Bell Equipment Limited
www.bellequipment.com

BELL EQUIPMENT LIMITED | ANNUAL REPORT 2007

07

Bell Equipment Limited
ANNUAL REPORT 2007

strong
reliable
machines

strong
reliable
products

Products built with tomorrow's technology and today's passion

1: Articulated Dump Trucks

The primary product of the group, designed and manufactured in Richards Bay, South Africa and assembled at facilities in Eisenach, Germany and Davenport, USA. The range commences with the 18 tonne unit and progresses to the flagship B50D. *For more information see page 19.*

2: Tractor Loader Backhoes

The side shift TLB is manufactured under licence in Richards Bay and Bell Equipment Company also exports some of the output to the East on behalf of John Deere. Since production commenced two years ago these machines have made steady progress in capturing market share. *For more information see page 23.*

3: Cane Loaders

The pioneer product which gave Bell Equipment its roots in South Africa is still much used in the sugar industry in many countries around the world. *For more information see page 28.*

4: Compaction Rollers

Bell Equipment imports these as fully assembled units and distributes them as part of our 'One Stop Shop' offering to the construction industry. *For more information see page 41.*

5: Bell Loggers

A derivative of the highly successful Tri-Wheeler product concept Bell Loggers are to be found in the forestry industry delivering reliable service and often are the foundation machinery of emerging contractors. *For more information see page 28.*

6: Bell Graders

These Deere-designed machines are imported as fully assembled units and marketed and supported by Bell Equipment customer service centres. *For more information see page 41.*

7: Excavators

Bell Equipment has had a long association with Kato Works from whom fully assembled excavators are purchased and marketed as reliable support machines for the ADT range. *For more information see page 41.*

8: Front End Loaders

A full range of strong and reliable Front End Loaders is manufactured in Richards Bay under a licensing arrangement with John Deere. These units are value propositions for direct ownership and are also well represented in rental fleets. *For more information see page 34.*

glossary of terms

ADT	Articulated Dump Truck
BBBEE	Broad-based Black Economic Empowerment
BECSA	Bell Equipment Company SA (Pty) Limited
BESSA	Bell Equipment Sales SA Limited
EU	European Union
FEL	Front End Loader
ISO	International Standards Organisation
JSE	Johannesburg Stock Exchange
MIDP	Motor Industry Development Programme
TLB	Tractor Loader Backhoe
WCO	World-class Organisation

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contents

Nature of the business

The group manufactures, distributes and supports a wide range of materials handling equipment including Articulated Dump Trucks, Front End Loaders, Tractor Loader Backhoes, timber and sugar cane harvesting and loading machines, Haulage Tractors, Graders and Excavators. After sales operations include service, refurbishment and parts supply.

Through an extensive network of customer service centres and distributors in many parts of the world, the group is able to meet the requirements of customers in the mining, construction, forestry and agriculture industries where it is regarded as a leader in these markets.

BELL EQUIPMENT

Bell machines deliver lowest cost per tonne operating performance in a variety of industries throughout the world.

Strategic objectives

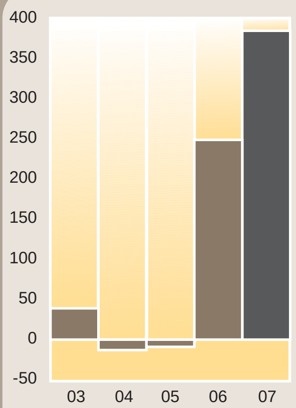
Strategic objectives, backed up by detailed action plans that are implemented effectively, are a feature of our business. In broad terms the focus areas are:

Objective	What this entails	How we have performed
Our customers	We aim to deliver quality in all our dealings	Increased customer base and repeat business indicates customer satisfaction
Our people	We will develop our people to their fullest potential and reward them appropriately	Only earthmoving company with an apprenticeship scheme; increased payouts in incentives; lower labour turnover; improved result in ‘Best company to work for’ survey
Quality	We aim to produce and deliver quality products and services that are at the forefront of the market and to extend our ethic of continuous improvement in all our operations	Lowest warranty claims on record; commitment to research and development that led to numerous product improvements in the year; factory upgrades
Cost management	We aim to operate in the most cost-effective manner so as to deliver the best possible yield to our stakeholders	Improved gross margins; highest net profit on record; improvement in net asset value per share
Working capital management	We will manage our operations effectively in order to be a sustainable business	Targets for inventory levels were not met resulting in borrowings being higher than planned

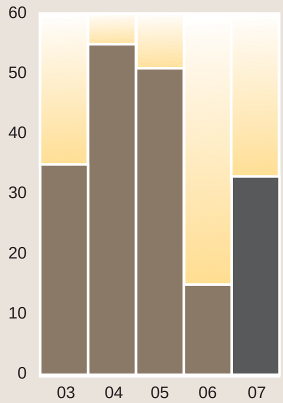

BELL
High mechanical availability gives Bell a competitive edge

Financial snapshot

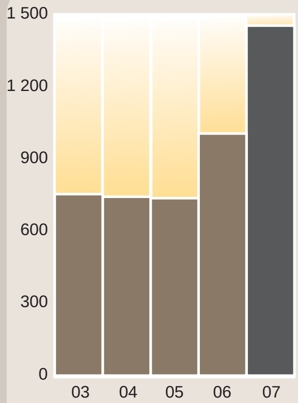
of the year ended 31 December 2007



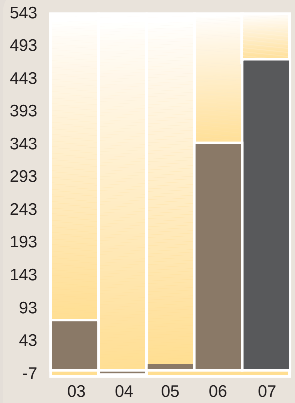
Earnings (loss) per share
(cents)



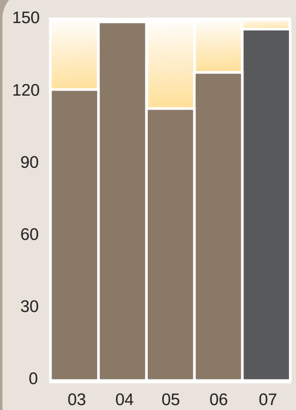
Gearing
(%)



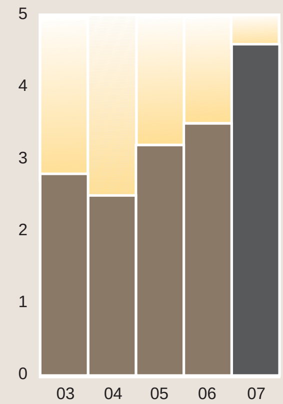
Net asset value per share
(cents)



Profit (loss) before taxation
(R'm)



Trade cycle
(days)



Revenue
(R'bn)

The group has had a successful year with improvements in most key indicators.

