
Profit (loss) for the period	10 748	(186 908)	(271 706)
Profit (loss) for the period attributable to:			
- Equity holders of Bell Equipment Limited	8 323	(180 822)	(259 744)
- Non-controlling interest	2 425	(6 086)	(11 962)
Earnings (loss) per share (basic)(cents) (note 4)	9	(190)	(274)
Earnings (loss) per share (diluted)(cents) (note 4)	9	(190)	(274)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2010	Reviewed 6 months ended 30 June 2010	Reviewed 6 months ended 30 June 2009	Audited 12 months ended 31 December 2009
R'000			
Profit (loss) for the period	10 748	(186 908)	(271 706)
Other comprehensive loss	(23 797)	(69 300)	(77 433)
Exchange differences arising during the period	(23 797)	(69 300)	(77 433)
Exchange differences on translating foreign operations	(21 957)	(67 283)	(74 954)
Exchange differences on foreign reserves	(1 840)	(2 017)	(2 479)
Total comprehensive loss for the period	(13 049)	(256 208)	(349 139)
Total comprehensive loss attributable to:			
- Equity holders of Bell Equipment Limited	(15 474)	(250 122)	(337 177)
- Non-controlling interest	2 425	(6 086)	(11 962)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2010	Reviewed 6 months ended 30 June 2010	Reviewed 6 months ended 30 June 2009	Audited 12 months ended 31 December 2009
R'000			
Cash operating profit (loss) before working capital changes	67 313	(187 664)	(223 592)
Cash generated from working capital	133 617	320 428	784 160
Cash generated from operations	200 930	132 764	560 568
Net interest paid	(36 013)	(61 712)	(108 605)
Taxation refunded (paid)	1 183	(70 992)	(95 526)
Net cash generated from operating activities	166 100	60	356 437
Net cash flow utilised in investing activities	(773)	(21 697)	(117 316)
Net cash flow (utilised in) generated from financing activities	(18 674)	35 901	33 138
Net cash inflow	146 653	14 264	272 259
Net short-term interest-bearing debt at beginning of the period	(395 947)	(668 206)	(668 206)
Net short-term interest-bearing debt at end of the period	(249 294)	(653 942)	(395 947)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Attributable to equity holders of Bell Equipment Limited				Non-controlling interest	Total capital and reserves
	Stated capital	Non-distributable reserves	Retained earnings	Total		
Balance at 31 December 2008 - audited	228 586	200 940	1 326 761	1 756 287	13 268	1 769 555
Total comprehensive loss for the period	-	(69 300)	(180 822)	(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	130 465	1 147 114	1 506 165	7 182	1 513 347
Share options exercised	19	-	-	19	-	19
Total comprehensive loss for the period	-	(8 133)	(78 922)	(87 055)	(5 876)	(92 931)
Realisation of revaluation reserve on depreciation of buildings	-	(1 710)	1 710	-	-	-
Deferred taxation on realisation of revaluation reserve on depreciation of buildings	-	479	(479)	-	-	-
Increase in legal reserves of foreign subsidiaries	-	2 883	(2 883)	-	-	-
Balance at 31 December 2009 - audited	228 605	123 984	1 066 540	1 419 129	1 306	1 420 435
Recognition of share-based payments	-	761	-	761	-	761
Total comprehensive (loss) income for the period	-	(23 797)	8 323	(15 474)	2 425	(13 049)
Realisation of revaluation reserve on depreciation of buildings	-	(1 522)	1 522	-	-	-
Deferred taxation on realisation of revaluation reserve on depreciation of buildings	-	426	(426)	-	-	-
Balance at 30 June 2010 - reviewed	228 605	99 852	1 075 959	1 404 416	3 731	1 408 147

