BELL

STRONG RELIABLE MACHINES
STRONG RELIABLE SUPPORT

2023

BELL EQUIPMENT LIMITED

CONDENSED UNAUDITED INTERIM RESULTS
for the period ended 30 June 2023

Chairman and CEO's interim results report

OVERVIEW

Strong demand in most markets resulted in the group performing well and continuing to grow, delivering an overall pleasing result. We are particularly pleased about the sales growth in this period in the North American market.

Operating conditions were challenging, with ongoing supply chain issues and staff shortages in Germany constraining growth and our ability to fully capitalise on market demand. The high global inflation and input cost increases experienced throughout 2022 continued to have an impact on margins and the financial results in the first half of 2023. In addition, the Rand weakened sharply against major currencies between the December 2022 year end and the end of June 2023. Although a weaker Rand is generally favourable for the group over the long term, it is challenging to respond to significant, sudden Rand depreciation over a short period.

Suppliers are being managed carefully and, where inventory shortages have impacted on production, buffers of certain components have been increased. Once consistency in supply is demonstrated we will be able to revert to normal inventory levels in respect of these components.

The increase in inventory and interest bearing liabilities is mainly due to a planned increase in production volumes to meet higher customer demand, as well as certain component shortages from suppliers and shipping delays from South Africa, which resulted in higher levels of components, work in progress and finished machines inventory at half year end. Although the inventory value in Rands is up R1,1 billion since 31 December 2022, inventory days are similar at 220 days at the end of June 2023 compared with 210 days at the 2022 year end.

A careful assessment of the recoverability of all significant receivables balances was conducted at half year end and provisions have been made where necessary. We are satisfied with the recoverability of trade receivables, which are at an acceptable level of 49 days.

In April the group officially notified the market of the development of its latest product, the Bell Motor Grader, which attracted significant market excitement with customers and dealers being able to experience the motor grader first-hand in preparation for the launch in late 2024. The prototype graders have been operating with great success in a wide variety of applications. It has been encouraging to see the improvements in efficiency and performance identified during the design stage being confirmed in practice on the ground on job sites.

Interest in the group's autonomous-ready E-series Articulated Dump Truck (ADT) continues to gain traction with more applications adopting the technology in several of our markets. The ease with which third party guidance systems can be integrated into the standard truck platform, positions Bell as an obvious choice for applications that want to move in this direction. Labour shortages and decreased personnel risk in dangerous applications are the more common drivers of demand for these autonomous products.

OUTLOOK

Although global markets and the group's order book are currently strong, the group is sensitive to an increasing possibility of markets softening. Europe could see some reduction in demand for ADT's with the Russia / Ukraine conflict potentially moving country-specific post-COVID-19 stimulus packages from infrastructure spending to military assets.

Completion dates for some larger infrastructure projects in Europe have also been moved out, resulting in a reduced demand for earthmoving equipment.

Load shedding of electricity, availability of vessel space for finished ADT products, and the funding required for the long working capital cycle to import components and material from the Northern Hemisphere continue to challenge the South African manufacturing operation.

The group will continue with its plan to produce more of the ADT product in its German facility which is positioned closer to suppliers and the larger markets. This is part of a project to ensure the overall resilience and sustainability of the group. The critical need for simple logistics routes has been clearly demonstrated over the last few years.

New and existing products less affected by these challenges will continue to be manufactured in the South African plant.

A grid-tied solar system is currently being installed at the Richards Bay factory to reduce the reliance on generators during load shedding. When installed, this first phase is expected to provide approximately 20% of the facility's electricity requirements.

BOARD CHANGE

On 10 July, Bell Group Chief Executive, Leon Goosen, announced his intention to leave the organisation on 31 December 2023 to pursue another opportunity. The board appreciates this advance notice, which will allow the Board time to complete its current evaluation of the benefits of potential changes to the group's operating structure before deciding on a new appointment. This process will be completed expeditiously so as not to compromise the Company's strategic positioning.

Leon and the Group Executive Committee will continue to ensure that strategies are implemented to continue our path for growth and long-term sustainability.

DIVIDEND

In line with the group's decision at the end of the previous interim period and with a view to allocating cash for targeted growth and inventory investment, the Board resolved not to declare an interim dividend.

