BELL EQUIPMENT LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1968/013656/06)
("Bell")
Share code: BEL
ISIN: ZAE000028304

PRELIMINARY AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2014	Audited	Audited
R'000	2014	2013
ASSETS		
Non-current assets	1 011 357	957 032
Property, plant and equipment	672 106	691 631
Intangible assets	203 078	149 217
Investments	548	563
Interest-bearing long-term receivables	45 357	18 297
Deferred taxation	90 268	97 324
Current assets	3 483 147	3 799 301
Inventory	2 403 437	2 784 840
Trade and other receivables	728 638	851 871
Current portion of interest-bearing long-term receivables	42 519	21 059
Prepayments	25 346	22 947
Other financial assets	2 071	578
Non-current assets held for sale	11 850	-
Taxation	10 331	11 679
Cash resources	258 955	106 327
TOTAL ASSETS	4 494 504	4 756 333
EQUITY AND LIABILITIES		
Capital and reserves	2 536 331	2 488 661
Stated capital (Note 5)	230 567	230 534
Non-distributable reserves	466 669	485 145
Retained earnings	1 831 459	1 766 067
Attributable to owners of Bell Equipment Limited	2 528 695	2 481 746
Non-controlling interest	7 636	6 915
Non-current liabilities	214 273	247 690
Interest-bearing liabilities	87 161	113 271
Repurchase obligations and deferred leasing income	-	17 871
Deferred warranty income	65 616	52 596
Long-term provisions and lease escalation	44 813	40 382
Deferred taxation	16 683	23 570
Current liabilities	1 743 900	2 019 982
Trade and other payables	1 376 773	1 193 013
Current portion of interest-bearing liabilities	40 304	52 337
Current portion of repurchase obligations and		

deferred leasing income	34 980	59 489
Current portion of deferred warranty income	59 079	48 483
Current portion of provisions and lease escalation	65 941	59 148
Other financial liabilities	4 404	4 937
Taxation	28 640	35 301
Short-term interest-bearing debt	133 779	567 274
TOTAL EQUITY AND LIABILITIES	4 494 504	4 756 333
Number of shares in issue ('000)	95 147	95 144
Net asset value per share (cents)	2 666	2 616

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2014

R'000	Audited 2014	Audited 2013
Revenue	6 608 545	6 319 104
Cost of sales	(5 067 408)	(4 890 116)
Gross profit	1 541 137	1 428 988
Other operating income	148 597	144 847
Expenses	(1 504 643)	(1 233 760)
Profit from operating activities (Note 2)	185 091	340 075
Net interest paid (Note 3)	(54 818)	(34 699)
Profit before taxation	130 273	305 376
Taxation	(63 853)	(99 623)
Profit for the year	66 420	205 753
Profit for the year attributable to:		
- Owners of Bell Equipment Limited	63 452	183 007
- Non-controlling interest	2 968	22 746
Earnings per share (basic) (cents) (Note 4)	67	193
Earnings per share (diluted) (cents) (Note 4)	66	189

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2014

R'000	Audited 2014	Audited 2013
Profit for the year	66 420	205 753
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising during the year	(21 915)	252 300
Exchange differences on translating foreign operations	(5 715)	244 106
Exchange differences on foreign reserves	(711)	8 194
Reclassification to profit or loss of foreign currency translation reserve on deregistered operations	(15 489)	-
Items that may not be reclassified subsequently to profit or loss:	-	26 304
Surplus arising on revaluation of properties	-	37 616
Taxation relating to surplus arising on revaluation of properties	-	(11 312)

Other comprehensive income for the year, net of taxation	(21 915)	278 604
Total comprehensive income for the year	44 505	484 357
Total comprehensive income attributable to:		
- Owners of Bell Equipment Limited	41 537	461 611
- Non-controlling interest	2 968	22 746

SUMMARISED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
for the year ended 31 December 2014