BELL EQUIPMENT

Global distribution

south africa

- Bell Equipment Limited • Bell Equipment Company SA (Pty) Limited • Bell Equipment Group Insurance Brokers (Pty) Limited • Bell Equipment Sales SA Limited

rest of africa

- Bell Equipment Co Swaziland (Pty) Limited • IA Bell Equipment Co Namibia (Pty) Limited
- Bell Equipment (Zambia) Limited • Bell Equipment Mozambique Limitada • Bell PTA (Pvt) Limited • Bell Equipment (Malawi) Limited • Bell Equipment (DRC) SPRL • Plus 17 independent dealerships in other countries

europe

- Bellinter Holdings SA • Bell Equipment Switzerland SA • Bell France SARL • Bell Equipment UK Limited • Bell Equipment (Deutschland) GmbH • Bell Equipment Spain SA • Plus dealerships in 14 other countries and 55 dealers in the EU

the americas

- Bell Equipment North America Inc • 156 John Deere dealerships for ADTs in the USA; five dealers in South America for forestry and sugar products

australasia

- Bell Equipment Australia (Pty) Limited • Bell Equipment (NZ) Limited • Bell Equipment (SEA) Pte Limited • Plus Hitachi has 11 ADT dealers; Bell has 10 forestry and cane products dealers

Group structure

Bell Equipment Limited

with effect 1 January 2008

SOUTHERN AFRICAN COMPANIES

- 100%
  - Bell Equipment Company SA (Pty) Limited
  - Bell Equipment Group Insurance Brokers (Pty) Limited
  - Bell Equipment Finance Company (Pty) Limited
- 70%
  - Bell Equipment Sales SA Limited
    - IA Bell Equipment Co Namibia (Pty) Limited
    - Bell Equipment Co Swaziland (Pty) Limited

INTERNATIONAL COMPANIES

- 100%
  - Bell Equipment Australia (Pty) Limited
  - Bell Equipment (NZ) Limited
  - Bell Equipment (SEA) Pte Limited
  - Bell Equipment (Zambia) Limited
  - Bell Equipment Mozambique Limitada
  - Bell Equipment North America Inc
  - Bell Equipment (Malawi) Limited
  - Bell PTA (Pvt) Limited
  - Bell France SARL
    - Bell Equipment Spain SA
  - Bell Equipment UK Limited
    - Heathfield Haulamatic Limited
  - Bell Equipment (Deutschland) GmbH
  - Bell Equipment (DRC) SPRL
  - Bell Equipment Switzerland SA

The success story continues...

1954

initiation

Irvine Bell started a small engineering and mechanical repair workshop in Zululand, South Africa.

1977

growth

Bell Equipment already well represented in South Africa, expanded offshore by opening its first assembly facility in Mauritius, and four years later in New Zealand.

1984

expansion

The first Bell Articulated Dump Truck was manufactured and the company expanded its production facilities by opening a modern factory in Richards Bay, South Africa.

1995

consolidation

The company was granted a main board listing on the Johannesburg Stock Exchange.

2000

progression

As a result of a number of strategic alliances the company embarked on further expansion and soon afterwards established a factory in Germany and licensed John Deere to assemble ADTs in the USA.

2007

transformation

The company became the first equipment manufacturer in South Africa to set up a meaningful BBBEE structure.

Five-year review

for the year ended 31 December 2007

	2007 R000	2006 R000	2005 R000	2004 R000	2003 R000
INCOME STATEMENT					
Revenue	4 624 961	3 533 177	3 209 233	2 526 488	2 778 279
Cost of sales	(3 647 808)	(2 739 263)	(2 701 658)	(2 053 943)	(2 173 237)
Gross profit	977 153	793 914	507 575	472 545	605 042
Net operating costs	(482 891)	(425 750)	(481 351)	(454 619)	(507 101)
Operating profit before finance costs	494 262	368 164	26 224	17 926	97 941
Net finance costs	(19 696)	(21 127)	(22 404)	(24 408)	(21 233)
Profit (loss) before taxation	474 566	347 037	3 820	(6 482)	76 708
Taxation	(109 657)	(110 880)	(12 017)	(6 169)	(40 054)
Profit (loss) after taxation	364 909	236 157	(8 197)	(12 651)	36 654
Shares in issue (000)	94 858	94 817	94 763	94 246	94 224
Shares in issue (000) (wt avg)	94 840	94 771	94 567	94 237	94 219
Earnings (loss) per share (cents)	385	249	(9)	(13)	39
Dividend per ordinary share (cents)	25	–	–	–	–
Net asset value per share (cents)	1 456	1 007	738	744	755
BALANCE SHEET					
Property, plant and equipment	426 649	318 140	229 755	219 200	154 819
Intangible assets	8 328	7 074	7 639	–	–
Investments and long-term receivables	24 695	20 637	50 885	57 553	56 389
Deferred taxation	13 961	22 464	7 486	43	16 560
Inventory	1 698 820	1 219 834	928 838	1 056 828	855 791
Trade and other receivables	662 828	378 983	361 812	213 139	191 518
Prepayments and current portion of long-term receivables	23 813	25 757	19 860	18 145	59 891
Taxation	1 865	1 623	2 194	21 457	15
Cash and bank balances	20 708	47 740	33 138	13 081	63 744
Total assets	2 881 667	2 042 252	1 641 607	1 599 446	1 398 727
Shareholders' equity	1 380 869	954 912	699 259	701 462	711 257
Long-term portion of provisions, repurchase obligations and deferred income	138 155	156 052	84 647	46 620	20 681
Current portion of provisions, repurchase obligations and deferred income	74 183	93 060	74 606	63 510	56 849
Interest-bearing liabilities	108 462	4 786	7 485	10 353	13 150
Trade and other payables	758 984	557 330	390 340	391 952	291 291
Taxation	52 927	88 741	–	–	3 490
Short-term interest-bearing debt	368 087	187 371	385 270	385 549	302 009
Total equity and liabilities	2 881 667	2 042 252	1 641 607	1 599 446	1 398 727

	2007	2006	2005	2004	2003
KEY RATIOS					
Operating ratios					
Operating margin (%)	11	10	1	1	4
(Operating profit) / (Revenue)					
Return on total assets (%)	20	20	2	1	7
(Operating profit) / (Average total assets, excluding cash)					
Financial ratios					
Gearing (%)	33	15	51	55	35
(Interest-bearing liabilities) / (Total shareholders' funds)					
Interest cover (times)	25	17	1	1	5
(Operating profit) / (Net interest paid)					
Overall performance					
Return on shareholders' funds (%)	31	29	(1)	(2)	5
(Profit (loss) after tax) / (Average shareholders' funds)					
Gross profit to revenue (%)	21	22	16	19	22
Working capital days trade cycle					
Inventory	170	163	125	188	144
Receivables	52	39	41	31	25
Payables	(76)	(74)	(53)	(70)	(49)
Total	146	128	113	149	120
ABBREVIATED CASH FLOW STATEMENT					
R000					
Cash operating profit before working capital changes	533 797	429 378	73 048	9 280	127 978
Cash invested in working capital	(564 005)	(143 931)	(23 146)	(89 712)	(95 356)
Cash (utilised) generated from operations	(30 208)	285 447	49 902	(80 432)	32 622
Net finance costs paid	(19 696)	(21 127)	(22 404)	(24 408)	(21 233)
Taxation (paid) refunded	(158 285)	(36 269)	501	(28 984)	(62 599)
Net cash (utilised) generated from operating activities	(208 189)	228 051	27 999	(133 824)	(51 210)
Net cash flow utilised from investing activities	(69 745)	(100 904)	(41 085)	(70 034)	(40 975)
Net cash flow generated (utilised) from financing activities	70 186	85 354	33 422	69 655	(43 868)
Net cash (outflow) inflow	(207 748)	212 501	20 336	(134 203)	(136 053)

