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2021

BELL EQUIPMENT LIMITED

CONDENSED UNAUDITED INTERIM RESULTS
for the period ended 30 June 2021

Chairman and CEO's interim results report

SALIENT FEATURES

- Significant improvement in production and sales volumes
- Northern Hemisphere market recovery
- Several new product introductions
- Improved working capital and borrowings levels and lower interest costs

For the interim period ended 30 June 2021 the Bell Equipment group has recorded a profit after tax of R176 million (June 2020: R52 million loss after tax). Headline earnings per share (HEPS) came to 176 cents per share, a turnaround from the headline loss per share of 31 cents for the first half of 2020.

OVERVIEW

The Bell Equipment group's solid performance is largely due to increased production volumes at both the South African and German factories and a more sustainable level of sales brought about by the strengthening global market conditions and supported by a stabilised product range after major product upgrades.

Northern Hemisphere markets, notably the United States and United Kingdom, are experiencing positive business sentiment as governments drive economic recovery with stimulus packages focused on construction and infrastructure development. While mining created some demand, South Africa has not had the same impetus and remains a tough environment with low business confidence.

The introduction of the JCB product line into our South African dealer operation provides a number of product solutions better aligned to satisfy South African customers. The line was introduced during May 2021. Investment in time and resources has ensured adequate parts inventory, stockholding and training of sales and support staff.

Group inventory has reduced to normal levels and is now well within acceptable parameters.

The first six months of 2021 has seen the launch of several exciting products. Embracing digital solutions, Bell introduced a fully integrated global used-equipment portal on the Bell Global website that links to an external service provider. Available to all Bell operations and dealers to advertise their pre-owned Bell machines, the portal gives customers worldwide a user-friendly and convenient website where they can shop all Bell pre-owned equipment.

Bell Tracked Carriers were officially launched in the USA, supported by a dealer sales and product training event. These machines, sharing the same design philosophies as the Bell ADT, have been extremely well received with almost all the units that have landed in the USA sold. Distinct product differentiators have been demonstrated during operation and both dealers and customers alike see value in these.

After four years of development and testing the Bell Series V Haulage Tractor was introduced towards the end of the first half of this year. The updated drivetrain has elicited positive customer response and we have confidence in this latest generation gaining further traction going forward.

The group has grown its overall ADT market share in the home market, and a number of international markets, which is indicative of continued product acceptance and strong customer support.

Repowering of machines for customers who are not in the market for new machines has helped customers achieve a longer production life from their products while the introduction of purchased up-front service packages have also assisted customers in managing their regular maintenance costs.

COVID-19 continues to impact all regions in which the group operates with South Africa experiencing its second and third waves in the first six months of 2021. Although the number of employees testing positive has increased substantially this year, fatalities remain low and the COVID procedures and policies that were embedded into operations in 2020 are being strictly followed and ensure business continuity. The group, and its leadership, is also currently driving awareness to support vaccinations amongst its staff.

In terms of shareholder matters, the AGM was held on 18 June 2021 and all resolutions were approved. The non-binding expression of interest by IA Bell to buy out the minority shareholders continues to apply, and the group is still trading under a cautionary.

OUTLOOK

The group remains optimistic that the positive outlook for the Northern Hemisphere will continue through to 2022 and factory production will be maintained accordingly. Growth in South Africa is not anticipated and Management is focused on the availability, reliability and cost of components and logistics that feed into production.

Civil unrest in SA in July forced the closure of the Richards Bay factory and some branches in the affected areas. This coupled with a subsequent cyberattack at Transnet that affected the country's major container ports as well as a fragile political situation has highlighted the need for risk mitigation in our supply chain, manufacturing plants and in our ability to support customers.

The group will focus on this going forward so that our customers around the world can have trust in our ability to support them regardless of local, regional or international events.

Going forward the group appreciates the importance of embracing technology, the Fourth Industrial Revolution and the Internet of Things and will continue investing in IP to stay relevant. Research and development into autonomous vehicle operation and the interoperability between different control systems and our trucks are ongoing and we have recently partnered with a safety and automation technology developer in the US in addition to our partner in Europe.

Long term sustainability of the business remains the key driver and the group remains confident that its strategy will continue to deliver on its globalisation aspirations.

DIVIDEND

Due to ongoing uncertainty regarding the future impact of COVID-19, the board resolved not to declare a dividend for the half year ended 30 June 2021.

A shareholders presentation will be made available on the investor website www.bellir.co.za.

Condensed consolidated statement of financial position

as at 30 June 2021

	Unaudited 30 June 2021 R'000	Audited 31 December 2020 R'000
ASSETS		
Non-current assets	**1 761 617**	1 845 721
Property, plant and equipment	**910 275**	935 152
Right-of-use assets	**260 636**	287 395
Intangible assets	**278 202**	277 787
Investments	**46 487**	33 615
Interest-bearing receivables	**61 976**	90 584
Deferred taxation	**204 041**	221 188
Current assets	**4 902 537**	4 794 218
Inventory	**3 399 539**	3 595 163
Trade and other receivables	**1 045 134**	884 146
Current portion of interest-bearing receivables	**185 223**	118 784
Contract assets	**39 793**	28 276
Prepayments	**22 823**	22 774
Other financial assets	**4 100**	10 231
Current taxation assets	**27 981**	52 093
Cash and bank balances	**177 944**	82 751
TOTAL ASSETS	**6 664 154**	6 639 939
EQUITY AND LIABILITIES		
Capital and reserves	**3 613 629**	3 503 778
Stated capital (note 6)	**235 541**	235 541
Non-distributable reserves	**811 283**	891 355
Retained earnings	**2 543 293**	2 360 316
Attributable to owners of Bell Equipment Limited	**3 590 117**	3 487 212
Non-controlling interest	**23 512**	16 566
Non-current liabilities	**673 138**	759 326
Interest-bearing liabilities	**178 489**	204 319
Lease liabilities	**267 773**	282 543
Contract liabilities (note 12)	**100 549**	125 828
Refund liabilities (note 13)	**29 155**	54 308
Provisions	**34 144**	29 646
Deferred taxation	**63 028**	62 682
Current liabilities	**2 377 387**	2 376 835
Trade and other payables	**1 301 236**	933 054
Current portion of interest-bearing liabilities	**310 647**	547 376
Current portion of lease liabilities	**45 930**	49 673
Current portion of contract liabilities (note 12)	**252 601**	209 562
Current portion of refund liabilities (note 13)	**33 986**	27 400
Current portion of provisions	**95 668**	110 786
Other financial liabilities	**5 062**	14 476
Current taxation liabilities	**19 886**	3 116
Bank overdrafts and borrowings on call	**312 371**	481 392
TOTAL EQUITY AND LIABILITIES	**6 664 154**	6 639 939