	Attributable to owners of Bell Equipment Limited					
R'000	Stated capital	Non-distributable reserves	Retained earnings	Total	Non-controlling interest	Total capital and reserves
Balance at 31 December 2012 - Audited	228 749	197 050	1 596 095	2 021 894	51 665	2 073 559
Total comprehensive income for the year	-	278 604	183 007	461 611	22 746	484 357
Recognition of share-based payments	-	4 704	-	4 704	-	4 704
Share options exercised	1 785	-	-	1 785	-	1 785
Dividends paid	-	-	(37 991)	(37 991)	-	(37 991)
Transactions with non-controlling interest	-	-	29 743	29 743	(67 496)	(37 753)
Increase in statutory reserves of foreign subsidiaries	-	4 787	(4 787)	-	-	-
Balance at 31 December 2013 - Audited	230 534	485 145	1 766 067	2 481 746	6 915	2 488 661
Total comprehensive income for the year	-	(21 915)	63 452	41 537	2 968	44 505
Recognition of share-based payments	-	3 132	-	3 132	-	3 132
Share options exercised	33	-	-	33	-	33
Increase in statutory reserves of foreign subsidiaries	-	307	(307)	-	-	-
Transactions with non-controlling interest	-	-	2 247	2 247	(2 247)	-
Balance at 31 December 2014 - Audited	230 567	466 669	1 831 459	2 528 695	7 636	2 536 331

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

R'000	Audited 2014	Audited 2013
Cash generated from operations before working capital changes	368 119	684 923
Cash generated from (utilised in) working capital	571 458	(694 480)
Cash generated from (utilised in) operations	939 577	(9 557)
Net interest paid	(54 818)	(34 699)
Taxation paid	(77 043)	(90 925)
Net cash generated from (utilised in) operating activities	807 716	(135 181)
Net cash utilised in investing activities	(183 600)	(237 108)
Net cash utilised in financing activities	(37 993)	(144 165)
Net cash inflow (outflow)	586 123	(516 454)
Net (short-term interest-bearing debt) cash at beginning of the year	(460 947)	55 507
Net cash (short-term interest-bearing debt) at end of the year	125 176	(460 947)
Comprising:		
Short-term interest-bearing debt	(133 779)	(567 274)
Cash resources	258 955	106 327

Net cash (short-term interest-bearing debt) at end of the year	125 176	(460 947)

ABBREVIATED NOTES TO THE PRELIMINARY AUDITED CONSOLIDATED RESULTS
for the year ended 31 December 2014

R'000	31 December 2014	31 December 2013

1 ACCOUNTING POLICIES

The consolidated financial statements from which these results are summarised have been prepared in accordance with International Financial Reporting Standards (IFRS) and the policies and methods of computation are consistent with those applied to the previous year, except for the adoption of new and amended standards and interpretations and the change in functional currencies as described below.

In the current period the functional currency of the group's operation in Zambia changed from Zambian Kwacha to United States Dollar (US Dollar) and the functional currency of the group's operation in Russia changed from Russian Rouble to Euro. These operations' primary economic environments are significantly influenced by the US Dollar (in Zambia) and the Euro (in Russia). A significant portion of sales and the cost of goods and services in these operations have been indexed against the US Dollar and Euro respectively.

In the current year the group has adopted all of the new and amended standards and interpretations relevant to its operations and effective for annual reporting periods beginning 1 January 2014. The adoption of these new and amended standards and interpretations has not had any significant impact on the amounts reported in the financial statements and in this preliminary report.

The summarised consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of properties and financial instruments. The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited's Listings Requirements for preliminary reports and the requirements of the Companies Act in South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the information as required by IAS 34 Interim Financial Reporting. The preparation of this preliminary report was supervised by the Group Finance Director, KJ van Haght CA (SA).

2 PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is arrived at after taking into account:

Income		
Currency exchange gains	195 831	181 880
Deferred warranty income	41 500	37 006
Import duty rebates	42 706	51 310
Reclassification to profit or loss of foreign currency translation reserve on		

deregistered operations	15 489	-
Royalties	4 647	2 641
Net surplus on disposal of property, plant and equipment and intangible assets	1 485	998
Expenditure		
Accrual for severance pay	21 378	-
Amortisation of intangible assets	25 280	19 604
Auditors' remuneration - audit and other services	10 214	10 399
Currency exchange losses	186 976	269 826
Depreciation of property, plant and equipment	114 881	107 839
Increase in provision for doubtful debts	69 887	-
Increase in warranty provision	6 814	8 060
Operating lease charges	128 441	122 539
Research expenses (excluding staff costs)	35 072	28 016
Staff costs (including directors' remuneration)	1 234 012	1 238 551

3 NET INTEREST PAID

Interest paid	67 722	42 047
Interest received	(12 904)	(7 348)
Net interest paid	54 818	34 699