Condensed consolidated statement of financial position

as at 30 June 2023

	Unaudited 30 June 2023 R'000	Audited 31 December 2022 R'000
ASSETS		
Non-current assets	**1 926 290**	1 894 149
Property, plant and equipment	**978 078**	944 480
Right-of-use assets	**362 559**	367 902
Intangible assets	**265 971**	260 225
Investments	**82 347**	62 935
Interest-bearing receivables and contract assets	**22 593**	44 187
Deferred taxation	**214 742**	214 420
Current assets	**8 153 720**	6 756 576
Inventory *	**5 876 738**	4 751 990
Trade and other receivables	**1 616 072**	1 278 094
Interest-bearing receivables and contract assets	**180 243**	231 242
Other assets	**208 029**	231 222
Current taxation assets	**26 624**	35 428
Cash and bank balances	**246 014**	228 600
TOTAL ASSETS	**10 080 010**	8 650 725
EQUITY AND LIABILITIES		
Capital and reserves	**4 909 805**	4 365 208
Stated capital (note 6)	**235 541**	235 541
Non-distributable reserves	**1 290 240**	1 008 484
Retained earnings	**3 318 016**	3 076 317
Attributable to owners of Bell Equipment Limited	**4 843 797**	4 320 342
Non-controlling interest	**66 008**	44 866
Non-current liabilities	**882 469**	870 682
Interest-bearing liabilities *	**179 767**	193 069
Lease liabilities	**395 589**	388 943
Contract liabilities (note 11)	**143 488**	116 159
Refund liabilities (note 12)	**4 849**	4 357
Provisions	**86 769**	78 254
Other liabilities	**19 268**	19 270
Deferred taxation	**52 739**	70 630
Current liabilities	**4 287 736**	3 414 835
Trade and other payables	**2 047 469**	1 627 003
Interest-bearing liabilities *	**633 513**	652 054
Lease liabilities	**51 435**	50 284
Contract liabilities (note 11)	**317 193**	319 894
Refund liabilities (note 12)	**40 812**	34 149
Provisions	**171 040**	142 482
Other liabilities	**11 916**	10 683
Current taxation liabilities	**67 763**	46 923
Bank overdrafts and borrowings on call	**946 595**	531 363
TOTAL EQUITY AND LIABILITIES	**10 080 010**	8 650 725

* The increase in inventory and interest-bearing liabilities is mainly due to a planned increase in production volumes to meet higher customer demand, as well as shipping delays from South Africa, which resulted in higher levels of components, work in progress and finished goods inventory. Inventory days at period end are similar to the level at 31 December 2022.

Condensed consolidated statement of profit or loss

for the period ended 30 June 2023

	Unaudited six months ended 30 June 2023 R'000	Unaudited six months ended 30 June 2022 R'000
Revenue (note 2)	**6 004 256**	4 229 344
Cost of sales	**(4 848 919)**	(3 330 771)
Gross profit	**1 155 337**	898 573
Other operating income	**151 317**	100 042
Distribution costs	**(440 230)**	(352 812)
Administration expenses	**(65 638)**	(52 445)
Factory operating expenses *	**(264 905)**	(285 539)
Profit from operating activities (note 3)	**535 881**	307 819
Net interest expense (note 4)	**(55 217)**	(21 123)
Profit before taxation	**480 664**	286 696
Taxation	**(131 756)**	(76 365)
Profit for the period	**348 908**	210 331
Profit for the period attributable to:		
- Owners of Bell Equipment Limited	**327 766**	200 071
- Non-controlling interest	**21 142**	10 260
	Cents	Cents
Earnings per share (basic) (note 5)	**343**	209
Earnings per share (diluted) (note 5)	**257**	180

* Included in factory operating expenses are costs in respect of both the factory and group services operations.