Condensed consolidated statement of profit or loss

for the period ended 30 June 2021

	Unaudited six months ended 30 June 2021 R'000	Unaudited six months ended 30 June 2020 R'000
Revenue (note 2)	**3 843 374**	3 078 599
Cost of sales	**(3 025 628)**	(2 552 098)
Gross profit	**817 746**	526 501
Other operating income	**72 579**	43 924
Distribution costs	**(312 936)**	(342 754)
Administration expenses	**(56 737)**	(40 803)
Factory operating expenses *	**(253 422)**	(186 095)
Profit from operating activities (note 3)	**267 230**	773
Net interest expense (note 4)	**(29 765)**	(68 080)
Profit (loss) before taxation	**237 465**	(67 307)
Taxation	**(61 711)**	14 984
Profit (loss) for the period	**175 754**	(52 323)
Profit (loss) for the period attributable to:		
- Owners of Bell Equipment Limited	**168 808**	(46 046)
- Non-controlling interest	**6 946**	(6 277)
	Cents	Cents
Earnings (loss) per share (basic)(cents) (note 5)	**177**	(48)
Earnings (loss) per share (diluted)(cents) (note 5)	**169**	(48)

Refer to restatements of prior periods in note 14. The impact on the condensed consolidated statement of profit or loss for the six months to June 2020 was considered to be insignificant and therefore no restatements were made.

* Included in factory operating expenses are costs in respect of both the factory and group services operations. In the current period, factory operating expenses includes net foreign currency exchange losses of R28 million (June 2020: net gains of R79 million).

Condensed consolidated statement of comprehensive income

for the period ended 30 June 2021

	Unaudited six months ended 30 June 2021 R'000	Unaudited six months ended 30 June 2020 R'000
Profit (loss) for the period	**175 754**	(52 323)
Other comprehensive (loss) income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising during the period	**(81 123)**	300 733
Exchange differences on translating foreign operations	**(81 123)**	300 733
Items that may not be reclassified subsequently to profit or loss:	**15 296**	(385)
Fair value gain (loss) on investments designated as at fair value through other comprehensive income *	**15 296**	(385)
Other comprehensive (loss) income for the period, net of taxation	**(65 827)**	300 348
Total comprehensive income for the period	**109 927**	248 025
Total comprehensive income attributable to:		
- Owners of Bell Equipment Limited	**102 981**	254 302
- Non-controlling interest	**6 946**	(6 277)

Refer to restatements of prior periods in note 14. The impact on the condensed consolidated statement of comprehensive income for the six months to June 2020 was considered to be insignificant and therefore no restatements were made.

* There were no corresponding tax implications on fair value gain (loss) on investments designated as at fair value through other comprehensive income.

Condensed consolidated statement of cash flows

for the period ended 30 June 2021

	Unaudited six months ended 30 June 2021 R'000	Restated* Unaudited six months ended 30 June 2020 R'000
Cash operating profit before working capital changes	**444 358**	374 278
Cash generated from working capital	**149 455**	425 729
Cash generated from operations	**593 813**	800 007
Interest paid	**(51 513)**	(72 279)
Interest received	**23 916**	24 882
Taxation paid	**(3 254)**	(23 638)
Net cash generated from operating activities	**562 962**	728 972
Purchase of property, plant and equipment and intangible assets	**(29 074)**	(43 072)
Proceeds on disposal of property, plant and equipment and intangible assets	**2 108**	215
Additions to right-of-use assets	**-**	(6 152)
Net cash utilised in investing activities	**(26 966)**	(49 009)
Interest-bearing liabilities raised	**208 977**	220 429
Interest-bearing liabilities repaid	**(453 289)**	(429 546)
Lease liabilities repaid	**(27 394)**	(29 343)
Proceeds from share options exercised	**-**	3 042
Dividends paid	**(76)**	-
Net cash utilised in financing activities	**(271 782)**	(235 418)
Net cash inflow	**264 214**	444 545
Net bank overdrafts and borrowings on call at beginning of the period	**(398 641)**	(574 960)
Net bank overdrafts and borrowings on call at end of the period	**(134 427)**	(130 415)
Comprising:		
Cash and bank balances	**177 944**	185 799
Bank overdrafts and borrowings on call	**(312 371)**	(316 214)
Net bank overdrafts and borrowings on call at end of the period	**(134 427)**	(130 415)

* Refer to restatements of prior periods in note 14.

Condensed consolidated statement of changes in equity

for the period ended 30 June 2021

	Attributable to owners 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
Balance at 31 December 2019 - audited *	232 499	727 261	2 417 620	3 377 380	9 433	3 386 813
Decrease in equity-settled employee benefits reserve	-	(7 453)	7 453	-	-	-
Loss for the period	-	-	(46 046)	(46 046)	(6 277)	(52 323)
Other comprehensive income for the period, net of taxation	-	300 348	-	300 348	-	300 348
Share options exercised	3 042	-	-	3 042	-	3 042
Balance at 30 June 2020 - unaudited **	**235 541**	**1 020 156**	**2 379 027**	**3 634 724**	**3 156**	**3 637 880**
Balance at 31 December 2020 - audited	**235 541**	**891 355**	**2 360 316**	**3 487 212**	**16 566**	**3 503 778**
Decrease in statutory reserves of foreign subsidiaries	**-**	**(9 941)**	**9 941**	**-**	**-**	**-**
Decrease in equity-settled employee benefits reserve	**-**	**(4 304)**	**4 304**	**-**	**-**	**-**
Profit for the period	**-**	**-**	**168 808**	**168 808**	**6 946**	**175 754**
Other comprehensive loss for the period, net of taxation	**-**	**(65 827)**	**-**	**(65 827)**	**-**	**(65 827)**
Dividends paid	**-**	**-**	**(76)**	**(76)**	**-**	**(76)**
Balance at 30 June 2021 - unaudited	**235 541**	**811 283**	**2 543 293**	**3 590 117**	**23 512**	**3 613 629**

* The prior period was restated and the restatement was disclosed in the audited annual financial statements for the year ended 31 December 2020.

