BELL

reviewed interim report

for the six months ended 30 June 2012

strong reliable machines strong reliable support

Chairman's and Chief Executive Officer's review

Highlights

- Revenue up 35%
- Operating profit up 40%
- Earnings per share up 31%

INTRODUCTION

We are pleased to report on Bell's performance for the first six months of the 2012 financial year, particularly as the group has shown a meaningful improvement in profitability over the corresponding period in the previous year.

ECONOMIC OVERVIEW

As we write this review all economists' eyes remain focused on the volatility in global economies, especially the Eurozone and their struggle to address their liquidity problems. In our review this time last year we expressed the concern that global markets were going to take years rather than months before they emerged from these troubled times. Little has changed to alter that view. Notwithstanding these difficulties, Bell has benefited from strong demand for the group's products which support the mining industry. This will be addressed more comprehensively below.

FINANCIAL RESULTS

The group has recorded first half earnings of R151 million (2011 first half: R115 million) which is equivalent to 143 cents per share (2011: 109 cents per share). The major contributor to this significant improvement in profitability was an increase in sales of 35%. Countering this was a minor decrease in gross profit margins and a R21 million increase in net interest paid following a slightly slower start to the year than was anticipated.

On the statement of financial position, the net asset value per share has risen by almost 24% since June 2011 to 2 034 cents. Gearing has risen to 28% (June 2011: 17%) as a result of the additional inventory and receivables being carried in order to accommodate the increased sales demand. At the time of this review and following solid positive cash flows since the period end, gearing has returned to 20% which is more in line with the group's strategic objectives.

OPERATIONS REVIEW

Despite rather lacklustre global economic growth, Bell Equipment has been able to maintain its strong position in the domestic market and at the same time grown market share in Europe, Australasia and sub-Saharan Africa.

As mentioned earlier, mining sector business has been positive and Bell is well positioned to take advantage of the substantial infrastructure spend contemplated by the South African government in the years ahead.

Earlier in the year, Bell took the opportunity to reveal its new state-of-the-art Truck range at the Intermat Exhibition in Paris. These machines will ensure that we maintain our technological advantage in the market and give our customers the added benefits of higher productivity, greater durability and lower life-time operating costs.

Initiatives aligned to our global strategy will see several new market opportunities open up for us in the next six to twelve months which should provide greater throughput for both our South African and German factories.

SHAREHOLDER DISCUSSIONS

Stakeholders may recall that we have made mention in our last two reviews, both in June last year and the Integrated Report issued earlier this year, that the two major shareholders were in discussions over John Deere's continued ownership of its shares in Bell. These discussions have still not been finalised, however John Deere have indicated that in view of the imminent launch of their ADT in competition with Bell, they plan to have their current nominated directors, who are all executives within the Deere Group, resign from the Bell board of directors. Their replacements have yet to be decided upon.

PROSPECTS

We are confident that the solid first half-year results will continue into the second half of the financial year, unless there is a major decline in market demand.