ABBREVIATED NOTES TO INTERIM REPORT

for the six months ended 30 June 2010	Reviewed 6 months ended 30 June 2010	Reviewed 6 months ended 30 June 2009	Audited 12 months ended 31 December 2009
R'000			
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 2009, which complied with International Financial Reporting Standards, except for the adoption of new and revised Standards and Interpretations.			
In the current period the group has adopted all of the new and revised Standards and Interpretations relevant to its operations and effective for annual reporting periods beginning 1 January 2010. The adoption of these new and revised Standards and Interpretations has not had any significant impact on the amounts reported in this abridged report.			
This abridged report complies with International Accounting Standard 34 - Interim Financial Reporting, AC 500 Standards as issued by the Accounting Practices Board, Schedule 4 of the South African Companies Act and the disclosure requirements of the JSE Limited's Listing Requirements.			
2 PROFIT (LOSS) FROM OPERATING ACTIVITIES			
Profit (loss) from operating activities is arrived at after taking into account:			
Income			
Currency exchange gains	63 579	114 490	184 078
Decrease in warranty provision	1 695	16 597	17 398
Deferred warranty income	22 834	-	36 428
Import duty rebates	21 226	-	75 340
Royalties	1 120	(248)	-
Net surplus on disposal of property, plant and equipment and intangible assets	101	318	826
Expenditure			
Amortisation of intangible assets	4 437	3 590	8 137
Auditors' remuneration - audit and other services	3 789	3 710	7 842
Currency exchange losses	55 477	111 970	190 788
Depreciation of property, plant and equipment	45 018	46 633	94 144
Operating lease charges			
- equipment and motor vehicles	10 321	12 918	24 502
- land and buildings	29 688	27 481	56 852
Research and development expenses (excluding staff costs)	10 943	10 388	17 791
Staff costs	268 574	350 097	604 847
3 NET INTEREST PAID			
Interest paid	43 205	66 956	121 912
Interest received	(7 192)	(5 244)	(13 307)
Net interest paid	36 013	61 712	108 605
4 EARNINGS (LOSS) PER SHARE			
Basic earnings (loss) per share is arrived at as follows:			
Profit (loss) for the period attributable to equity holders of Bell Equipment Limited (R'000)	8 323	(180 822)	(259 744)
Weighted average number of ordinary shares in issue during the period ('000)	94 958	94 950	94 952
Basic earnings (loss) per share (cents)	9	(190)	(274)
Diluted earnings (loss) per share is arrived at as follows:			
Profit (loss) for the period attributable to equity holders of Bell Equipment Limited (R'000)	8 323	(180 822)	(259 744)
Fully converted weighted average number of shares ('000)	94 966	94 963	94 955
Diluted earnings (loss) per share (cents)	9	(190)	(274)
Headline earnings (loss) per share is arrived at as follows:			
Profit (loss) for the period attributable to equity holders of Bell Equipment Limited (R'000)	8 323	(180 822)	(259 744)
Net surplus on disposal of property, plant and equipment and intangible assets (R'000)	(101)	(318)	(826)
Tax effect of net surplus on disposal of property, plant and equipment and intangible assets (R'000)	28	89	231
Headline earnings (loss) (R'000)	8 250	(181 051)	(260 339)
Weighted average number of ordinary shares in issue during the period ('000)	94 958	94 950	94 952
Headline earnings (loss) per share (basic) (cents)	9	(191)	(274)
Diluted headline earnings (loss) per share is arrived at as follows:			
Headline earnings (loss) calculated above (R'000)	8 250	(181 051)	(260 339)
Fully converted weighted average number of shares ('000)	94 966	94 963	94 955
Headline earnings (loss) per share (diluted) (cents)	9	(191)	(274)
5 STATED CAPITAL			
Authorised			
100 000 000 (June 2009: 100 000 000) ordinary shares of no par value			
Issued			
94 958 000 (June 2009: 94 950 000) ordinary shares of no par value	228 605	228 586	228 605
6 CAPITAL EXPENDITURE COMMITMENTS			
Contracted	2 739	1 897	58
Authorised, but not contracted	26 748	10 347	29 487
Total capital expenditure commitments	29 487	12 244	29 545

COMMENTARY

It is fitting that I start this statement by paying tribute to my predecessor, the Group's recently retired executive chairman, Mr Howard Buttery, after thirty seven illustrious years at the helm. Whilst he will no longer remain on the Board, his services will not be entirely lost to Bell as he has kindly offered to continue assisting the Group in various ways. Through those thirty seven years he has helped steer the company from a small Zululand engineering operation into a large and highly respected international heavy equipment manufacturer and distributor supplying top quality machinery into the mining, construction, forestry and agricultural sectors throughout the globe. Howard, we salute you and thank you for your enormous contribution.