Chairman's statement

Howard Buttery

Group Chairman
Bell Equipment
Limited

Another exceptional year for the group… the highest pre- and post-tax profits in its history

Unprecedented demand in the mining industry worldwide, as a result of strong commodity prices, has seen the requirement for our range of equipment at its strongest levels ever

For the second successive year I am pleased to advise all stakeholders that the group has recorded the highest pre- and post-tax profits in its history. The profitability earned for shareholders in the first six months of R182,1 million was maintained in the second half of the year to an annual net profit of R364,9 million. Without exception all subsidiaries and divisions worldwide were profitable and our combined offshore operations produced record after-tax profits of R181,2 million as compared with last year's R64,3 million. Revenue increased by 30,9% to R4,625 billion and at the same time gross profit reached an all time high of R977,2 million, up R183,2 million on the previous year. Gross profit as a percentage of revenue remained consistent due to continued efforts by management to maintain price realisation on sales in competitive markets and effective control of component and production costs. Unprecedented demand in the mining industry worldwide, as a result of strong commodity prices, has seen the requirement for our range of equipment at its strongest levels ever.

Global infrastructure spending continues to drive increased demand in most of our product categories, particularly Articulated Dump Trucks and sharp increases in demand are also being experienced in Europe and southern Africa for construction equipment. Our focus area on the lifetime revenue stream from the sale of parts and service has once again been significant with revenue increasing by 25,5%. Parts business continues to be a focus area for growth, both in terms of customer service as well as revenue and gross profit, and generates 16% of our turnover. It is our long-term objective to increase this to 22% of our turnover through an increased plant park, improved service and availability.

Exports reached an all-time high at R2,529 billion, up R717 million (39,5%) on the previous year. The bulk of our exports, (28%) of our total turnover, was sold in Europe and 19% of our total turnover was sold in Africa outside of South Africa. Exports now represent 54,7% of our global turnover as compared with 51,3% in 2006. We expect this trend of growth and exports to continue going forward with sustained demand being experienced in all offshore markets. We intend to expand our operations to several key African countries during the coming years in view of the strong demand for the quality products that we distribute.

As a result of increased turnover, operating profit for the year increased by R126,1 million to R494,3 million. This was despite a decrease of R31,7 million in other income which is due to a decrease in royalty income from our alliance partner and shareholder, John Deere, and our final removal from the Government MIDP Programme as from 9 February 2007. The decrease in royalty income is due to a drop in the sales of Articulated Dump Trucks in North America as a result of reduced sales in that segment of the market in the USA.

We continue to engage with Government in seeking opportunities to work with the Department of Trade and Industry and other departments around growth, sector programmes and skills development. We believe that Government should be assisting South African manufacturers who add value locally in their efforts to increase their global competitiveness and sustainability particularly for northern hemisphere markets.

One of the features of the Bell Equipment group's financial performance over the past few years has been our ability to contain overheads despite large increases in business volumes and turnover and the inflationary pressures that are brought to bear upon us in many of the countries in which we operate. The increase in overheads of R25,4 million represents a 4,8% increase on the previous year which is contained at a level well below the weighted average inflation rate of the countries in which we operate. This continues to be a great tribute to the efforts of management and to our ongoing cost control disciplines that we acquired in our Project 100 Plus initiative. In looking to the future we are going to incur an increase in overheads particularly in relation to employment costs. This is as a result of our desire to ensure that all Bell employees are incentivised to earn better than average packages and our decision to increase the number of people in training within our organisation, particularly to meet our employment equity targets. We continue to lose some key employees through emigration and it is essential that these skills be replaced on a sustainable basis. For this reason we have increased training expenditure throughout the group and have further developed and extended our all-important apprenticeship programme.

In previous reports I have made reference to our concerns regarding warranty costs within the group and I am pleased to report that this expense decreased to 1,7% of total sales in 2007. This again is a tribute to our engineering and technical teams as well as our production teams where they have increased quality and provided robust solutions in our design and manufacturing process. It is through the cost of warranty that we are able to evaluate and benchmark our performance. We have benefited during 2007 from a reversal of prior year warranty provisions amounting to R22 million

Chairman's statement (continued)

which were no longer required, but going forward our budgeting demands a warranty cost of no more than 1,75% of total sales, which is well below the worldwide industry average of 2%. This enhances our ability to offer our customers a very important lower operating cost per tonne base.

Net finance costs decreased by R1,4 million as a result of lower borrowings and improved treasury management. Our effective tax rate of 23,1% is now at a level that is more in line with global competitors. We are now benefiting from the research and development allowances that Government introduced during late 2006 and going forward we would expect an effective tax rate of 25%.

Our South African Sales and Distribution Division once again achieved exceptional results and I would like to congratulate the management and employees of that operation for an excellent performance. Our southern African operations including Zambia, the Democratic Republic of Congo, Zimbabwe and Mozambique again produced results in excess of their budgets. The mining and infrastructure boom in this region bodes well for the future of these operations. During March of 2007 the Board approved an investment of US$15 million to establish a sales and service centre in the Democratic Republic of Congo. This capital is being used to finance receivables and inventory in that country as well as providing the necessary funding for the capex that is required to run a distribution company in a high growth market.

Our European operations all produced better results than prior years and I would particularly like to congratulate Bell France on an exceptional performance. Our business with Hitachi in South East Asia, Australasia and the Far East has continued to grow and we look forward to further growth in these important markets in 2008. I would like to thank our strategic alliance partner Hitachi Construction Machinery for their efforts and support in developing, servicing and supporting these markets.

In reviewing our balance sheet our debt/equity ratio stands at 33%. This planned increase is due to a change in the trade cycle days, which have gone from 128 days in 2006 to 147 days in 2007. There has been a slight increase in inventory days but the biggest increase has been in trade and other receivables where we have taken an active decision to fund export sales of units on an interest-bearing basis to certain selected customers. This will provide us with a revenue opportunity in the form of interest receivable which income has doubled year on year. Capital expenditure excluding that on rental assets during 2007 amounted to R92 million but is budgeted to be over R130 million in 2008. We were not able to implement all of our capital expenditure programmes in 2007 and some of those budgeted for will be carried forward into 2008. Headline earnings are at 384 cents per share as compared to 252 cents in 2006. The all-important net asset value per share has increased by R4,49 since the beginning of the year under review to R14,56 per share.