Condensed consolidated statement of comprehensive income

for the period ended 30 June 2023

	Unaudited six months ended 30 June 2023 R'000	Unaudited six months ended 30 June 2022 R'000
Profit for the period	**348 908**	210 331
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising during the period	**271 257**	(61 766)
Exchange differences on translating foreign operations	**271 257**	(56 417)
Reclassification to profit or loss of foreign currency translation reserve on deregistered operations	**-**	(5 349)
Items that may not be reclassified subsequently to profit or loss:	**10 499**	43 176
Surplus arising on revaluation of properties	**-**	57 755
Taxation relating to revaluation of properties	**-**	(13 712)
Fair value gain (loss) on investments designated as at fair value through other comprehensive income *	**10 499**	(867)
Other comprehensive income (loss) for the period, net of taxation	**281 756**	(18 590)
Total comprehensive income for the period	**630 664**	191 741
Total comprehensive income attributable to:		
- Owners of Bell Equipment Limited	**609 522**	181 481
- Non-controlling interest	**21 142**	10 260

* 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 2023

	Unaudited six months ended 30 June 2023 R'000	Unaudited six months ended 30 June 2022 R'000
Cash generated from operations before working capital changes	**790 827**	599 808
Cash utilised in working capital	**(756 571)**	(1 090 921)
Cash generated from (utilised in) operations	**34 256**	(491 113)
Interest paid	**(106 335)**	(46 556)
Interest received	**55 770**	44 615
Taxation paid	**(123 049)**	(51 693)
Net cash utilised in operating activities	**(139 358)**	(544 747)
Purchase of property, plant and equipment and intangible assets	**(90 728)**	(80 819)
Proceeds on disposal of property, plant and equipment	**2 707**	1 374
Proceeds on disposal of listed investments	**-**	2 371
Net cash utilised in investing activities	**(88 021)**	(77 074)
Interest-bearing liabilities raised	**546 466**	714 005
Interest-bearing liabilities repaid	**(604 703)**	(196 381)
Lease liabilities repaid	**(26 135)**	(24 704)
Dividends paid	**(86 067)**	(47 815)
Net cash (utilised in) generated from financing activities	**(170 439)**	445 105
Net cash outflow	**(397 818)**	(176 716)
Net bank overdrafts and borrowings on call at beginning of the period	**(302 763)**	(317 002)
Net bank overdrafts and borrowings on call at end of the period *	**(700 581)**	(493 718)
*** Comprising:**		
Cash and bank balances	**246 014**	111 434
Bank overdrafts and borrowings on call	**(946 595)**	(605 152)
Net bank overdrafts and borrowings on call at end of the period	**(700 581)**	(493 718)

Condensed consolidated statement of changes in equity

for the period ended 30 June 2023

	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 2021 - audited	235 541	940 673	2 661 457	3 837 671	24 062	3 861 733
Total comprehensive (loss) income attributable to owners of Bell Equipment Limited	-	(18 590)	200 071	181 481	-	181 481
Total comprehensive income attributable to non-controlling interest	-	-	-	-	10 260	10 260
Transfer between reserves relating to disposal of investments classified as at fair value through other comprehensive income	-	(569)	569	-	-	-
Decrease in equity-settled employee benefits reserve	-	(3 592)	3 592	-	-	-
Dividends paid	-	-	(47 815)	(47 815)	-	(47 815)
Balance at 30 June 2022 - unaudited	**235 541**	**917 922**	**2 817 874**	**3 971 337**	**34 322**	**4 005 659**
Balance at 31 December 2022 - audited	**235 541**	**1 008 484**	**3 076 317**	**4 320 342**	**44 866**	**4 365 208**
Total comprehensive income attributable to owners of Bell Equipment Limited	**-**	**281 756**	**327 766**	**609 522**	**-**	**609 522**
Total comprehensive income attributable to non-controlling interest	**-**	**-**	**-**	**-**	**21 142**	**21 142**
Dividends paid	**-**	**-**	**(86 067)**	**(86 067)**	**-**	**(86 067)**
Balance at 30 June 2023 - unaudited	**235 541**	**1 290 240**	**3 318 016**	**4 843 797**	**66 008**	**4 909 805**

Abbreviated notes to the unaudited interim results

for the period ended 30 June 2023

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 consolidated annual financial statements. The presentations and disclosures in these condensed consolidated interim financial statements are in terms of *IAS 34 Interim Financial Reporting*. There were no assets held for sale, discontinued operations or significant acquisitions within the group during the current period.

The group has adopted all of the new and amended accounting standards relevant to its operations and effective for annual reporting periods beginning 1 January 2023. The adoption of these new and 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 contracts and transport revenue, extended warranty and rental revenue.