** Refer to restatements of prior periods in note 14.

Abbreviated notes to the unaudited interim results

for the period ended 30 June 2021

1. BASIS OF PREPARATION

The recognition and measurement criteria applied in the preparation of these condensed consolidated interim financial statements are in terms of International Financial Reporting Standards. The same accounting policies and methods of computation are followed in the condensed consolidated interim financial statements as compared with the most recent annual consolidated financial statements. The presentations and disclosures in these condensed consolidated interim financial statements are in terms of *IAS 34 Interim Financial Reporting*.

The group has adopted all of the amended accounting standards relevant to its operations and effective for annual reporting periods beginning 1 January 2021. The adoption of these amended standards has not had any significant impact on the amounts reported in the condensed consolidated interim financial statements or the disclosures herein.

The condensed consolidated interim financial statements are prepared in accordance with the requirements of the JSE Limited's Listings Requirements for interim reports and the requirements of the Companies Act in South Africa. The Listings Requirements require interim reports to be prepared in accordance with and containing the information required by *IAS 34 Interim Financial Reporting*, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The preparation of this interim report was supervised by the Group Finance Director, KJ van Haght CA(SA).

The condensed consolidated interim financial statements are the responsibility of the directors. The directors take full responsibility for the preparation of the condensed consolidated interim financial statements.

These results have not been audited or reviewed by the group's auditor, Deloitte & Touche.

2. REVENUE

The group derives its revenue from the sale of equipment and aftermarket products, which includes the sale of parts, service income, extended warranty and rental income.

This disaggregation is consistent with the external revenue information that is disclosed for each reportable segment (refer to note 8) and the information that is provided to the group's chief operating decision maker on a regular basis.

Disaggregation of revenue

	Manufacturing, assembly, logistics and dealer sales operations		Direct Sales operations		
	South Africa R'000	Europe R'000	South Africa R'000	Rest of Africa R'000	Total Revenue R'000
June 2021					
Revenue					
Sale of equipment	493 937	1 287 319	958 438	66 258	2 805 952
Sale of parts	156 629	122 051	409 905	76 094	764 679
Service income	25 563	27 453	109 605	14 586	177 207
Extended warranty	32 146	(404)	-	-	31 742
Rental income	-	5 800	57 050	944	63 794
Total revenue - unaudited	**708 275**	**1 442 219**	**1 534 998**	**157 882**	**3 843 374**
June 2020					
Revenue					
Sale of equipment	267 224	988 914	861 992	37 347	2 155 477
Sale of parts	154 491	125 278	310 935	83 322	674 026
Service income	18 416	37 232	81 727	12 207	149 582
Extended warranty	25 090	592	-	-	25 682
Rental income	-	3 523	68 492	1 817	73 832
Total revenue - unaudited	**465 221**	**1 155 539**	**1 323 146**	**134 693**	**3 078 599**

The transfer of goods and services occurs over time and at a point in time as reflected below.

	Unaudited six months ended 30 June 2021 R'000	Unaudited six months ended 30 June 2020 R'000
Timing of revenue recognition		
At a point in time		
Sale of equipment	**2 805 952**	2 155 477
Sale of parts	**764 679**	674 026
Service income	**177 207**	149 582
Total	**3 747 838**	2 979 085
Over time		
Extended warranty	**31 742**	25 682
Rental income	**63 794**	73 832
Total	**95 536**	99 514
Total revenue	**3 843 374**	3 078 599

Included in revenue for the period is an amount of R37,3 million (June 2020: R40,2 million) relating to bill and hold arrangements for the sale of equipment to certain customers. Control of the equipment has passed to the customers and management's assessment is that the likelihood of revenue reversals in future periods is remote.

The group had remaining and unsatisfied performance obligations at period end in terms of extended warranty contracts, service contracts, and in terms of certain equipment sales contracts where the consideration was received in advance from customers. These obligations are reflected as contract liabilities in the statement of financial position (refer to note 12).

3. PROFIT FROM OPERATING ACTIVITIES

	Unaudited six months ended 30 June 2021 R'000	Unaudited six months ended 30 June 2020 R'000
Profit from operating activities is arrived at after taking into account:		
Income		
Currency exchange gains (i)	**153 336**	177 824
The Automotive Production Development Programme - production incentives (ii)	**40 787**	26 060
Expenditure		
Amortisation of intangible assets	**17 139**	16 322
Amounts written off as credit impaired	**2 951**	140
(Decrease) increase in allowance for expected credit losses	**(2 491)**	5 041
Auditors' remuneration - audit and other services	**8 780**	7 403
Consulting fees	**13 235**	13 472
Currency exchange losses (i)	**148 878**	200 800
Depreciation of property, plant and equipment	**70 725**	62 293
Depreciation of right-of-use assets	**30 760**	36 453
Impairment of intangible assets (refer to note 15)	**-**	23 254
Lease expenses (iii)	**9 756**	8 317
Research expenses (excluding staff costs)	**14 931**	18 113
Staff costs (including directors' remuneration) (iv)	**727 063**	622 785

(i) Net currency exchange gains arose mainly on foreign currency denominated trade and other payables as a result of the Rand strengthening against the Euro and the USD in the current period. The Rand weakened against these currencies in the comparative period.

(ii) Production incentives increased by 56,5% due to an increase in production volumes in the current period.

(iii) Included in lease expenses are amounts for short-term leases and leases of low value assets.

(iv) Staff costs increased by 16,7% mainly due to an increase in the workforce at the manufacturing and assembly facilities and because the comparative period includes group-wide salary reductions of 20% for staff members and 25% for the executive directors for May and June 2020.