Michael Mun-Gavin
Chairman

Gary Bell
Chief Executive Officer

7 August 2012

Condensed consolidated statement of financial position
as at 30 June 2012

R'000		**Reviewed 30 June 2012**	Reviewed 30 June 2011	Audited 31 December 2011
ASSETS				
Non-current assets		**735 392**	734 757	735 704
Property, plant and equipment		**526 770**	499 998	529 037
Intangible assets		**101 111**	80 724	82 969
Interest-bearing long-term receivables		**8 902**	20 199	10 534
Deferred taxation		**98 609**	133 836	113 164
Current assets		**3 117 200**	2 448 546	3 134 505
Inventory		**2 033 898**	1 635 284	2 060 829
Trade and other receivables and prepayments		**959 842**	695 621	898 846
Current portion of interest-bearing long-term receivables		**31 728**	36 139	44 447
Other financial assets		**1 389**	461	4 479
Taxation		**8 527**	4 045	3 508
Cash resources		**81 816**	76 996	122 396
Total assets		**3 852 592**	3 183 303	3 870 209
EQUITY AND LIABILITIES				
Capital and reserves		**1 931 552**	1 561 282	1 777 536
Stated capital (note 5)		**228 749**	228 605	228 605
Non-distributable reserves		**146 690**	110 529	144 089
Retained earnings		**1 507 088**	1 197 821	1 371 285
Attributable to owners of Bell Equipment Limited		**1 882 527**	1 536 955	1 743 979
Non-controlling interest		**49 025**	24 327	33 557
Non-current liabilities		**386 951**	267 677	398 090
Interest-bearing liabilities		**208 390**	83 041	225 025
Repurchase obligations and deferred leasing income		**71 614**	89 994	79 582
Deferred warranty income		**71 883**	70 888	61 521
Long-term provisions and lease escalation		**35 064**	23 754	31 962
Current liabilities		**1 534 089**	1 354 344	1 694 583
Trade and other payables		**967 080**	944 588	1 210 210
Current portion of interest-bearing liabilities		**34 559**	3 373	21 845
Current portion of repurchase obligations and deferred leasing income		**40 761**	62 390	54 717
Current portion of deferred warranty income		**23 113**	22 785	24 178
Current portion of provisions and lease escalation		**58 972**	42 796	51 902
Other financial liabilities		**–**	278	1 820
Taxation		**28 857**	23 599	48 093
Short-term interest-bearing debt		**380 747**	254 535	281 818
Total equity and liabilities		**3 852 592**	3 183 303	3 870 209
Number of shares in issue	('000)	**94 974**	94 958	94 958
Net asset value per share	(cents)	**2 034**	1 644	1 872

Condensed consolidated income statement

for the six months ended 30 June 2012

R'000		**Reviewed 6 months ended 30 June 2012**	Reviewed 6 months ended 30 June 2011	Audited 12 months ended 31 December 2011
Revenue		**2 901 405**	2 141 708	5 070 784
Cost of sales		**(2 262 873)**	(1 644 956)	(3 871 958)
Gross profit		**638 532**	496 752	1 198 826
Other operating income		**52 473**	63 787	142 715
Expenses		**(467 175)**	(400 507)	(905 901)
Profit from operating activities (note 2)		**223 830**	160 032	435 640
Net interest paid (note 3)		**(29 861)**	(8 902)	(33 506)
Profit before taxation		**193 969**	151 130	402 134
Taxation		**(42 698)**	(35 928)	(105 249)
Profit for the period		**151 271**	115 202	296 885
Profit for the period attributable to:				
– owners of Bell Equipment Limited		**135 803**	103 329	275 782
– non-controlling interest		**15 468**	11 873	21 103
Earnings per share (basic) (note 4)	(cents)	**143**	109	290
Earnings per share (diluted) (note 4)	(cents)	**141**	109	290

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2012

R'000	**Reviewed 6 months ended 30 June 2012**	Reviewed 6 months ended 30 June 2011	Audited 12 months ended 31 December 2011
Profit for the period	**151 271**	115 202	296 885
Other comprehensive income			
Exchange differences arising during the period	**159**	24 953	57 436
Exchange differences on translating foreign operations	**494**	25 611	56 950
Reclassification to profit or loss of foreign currency translation reserve on discontinued operation	**–**	(3 340)	(4 036)
Exchange differences on foreign reserves	**(335)**	2 682	4 522
Other comprehensive income for the period, net of tax	**159**	24 953	57 436
Total comprehensive income for the period	**151 430**	140 155	354 321
Total comprehensive income attributable to:			
– Owners of Bell Equipment Limited	**135 962**	128 282	333 218
– Non-controlling interest	**15 468**	11 873	21 103

6 Condensed consolidated statement of cash flows

for the six months ended 30 June 2012

R'000	**Reviewed 6 months ended 30 June 2012**	Reviewed 6 months ended 30 June 2011	Audited 12 months ended 31 December 2011
Cash operating profit before working capital changes	**311 692**	232 335	603 325
Cash utilised in working capital	**(265 372)**	(264 778)	(628 331)
Cash generated from (utilised in) operations	**46 320**	(32 443)	(25 006)
Net interest paid	**(29 861)**	(8 902)	(33 506)
Taxation paid	**(50 680)**	(22 552)	(45 386)
Net cash utilised in operating activities	**(34 221)**	(63 897)	(103 898)
Net cash flow utilised in investing activities	**(79 597)**	(63 160)	(147 389)
Net cash flow (utilised in) generated from financing activities	**(25 691)**	7 786	150 133
Net cash outflow	**(139 509)**	(119 271)	(101 154)
Net short-term interest-bearing debt at beginning of the period	**(159 422)**	(58 268)	(58 268)
Net short-term interest-bearing debt at end of the period	**(298 931)**	(177 539)	(159 422)
Comprising:			
Cash resources	**81 816**	76 996	122 396
Short-term interest-bearing debt	**(380 747)**	(254 535)	(281 818)
Net short-term interest-bearing debt at end of the period	**(298 931)**	(177 539)	(159 422)