The disaggregation below 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 2023					
Revenue					
Sale of equipment	672 477	2 255 033	1 360 097	268 470	4 556 077
Sale of parts	327 643	133 897	549 182	107 329	1 118 051
Service contracts and transport revenue	66 153	26 403	139 718	11 383	243 657
Extended warranty	50 557	2 248	-	-	52 805
Rental revenue	-	2 380	31 286	-	33 666
Total revenue - unaudited	**1 116 830**	**2 419 961**	**2 080 283**	**387 182**	**6 004 256**
June 2022					
Revenue					
Sale of equipment	468 703	1 317 304	1 086 908	116 417	2 989 332
Sale of parts	278 270	119 904	456 209	92 822	947 205
Service contracts and transport revenue	36 146	20 051	120 224	13 743	190 164
Extended warranty	39 713	2 763	-	-	42 476
Rental revenue	-	3 078	56 881	208	60 167
Total revenue - unaudited	**822 832**	**1 463 100**	**1 720 222**	**223 190**	**4 229 344**

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

	Unaudited six months ended 30 June 2023 R'000	Unaudited six months ended 30 June 2022 R'000
Timing of revenue recognition		
At a point in time		
Sale of equipment	**4 556 077**	2 989 332
Sale of parts	**1 118 051**	947 205
Service contracts and transport revenue	**243 657**	190 164
Total	**5 917 785**	4 126 701
Over time		
Extended warranty	**52 805**	42 476
Rental revenue	**33 666**	60 167
Total	**86 471**	102 643
Total revenue	**6 004 256**	4 229 344

Included in revenue for the period is an amount of R81,3 million (June 2022: R82,2 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 11).

3. PROFIT FROM OPERATING ACTIVITIES

	Unaudited six months ended 30 June 2023 R'000	Unaudited six months ended 30 June 2022 R'000
Profit from operating activities is arrived at after taking into account:		
Income		
Currency exchange gains (i)	**229 398**	200 573
The Automotive Production Development Programme - production incentives (ii)	**100 868**	69 186
Expenditure		
Amortisation of intangible assets	**18 888**	17 803
Amounts written off as credit impaired	**832**	341
Auditors' remuneration - audit and other services	**10 767**	8 217
Cash-settled employee share awards	**10 340**	4 223
Consulting fees	**15 495**	11 737
Currency exchange losses (i)	**321 371**	151 891
(Decrease) increase in allowance for expected credit losses on trade and other receivables	**(9 738)**	6 861
Depreciation of property, plant and equipment	**55 583**	69 712
Depreciation of right-of-use assets	**40 062**	28 406
Impairment loss recognised on intangible assets	**-**	8 102
Increase in contract provision - warranty	**23 636**	22 013
Lease expenses	**20 517**	12 739
Research expenses (excluding staff costs)	**19 681**	20 657
Staff costs (including directors' remuneration) (iii)	**951 554**	813 116

(i) Net currency exchange losses in the current period arose mainly on foreign currency denominated inventory purchases and trade and other payables as a result of the movement in the Rand against the USD and the Euro during the period.

(ii) Production incentives increased by 45,8% due to an increase in production volumes in the current period.

(iii) Staff costs increased by 17,0% mainly due to an increase in the workforce at the manufacturing and assembly facilities stemming from increased production volumes, and labour cost escalations.

4. NET INTEREST EXPENSE

Interest expense *	**91 816**	56 408
Interest income	**(36 599)**	(35 285)
Net interest expense	**55 217**	**21 123**

* Included in interest expense is an amount of R32,6 million (June 2022: R16,1 million) relating to the Industrial Development Corporation of South Africa (IDC) working capital facility.

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

		Unaudited six months ended 30 June 2023	Unaudited six months ended 30 June 2022
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)	**327 766**	200 071
Weighted average number of ordinary shares in issue during the period	('000)	**95 629**	95 629
Earnings per share (basic)	**(cents)**	**343**	209
Diluted earnings per share is arrived at as follows:			
Profit for the period attributable to owners of Bell Equipment Limited	(R'000)	**327 766**	200 071
Fully converted weighted average number of shares	('000)	**127 409**	110 951
Earnings per share (diluted)	**(cents)**	**257**	180

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 for 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.