A disappointing feature of the results has been the negative cash flow of R207,7 million in the year under review as a consequence of the increase in working capital. One of the most difficult challenges that our group has ever faced is the current supply chain and component shortage problem. In view of the unprecedented demand from every manufacturer in our industry our suppliers have not been able to keep pace with the orders and delivery dates that we have expected of them. It has not been one single component or supplier that is the cause of the bottleneck but across the board there is inability of some of our suppliers to meet demand on time. Whilst we are continuously working at solutions and trying to find alternative sources of components the situation is not going away and we expect this problem to continue for the next 18 months by when we expect that our suppliers can bring on additional capacity to cope with the demand. These component shortages are causing us working capital problems in that we are unable to meet our due date deliveries with the resultant increase in work-in-progress. I would advise shareholders to note the seriousness of this problem and the effects it could potentially have on future profitability and the unprecedented demand it will place on our working capital requirements. At the time of writing this report the situation has neither improved nor worsened but our working capital continues to be under pressure. As supplier parts availability improves we expect a considerable improvement in the group's cash flow profile.

Financing of customers in their purchase of our equipment continues to be a very important part of our business. Our joint venture with WesBank, a division of FirstRand Bank Limited, continues to be an important vehicle in driving customer sales. During 2007 we extended our activities in Zambia where we have now financed over US$25 million worth of business. It is our intention this year to extend these financing operations into Botswana and the Democratic Republic of Congo where there is an increasing demand for supplier organised credit. Our negotiations with the Export Import Bank (Ex-Im Bank) in Washington continue. Approval has been given for an initial line of credit of US$9,95 million to be used to finance the importation of United States manufactured goods and components into South Africa. We plan to make this line operational during 2008 and will extend the programme to provide finance to purchasers of the John Deere products that we import, brand, distribute and support in southern Africa. Deutsche Leasing AG (Germany) continues to assist with the financing of sales in Europe and the Swiss-based leasing company, with which we have worked for many years, continues to provide finance for sales in sub-Saharan Africa and South America. Supplier finance and our various financial cooperation agreements provide us with a valuable tool to enhance our sales, market shares and gross profits.

Corporate governance best practices continue to enjoy high priority and commitment. The Board of Directors, which consists of a majority of non-executive directors, ensures that management, who are the stewards of our shareholders' capital, pursue the best interests of all stakeholders. Of vital importance are the roles, functions and responsibilities of our non-executive directors and our management's respect for the contribution of these directors. Bell continues to apply most of the best practice recommendations contained in the second King Report and is very conscious of our commitment to excel in this area. All Board sub-committees comprise only non-executive directors and are chaired by independent non-executive directors. Bell Audit Services, our internal audit function, provides valuable service and advice to our Risk Management and Audit Committee as well as our management teams. The independent non-executive chairman of the Risk Management and Audit Committee spends a considerable amount of time in the company in pursuit of his duties as well as attending all of the Bell Audit Services Committee meetings. Risk management has since the middle of the year had new focus and attention with the appointment of an executive director in our main operating company to take responsibility for this very important activity. Further refinement has taken place and we have now identified the top 20 risks facing the group. Strategies have been put in place to either mitigate or eliminate each risk and every second month management meets to monitor and improve our management of these risks.

In the first weeks of January 2008 we were able to roll out our BBBEE initiative. In 2007 and prior years we conducted extensive negotiations with over 20 potential BEE partners and were very proud to be able to announce on 31 October 2007 that Kagiso Trust Investment had taken a 22,5% stake in our newly formed company, Bell Equipment Sales SA Limited, with a further 4,5% stake being taken up by our black employees. Outside of the black employees' stake, white employees have become eligible for a 3% ownership stake on exactly the same basis. Bell Equipment is fully committed to the principles of BBBEE and believes it is both a strategic driver and an opportunity to make a contribution in the transformation of South Africa. Kagiso, besides being able to fund the deal themselves have experience in transformation in the broader engineering industry and have a substantial balance sheet that can continue to invest in future Bell initiatives to meet customer needs. One of the major factors in the decision-making process of deciding on Kagiso Trust Investments, was the broad base of their beneficiaries and especially their focus on skills and youth development. As far as the employees are concerned, it is noteworthy that they will own the shares in their own names rather than via a trust, as we believe this is more in line with the spirit of true empowerment. This is one of the most significant transactions that Bell Equipment has concluded in its history and will be actively driven to ensure that our customers get all the benefits resulting from the transformation of our South African operations.

With the group's continued profitability the Board recommends the payment of a dividend. This is done despite negative cash flow and the constraints of working capital, which I have dealt with in previous paragraphs. We have decided to declare a dividend of 40 cents per share in respect of the year ended 31 December 2007, (2006: 25 cents) which will be paid in April of this year. This represents a dividend 10 times covered, which is lower than last year but is still constrained by the group's cash requirements. The current outlook for Bell is very encouraging and orders for our range of products are at record levels. We are competing successfully with global giants in both local and global markets and continue to strengthen our distribution channels and product offerings. We intend to continue investing in people, manufacturing capacity and to lead in the technological development of our core products.

I take this opportunity to thank the entire management team and my Board colleagues for their support during 2007. I would like to pay special tribute to Jeremy Horne who retires as a Board member at the upcoming Annual General Meeting in May. Jeremy, who has been a director for the past eleven years, has made a great contribution, none more so than in his role as Chairman of the Risk Management and Audit Committee. We take this opportunity of wishing Jeremy well in his retirement.

In conclusion, I would like to make special reference to the cornerstone on which our business has been built – our three most important stakeholders, ie our customers, our suppliers and our employees. Their invaluable contribution to the success of our group stems from the exceptional relationships we have built up over the years. Recent customer surveys have indicated higher than expected levels of customer satisfaction and we are working hard to implement other opportunities for improvement. We are partnering with our suppliers to help meet ever-increasing and demanding requirements. Our people, particularly, are regarded as a strategic priority and we appreciate their commitment to make our group a success and a role model. I salute them and their families who have given much to the group and brought us to where we are today.

HJ Buttery
Group Chairman

12 March 2008

Board of Directors

as at 12 March 2008

1	2	3	4	5
6	7	8	9	10
11	12	13	14	
	15	16		

Nominations and Remuneration Committee
* Risk Management and Audit Committee

1 Howard Buttery
Group Chairman
CTA
Years' service: 37
Age: 61

2 Gary Bell
Group Chief Executive
Dip Mech Eng
Years' service: 37
Age: 55

3 Derek Smythe
Director – Strategic Alliances
BCompt
Years' service: 21
Age: 50

4 Karen van Haght
Group Financial Director
BCompt (Hons), CA(SA)
Years' service: 7
Age: 41

5 Douglas Gage#
Non-executive Director
BSc Mech Eng, MBA
Years' service: 4
Age: 51

6 Barry Schaffter
Non-executive Director
BSc Eng, Mgt
Years' service: 3
Age: 57

7 Kelan Manning
Non-executive Director
BSc, MBA, CPA
Years' service: Newly appointed
Age: 45

8 Jeremy Horne*
Independent
Non-executive Director
Chair of Risk Management and Audit Committee
ACMA, CA(SA)
Years' service: 11
Age: 70