4. NET INTEREST EXPENSE

	Unaudited six months ended 30 June 2021 R'000	Unaudited six months ended 30 June 2020 R'000
Interest expense *	**57 308**	90 032
Interest income	**(27 543)**	(21 952)
Net interest expense	**29 765**	**68 080**

* Included in interest expense is an amount of R22,2 million (June 2020: R38,7 million) relating to the Industrial Development Corporation of South Africa (IDC) working capital facility.

5. EARNINGS (LOSS) PER SHARE, NET ASSET VALUE PER SHARE AND GEARING RATIO

		Unaudited six months ended 30 June 2021 R'000	Unaudited six months ended 30 June 2020 R'000
Basic earnings (loss) per share is arrived at as follows:			
Profit (loss) for the period attributable to owners of Bell Equipment Limited	(R'000)	**168 808**	(46 046)
Weighted average number of ordinary shares in issue during the period	(000)	**95 629**	95 629
Earnings (loss) per share (basic)	**(cents)**	**177**	(48)
Diluted earnings (loss) per share is arrived at as follows:			
Profit (loss) for the period attributable to owners of Bell Equipment Limited	(R'000)	**168 808**	(46 046)
Fully converted weighted average number of shares	(000)	**99 887**	95 629
Earnings (loss) per share (diluted)	**(cents)**	**169**	(48)

The group has potential ordinary shares relating to the unexercised options in the group's equity-settled employee share option plan. There was no dilutive impact from these options in the current period as the market price was below the option price. In addition, the group has potential ordinary shares relating to the shareholding of BEE parties in certain group entities. These BEE parties are required to sell their shares to the group at the end of the lock-in period in exchange for cash, shares in the company or in another group entity or in a combination of cash and shares, at the company's discretion. The number of shares has been adjusted for the effect of the dilutive potential shares relating to these options as the intention is to settle in shares in the company.

Headline earnings (loss) per share is arrived at as follows:			
Profit (loss) for the period attributable to owners of Bell Equipment Limited	(R'000)	**168 808**	(46 046)
Net surplus on disposal of property, plant and equipment and intangible assets	(R'000)	**(1 038)**	(133)
Taxation effect of net surplus on disposal of property, plant and equipment and intangible assets	(R'000)	**291**	37
Impairment loss on intangible assets	(R'000)	**-**	23 254
Taxation effect of impairment loss on intangible assets	(R'000)	**-**	(6 511)
Headline earnings (loss)	(R'000)	**168 061**	(29 399)
Weighted average number of ordinary shares in issue during the period	(000)	**95 629**	95 629
Headline earnings (loss) per share (basic)	**(cents)**	**176**	(31)
Diluted headline earnings (loss) per share is arrived at as follows:			
Headline earnings (loss) calculated above	(R'000)	**168 061**	(29 399)
Fully converted weighted average number of shares	(000)	**99 887**	95 629
Headline earnings (loss) per share (diluted)	**(cents)**	**168**	(31)

Headline earnings is calculated in accordance with *Circular 1/2021 Headline Earnings* issued by the South African Institute of Chartered Accountants.

		Unaudited 30 June 2021	Audited 31 December 2020
Net asset value per share is arrived at as follows:			
Total capital and reserves	(R'000)	3 613 629	3 503 778
Number of shares in issue	(000)	95 629	95 629
Net asset value per share	**(cents)**	**3 779**	**3 664**

5. EARNINGS (LOSS) PER SHARE, NET ASSET VALUE PER SHARE AND GEARING RATIO continued

Gearing ratio:

		Unaudited 30 June 2021	Audited 31 December 2020
The gearing ratio at the end of the period was as follows:			
Short-term and long-term borrowings	(R'000)	801 507	1 233 087
Cash and bank balances	(R'000)	(177 944)	(82 751)
Net debt	**(R'000)**	**623 563**	**1 150 336**
Total equity	**(R'000)**	**3 613 629**	**3 503 778**
Net debt to equity ratio	**(%)**	**17,3**	**32,8**

6. STATED CAPITAL

	Unaudited 30 June 2021 R'000	Audited 31 December 2020 R'000
Authorised		
100 000 000 (December 2020: 100 000 000) ordinary shares of no par value		
Issued		
95 629 385 (December 2020: 95 629 385) ordinary shares of no par value	**235 541**	235 541

7. CAPITAL EXPENDITURE COMMITMENTS

	Unaudited 30 June 2021 R'000	Audited 31 December 2020 R'000
Contracted	**22 734**	8 262
Authorised, but not contracted	**77 685**	103 835
Total capital expenditure commitments	**100 419**	112 097

This capital expenditure is to be financed from internal resources.

8. CONDENSED SEGMENTAL ANALYSIS

Information regarding the group's reportable segments is presented below in a manner consistent with information reported to the group's chief operating decision maker for purposes of resource allocation and assessment of segment performance.

The group conducts two main business operations:
Manufacturing, assembly, logistics and dealer sales operations
- OEM operations comprising manufacturing, assembly and sales of equipment and aftermarket products to independent dealers for their distribution to market

Direct Sales operations
- owned distribution operations for direct sales of own manufactured products, other third party partner products and the supply of aftermarket support and products to market

The Manufacturing, assembly, logistics and dealer sales operations comprise operations in South Africa and Europe:
- South Africa includes the group's main OEM and manufacturing operations in Richards Bay and the group's global parts logistics centre in Johannesburg. The main function of these operations is to manufacture and distribute product to the rest of the group and to independent dealers in North America, Africa, South America and Australasia.
- Europe includes dealer support operations in the United Kingdom, France, Russia and Germany as well as an assembly plant and a parts logistics centre in Germany which distribute product to independent dealers in North America, Europe and Asia.

8. CONDENSED SEGMENTAL ANALYSIS continued

The Direct Sales operations comprise operations in South Africa and Rest of Africa:
- South Africa includes a number of customer service centres in South Africa and a customer service centre in Swaziland.
- Rest of Africa includes customer service centres in Zambia and Zimbabwe.

Other operations include the results of the group's holding companies, intra-group loan investment companies, property investment company and BBBEE companies and trust.