		Unaudited six months ended 30 June 2023	Unaudited six months ended 30 June 2022
Headline earnings per share is arrived at as follows:			
Profit for the period attributable to owners of Bell Equipment Limited	(R'000)	**327 766**	200 071
Net (surplus) loss on disposal of property, plant and equipment	(R'000)	**(297)**	577
Taxation effect of net (surplus) loss on disposal of property, plant and equipment	(R'000)	**70**	(162)
Impairment loss on intangible assets	(R'000)	**-**	8 102
Taxation effect of impairment loss on intangible assets	(R'000)	**-**	(2 269)
Reclassification to profit or loss of foreign currency translation reserve relating to deregistered operations	(R'000)	**-**	(5 349)
Headline earnings	(R'000)	**327 539**	200 970
Weighted average number of ordinary shares in issue during the period	('000)	**95 629**	95 629
Headline earnings per share (basic)	**(cents)**	**343**	210
Diluted headline earnings per share is arrived at as follows:			
Headline earnings calculated above	(R'000)	**327 539**	200 970
Fully converted weighted average number of shares	('000)	**127 409**	110 951
Headline earnings per share (diluted)	**(cents)**	**257**	181

Headline earnings is calculated in accordance with *Circular 1/2023 Headline Earnings* issued by the South African Institute of Chartered Accountants.

		Unaudited 30 June 2023	Audited 31 December 2022
Net asset value per share:			
Net asset value per share is arrived at as follows:			
Total capital and reserves	(R'000)	4 909 805	4 365 208
Number of shares in issue	('000)	95 629	95 629
Net asset value per share	**(cents)**	**5 134**	**4 565**
Gearing ratio:			
The gearing ratio at the end of the period was as follows:			
Short-term and long-term borrowings	(R'000)	**1 759 875**	1 376 486
Cash and bank balances	(R'000)	**(246 014)**	(228 600)
Net debt	(R'000)	**1 513 861**	1 147 886
Total equity	(R'000)	**4 909 805**	4 365 208
Net debt to equity ratio	**(%)**	**30,8**	26,3

6. STATED CAPITAL

	Unaudited 30 June 2023 R'000	Audited 31 December 2022 R'000
Authorised		
100 000 000 (December 2022: 100 000 000) ordinary shares of no par value		
Issued		
95 629 385 (December 2022: 95 629 385) ordinary shares of no par value	**235 541**	235 541

7. CAPITAL EXPENDITURE COMMITMENTS

Contracted	**34 366**	25 134
Authorised, but not contracted	**137 051**	186 696
Total capital expenditure commitments	**171 417**	211 830

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 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 and manufacturing plant and a parts logistics centre in Germany which distribute product to independent dealers in North America, Europe and Asia.

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 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 mainly from the sale of equipment and aftermarket products.

8. CONDENSED SEGMENTAL ANALYSIS continued

	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 2023						
Manufacturing, assembly, logistics and dealer sales operations						
South Africa	**1 116 830**	**2 887 061**	**4 003 891**	**420 732**	**6 379 898**	**5 130 047**
Europe	**2 419 961**	**248 117**	**2 668 078**	**84 168**	**3 335 845**	**1 582 411**
Direct Sales operations						
South Africa	**2 080 283**	**10 858**	**2 091 141**	**146 167**	**1 668 183**	**1 383 215**
Rest of Africa	**387 182**	**-**	**387 182**	**37 618**	**332 275**	**123 242**
Other operations and inter-segmental eliminations *	**-**	**(3 146 036)**	**(3 146 036)**	**(152 804)**	**(1 636 191)**	**(3 048 710)**
Total - unaudited	**6 004 256**	**-**	**6 004 256**	**535 881**	**10 080 010**	**5 170 205**
June 2022						
Manufacturing, assembly, logistics and dealer sales operations						
South Africa	822 832	2 338 176	3 161 008	134 355		
Europe	1 463 100	205 792	1 668 892	75 124		
Direct Sales operations						
South Africa	1 720 222	5 963	1 726 185	84 078		
Rest of Africa	223 190	478	223 668	13 045		
Other operations and inter-segmental eliminations *	-	(2 550 409)	(2 550 409)	1 217		
Total - unaudited	4 229 344	-	4 229 344	307 819		
December 2022						
Manufacturing, assembly, logistics and dealer sales operations						
South Africa					5 546 590	4 592 601
Europe					2 697 618	1 388 537
Direct Sales operations						
South Africa					1 530 198	1 331 250
Rest of Africa					291 770	124 165
Other operations and inter-segmental eliminations *					(1 415 451)	(3 151 036)
Total - audited					8 650 725	4 285 517

* 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 - the elimination of profit 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

	Unaudited 30 June 2023 R'000	Audited 31 December 2022 R'000
Reimbursement right relating to standard warranty in respect of manufactured goods		
Reimbursement right from component suppliers in respect of standard warranties where virtual certainty of recovery has not yet been established	**58 923**	38 744

10. 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 other assets (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, bank overdrafts and borrowings on call and other liabilities (forward foreign exchange contracts).