9 Michael Mun-Gavin*
Independent
Non-executive Director
BCom, CA(SA)
Years' service: 2
Age: 58

10 Tiisetso Tsukudu#
Independent
Non-executive Director
BA, MBA
Years' service: 4
Age: 54

11 Danie Vlok#*
Independent
Non-executive Director
Chair of Nominations and Remuneration Committee
BCom, MBA
Years' service: 13
Age: 62

12 Peter Bell
Alternate Director
Years' service: 40
Age: 58

13 Paul Bell
Alternate Director
Years' service: 31
Age: 50

14 Guy Harris
Alternate Director
BCom (Hons), CA(SA)
Years' service: 14
Age: 55

15 John Kloet
Non-executive Alternate Director
BSc Acctg, CPA
Years' service: 6
Age: 54

16 Michael Campbell
Alternate Director
Years' service: 31
Age: 50


T18006
B25D
BELL

Quality products that meet demands in all conditions

Articulated Dump Trucks

Bell Equipment is a leading manufacturer of Articulated Dump Trucks (ADTs) which are designed and built in Richards Bay and assembled in facilities in Eisenach in Germany and Davenport, USA. The full range comprises 18, 20, 25, 30, 35, 40 and 50 tonne units and these have established an excellent reputation in the mining and construction industries in numerous countries around the world.

Features of these trucks are their robust construction, superior power plants and transmissions where Bell research and development engineers have incorporated state-of-the-art technology and innovative ideas to produce machines that are strong and reliable. Operators report excellent fuel consumption coupled with high availability which translates into favourable operating costs per tonne.

These ADTs are branded Hitachi when sold in South East Asia and the Pacific Region in terms of our strategic alliance with that company and are assembled and branded Deere when sold in the Americas.

When the Bell-designed Fleetm@tic management system is fitted, dynamic information is available to owners and users thus ensuring optimum operating performance and maximising the benefits of their investment.

Chief Executive's report

Gary Bell

Group Chief Executive
Bell Equipment Limited

Continuous improvement driven by the determination to be market leaders

A landmark year for the Group yields exceptional results

General review

2007 has been a landmark year for Bell Equipment in a number of respects. Firstly, we have been able to achieve our budgeted sales and net profit and as a consequence are able to report the highest net profit after tax of R364,9 million in the 54-year history of our group. This profit equates to return on shareholders' funds of 31%.

Secondly, we were proud to announce in October 2007 that we have successfully concluded a partnership with Kagiso Strategic Investments, setting the benchmark as the first equipment manufacturing company in South Africa to have set up a broad-based black economic empowerment structure. This transaction is reported on in more detail on page 26 of this report.

Regional review

Our operations in various countries have all combined well to generate record results in our business regions. I am particularly pleased to report that our European region, consisting of subsidiaries in the UK, France, Spain and Germany have produced strong growth and have made significant inroads in gaining market share. The factory in Eisenach, Germany is producing quality products and these are being successfully marketed by an ever-growing network of dealers. We are entering the markets in the Middle East and North Africa which are showing encouraging signs of development.

Trade in African countries, particularly in the Democratic Republic of Congo, has also been a strong contributor in the past year, buoyed by healthy primary markets in minerals and metals; industries which are large buyers of our products. We are confident that this boom will continue for several more years.

With a range of products as wide as we offer, Bell Equipment needs to maintain a level of spares and components that will ensure that our customers' machines are kept running as economically as possible. Our parts business contributes a sizeable proportion of total revenue and is profitable annuity income. From the key spares that are located in each of our customer service centres to the comprehensive stocks that are supplied from our distribution centres conveniently located in Jet Park in South Africa and in Alsfeld in Germany, we are able to respond promptly to orders from our customers around the world.

As in the past, our group results are built on the solid foundation of our southern African sales and distribution operations and I am particularly appreciative of the excellent efforts of Bokkie Coertze and his team.

From August 2007, we restructured the business model to create better controls and management of our operations. Marc Schurmann, previously production director at our Richards Bay factory now heads up our consolidated European business units. Andre McDuling has taken over the factory and is continuing to lead a well functioning unit which produces top quality products. The distribution division of the southern African operations and the business in the rest of Africa now falls under the competent management of Mike Dutton.

Production

The Richards Bay factory has continued to produce a diverse line-up of top quality products. Our declining trend in warranty claims bears testimony to the fact that our engineers have achieved results by focusing on quality and continuous improvement.

The research and development team is making good progress in developing our E Series Articulated Dump Truck (ADT) and our design team is working hand in hand with their counterparts at John Deere in ensuring that our products remain at the cutting edge of technology.

From Richards Bay we produce a full range of ADTs for the local market and also kits that are shipped to Germany and Davenport in the USA for final assembly. Trucks are also manufactured and branded Hitachi for shipment to the East. Bell manufactures side-shift TLBs on behalf of John Deere for sale in the East. Production in Richards Bay has flowed steadily throughout the year but we are striving to achieve improved delivery to plan.

With any manufacturing industry, especially those dealing in heavy materials, there is a prevailing threat of injuries to employees. I am, however, pleased to report that our factories in Richards Bay as well as in Eisenach have achieved exceptional safety performance with very few lost-time injuries being sustained in the year. This is the result of fantastic teamwork in all departments.

Chief Executive’s report (continued)

We believe we have the right products and offer the quality of service our customers are wanting

People

No business operates on its own, it needs people. In this respect Bell Equipment has had another good year. We are seeing the benefits of aligning the rewards of our management with performance contracts that focus on key results areas. The same philosophy has been extended down the line in a group-wide incentive scheme which recognises the contribution that is made by each employee. Regular bonus payments have had the effect of improving morale, achieving superior performance and also cutting down on the loss of key skills by reducing labour turnover.

We are planning several interventions for developing our people to their fullest extent. In line with the principles of employment equity we will provide opportunities that meet the aspirations of all candidates for promotion. A stable and committed workforce is the main contributor to sustainability.

Strategic objectives

We are continuing to focus our efforts on the same basic strategic objectives that form the cornerstones of our business. In the past year we have done well in achieving the desired results and will be sticking to the winning formula. On the downside we are concerned that despite giving a great deal of attention to managing our working capital, our inventories have continued to climb in the year under review. Clearly this is unacceptable and we shall be approaching the question of reducing our inventory with greater emphasis in 2008, using this as one of the modifiers in our incentive scheme.

Prospects

Looking ahead we are confident that the current infrastructure spend in South Africa, underpinned by several large projects such as the 2010 FIFA Soccer World Cup and the Gautrain development, will continue to yield opportunities for the growth of our business. We are also confident that our new BBBEE partnership with Kagiso Trust Investments will be a real value adding partnership that opens new areas to create returns for our stakeholders. The economies in other countries also offer exciting prospects for Bell Equipment to continue its success story.

At this time we still enjoy a healthy order book and we believe that this will continue for the foreseeable future. We believe we have the right products and offer the quality of service customers want and are flexible enough to adapt to take advantage of changing conditions.