4 EARNINGS PER SHARE

Basic earnings per share is arrived at as follows:		
Profit for the year attributable to owners of Bell Equipment Limited (R'000)	63 452	183 007
Weighted average number of ordinary shares in issue ('000)	95 146	95 062
Earnings per share (basic) (cents)	67	193
Diluted earnings per share is arrived at as follows:		
Profit for the year attributable to owners of Bell Equipment Limited (R'000)	63 452	183 007
Fully converted weighted average number of shares ('000)	95 640	96 933
Earnings per share (diluted) (cents)	66	189
Headline earnings per share is arrived at as follows:		
Profit for the year attributable to owners of Bell Equipment Limited (R'000)	63 452	183 007
Net surplus on disposal of property, plant and equipment and intangible assets (R'000)	(1 485)	(998)
Taxation effect of net surplus on disposal of property, plant and equipment and intangible assets (R'000)	416	279
Reclassification to profit or loss of foreign currency translation reserve on deregistered operations	(15 489)	-
Headline earnings (R'000)	46 894	182 288
Weighted average number of ordinary shares in issue ('000)	95 146	95 062
Headline earnings per share (basic) (cents)	49	192
Diluted headline earnings per share is arrived at as follows:		
Headline earnings calculated above (R'000)	46 894	182 288
Fully converted weighted average number of shares ('000)	95 640	96 933
Headline earnings per share (diluted) (cents)	49	188

5 STATED CAPITAL

Authorised

100 000 000 (2013: 100 000 000) ordinary shares of no par value
Issued

95 146 885 (2013: 95 144 385) ordinary shares of no par value	230 567	230 534

6 CAPITAL EXPENDITURE COMMITMENTS

Contracted	21 460	68 472
Authorised, but not contracted	59 418	147 079
Total capital expenditure commitments	80 878	215 551

7 ABBREVIATED SEGMENTAL ANALYSIS

R'000	Revenue	Operating profit (loss)	Assets	Liabilities
December 2014				
South African sales operation	2 866 868	110 591	1 048 204	763 578
South African manufacturing and logistics operation	3 757 830	(2 709)	2 684 551	1 307 601
European operation	1 917 207	42 892	907 854	683 686
Rest of Africa and other international operations	1 540 758	6 537	951 258	825 981
North American operation	374 200	(15 855)	60 719	16 934
All other operations	-	(36 913)	1 113 956	137 515
Inter-segmental eliminations *	(3 848 318)	80 548	(2 272 038)	(1 777 122)
Total	6 608 545	185 091	4 494 504	1 958 173
December 2013				
South African sales operation	2 826 034	94 234	878 142	677 524
South African manufacturing and logistics operation	4 391 050	206 850	2 809 933	1 394 737
European operation	1 564 810	48 348	1 279 303	1 053 743
Rest of Africa and other international operations	1 867 623	96 086	1 144 502	988 200
North American operation	337 176	(18 940)	177 094	141 351
All other operations	-	8 447	1 143 113	145 743
Inter-segmental eliminations *	(4 667 589)	(94 950)	(2 675 754)	(2 133 626)
Total	6 319 104	340 075	4 756 333	2 267 672

* Inter-segmental eliminations above relate to the following:
i) Revenue - the elimination of intra-group sales transactions, mainly sales from the South African manufacturing and logistics operation, to the distribution operations.
ii) Operating profit (loss) - the elimination of profit (loss) on intra-group transactions, mainly sales transactions from the South African manufacturing and logistics operation to the distribution operations, where the inventory has not yet been on-sold by the distribution operations to a third party at year-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.

R'000	31 December 2014	31 December 2013

8 CONTINGENT LIABILITIES
8.1 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. These are considered to be financial guarantee contracts.

The group is liable for all credit risks and therefore the full balance due to WesBank by default customers with regard to Bell-backed deals and a portion of the credit risk and a portion of the balance due to WesBank by default customers with regard to Bell-shared risk deals. In terms of the Bell-shared risk deals the group's exposure is calculated as a percentage of the net selling price of the equipment.

At year-end the group's credit risk exposure to WesBank under Bell-backed deals for which the group carries all the credit risk totalled	204 829	110 356
At year-end the group's credit risk exposure to WesBank under Bell-shared risk deals for which the group carries a portion of the credit risk totalled	995	3 765
In the event of default, the equipment financed would be recovered and it is estimated that they would presently realise the following towards the above liabilities	243 954	158 624
Net contingent liability	-	-

The group has entered into similar shared risk arrangements with various other institutions. These arrangements are first-loss undertakings and the group's exposure remains fixed until the capital is repaid. These are considered to be financial guarantee contracts.