The accounting policies of the reportable segments are the same as the group's accounting policies.

Each reportable segment, except for the other operations and inter-segmental eliminations segment, derives its revenue from the sale of equipment and aftermarket products.

	External Revenue R'000	Inter-segment Revenue R'000	Total Revenue R'000	Operating profit (loss) R'000	Assets R'000	Liabilities R'000
June 2021						
Manufacturing, assembly, logistics and dealer sales operations						
South Africa	**708 275**	**1 673 961**	**2 382 236**	**38 189**	**4 206 341**	**3 411 892**
Europe	**1 442 219**	**91 297**	**1 533 516**	**120 091**	**1 964 155**	**1 195 596**
Direct Sales operations						
South Africa	**1 534 998**	**9 873**	**1 544 871**	**62 943**	**1 686 628**	**1 574 205**
Rest of Africa	**157 882**	**-**	**157 882**	**14 499**	**237 310**	**217 587**
Other operations and inter-segmental eliminations *	**-**	**(1 775 131)**	**(1 775 131)**	**31 508**	**(1 430 280)**	**(3 348 755)**
Total - unaudited	**3 843 374**	**-**	**3 843 374**	**267 230**	**6 664 154**	**3 050 525**
June 2020						
Manufacturing, assembly, logistics and dealer sales operations						
South Africa	465 221	1 283 553	1 748 774	(70 266)		
Europe	1 155 539	97 993	1 253 532	14 160		
Direct Sales operations						
South Africa	1 323 146	9 508	1 332 654	14 709		
Rest of Africa	134 693	-	134 693	12 990		
Other operations and inter-segmental eliminations *	-	(1 391 054)	(1 391 054)	29 180		
Total - unaudited	3 078 599	-	3 078 599	773		
December 2020						
Manufacturing, assembly, logistics and dealer sales operations						
South Africa					4 159 869	3 357 809
Europe					1 988 767	1 440 074
Direct Sales operations						
South Africa					1 748 995	1 661 754
Rest of Africa					228 416	223 118
Other operations and inter-segmental eliminations *					(1 486 108)	(3 546 594)
Total - audited					6 639 939	3 136 161

* *Inter-segmental eliminations above relate to the following:*
i) Revenue - the elimination of intra-group sales transactions, mainly sales from the manufacturing, assembly, logistics and dealer sales operations, to other group operations.
ii) Operating profit (loss) - the elimination of profit (loss) on intra-group transactions, mainly sales transactions from the manufacturing, assembly, logistics and dealer sales operations to the other group operations, where the inventory has not yet been on-sold to a third party at period end.
iii) Assets and liabilities - the intra-group transactions result in intra-group receivables and payables balances and furthermore intra-group loans are in place between certain group operations. These are eliminated on consolidation.

9. CONTINGENT ASSETS AND LIABILITIES

9.1 Contingent assets

9.1.1 Reimbursement right relating to standard warranty in respect of manufactured goods

The group has the right to recover certain warranty costs incurred on manufactured equipment from the group's component suppliers. The group recognises the reimbursement asset only when it is virtually certain that reimbursement will be received from the component supplier. In the group's judgement, the group's right to reimbursement is assessed as virtually certain when the group receives a valid warranty claim against the standard warranty policy from a customer and this is recognised as a financial asset under trade and other receivables. The amount included under trade and other receivables as at 30 June 2021 amounts to R13,6 million (December 2020: R8,5 million). Prior to the receipt of claims from customers, no reimbursement asset is recognised on the statement of financial position and the group only has a contingent asset which has been disclosed below:

	Unaudited 30 June 2021 R'000	Audited 31 December 2020 R'000
Reimbursement right from component suppliers in respect of standard warranties where virtual certainty has not yet been established	**24 553**	25 280

9.2 Contingent liabilities

9.2.1 Third party warranties and indemnities

	Unaudited 30 June 2021 R'000	Audited 31 December 2020 R'000
Warranties and indemnities limited to USD3 million have been provided relating to the sale of assets of the DRC operation in 2018.	**42 744**	44 057

10. RELATED PARTY TRANSACTIONS

Information regarding significant transactions with related parties is presented below.
Transactions are carried out on an arms length basis.

	Unaudited 30 June 2021 R'000	Unaudited 30 June 2020 R'000	Audited 31 December 2020 R'000
Shareholders			
John Deere Construction and Forestry Company			
- purchases	**136 759**	77 660	
- amounts owing to as part of trade and other payables	**91 153**		89 402

11. FINANCIAL INSTRUMENTS

Categories of financial instruments included in the condensed consolidated statement of financial position:
Financial assets
- financial assets at fair value through profit or loss;
- financial assets at amortised cost; and
- financial assets at fair value through other comprehensive income.

Classification is determined by both the group's business model as well as the contractual cash flow characteristics of the asset.

Financial assets carried on the statement of financial position include cash and bank balances, investments, interest-bearing receivables, trade and other receivables and forward foreign exchange contracts.

Financial liabilities
- financial liabilities at fair value through profit or loss; and
- financial liabilities at amortised cost.

Financial liabilities as disclosed in the statement of financial position include interest-bearing liabilities, trade and other payables, refund liabilities, bank overdrafts and borrowings on call and forward foreign exchange contracts.

Fair value of financial instruments
Financial assets at amortised cost
Financial assets comprising interest-bearing receivables, trade and other receivables and cash and bank balances are measured at amortised cost. The directors consider that the carrying amount of trade and other receivables and cash and bank balances approximates their fair value due to the short-term nature of these instruments. The directors consider that the carrying amount of interest-bearing receivables approximates their fair value owing to the market related interest rates charged on these agreements.

Financial liabilities at amortised cost
Financial liabilities comprising interest-bearing liabilities, trade and other payables, refund liabilities and bank overdrafts and borrowings on call are measured at amortised cost. The directors consider that the carrying amount of trade and other payables and bank overdrafts and borrowings on call approximates their fair value due to the short-term nature of these instruments. The directors consider that the carrying amount of interest-bearing liabilities approximates their fair value owing to the market related interest rates on these instruments. The directors consider that the carrying amount of refund liabilities approximates their fair value based on the assessment of expected market values to be realised on machines and the market related discount rate utilised to determine the present value of the liability.