Acknowledgements

These words, despite appearing at the end of my review, are not added as afterthoughts. I am constantly aware of the considerable effort that is being put in by our employees and wish to thank them all for the value that they bring to the business. I am likewise appreciative of the direction that is provided by my colleagues on the Board of Directors. I look forward with confidence to our continued success.

GW Bell
Chief Executive

12 March 2008

Versatile machines — a value proposition that works

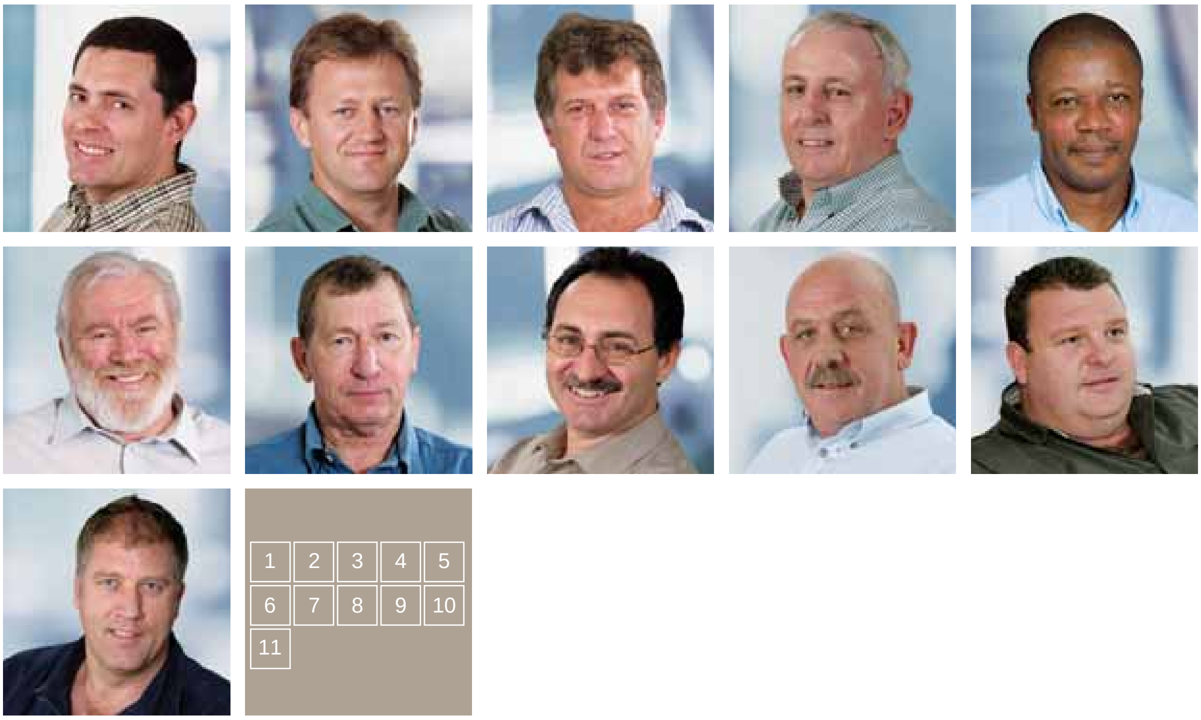
Tractor Loader Backhoes

Bell Equipment assembles John Deere-designed side-shift Tractor Loader Backhoes (TLB) in our Richards Bay factory for the local market and also to supply units on behalf of Deere to their customers in Asia Pacific.

These units are extremely versatile and are seen in diverse applications in the construction and agriculture environments. In South Africa, a TLB is often regarded as an entry level piece of equipment by emerging entrepreneurs entering the contracting and plant hire business arenas.

Owners of Bell TLBs achieve optimum operating efficiencies and this quality product is making steady gains in market share and proudly joins other Bell products in the deserved reputation of being strong and reliable machines which are backed up by strong, reliable service.

Group executive management



1 **Leon Goosen**
Commercial Director – BECSA
BCompt (Hons), CA(SA)
Years' service: Newly appointed
Age: 35

2 **Andre McDuling**
Director: Engineering – BECSA
Dip Mech Eng
Years' service: 20
Age: 40

3 **Mike Dutton**
Director: Distribution Division – BECSA
Years' service: 20
Age: 42

4 **Dave Scobie**
Executive Manager: WCO
Chartered HR Practitioner, CPIM
Years' service: 17
Age: 61

5 **Lucas Maloka**
Executive Manager: Human Resources
BA, MMHR
Years' service: 1
Age: 46

6 **Pat Mahony**
Group Company Secretary
FCIS, FCIBM
Years' service: 12
Age: 64

7 **Clive Barrett**
Director: Global Parts – BECSA
Years' service: 31
Age: 63

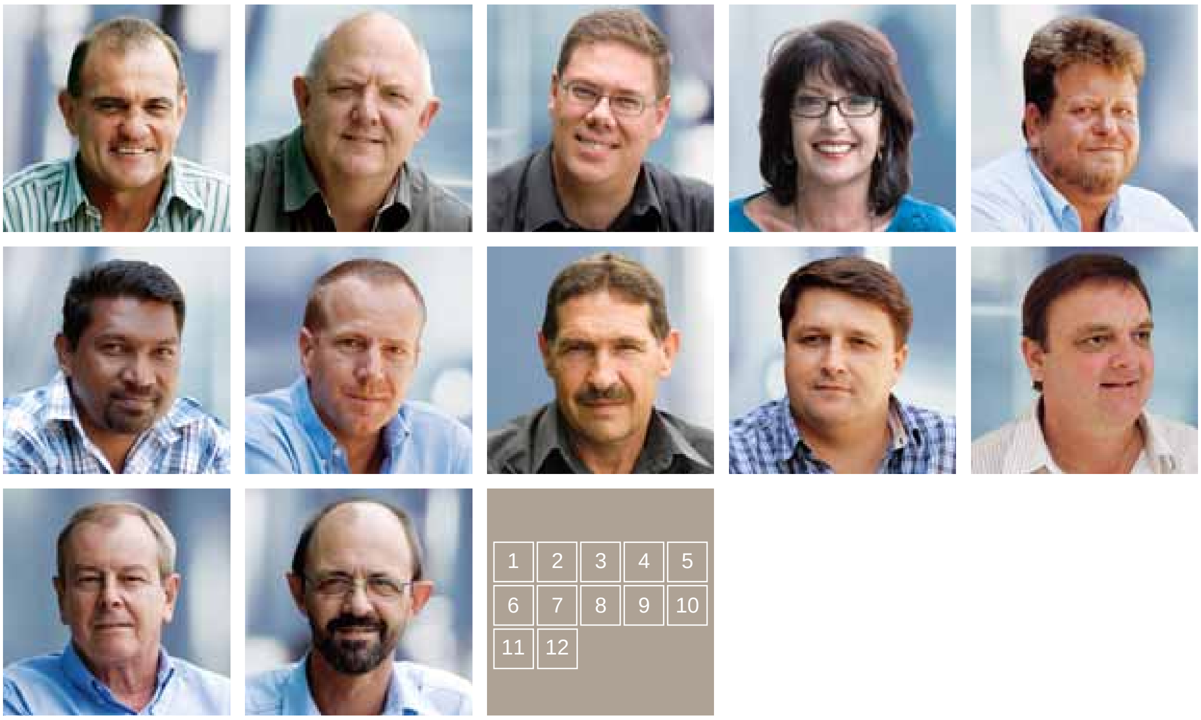
8 **Rino D'Alessandro**
Group Executive Manager: Information Systems
CPIM
Years' service: 11
Age: 44