Fair value of financial instruments

Financial assets at amortised cost
Interest-bearing receivables, trade and other receivables, excluding the value added taxation receivable, 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 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
Interest-bearing liabilities, trade and other payables, and bank overdrafts and borrowings on call are measured at amortised cost. The directors consider that the carrying amount of trade and other payables, excluding the value added taxation payable, and bank overdrafts and borrowings on call approximates their fair value due to the short-term nature of these instruments. The carrying amount of interest-bearing liabilities approximates their fair value owing to the market related interest rates on these instruments.

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 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 2023 are listed below.

	Foreign amount '000	Rate R	Market value in Rands R'000	Fair value gain (loss) R'000
June 2023				
Import contracts				
British Pound	**3 650**	**23,78**	**88 086**	**1 286**
Euro	**10 950**	**20,70**	**226 984**	**265**
Japanese Yen	**430 645**	**7,37**	**56 997**	**(1 446)**
Export contracts				
United States Dollar	**25 750**	**19,15**	**488 803**	**4 228**
December 2022				
Import contracts				
British Pound	4 000	20,70	82 070	(712)
Euro	2 450	17,49	44 556	1 695
Japanese Yen	508 759	7,87	65 767	1 157
Export contracts				
Euro	500	17,97	9 090	(102)
United States Dollar	15 876	17,84	269 478	13 783

10. 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 2,18 (December 2022: 2,06) applied to the estimated net asset value of the entity as at 30 June 2023. The price to book ratio of 2,18 (December 2022: 2,06) represents an average of observable price to book ratios of a number of entities within the 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 R12,5 million (December 2022: R12,7 million) was accounted for in other comprehensive income.

A reconciliation of this unlisted equity investment is presented below:

	Unaudited six months ended 30 June 2023 R'000	Audited twelve months ended 31 December 2022 R'000
Opening balance	**58 180**	44 636
Translation difference	**8 425**	875
Fair value gains recognised in other comprehensive income	**12 502**	12 669
Closing balance	**79 107**	58 180

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.

11. CONTRACT LIABILITIES

	Unaudited 30 June 2023 R'000	Audited 31 December 2022 R'000
Contract liabilities consist of the following:		
Advance receipts from customers	**98 718**	123 302
Deferred warranty income	**202 920**	172 498
Deferred service contract revenue	**64 802**	64 689
Deferred finance income liability	**94 241**	75 564
	460 681	436 053
Less: current portion	**(317 193)**	(319 894)
Long-term portion	**143 488**	116 159

12. REFUND LIABILITIES

	Unaudited 30 June 2023 R'000	Audited 31 December 2022 R'000
Refund liabilities relate to the following:		
Residual value risk - De Lage Landen International	**9 056**	8 138
Right-to-return parts	**36 605**	30 368
	45 661	38 506
Less: current portion	**(40 812)**	(34 149)
Long-term portion	**4 849**	4 357

13. FINANCING VENTURE WITH WESBANK

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.

Specific transactions where the group carries all the credit risk (Bell-backed deals)
These transactions are credit applications that have initially been declined by WesBank but based on the group's backing are financed through the financing venture. Where the group carries all the credit risk, the group is liable for the full balance due to WesBank by default customers. The net credit risk is reflected below. The group invested an amount with WesBank equal to 25% of the value of the financing provided by WesBank to customers as collateral in respect of Bell-backed transactions entered into prior to 2023. Thereafter, no cash collateral was required.

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, management concluded that the risk of expected credit losses on a portfolio basis was reduced to an insignificant amount.

