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 2015

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2015	Audited	Audited
R'000	2015	2014
ASSETS		
Non-current assets	1 026 915	1 011 357
Property, plant and equipment	686 608	672 106
Intangible assets	213 305	203 078
Investments	665	548
Interest-bearing long-term receivables	29 763	45 357
Deferred taxation	96 574	90 268
Current assets	3 826 145	3 483 147
Inventory	2 862 652	2 403 437
Trade and other receivables	740 911	728 638
Current portion of interest-bearing long-term receivables	41 759	42 519
Prepayments	36 992	25 346
Other financial assets	12 783	2 071
Non-current assets held for sale	-	11 850
Taxation	26 827	10 331
Cash resources	104 221	258 955
TOTAL ASSETS	4 853 060	4 494 504
EQUITY AND LIABILITIES		
Capital and reserves	3 004 291	2 536 331
Stated capital (Note 5)	230 567	230 567
Non-distributable reserves	765 277	466 669
Retained earnings	2 001 086	1 831 459
Attributable to owners of Bell Equipment Limited	2 996 930	2 528 695
Non-controlling interest	7 361	7 636
Non-current liabilities	287 246	214 273
Interest-bearing liabilities	111 885	87 161
Repurchase obligations and deferred leasing income	3 820	-
Deferred income	66 543	65 616
Long-term provisions and lease escalation	51 376	44 813
Deferred taxation	53 622	16 683
Current liabilities	1 561 523	1 743 900
Trade and other payables	1 014 921	1 376 773
Current portion of interest-bearing liabilities	57 719	40 304
Current portion of repurchase obligations and deferred leasing income	1 042	34 980
Current portion of deferred income	71 774	59 079
Current portion of provisions and lease escalation	53 783	65 941
Other financial liabilities	20 593	4 404
Taxation	37 898	28 640
Short-term interest-bearing debt	303 793	133 779
TOTAL EQUITY AND LIABILITIES	4 853 060	4 494 504
Number of shares in issue ('000)	95 147	95 147
Net asset value per share (cents)	3 158	2 666

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2015

R'000	Audited 2015	Audited 2014
Revenue	5 901 431	6 608 545
Cost of sales	(4 554 157)	(5 067 408)
Gross profit	1 347 274	1 541 137
Other operating income	184 523	148 597
Expenses	(1 240 033)	(1 504 643)
Profit from operating activities (Note 2)	291 764	185 091
Net interest expense (Note 3)	(58 901)	(54 818)
Profit before taxation	232 863	130 273
Taxation	(64 008)	(63 853)
Profit for the year	168 855	66 420
Profit for the year attributable to:		
- Owners of Bell Equipment Limited	168 280	63 452
- Non-controlling interest	575	2 968
Earnings per share (basic)(cents) (Note 4)	177	67
Earnings per share (diluted)(cents) (Note 4)	177	66

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2015

R'000	Audited 2015	Audited 2014
Profit for the year	168 855	66 420
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising during the year	297 520	(21 915)
Exchange differences on translating foreign operations	283 288	(5 715)
Exchange differences on foreign reserves	14 232	(711)
Reclassification to profit or loss of foreign currency translation reserve on deregistered operations	-	(15 489)
Other comprehensive income (loss) for the year, net of taxation	297 520	(21 915)
Total comprehensive income for the year	466 375	44 505
Total comprehensive income attributable to:		
- Owners of Bell Equipment Limited	465 800	41 537
- Non-controlling interest	575	2 968

SUMMARISED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
for the year ended 31 December 2015

	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 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
Total comprehensive income for the year	-	297 520	168 280	465 800	575	466 375

Recognition of share-based payments	-	1 585	-	1 585	-	1 585
Decrease in statutory reserves of foreign subsidiaries	-	(497)	497	-	-	-
Transactions with non-controlling interest	-	-	850	850	(850)	-
Balance at 31 December 2015 - Audited	230 567	765 277	2 001 086	2 996 930	7 361	3 004 291