9 **Bokkie Coertze**
Managing Director – BESSA
Years' service: 22
Age: 57

10 **Donald Paynter**
Group Marketing Manager
Dip MM
Years' service: 1
Age: 39

11 **Marc Schurmann**
Executive Director – European Operations
BEng (Mech), Pr Eng
Years' service: 12
Age: 40

Divisional senior management



1 Terry Gillham
General Manager
Sales and Marketing – BESSA
Years' service: 17
Age: 55

2 Gerard Rokebrand
Commercial Director – BESSA
BCompt (Hons), CA(SA)
Years' service: 13
Age: 54

3 Pieter van Buuren
General Manager Finance – BESSA
BCom (Hons), CA(SA), ACMA
Years' service: 3
Age: 37

4 Sonja Pepper
General Manager
Human Resources – BESSA
BA (Psychology)
Years' service: 4
Age: 45

5 Peter Purchase
General Manager
Logistics – BECSA
Years' service: 21
Age: 49

6 Dominic Chinnapen
General Manager
Planning and Scheduling – BECSA
CPIM, BCom Logistics
Years' service: 20
Age: 39

7 Ivan Terblanche
General Manager Engineering – BECSA
BEng (Mech), Pr Eng
Years' service: 12
Age: 38

8 Albie Weakley
General Manager Parts – BESSA
Dip PM
Years' service: 1
Age: 46

9 Aldo Mayer
General Manager
Programme Manager – BECSA
NH Dip Mech Eng, BTech BM
Years' service: 11
Age: 35

10 Cameron Crawford
Financial Director
Bellinter Holdings SA
BCompt, MBA, FCMA
Years' service: 17
Age: 46

11 Nigel Hosking
Company Secretary – BESSA
BCom, CA(SA)
Years' service: Newly appointed
Age: 59

12 Bertie Kok
General Manager
Distribution Centre – BECSA
BCompt, MBA
Years' service: 12
Age: 50

A springboard for the future

The alliance with Kagiso Trust Investments is seen as a long-term value adding relationship

A few years ago the Board formalised a policy that was to take the group on the road to creating a structure that included a business partner that met the economic realities and necessities of broad-based black economic empowerment ('BBBEE') and, more importantly, would add value to the business in a long-term relationship.

During 2007, this issue was given greater attention as we believed that since the company had established a sustainable and profitable business base in South Africa, the time was right to identify a suitable partner. There were various criteria which were considered important to such a relationship. The overriding factors, besides the right price for the shares and BBBEE points, were that the parties had to have similar business ethos, were capable of a seamless integration in the partnership and that there were meaningful business advantages flowing from the structure.

In October 2007, the Board was pleased to report the culmination of its efforts in forming a business relationship with Kagiso Trust Investments ('Kagiso'). The essential elements of the structure are as follows: The main operating subsidiary in South Africa, Bell Equipment Company SA (Pty) Limited ('BECSA') has sold off its sales and distribution operations which includes the Swaziland and Namibian subsidiaries and the financing joint venture with WesBank to a newly incorporated company, Bell Equipment Sales SA Limited ('BESSA').

Kagiso has purchased 22,5% of the equity in BESSA for R79,5 million with Bell Equipment Limited having a 70% stake. The remaining 7,5% of the shares will be held by approximately 1 600 employees, predominantly black, the allocation having been done firstly per capita but thereafter based on length of service. Employees will have their shares registered in their own names instead of through a trust, as we believe that this is consistent with the true spirit of empowerment.

The Competition Tribunal duly approved the transaction on 19 December 2007 and operations under the new structure commenced on 1 January 2008. The Board of BESSA comprises a majority of non-executives and representation is balanced. Four nominees, two of whom are executives from Bell and two from Kagiso, one nominated by employees and an independent non-executive. Bokkie Coertze, who has up to now led the South Africa sales and distribution operations brings his 22 years' service in the group to be Chief Executive of BESSA.

BECSA has been restructured into two main operating divisions, one dealing with manufacturing and logistics and the other to look after parts, third-party products importation, African distribution and technical services. These divisions along with BESSA and Bell Europe, will be supported by group-wide service functions in finance, internal audit, marketing, information technology, human resources and corporate services.

Bell Equipment Sales SA Limited Directors

as at 1 February 2008

1 Gary Bell
Non-executive Director
Dip Mech Eng
Age: 55

2 Bokkie Coertze
Chief Executive
Age: 57

3 Gerard Rokebrand
Executive Director
BCompt (Hons), CA(SA)
Age: 54

4 Sanjay Bhikha
Non-executive Director
BCompt Hons CA(SA)
Age: 43

5 Afzal Patel
Non-executive Alternate Director
BCom, CA(SA)
Age: 39

6 Sphelele Sangweni
Non-executive Director
BCom, BAcc, CA(SA)
Age: 31

7 Tiisetso Tsukudu
Non-executive Director
BA, MBA
Age: 54

Uncomplicated design but superior performance

Tri-Wheelers

The trusted Bell name first started earning its reputation with our pioneer product, the Bell Cane Loader. It's simple, yet highly functional design revolutionised the sugar cane industry in South Africa and its success spread worldwide.

Responding to requests from the timber industry, the Tri-Wheeler products have been adapted and the highly successful Bell Telelogger is a familiar sight in forests throughout South Africa. The basic elements of the original design have been retained in various adaptations such as the Rough Terrain Forklift – yet another example of Bell Equipment's ability to give our customers what they want: machines that can do the job efficiently and economically.

Sustainability report

getting the basics right yields long-term results

Our commitment to continuous improvement and service excellence ensures that we are here for the long run

All the way through production attention is given to ensuring that quality is the key component.

Environment

Bell Equipment places environmental responsibility among its core values and recognises the importance of preserving the integrity of the natural heritage. The group aims to comply with the environmental regulatory standards of all countries into which it sells its products.

The Board of Directors attach great emphasis in caring for the environment and will ensure transparency in maintaining operations that are recognised as rolemodels. Our concern for the environment is subject to review and a process of continuous improvement.

As part of our drive towards sound corporate governance, the group is committed to complying with environmental requirements for its Richards Bay factory, German assembly plant and all distribution operations worldwide. All the products distributed meet and better the required European emissions standards.

We have implemented a number of efforts to reduce waste by increasing the use of recyclable materials such as packaging materials, oils and steel offcuts in applications that traditionally generate considerable waste. During 2007, the group started a division that remanufactures machines and components thereby conserving essential resources.