The past eighteen months have undoubtedly been some of the most testing economic times in living memory and Bell suffered the dramatic impacts of this meltdown like most other global organisations. I am pleased to report, however, that we have stemmed the tide and are now back on the path to profitability, and in due course, acceptable returns for shareholders. Notwithstanding the fact that it is early days in the improving economic cycle and there are still a number of concerning signals showing up from time to time in the world's economies into which Bell supplies its products and services, we are optimistic that the Group has turned the corner and largely right-sized itself.

The results for the six months to 30 June 2010 show a significant improvement, with earnings having improved from a loss in the comparable period last year of 190 cents per share to favourable earnings in the period under review of 9 cents per share. In Rand terms, this translates into a profit for the period of R10,75 million, of which R8,32 million is attributable to shareholders of Bell Equipment Limited. Forecasting future demand is difficult at the best of times but in these uncertain and volatile conditions it is even more so. However, current indications are that the Group should see ongoing improvement in the demand for its products in the second half of the year.

The turnaround in profitability can be attributed to a number of factors. Sales revenue has improved over the comparable period last year by 9% to R1,5 billion. A pleasing feature of this is that increases in sales were achieved in all regions of Bell's operations. Although overall volumes are still slightly down, a more favourable mix of higher value machines sold has resulted in the improvement in sales revenue. In addition to the increased sales, the Group has also experienced higher gross margins. In the current reporting period, gross margin achieved was 21,6% as compared with 19,8% for the full year last year. This is still lower than we would wish but it is only with increases in demand that we will be able to command higher margins and produce our targeted gross profit percentages.

Equally important has been the reduction in expenses, which are 29% down on the comparable period in 2009. Relative to turnover, total expenses amounted to 23,3% in the period under review, which is significantly lower than the 35,8% for the same period last year. This saving amounts to R142 million. The largest single contributor to this improvement has come from a reduction in salaries and wages (R82 million), with the balance spread over a number of different overheads. Management is to be commended for having implemented many cost saving measures although it must be recognised that regrettably this has led to the loss of numerous jobs. We will continue to reduce costs wherever possible but remain mindful of the risks of damaging the very fabric of our business by being overly aggressive in the cost-cutting measures.

7 ABBREVIATED SEGMENTAL ANALYSIS

R'000	Revenue	Operating profit (loss)	Assets	Liabilities
June 2010				
South African sales operation	883 078	19 448	849 143	815 842
South African manufacturing and logistics operation	610 641	(21 380)	1 671 995	511 008
European operation	261 135	(7 560)	416 354	318 767
Rest of Africa and other international sales operations	354 189	8 265	307 073	234 833
All other operations	-	1 836	398 250	35 858
Inter-segmental eliminations	(606 699)	36 483	(937 146)	(618 786)
Total - reviewed	1 502 344	37 092	2 705 669	1 297 522
June 2009 - restated				
South African sales operation	872 829	(14 019)	1 042 047	997 240
South African manufacturing and logistics operation	611 783	(156 187)	2 055 806	805 707
European operation	179 496	(25 439)	667 408	508 686
Rest of Africa and other international sales operations	414 217	(8 339)	353 719	281 326
All other operations	-	3 851	493 150	87 829
Inter-segmental eliminations	(703 030)	46 950	(1 258 521)	(840 526)
Total - reviewed	1 375 295	(153 183)	3 353 609	1 840 262