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2015

R'000	Audited 2015	Audited 2014
Cash generated from operations before working capital changes	396 283	368 119
Cash (utilised in) generated from working capital	(610 080)	571 458
Cash (utilised in) generated from operations	(213 797)	939 577
Net interest paid	(52 991)	(54 818)
Taxation paid	(45 167)	(77 043)
Net cash (utilised in) generated from operating activities	(311 955)	807 716
Net cash utilised in investing activities	(54 194)	(183 600)
Net cash generated from (utilised in) financing activities	41 401	(37 993)
Net cash (outflow) inflow	(324 748)	586 123
Net cash (short-term interest-bearing debt) at beginning of the year	125 176	(460 947)
Net (short-term interest-bearing debt) cash at end of the year	(199 572)	125 176
Comprising:		
Short-term interest-bearing debt	(303 793)	(133 779)
Cash resources	104 221	258 955
Net (short-term interest-bearing debt) cash at end of the year	(199 572)	125 176

ABBREVIATED NOTES TO THE PRELIMINARY AUDITED CONSOLIDATED RESULTS
for the year ended 31 December 2015

R'000	31 December 2015	31 December 2014

1 ACCOUNTING POLICIES

The summarised consolidated financial statements 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 changes as described below.

In the current year the functional currency of the group's operation in Mozambique changed from Meticais to United States Dollar (US Dollar). The operation's primary economic environment is significantly influenced by the US Dollar. A significant portion of sales and the cost of goods and services in this operation has been indexed against the US Dollar.

In the current year the group's internal organisational structure changed due to group restructuring processes. This caused the composition of its reportable segments to change. The operating segment information for the previous year has been restated accordingly.

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 2015. 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 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 and consolidated financial statements from which these results are summarised 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	239 526	195 831
Deferred warranty income	51 627	41 500
Decrease in warranty provision	21 330	-
Import duty rebates	57 153	42 706
Reclassification to profit or loss of foreign currency translation reserve on deregistered operations	-	15 489
Royalties	4 447	4 647
Net surplus on disposal of non-current assets held for sale	7 073	-
Net surplus on disposal of property, plant and equipment and intangible assets	6 041	1 485
Expenditure		
Amortisation of intangible assets	25 374	25 280
Amounts written off as uncollectible	11 924	-
Auditors' remuneration - audit and other services	9 683	10 214
Currency exchange losses	234 940	186 976
Depreciation of property, plant and equipment	143 304	114 881
Increase in provision for doubtful debts	6 412	69 887
Increase in warranty provision	-	6 814
Operating lease charges	132 823	128 441
Research expenses (excluding staff costs)	29 978	35 072
Severance pay	26 240	21 378
Staff costs (including directors' remuneration)	1 213 065	1 234 012

3 NET INTEREST EXPENSE

Interest expense	70 787	67 722
Interest income	(11 886)	(12 904)
Net interest expense	58 901	54 818

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)	168 280	63 452
Weighted average number of ordinary shares in issue ('000)	95 147	95 146
Earnings per share (basic) (cents)	177	67
Diluted earnings per share is arrived at as follows:		
Profit for the year attributable to owners of Bell Equipment Limited (R'000)	168 280	63 452
Fully converted weighted average number of shares ('000) *	95 147	95 640
Earnings per share (diluted) (cents)	177	66

* There has been no dilutive effect in the current year as the option exercise prices exceeded the average market price.

Headline earnings per share is arrived at as follows:		
Profit for the year attributable to owners of Bell Equipment Limited (R'000)	168 280	63 452
Net surplus on disposal of property, plant and equipment, intangible assets		

and non-current assets held for sale (R'000)	(13 114)	(1 485)
Taxation effect of net surplus on disposal of property, plant and equipment, intangible assets and non-current assets held for sale (R'000)	3 672	416
Reclassification to profit or loss of foreign currency translation reserve on deregistered operations	-	(15 489)
Headline earnings (R'000)	158 838	46 894
Weighted average number of ordinary shares in issue ('000)	95 147	95 146
Headline earnings per share (basic) (cents)	167	49
Diluted headline earnings per share is arrived at as follows:		
Headline earnings calculated above (R'000)	158 838	46 894
Fully converted weighted average number of shares ('000)	95 147	95 640
Headline earnings per share (diluted) (cents)	167	49