Financial assets and liabilities at fair value through profit or loss
Financial assets and liabilities carried at fair value through profit or loss include forward foreign exchange contracts presented in the statement of financial position as other financial assets or liabilities. The group measures forward foreign exchange contracts at fair value on a recurring basis based on the market approach, using inputs other than quoted prices (Level 2). The fair value of these contracts is based on observable forward exchange rates at period end from an independent provider of financial market data. The details of forward foreign exchange contracts held at 30 June 2021 are listed below:

	Foreign amount '000	Rate R	Market value in Rands R'000	Fair value gain (loss) R'000
June 2021				
Import contracts				
British Pound	**9 993**	**19,77**	**198 007**	**471**
Euro	**13 013**	**17,34**	**221 057**	**(4 603)**
Japanese Yen	**146 934**	**7,76**	**18 958**	**28**
United States Dollar	**4 064**	**14,33**	**58 121**	**(116)**
Export contracts				
Euro	**4 957**	**17,52**	**84 063**	**2 807**
United States Dollar	**2 391**	**14,01**	**34 308**	**(825)**
December 2020				
Import contracts				
British Pound	497	20,42	10 012	(147)
Euro	6 735	18,27	122 021	(1 009)
Japanese Yen	414 505	6,52	59 391	(4 160)
United States Dollar	5 208	15,90	76 742	(6 089)
Export contracts				
Euro	4 482	18,97	81 182	3 842
United States Dollar	3 044	15,53	44 840	2 427

11. FINANCIAL INSTRUMENTS continued

Fair value of financial instruments continued

Investments at fair value through other comprehensive income

Investments carried at fair value through other comprehensive income include listed and unlisted equity instruments. These investments are measured at fair value on a recurring basis. The fair value of listed investments is based on quoted market prices (Level 1).

For its unlisted investment (Level 3), the group used the market approach to estimate the fair value of its investment as the group does not have access to future forecast information with regards to the investment entity. The unlisted entity operates within the dealer and distribution network of the heavy equipment industry.

In estimating the fair value, the group used an average price to book ratio of 2,32 (December 2020: 2,23) applied to the estimated net asset value of the entity as at 30 June 2021. The price to book ratio of 2,32 (December 2020: 2,23) represents an average of observable price to book ratios of a number of entities within the heavy equipment industry. The price to book ratios were obtained from a reputable market database. For a 10% increase in the price to book ratio, there would have been a 10% increase in the fair value of the investment. The fair value gain of R10,5 million (December 2020: R4,0 million) was accounted for in other comprehensive income.

A reconciliation of this investment is presented below:

	Unaudited six months ended 30 June 2021 R'000	Audited twelve months ended 31 December 2020 R'000
Opening balance	**29 754**	22 598
Translation difference	**(2 214)**	3 158
Fair value gains recognised in other comprehensive income	**10 466**	3 998
Closing balance	**38 006**	29 754

Valuation techniques and fair value hierarchy

There was no change in the valuation techniques used for forward foreign exchange contracts (Level 2) and listed (Level 1) and unlisted investments (Level 3).

For all fair value measurements disclosed above, there were no transfers between levels of the fair value hierarchy during the period.

12. CONTRACT LIABILITIES

	Unaudited 30 June 2021 R'000	Audited 31 December 2020 R'000
Contract liabilities consist of the following:		
Advance receipts from customers	**89 125**	52 041
Deferred warranty income for extended warranty contracts sold	**133 725**	141 539
Deferred service contract revenue	**73 875**	81 701
Deferred finance income liability	**56 425**	60 109
	353 150	335 390
Less: current portion	**(252 601)**	(209 562)
Long-term portion	**100 549**	125 828

13. REFUND LIABILITIES

13.1 Refund liabilities relating to residual value risk

	Unaudited 30 June 2021 R'000	Audited 31 December 2020 R'000
Refund liabilities relating to residual value risk - De Lage Landen International	**46 120**	72 411
Less: current portion	**(16 965)**	(18 103)
Long-term portion	**29 155**	54 308

The group has guaranteed the residual values on machines on lease agreements offered by the financial institution to the group's customers in certain countries.

13.2 Refund liabilities relating to right-to-return parts

	Unaudited 30 June 2021 R'000	Audited 31 December 2020 R'000
Right-to-return liability	**17 021**	9 297
Less: current portion	**(17 021)**	(9 297)
Long-term portion	**-**	-

13.3 Transactions with credit risk undertakings

13.3.1 ***WesBank - credit risk***

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 carries certain credit risks.

Bell-backed transactions

In Bell-backed deals the group is liable for all credit risk and therefore the full balance due to WesBank by default customers. The group is required to pay 25% cash collateral to WesBank in respect of these transactions which is accounted for as interest-bearing receivables in the statement of financial position.

Where customers are in arrears with WesBank and there is a shortfall between the estimated realisation values of the equipment and the balances due by the customers to WesBank, an assessment of any additional security is done on an individual contract basis. The cash investment is adjusted for anticipated credit losses through the use of an allowance account and where the anticipated losses exceed the group's cash investment, a refund liability is recognised to the extent of the group's liability towards WesBank and debited to revenue. In assessing the group's credit risk exposure and the likelihood of reversal of revenue relating to these transactions, the group also uses an expected default rate based on historical trends and forward-looking information to measure expected credit losses on a portfolio basis.