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2012

R'000	Attributable to owners of Bell Equipment Limited Stated capital	Non-distri-butable reserves	Retained earnings	Total	Non-controlling interest	Total capital and reserves
Balance at 31 December 2010 – audited	228 605	90 488	1 087 162	1 406 255	12 454	1 418 709
Recognition of share-based payments	–	2 418	–	2 418	–	2 418
Total comprehensive income for the period	–	24 953	103 329	128 282	11 873	140 155
Realisation of revaluation reserve on depreciation of buildings	–	(1 404)	1 404	–	–	–
Deferred taxation on realisation of revaluation reserve on depreciation of buildings	–	393	(393)	–	–	–
Reversal of prior year transfer of debit foreign currency translation reserve to retained earnings	–	(6 319)	6 319	–	–	–
Balance at 30 June 2011 – reviewed	228 605	110 529	1 197 821	1 536 955	24 327	1 561 282
Recognition of share-based payments	–	2 088	–	2 088	–	2 088
Total comprehensive income for the period	–	32 483	172 453	204 936	9 230	214 166
Realisation of revaluation reserve on depreciation of buildings	–	(1 404)	1 404	–	–	–
Deferred taxation on realisation of revaluation reserve on depreciation of buildings	–	393	(393)	–	–	–
Balance at 31 December 2011 – audited	228 605	144 089	1 371 285	1 743 979	33 557	1 777 536
Share options exercised	**144**	**–**	**–**	**144**	**–**	**144**
Recognition of share-based payments	**–**	**2 442**	**–**	**2 442**	**–**	**2 442**
Total comprehensive income for the period	**–**	**159**	**135 803**	**135 962**	**15 468**	**151 430**
Balance at 30 June 2012 – reviewed	**228 749**	**146 690**	**1 507 088**	**1 882 527**	**49 025**	**1 931 552**

Abbreviated notes to the interim report
for the six months ended 30 June 2012

1. BASIS OF PREPARATION

The accounting policies and methods of computation are consistent with those applied in the financial statements for the year ended 31 December 2011, which complied with International Financial Reporting Standards, except for the treatment of the revaluation reserve and the adoption of new and revised Standards and Interpretations.

In terms of IAS 16, Property Plant and Equipment, the revaluation surplus included in equity in respect of an item of property, plant and equipment may be transferred directly to retained earnings when the asset is derecognised. This may involve transferring the whole of the surplus when the asset is retired or disposed; alternatively, some of the surplus may be transferred as the asset is used by an entity.

The previous treatment was to release a portion of the revaluation surplus over the useful life of the asset. In the current year, management has elected to rather defer the transfer of the revaluation surplus to retained earnings until such time as the asset is derecognised. This change in accounting policy did not have a significant impact on the reported results.

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 2012. The adoption of these new and revised Standards and Interpretations has not had any significant impact on the amounts reported in the interim report or the disclosures herein.

This interim report has been prepared in accordance with the framework concepts and the measurement and recognition criteria of International Financial Reporting Standards (IFRS) and complies with International Accounting Standard 34 – Interim Financial Reporting, AC 500 Standards as issued by the Accounting Practices Board, the disclosure requirements of the JSE Limited's Listings Requirements and the requirements of the Companies Act of South Africa. The interim report has been reviewed in compliance with any applicable requirements of the Companies Act of South Africa. The preparation of this interim report was supervised by the Group Financial Director, KJ van Haght CA (SA).