5 STATED CAPITAL

Authorised		
100 000 000 (2014: 100 000 000) ordinary shares of no par value		
Issued		
95 146 885 (2014: 95 146 885) ordinary shares of no par value	230 567	230 567

6 CAPITAL EXPENDITURE COMMITMENTS

Contracted	3 827	21 460
Authorised, but not contracted	46 260	59 418
Total capital expenditure commitments	50 087	80 878

7 ABBREVIATED SEGMENTAL ANALYSIS

R'000	Revenue	Operating profit (loss)	Assets	Liabilities
December 2015				
South African sales operation	2 435 925	70 112	1 155 685	822 850
South African manufacturing and logistics operation	3 782 318	148 671	2 558 768	1 109 465
European operation	1 806 920	65 273	1 130 113	692 910
Rest of Africa operation	916 810	21 634	872 073	693 034
North American operation	560 413	301	95 996	29 152
All other operations	-	(40 360)	1 342 185	153 523
Inter-segmental eliminations *	(3 600 955)	26 133	(2 301 760)	(1 652 165)
Total	5 901 431	291 764	4 853 060	1 848 769
December 2014				
South African sales operation	2 866 868	110 591	1 048 204	763 578
South African manufacturing and logistics operation (restated) **	4 048 935	28 107	2 700 494	1 337 174
European operation	1 917 207	42 892	907 854	683 686
Rest of Africa operation (restated) **	1 014 020	4 229	684 994	569 464
North American operation	374 200	(15 855)	60 719	16 934
All other operations	-	(36 913)	1 113 956	137 515
Inter-segmental eliminations (restated) *	(3 612 685)	52 040	(2 021 717)	(1 550 178)
Total	6 608 545	185 091	4 494 504	1 958 173

* 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.

** In the current period the group's internal organisational structure changed due to group restructuring processes. This caused the composition of its reportable segments to change. Previously revenue from independent dealers in Africa, South America and Australasia was included under the Rest of Africa and other international operations segment. This is now reported under the South African manufacturing and logistics operation. The operating segment information for the previous year has been restated accordingly.

R'000	31 December 2015	31 December 2014
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	211 581	204 829
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	1 997	995
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	319 208	243 954
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	14 566	21 645
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 liability	27 839	25 902
	(13 273)	(4 257)
Less: provision for non-recovery	(262)	(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	945	4 420
In the event of repurchase, it is estimated that the equipment would presently realise	3 404	19 037
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	28 335	8 457
Less: provision for residual value risk	-	(670)
Net contingent liability	28 335	7 787

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	2 072	2 867
Less: impairment of retention deposits	(2 072)	-
Net retention deposits and net contingent liability	-	2 867
Total net contingent liabilities	28 335	10 654

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 summarised consolidated financial statements for the year ended 31 December 2015 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 summarised consolidated financial statements were derived.

A copy of the auditor's report on the summarised 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

No fact or circumstance material to the appreciation of this report has occurred between 31 December 2015 and the date of this report.

COMMENTARY

Overview

The group's results reflect the extremely tough trading conditions of the past year, brought about primarily by increased pressure on commodity prices and the resultant further slowdown of the majority of world markets in which the group operates. Mining dependent southern hemisphere markets contracted further and demand for the group's primary ADT product is increasingly shifting to northern hemisphere markets. Prices of copper and gold, commodities which the group's mining related customers are dependent on, have reduced by 56% and 13% respectively in the last 5 years.

The Rand depreciated by 35% against the US Dollar and 21% against the Euro in 2015. Although this provides the group as a local manufacturer with a competitive advantage on pricing, in the medium to long term this is not good news for the local economy as a whole and will drive costs up in due course.

The resilience of Bell should however not be underestimated and the board and management will continue to take all reasonable steps to best position the company to weather the on-going economic challenges.