At year-end the group's credit risk exposure to these financial institutions totalled	21 645	18 400
In the event of default, the equipment financed would be recovered and it is estimated that they would presently realise the following towards the above liability	25 902	21 870
	(4 257)	(3 470)
Less: Provision for non-recovery	(1 782)	-
Net contingent liability	-	-

Where customers are in arrears with these financial institutions and there is a shortfall between the estimated realisation values of equipment and the balances due by the customers to these financial institutions, an assessment of any additional security is done and a provision for any residual credit risk is made on a deal-by-deal basis.

8.2 The repurchase of equipment sold to customers and financial institutions has been guaranteed by the group for an amount of	4 420	2 224
In the event of repurchase, it is estimated that the equipment would presently realise	19 037	6 234
Net contingent liability	-	-

This relates to sales transactions with buy-back obligations where the probability of return of the equipment by the customer at the end of the buy-back period has been assessed as remote and revenue has been recognised upfront. A provision for residual value risk is recognised subsequent to initial recognition of the sale on a deal-by-deal basis, to the extent that the assessed market value of the equipment is less than the cost of meeting the buy-back obligation.

8.3 The residual values of certain equipment sold to financial institutions have been guaranteed by the group. The group's exposure is limited to the difference between the group's guaranteed amount and the financial institution's predetermined estimate.

In the event of a residual value shortfall on this equipment, the group would be exposed to a maximum amount of	8 457	16 418
Less: Provision for residual value risk	(670)	(1 458)
Net contingent liability	7 787	14 960
In certain other transactions the group has paid cash collateral as security for the residual value risk. This cash collateral is recognised as retention deposits under interest-bearing long-term receivables. In the event of a residual value shortfall on this equipment, the group would be exposed to a maximum amount equal to the cash collateral of	2 867	5 638
Less: Impairment of retention deposits	-	(668)
Net retention deposits and net contingent liability	2 867	4 970
Total net contingent liabilities	10 654	19 930

This relates to sales transactions to financial institutions which lease the equipment to customers for an agreed lease term. In certain cases, the group has a remarketing agreement with the institution for the disposal of the equipment returned after the lease term, but in all instances the group's risk is limited to the residual value risk described above.

The provision for residual value risk and the impairment of the retention deposits are based on an assessment of the market value of the equipment.

9 FINANCIAL INSTRUMENTS

Categories of financial instruments included in the statement of financial position:

- Loans and receivables at amortised cost comprising interest-bearing long-term receivables, trade and other receivables and cash resources.
The directors consider that the carrying amount of loans and receivables at amortised cost approximates their fair value.

- Financial liabilities at amortised cost comprising interest-bearing liabilities, trade and other payables and short-term interest-bearing debt.
The directors consider that the carrying amount of financial liabilities at amortised cost approximates their fair value.

- Financial assets and liabilities carried at fair value through profit or loss include forward foreign exchange contracts and fair value is determined based on a Level 2 fair value measurement. Level 2 fair value measurements are those derived from inputs other than quoted prices.

- Available for sale financial asset comprising an unlisted equity investment at cost for which a reliable fair value could not be determined.

10 INDEPENDENT AUDITOR'S REPORT

These summary consolidated financial statements for the year ended 31 December 2014 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated financial statements from which these summary consolidated financial statements were derived.

A copy of the auditor's report on the summary consolidated financial statements and of the auditor's report on the consolidated financial statements are available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's report.

The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

11 SUBSEQUENT EVENTS

The group has reviewed its cost structures group-wide to ensure alignment with revenue performance. The group's South African operations embarked on a consultation process with organised labour and other relevant stakeholders in terms of Section 189A of the Labour Relations Act. At the date of this report, a total of 124 employees had been awarded voluntary separation packages at a cost of R30,7 million. Similar restructuring processes were followed by all non-South African group operations. Of this, R21,4 million was incurred in the 2014 financial year and was accrued at year-end.

COMMENTARY

Overview

Stakeholders will be aware that the global and local environments in which we operated throughout 2014 were extremely challenging. Globally, economies were weak, with China's slowdown possibly having the largest impact. Only the USA showed any signs of resilience. Markets were impacted by the collapse of the oil price, brought on by a combination of oversupply and lower demand. This also had a negative effect on other resources and in particular, minerals, which constitutes Bell's largest market. Political turmoil in Eastern Europe and the Middle East also added to global tensions. These, together with the concerns over the spread of the Ebola virus and all the other issues around the world, simply delayed prospects of any meaningful global recovery.

In South Africa, the year started with a five month long platinum industry strike only to be followed a few weeks later by a five week long NUMSA strike. Both had significant detrimental effects on Bell's trading as the former virtually closed an industry into which Bell markets much of its product and the latter impacted Bell directly as many of its employees are NUMSA members. More recently, the electricity supply breakdowns have added to the difficulties being experienced not only by Bell's manufacturing operations but by many of our suppliers as well. As has been well documented, this is likely to persist for a few years to come.