R'000	**Reviewed 6 months ended 30 June 2012**	Reviewed 6 months ended 30 June 2011	Audited 12 months ended 31 December 2011
2. PROFIT FROM OPERATING ACTIVITIES			
Profit from operating activities is arrived at after taking into account:			
Income			
Currency exchange gains	**116 658**	47 649	177 440
Decrease in warranty provision	**–**	3 006	–
Deferred warranty income	**17 868**	21 181	47 598
Import duty rebates	**8 861**	26 235	44 385
Royalties	**1 293**	2 240	7 996
Net surplus on disposal of property, plant and equipment and intangible assets	**175**	119	1 202
Expenditure			
Amortisation of intangible assets	**9 395**	5 778	15 636
Auditors' remuneration – audit and other services	**4 763**	3 739	8 537
Currency exchange losses	**116 727**	52 556	163 515
Depreciation of property, plant and equipment	**57 122**	46 337	105 069
Increase in warranty provision	**5 199**	–	9 929
Operating lease charges			
– equipment and motor vehicles	**13 236**	11 136	22 521
– land and buildings	**34 123**	30 703	63 118
Research expenses (excluding staff costs)	**15 229**	10 987	28 328
Staff costs	**462 871**	395 329	892 986

R'000		**Reviewed 6 months ended 30 June 2012**	Reviewed 6 months ended 30 June 2011	Audited 12 months ended 31 December 2011
3. NET INTEREST PAID				
Interest paid		**32 674**	14 731	44 940
Interest received		**(2 813)**	(5 829)	(11 434)
Net interest paid		**29 861**	8 902	33 506
4. EARNINGS PER SHARE				
Basic earnings per share is arrived at as follows:				
Profit for the period attributable to owners of Bell Equipment Limited	(R'000)	**135 803**	103 329	275 782
Weighted average number of ordinary shares in issue during the period	('000)	**94 961**	94 958	94 958
Basic earnings per share	(cents)	**143**	109	290
Diluted earnings per share is arrived at as follows:				
Profit for the period attributable to owners of Bell Equipment Limited	(R'000)	**135 803**	103 329	275 782
Fully converted weighted average number of shares	('000)	**96 407**	94 963	95 154
Diluted earnings per share	(cents)	**141**	109	290
Headline earnings per share is arrived at as follows:				
Profit for the period attributable to owners of Bell Equipment Limited	(R'000)	**135 803**	103 329	275 782
Net surplus on disposal of property, plant and equipment and intangible assets	(R'000)	**(175)**	(119)	(1 202)
Tax effect of net surplus on disposal of property, plant and equipment and intangible assets	(R'000)	**49**	33	337
Reclassification to profit or loss of foreign currency translation reserve on discontinued operation	(R'000)	**–**	(3 340)	(4 036)
Headline earnings	(R'000)	**135 677**	99 903	270 881
Weighted average number of ordinary shares in issue during the period	('000)	**94 961**	94 958	94 958
Headline earnings per share (basic)	(cents)	**143**	105	285
Diluted headline earnings per share is arrived at as follows:				
Headline earnings calculated above	(R'000)	**135 677**	99 903	270 881
Fully converted weighted average number of shares	('000)	**96 407**	94 963	95 154
Headline earnings per share (diluted)	(cents)	**141**	105	285

Abbreviated notes to the interim report continued

for the six months ended 30 June 2012

R'000	**Reviewed 6 months ended 30 June 2012**	Reviewed 6 months ended 30 June 2011	Audited 12 months ended 31 December 2011
5. STATED CAPITAL			
Authorised			
100 000 000 (June 2011: 100 000 000) ordinary shares of no par value			
Issued			
94 974 000 (June 2011: 94 958 000) ordinary shares of no par value	**228 749**	228 605	228 605
The increase in issued share capital relates to 16 000 share options exercised at an average share price of R9,00 per share.			
6. CAPITAL EXPENDITURE COMMITMENTS			
Contracted	**15 658**	8 400	13 924
Authorised, but not contracted	**73 809**	34 415	175 223
Total capital expenditure commitments	**89 467**	42 815	189 147