All customer balances in the portfolio were assessed on the basis described above and the allowance for expected credit losses against the cash collateral was reduced by R4,0 million at the end of the current period. Based on the insignificant historical loss rate on Bell-backed transactions, market conditions, market prices which are expected to be realised for the equipment held as security, in respect of which the exchange rate is a significant factor, management concluded that the risk of expected credit losses on a portfolio basis was reduced to an insignificant amount. No refund liability has been recognised in respect of these transactions and the group's credit risk exposure to WesBank has been disclosed on the following page:

13. REFUND LIABILITIES continued

13.3 Transactions with credit risk undertakings continued

13.3.1 *WesBank - credit risk* continued

	Unaudited 30 June 2021 R'000	Audited 31 December 2020 R'000
At period end the group's credit risk exposure to WesBank under Bell-backed deals, for which the group carries all the credit risk, totalled	**135 454**	165 612
In the event of default, the equipment financed would be recovered and it is estimated that on re-sale the equipment would presently realise the following towards the above liabilities	**201 045**	262 802
	(65 591)	(97 190)
Less: allowance for expected credit losses against cash collateral	**(274)**	(4 319)
Net credit risk in respect of WesBank Bell-backed transactions	**-**	-

14. PRIOR PERIOD RESTATEMENTS AND RECLASSIFICATIONS - 30 JUNE 2020

Prior period restatements - 30 June 2020
The following errors were corrected during the December 2020 year end and the impact of these errors on the statement of financial position at 30 June 2020 has been disclosed below:

1. **Provision for standard warranty costs recognised on gross basis**
The provision for standard warranty costs for machines manufactured by the group was previously recognised on a net basis, based on the group's best estimate of the expenditure required to settle the group's obligation net of expected recoveries from third party component suppliers. This was corrected to recognise the group's obligations to customers on manufactured machines on a gross basis, without a reduction in the provision for the amounts expected to be recovered from third party component suppliers.

2. **Provision for standard warranty costs on manufactured machines beyond 12 months**
The calculation of the standard warranty provision was corrected to recognise that although the group's standard warranty policy on manufactured machines is generally for a period of 12 months after the sale of manufactured machines, past experience reflects that certain customer warranty claims are settled by the group beyond this period and that there is therefore a constructive obligation, in certain circumstances, beyond 12 months after the sale of machines. Previously, the standard warranty provision was based on the 12 month period in the standard warranty policy and conditions of sale.

3. **Warranty repair work in progress**
Warranty repair work in progress that was recognised as inventory by subsidiaries at the end of the reporting period, in respect of warranty claims received from customers, was previously recognised as inventory in the consolidated statement of financial position and was not adjusted on consolidation. This was corrected and the warranty repair work in progress at period end at subsidiaries was adjusted on consolidation to reallocate this to the standard warranty provision or to warranty expenses, as applicable.

4. **Non-controlling interest**
The non-controlling interest (NCI) was corrected for the impact of a measurement error on initial recognition of R11,2 million (increase) and for the impact of the correction of errors relating to the standard warranty provision on the relevant group operation (R5,9 million decrease in NCI).

5. **Contract assets**
Recoverable service and repair work in progress on customer machines of R38,8 million at 30 June 2020 was recognised as contract assets. This was previously incorrectly classified as inventory.

The impact of errors on the statement of cash flows for the period ended 30 June 2020 has been disclosed below:

6. **Interest-bearing receivables in statement of cash flows**
Net cash outflows of R9,8 million for the period ended 30 June 2020 in interest-bearing receivables, relating to the WesBank cash collateral, were included as part of operating activities in the consolidated statement of cash flows. Previously these cash flows were incorrectly classified as investing activities.

14. PRIOR PERIOD RESTATEMENTS AND RECLASSIFICATIONS - 30 JUNE 2020 continued

Prior period reclassifications - 30 June 2020

The following reclassifications were made during the December 2020 year end and the impact on the statement of financial position at 30 June 2020 has been disclosed below:

1. ***Contract liabilities***
The group reviewed its presentation of advance receipts from customers. As a result of this review, advance receipts of R128,4 million at 30 June 2020 from customers on sales contracts were reclassified to contract liabilities to provide comparability. The advance receipts from customers reflect the group's obligation to transfer goods or services to customers which is the nature of a contract liability. Previously this was classified as trade and other payables. The reclassification had no impact on the group's statement of profit or loss and other comprehensive income and statement of changes in equity.

2. ***Refund liabilities***
In certain instances, customers have the right to return parts that are not required within a specified period. The group reviewed its presentation of the liabilities in respect of the right to return parts. As a result of this review, liabilities in respect of right to return parts of R13,1 million at 30 June 2020 were reclassified to refund liabilities to provide comparability. These liabilities represent the group's obligation to refund the customers where parts are returned which is the nature of a refund liability. This was previously classified as trade and other payables. The reclassification had no impact on the group's statement of profit or loss and other comprehensive income and statement of changes in equity.

The restatement adjustments relating to the correction of the above errors and reclassifications in respect of the period ended 30 June 2020 are as follows:

14.1 The following items within the condensed consolidated statement of financial position were impacted by the correction of the prior period errors and reclassifications:

30 June 2020	Unaudited as previously reported R'000	Correction of errors R'000	Reclass-ifications R'000	Unaudited Restated R'000
ASSETS				
Non-current assets	1 891 497	19 873	-	**1 911 370**
Deferred taxation	199 000	19 873	-	**218 873**
Current assets	5 199 709	(23 966)	-	**5 175 743**
Inventory	3 923 715	(62 748)	-	**3 860 967**
Contract assets	-	38 782	-	**38 782**
TOTAL ASSETS	7 091 206	(4 093)	-	**7 087 113**
EQUITY AND LIABILITIES				
Capital and reserves	3 688 983	(51 103)	-	**3 637 880**
Retained earnings	2 435 427	(56 400)	-	**2 379 027**
Attributable to owners of Bell Equipment Limited	3 691 124	(56 400)	-	**3 634 724**
Non-controlling interest	(2 141)	5 297	-	**3 156**
Non-current liabilities	782 511	27 455	-	**809 966**
Provisions	5 523	27 455	-	**32 978**
Current liabilities	2 619 712	19 555	-	**2 639 267**
Trade and other payables	1 174 516	-	(141 544)	**1 032 972**
Current portion of contract liabilities	162 165	-	128 397	**290 562**
Current portion of refund liabilities	-	-	13 147	**13 147**
Current portion of provisions	74 967	19 555	-	**94 522**
TOTAL EQUITY AND LIABILITIES	7 091 206	(4 093)	-	**7 087 113**

14. PRIOR PERIOD RESTATEMENTS AND RECLASSIFICATIONS - 30 JUNE 2020 continued

14.2 The condensed consolidated statement of cash flows was impacted by the correction of the prior period errors and reclassifications:

June 2020	Unaudited as previously reported R'000	Correction of errors R'000	Reclassifications R'000	Unaudited Restated R'000
Cash operating profit before working capital changes	278 670	-	95 608	**374 278**
Cash generated from working capital	531 134	(9 797)	(95 608)	**425 729**
Cash generated from operations	809 804	(9 797)	-	**800 007**
Net cash utilised in investing activities	(58 806)	9 797	-	**(49 009)**
Within which the following were impacted:				
Increase in interest-bearing receivables	(9 797)	9 797	-	**-**

14.3 The net asset value per share was impacted by the correction of the prior period errors:

June 2020		Unaudited as previously reported	Correction of errors	Unaudited Restated
Net asset value per share				
Total capital and reserves	(R'000)	3 688 983	(51 103)	**3 637 880**
Number of shares in issue	(000)	95 629	95 629	**95 629**
Net asset value per share	(cents)	**3 858**	(53)	**3 804**

15. IMPAIRMENT CONSIDERATIONS AND IMPACT ON THE INTERIM FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2021

IAS 36 Impairment of Assets
In terms of *IAS 36 Impairment of Assets* the group is required to perform tests for impairment of assets based on the expected future cash flows pertaining to these assets whenever there is an indication that these assets may be impaired.

Consistent with the position at the 2020 financial year end, at 30 June 2021 the market capitalisation of the group of R0,955 billion (December 2020: R0,622 billion) was significantly lower than the net asset value of the group of R3,6 billion (December 2020: R3,5 billion). This is an indicator of possible impairment in terms of IAS 36. In addition, the impact of COVID is also an indicator of possible impairment. A review was performed at half year end to identify any significant changes since the impairment tests conducted at year end that may indicate that assets are impaired.

Consequently, the following steps were followed to assess assets for impairment:
1. The identification of the group's cash generating units was reviewed and it was confirmed that there has been no change in these cash generating units.
2. It was confirmed that there have been no significant changes to financial forecasts and cash flow projections since year end and therefore there is no indication of a significant change in the valuation of the cash generating units since then.

No impairment losses relating to specific cash generating units was identified from this review.

15. IMPAIRMENT CONSIDERATIONS AND IMPACT ON THE INTERIM FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2021 continued

IAS 36 Impairment of Assets *continued*

Further considerations given to impairment of assets are set out below.

15.1 Inventory

The group conducted a detailed assessment of the valuation of inventory at 30 June 2021, particularly in light of changes in certain distribution arrangements with other original equipment manufacturers. All inventory is valued at the lower of cost and net realisable value. Included in cost of sales in the current period is an amount of R10,5 million (June 2020: R13,5 million) in respect of write-downs of inventory. The group has also made inventory provisions for an amount of R55,1 million (June 2020: R73,2 million) in respect of various categories of inventory.

The following steps and considerations were taken by management as part of its assessment to determine if inventories were impaired:

- inventory was categorised by type (new equipment, used equipment and parts by product), ageing and market into which the inventory is expected to be sold.
- the impact on net realisable value of inventory affected by the changes in distribution arrangements and expected reduced movement in these categories of inventory.

15.2 Trade and interest-bearing receivables

The balances owed by customers to the group are reviewed on an ongoing basis, with specific emphasis on protecting the value of the group's security, comprising mainly the financed equipment. The group measures the allowance for expected credit losses by assessing each customer balance for a specific allowance for expected credit losses and, for balances where no specific allowance was raised, a general allowance for expected credit losses is calculated based on a collective assessment. There has been no change to this approach during the current period. No significant changes were identified and management concluded that no significant increase in the credit loss allowance on a portfolio basis was required.

As a result of the above review a decrease of R2,5 million (June 2020: increase of R5,0 million) in the allowance for expected credit losses on trade and other receivables was recognised.

At 30 June 2021, an amount of approximately R61,4 million (December 2020: R66,6 million) reflected in interest-bearing receivables was outstanding from a single customer in South Africa. No allowance for expected credit loss was raised against this receivable as management assessed that there is sufficient value in the financed machines to cover the outstanding debt.

15.3 Property, plant and equipment

There has been no change in the group's plans to use its assets to support revenue generating activities and no significant lasting impact on the planned productivity of these assets is envisaged. No impairment of property, plant and equipment was therefore considered necessary.

15.4 Intangible assets

In its assessment of intangible assets at 30 June 2021 the group conducted a review of capitalised engineering development costs and projects and concluded that no costs (December 2020: R23,3 million) were considered impaired and no projects had to be discontinued. Accordingly, no impairment was recognised in the statement of profit or loss at June 2021.

15.5 Directors' assessment of going concern

As part of the assessment of the appropriateness of adopting the going concern basis in preparing the interim results for the half year ended 30 June 2021, the directors considered the group's cash flow forecasts for the next twelve months. These forecasts are based on demand for the next 12 months. The cash flow forecast reflects that the group expects to operate within facility levels and to generate sufficient cash flows to settle its obligations when due.

Subsequent to half year end the IDC working capital facility of R550 million was extended for a further two years to 31 December 2023.

The group met all borrowings covenants at the end of the period.

The directors consider it appropriate that the interim financial statements are prepared on a going concern basis.

The board will continue to monitor the impact of the pandemic on market conditions and on the group's operations and its financial position. The focus will remain on cash preservation and working capital management.

16. POST FINANCIAL POSITION EVENTS

No fact or circumstance material to the appreciation of these condensed consolidated interim financial statements has occurred between 30 June 2021 and the date of this report.

17. DIVIDEND CONSIDERATION

Due to ongoing uncertainty regarding further waves in the COVID-19 pandemic and in the interests of prudence, the board of directors has resolved not to declare an interim dividend for the six-month period ended 30 June 2021.

By order of the board
7 September 2021

Directors
Non-executive
GW Bell (Chairman), JR Barton* (Lead Independent), AJ Bell,
DH Lawrance*, HR van der Merwe*, ME Ramathe*, R Naidu*
**Independent*

Executive
L Goosen (Group Chief Executive), A Goordeen (Alternate), KJ van Haght (Group Finance Director)

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