The group's credit risk exposure to WesBank has been disclosed below:

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	**27 861**	26 724
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	**51 537**	50 291
	(23 676)	(23 567)
Net credit risk relating to WesBank Bell-backed transactions	**-**	-
The carrying amount of the 25% cash collateral in respect of certain Bell-backed transactions at period end was	**3 935**	6 801

14. RESTRICTED ACCESS TO CASH AND BANK BALANCES

The group's cash and bank balances includes an amount which forms part of the group's operation in Russia and which is not accessible by the group outside Russia due to sanctions and restrictions imposed on the transfer of funds by the Russian authorities.		
Cash and bank balances in Russia (i)	**71 158**	**40 177**

(i) There are no other significant assets in this operation.

15. IMPAIRMENT CONSIDERATIONS AND IMPACT ON THE INTERIM FINANCIAL RESULTS FOR THE PERIOD ENDED 30 JUNE 2023

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 2022 financial year end, the market capitalisation of the group at 30 June 2023 of R1,5 billion (December 2022: R1,5 billion) was significantly lower than the net asset value of the group of R4,9 billion (December 2022: R4,4 billion). This is an indicator of possible impairment in terms of IAS 36. A review was performed at period end to identify any significant changes that may indicate that assets are impaired since the impairment tests conducted at year end.

15.1 Impairment considerations of the cash-generating units (CGUs)

The following steps were followed to assess the CGUs 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 long-term financial forecasts 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 were identified from this review.

15.2 Impairment considerations of specific asset categories

Further consideration was given to the possible impairment of specific asset categories on the statement of financial position.

- ***Inventory***
  The group conducted a detailed assessment of the valuation of inventory at 30 June 2023. 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 R47,0 million (June 2022: R36,2 million) in respect of write-downs of inventory and inventory provisions.

- ***Trade and interest-bearing receivables***
  The balances owed to the group by customers are reviewed on an ongoing basis, with specific emphasis on protecting the value of the group's security, comprising mainly the financed equipment. There has been no change to the group's approach for measuring allowances for expected credit losses during the current period. At 30 June 2023, the total allowances for expected credit losses on trade and interest-bearing receivables totalled R52,0 million (December 2022: R56,5 million).

- ***Property, plant and equipment***
  There has been no change in the group's plans to use its assets to support revenue generating activities. No impairment of property, plant and equipment was considered necessary in the current period.

- ***Intangible assets***
  In its assessment of intangible assets at 30 June 2023 the group conducted a review of capitalised engineering development costs and projects and concluded that no impairment (December 2022: R9,3 million) was considered necessary. No projects had to be discontinued.

15.3 Impairment considerations of Russian operation

Due to the ongoing Russia-Ukraine conflict and sanctions imposed, the assets relating to the group's operation in Russia were tested for impairment. Access to the cash and bank balances in this operation is restricted at present (refer note 14). The carrying value of inventory in this operation amounts to R4,9 million (December 2022: R27,3 million) and this is considered to be recoverable. There are no other significant assets in this operation. No impairment losses were identified from this review.

15.4 Directors' assessment of going concern

The group's net debt at 30 June 2023 has increased to approximately R1,5 billion (December 2022: R1,1 billion) due to higher inventory as a result of higher levels of production and sales activity as well as shipping delays from South Africa.

As part of the assessment of the appropriateness of adopting the going concern basis in preparing the interim results for the period ended 30 June 2023, the directors considered the group's cash flow forecasts for the next twelve months. These forecasts are based on expected demand for the next 12 months. The cash flow forecasts reflect that the group expects to operate within facility levels and to generate sufficient cash flows to settle its obligations when due. The group's lenders continue to support the business.

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

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 2023 and the date of this report.

17. DIVIDEND

In line with the group's decision at the end of the previous interim period and with a view to allocating cash for targeted growth and inventory investment, the Board resolved not to declare an interim dividend.

By order of the board
7 September 2023

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

Executive
L Goosen** (Group Chief Executive), A Goordeen (Alternate), KJ van Haght (Group Finance Director)
*** Resigned: L Goosen resigned as Group Chief Executive with effect from 31 December 2023.*

Company Secretary
D McIlrath

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

Transfer Secretaries
JSE Investor Services Proprietary Limited
One Exchange Square, Gwen Lane, Sandown, Sandton, 2196

Sponsor
Investec Bank Limited
100 Grayston Drive, Sandown, Sandton, 2196

Release date: 11 September 2023

www.bellir.co.za

www.bellequipment.com