7. ABBREVIATED SEGMENTAL ANALYSIS

	Revenue	**Operating profit (loss)**	**Assets**	**Liabilities**
June 2012				
South African sales operation	**1 429 772**	**81 715**	**761 695**	**596 634**
South African manufacturing and logistics operation	**1 505 329**	**26 488**	**2 483 881**	**1 371 564**
European operation	**575 030**	**28 796**	**782 510**	**648 441**
Rest of Africa and other international operations	**757 485**	**79 133**	**627 772**	**407 008**
All other operations	**–**	**(6 491)**	**704 508**	**59 262**
Inter-segmental eliminations	**(1 366 211)**	**14 189**	**(1 507 774)**	**(1 161 869)**
Total – reviewed	**2 901 405**	**223 830**	**3 852 592**	**1 921 040**
June 2011				
South African sales operation	1 170 073	57 682	766 584	684 712
South African manufacturing and logistics operation	1 242 502	30 277	2 004 252	812 857
European operation	368 455	7 217	540 749	463 877
Rest of Africa and other international operations	354 635	45 820	385 441	244 621
All other operations	–	1 854	397 416	34 312
Inter-segmental eliminations	(993 957)	17 182	(911 139)	(618 358)
Total – reviewed	2 141 708	160 032	3 183 303	1 622 021
December 2011				
South African sales operation	2 512 464	133 613	815 199	702 143
South African manufacturing and logistics operation	2 947 343	73 222	2 455 027	1 184 581
European operation	847 882	33 227	808 228	701 779
Rest of Africa and other international operations	1 251 577	232 977	594 673	351 906
All other operations	–	17 276	451 211	52 107
Inter-segmental eliminations	(2 488 482)	(54 675)	(1 254 129)	(899 843)
Total – audited	5 070 784	435 640	3 870 209	2 092 673

R'000	**Reviewed 6 months ended 30 June 2012**	Reviewed 6 months ended 30 June 2011	Audited 12 months ended 31 December 2011
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	**–**	3 476	1 158
In the event of repurchase, it is estimated that these units would presently realise	**–**	4 870	1 850
Net contingent liability	**–**	–	–
The guarantees expired during the current period.			
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 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 period end the amount due by customers to WesBank for which the group is liable totalled	**63 604**	87 286	67 037
In the event of default, the units financed would be recovered and it is estimated that they would presently realise the following towards the above liability	**63 104**	86 452	59 525
	500	834	7 512
Less: provision for non-recovery	**500**	1 600	500
Net contingent liability	**–**	–	7 012
Where customers are in arrears with WesBank and there is a shortfall between the estimated realisation values of units and the balances due by the customers to WesBank, an assessment of any additional security is done and a provision for any 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	**9 872**	8 843	10 316
Less: provision for residual value risk	**–**	–	–
Net contingent liability	**9 872**	8 843	10 316

The above includes 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. The provision for residual value risk is based on the assessment of the probability of return of the units.

Abbreviated notes to the interim report continued

for the six months ended 30 June 2012

R'000	**Reviewed 6 months ended 30 June 2012**	Reviewed 6 months ended 30 June 2011	Audited 12 months ended 31 December 2011
9. RELATED PARTY TRANSACTIONS			
Shareholders			
John Deere Construction and Forestry Company			
– sales	**78 079**	87 643	164 250
– purchases	**198 477**	259 477	463 444
– amounts owing to	**100 918**	111 743	78 060
– amounts owing by	**19 002**	31 447	19 899

10. INDEPENDENT AUDITORS' REPORT

The condensed interim financial information for the half year ended 30 June 2012 has been reviewed by the group's auditors, Deloitte & Touche. The review was conducted in accordance with ISRE 2410 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. A copy of their unmodified review report is available for inspection at the company's registered office. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the company's auditors.

11. SUBSEQUENT EVENTS

No fact or circumstance material to the appreciation of this interim report has occurred between 30 June 2012 and the date of this report.

Corporate information

Bell Equipment Limited

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

Directors

MA Mun-Gavin* *(Chairman)*, GW Bell *(Group Chief Executive)*, KJ van Haght *(Group Financial Director)*, DM Gage (USA)#, L Goosen, K Manning (USA)#, RM Buchignani (USA)#, JR Barton*, B Harie*, TO Tsukudu*, DJJ Vlok* *Alternate directors:* TA Averkamp (USA)#, GP Harris, AR McDuling
Non-executive directors * *Independent non-executive directors*

Company Secretary

D McIlrath (appointed 1 October 2011 and resigned 16 January 2012);
P van der Sandt (appointed 16 January 2012)

Registered office

13 – 19 Carbonode Cell Road, Alton, Richards Bay, 3900

Transfer secretaries

Link Market Services South Africa (Pty) Limited, PO Box 4844, Johannesburg, 2000

Sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)

Website

www.bellequipment.com