Notwithstanding the above, Bell is well known for its innovation and resilience and will adjust its operations accordingly to meet the conditions that exist.

Financial

The financial year under review proved to be a difficult one for Bell with the Group recording a profit after tax amounting to R66.4 million, a reduction of 68% in comparison with the prior year, and earnings per share amount to 67 cents (2013:193 cents). Of these consolidated profits, R63.5 million is attributable to shareholders of Bell. Total comprehensive income attributable to shareholders of Bell fell to R42 million compared with R462 million in the prior year. The decline in the comprehensive income over the current year's profit after tax and the previous year's comprehensive income has arisen largely as a result of exchange differences on the translation of foreign operations. The net outcome of these results saw shareholders wealth (capital and reserves) rise by 2% to R2.54 billion (2 666 cents per share).

The current year's profit after tax is disappointing as sales increased by 5% and overall gross profit in Rand terms improved by 8% in comparison with the previous year. Unfortunately this improvement in gross profit was more than offset by increased expenses stemming largely from an increased under recovery of fixed overheads as production was curtailed and an increase in the doubtful debts provision. This was especially pronounced in the second half of the year.

The abovementioned fall in profits is largely the result of the continuing weakness and unpredictability of the resource based economy and closer to home, the delayed impact of the protracted strikes and labour unrest. This has caused disruption to mining production which in turn has resulted in orders for equipment not being fulfilled.

In contrast to the above, there has been a particularly pleasing improvement in working capital management during the year under review. Both inventories and trade receivables are significantly lower than in the previous year. This has resulted in a vastly improved positive cash flow for the year under review of R586 million which in turn has resulted in a net cash position at year end amounting to R125 million in comparison with the previous year's net short term interest bearing debt obligations of R461 million.

Operational issues

The range of products marketed by Bell continue to be well accepted by our customers and we maintain our reputation as innovators in the market. The company continues to upgrade its various facilities and a new Customer Service Centre was opened during the year in Kitwe, Zambia. Bell also continues to invest significantly into research and development to ensure it remains at the forefront of the industry and to this end, will be displaying its new range of large E-Series trucks at two major industry trade shows later this year – Intermat in France and BAUMA in South Africa. These trucks will be available to worldwide markets in 2016.

The drop in demand for mining-related products resulted in reduced throughput in the Group's production facilities which in turn led to an under recovery of fixed overheads. Further capacity exists at each of Bell's plants and it is hoped that increased utilization will return in the not too distant future. Management continues to be active in trying to secure new markets for the Group's products and to identify new products to manufacture in order to increase production throughput. Management is also seeking out new sources of supply for the products required in our production processes with a view to achieving cost savings and reducing supply lead times.

Notwithstanding the strikes referred to above, a good relationship exists with the vast majority of employees and the Unions which represent the scheduled staff, something that is critical from an operational point of view. It did however become necessary to reduce staff numbers and costs with the result that the Group embarked upon a restructuring and right-sizing exercise towards the end of the financial year and this has extended into the first quarter of 2015.

We continue to engage with government at various levels. We are fully supportive of, and encouraged by, the government's plans to expand production in the value-added sectors where high employment and growth multipliers are present. South Africa desperately needs to stimulate employment and the manufacturing sector is one of the areas where this can best be achieved. We look forward to ongoing interaction with government as we seek to find ways in which we can profitably develop the local supply base and increase employment.

Outlook

The start to the year ahead has been modest and apart from signs that North America is on the road to recovery, it is difficult to be too optimistic about the prospects for the global economy for the year ahead. There are clearly still concerns in the Eurozone with the political upheavals in Eastern Europe compounding the lack of confidence in economic growth for that region. As mentioned earlier in this statement however, plans are being developed and implemented to address these issues in order that Bell can maintain its competitive edge in the global marketplace. Within South Africa, the projected increase in infrastructure spend should have a positive impact upon Bell, although its timing remains uncertain.

By order of the Board

BELL EQUIPMENT LIMITED

12 March 2015

Directors
MA Mun-Gavin* (Chairman)

GW Bell (Group Chief Executive)
KJ van Haght (Group Finance Director)
L Goosen, JR Barton*, B Harie*
TO Tsukudu*, DJJ Vlok*, AJ Bell**
* Independent non-executive director
** Non-executive director

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(A division of FirstRand Bank Limited)

Release date: 16 March 2015

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