Financial

Although the group recorded a profit after tax of R169 million, an increase of 154% in comparison with the prior year, machine sales volumes and sales in Rand terms reduced in all markets other than in North America. The impact of the weaker Rand on translation of sales denominated in foreign currencies was not sufficient to offset the impact of the reduction in sales volumes. Total comprehensive income attributable to shareholders of Bell increased to R466 million in 2015 compared with R42 million in the prior year. The current year's comprehensive income significantly exceeded the current year's profit after tax due to the substantial depreciation of the Rand in 2015 and the impact of this on exchange differences on the translation of the results and net assets of foreign operations into Rand. This also contributed to the increase in shareholders' wealth (capital and reserves), which rose by 18% to R3 billion and 3158 cents per share.

The right-sizing and cost reduction initiatives implemented in 2015 along with foreign currency gains during the year due to the weakening of the South African Rand against major world currencies and also the strengthening of the US Dollar against the Euro, contributed to the improved profitability. Higher production volumes at both the Richards Bay and Kindel facilities also aided profitability in 2015.

From a strategic perspective the business continues to focus on reducing production costs without compromising on quality, managing the investment in working capital, adding products and services to our distribution networks and further capturing diversification opportunities. The investment in inventory at year-end was higher than target and management will focus on improving these levels in 2016. Matching production levels to an accurate prediction of market volumes in the current unpredictable economic climate remains a challenge.

We are satisfied with the progress made in the North American market and are particularly optimistic about future opportunities to increase market share in this, the largest capital equipment market in the world.

Operational issues

In South Africa, political and economic challenges and concerns deepened in 2015, particularly towards the end of the year when confidence in the current government was tested and the currency depreciated sharply.

Concerns regarding the increasing cost of doing business in South Africa, including the impact of price increases and interruption of electricity supply, remain.

Notwithstanding the above, the group continues to engage with government at various levels and would encourage and support greater dialogue between industry and government, especially regarding government's plans to expand its support in the value-add and manufacturing sectors. We remain supportive of all initiatives to improve our economy and to stimulate employment in our industry.

Transformation

Bell Equipment remains committed to transformation and BBBEE in South Africa. Strategies and action plans have been developed to achieve compliance under the Revised Codes of Good Practice. A key strategic element in achieving compliance will be the introduction of a BBBEE equity partner at Bell Equipment Sales South Africa Limited and the process to achieve this has commenced.

Directorate

On 1 January 2016 we welcomed Derek Lawrance and Hennie van der Merwe to the board, as independent non-executive directors. Both men have vast experience that will complement and add value to our board.

At the annual general meeting on 5 May 2016 we will bid farewell to Danie Vlok, who is retiring after 20 years of exceptional service as an independent non-executive director. His knowledge and perspectives have been greatly valued and we extend our appreciation for his commitment to the company and best wishes in his retirement.

Outlook

The group expects markets to remain flat during 2016. Over the past two years the group has made a significant investment into upgrading its branch infrastructure to be able to offer modern, state-of-the-art facilities that better serve our customers' needs. Going forward we will continue to deliver on our customer needs globally and count on their ongoing support to see us through these difficult times.

Expansion of our dealer network will remain key to our business going forward with positive results attributable to growing this network specifically in the Americas during 2015.

While prospects for 2016 are stagnant, the group's long-term strategies are innovative and dynamic to position the company for growth and success once markets have regained some of their lustre.

Any reference to the future financial performance of the company has not been reviewed and reported on by the company's external auditors.

By Order of the Board

BELL EQUIPMENT LIMITED
11 March 2016

Directors
Non-executive
JR Barton* (Chairman), AJ Bell, B Harie*, DH Lawrance*, TO Tsukudu*,
HR van der Merwe*, DJJ Vlok*
*Independent
Appointed: DH Lawrance and HR van der Merwe were appointed as
directors with effect from 1 January 2016
Resignation: MA Mun-Gavin resigned as director on 4 May 2015
Executive
GW Bell (Group Chief Executive), KJ van Haght (Group Finance
Director), L Goosen (Chief Operating Officer)

Company Secretary
D McIlrath (appointed 1 March 2016)
Highway Corporate Services Proprietary Ltd
(resigned 29 February 2016)

Registered Office
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Transfer Secretaries
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Sponsor
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www.bellequipment.com