Safety

The group has implemented an effective safety management process, based on the highly successful Safety Training Observation Programme (STOP) model, which is aimed at making the workplace and all work processes safe. All safety breach incidents are thoroughly investigated to ensure that these are not repeated and proper training and retraining is given where appropriate. We work hard to inculcate a safety awareness ethic in all our employees and others who visit our site.

The enhanced employees' induction process and the STOP Safety Programme that have been running for the past two years in our manufacturing operations, have resulted in a significant reduction in workplace injuries. 2007 saw further integration of these programmes with our manufacturing best practice implementation strategy. This implementation includes proven models that enhance communication, measurement and leadership throughout the organisation.

All employees and visitors to the factory are required to undergo safety induction courses, are provided with personal protective equipment, and are shown how this is to be used, before being allowed into certain areas.

We have aligned our safety initiative for our Richards Bay factory with the standards as defined in ISO 9000 and also ISO 18000. Our African sales and distribution operations headquarters in Jet Park has achieved the Technilaw five-star grading and in the process notched up some notable successes in the past year.

At the Technilaw Annual National Awards ceremony held in November 2007, Bell Equipment again demonstrated its commitment to safety by winning six out of the fifteen national awards. These included the trophies for the best administration of a Technilaw Compliance System and the best housekeeping amongst Technilaw clients in South Africa and abroad. Individual prizes for the most committed safety representative, the best safety coordinator and the best safety effort by an individual were awarded to Bell Equipment employees.

We look forward to continued reduction in risk throughout our operations as a result of these efforts.

Socio-economic development

While our annual report focuses on the events of the past year, we recognise that being a successful enterprise means that one has to plan for the future. Key to the ongoing success of any business is how it manages its responsibilities to all stakeholders and in particular its employees.

A high level of teamwork between our various divisions and work teams has contributed to the positive spirit needed to sustain the group in its objective to be a world-class organisation. We have also conducted some benchmarking with various stakeholders with the view to offering a comprehensive Socio-economic Development Programme in 2008 in line with the broad-based black economic empowerment requirements.

Bell Equipment believes that for a successful business to continue into the future, it is necessary to plough back some of its earnings into the communities in which it operates. Our employees form part of this community and by helping to improve the community's standard of living the group is also improving the quality of life for its employees and their families. The group focuses its efforts on the key areas of job creation, education, development, environmental preservation issues, HIV/AIDS, crime prevention and the upliftment of the poorest sector of our communities.

In the past our approach has been to empower the community to encourage sustainability, well-being, and sense of self-worth. The group will continue to support various fundraising drives and make donations to ease the financial concerns of deserving charities. Bell Equipment remains an active member of the Zululand branch of Business Against Crime and we work together with other employers and the community in tackling the scourge of HIV/AIDS in the region.

Relationships

The company enjoys a stable and committed workforce and many employees have long service records and are prepared to go the extra mile in order to serve our customers. In 2007, we have continued to engage unions in a constructive manner to ensure an environment that fosters sound employee relations conducive to doing business and sustaining jobs in the company. Market related incentive schemes which reward our employees for superior operational performance and achievement of targets are in place for all our global operations.

During the year under review the group experienced one protected work stoppage, called by the union on a national basis, in the process losing 935 man days which did not have a significant impact on production.

Union membership statistics

	2007 %	2006 %
Non-union members	37	48
Non-union members under metal industries bargaining unit	15	–
Solidarity	21	20
NUMSA	23	25
UASA	4	6
NICWU	–	1

Key:
NUMSA = The National Union of Metalworkers of South Africa
UASA = United Association of South Africa
NICWU = National Industrial Commercial Workers' Union

The responsibility for union negotiations and consultative processes, including the handling of grievances, falls under the Group Executive Manager, Human Resources.

Fraud and unethical behaviour

The company is fully committed to ethical transaction of business in all countries in which it operates and will not countenance the giving or receiving of bribes. All employees are aware of the group policy in this regard and are required to report the receipt of gifts in writing and, in the case of more generous gifts, are required to obtain approval from a senior manager prior to acceptance.

All suppliers are asked to observe our policy on gifts and to report any unacceptable behaviour on the part of our staff.

Investing in our people

Sustainability report (continued)

The group has formalised a fraud policy which has been communicated internally. All employees are encouraged to make use of the recently installed confidential whistle-blowing facility to report breaches of policy or unethical behaviour involving any stakeholders of the group. We will take criminal action against miscreants.

Employee wellness

Employee well-being at Bell Equipment continues to receive high priority. We remain acutely aware of the HIV/AIDS threat to our employees and have maintained a comprehensive education and treatment programme as well as voluntary counselling and testing to minimise its spread among our workforce to extend the productive working life and quality of life of infected employees. A number of employees were given free antiretroviral medication at the group's expense and we have now transferred them onto state-run programmes. Bell is pleased to report that as a result of these efforts we have recorded a decrease in the known number of employees who are HIV positive.

The company operates an occupational health clinic at its Richards Bay factory and treats all work related injuries. The clinic is headed up by a qualified nursing sister and we have contracted the services of a general medical practitioner to assist in various activities. A regular programme undertaken by the clinic is to offer basic and advanced first-aid training to as many employees as possible.

Employees are encouraged to belong to the medical aid scheme to ensure coverage against any form of illness. An employee wellness day is held on an annual basis to afford employees an opportunity to undergo a series of medical tests to assist them to understand their health status and therefore manage it appropriately. The company undertakes pre-employment medicals for all employees and thereafter on an annual cycle. Exit medicals are also conducted.

We also recognise that employees have many other social-economic issues which may impact negatively on their work performance and private lives from time to time. Bell Equipment's Employee Assistance Programme is in place to help those experiencing problems in areas such as coping with disability, substance abuse, family problems, financial management and trauma.

People development

Bell Equipment has committed itself to and takes pride in providing fulfilling work opportunities and creating a workplace in which all employees, regardless of background, race or gender, can enjoy equal opportunities. Substantial investment is being made in the development of our people, particularly those who were previously disadvantaged and the measurement of progress is included in our balanced scorecard which is reviewed by senior management on a monthly basis.

Bell Equipment is committed to no discrimination of any kind, whether it's gender, race, background and beliefs and regards its people as a valuable resource. The group will identify the required skills to run its business successfully and will recruit people who will meet these needs either immediately or following some training. It also believes in ensuring that employees are given the opportunity to develop these skills and the opportunity to use them. The group is aware of its obligation to employees coming from previously disadvantaged backgrounds and the negative impact this has had on their opportunities and career advancement. A transformation forum has been formed with the view to allowing employees to make contributions and accelerating changes within the organisation.

Our employment equity and skills development initiatives are integrated in such a way that we strive to reach our employment equity goals and create skills necessary to sustain our business. In this regard considerable resources were deployed in 2007 which are aimed at a formal implementation of succession planning, career pathing and individual development plans for all our global operations. We are justifiably proud of our record in training artisans and technical professionals to ensure that we maintain our ability to develop innovative products and services for the benefit of our customers. Our programmes have produced people who have proved themselves in diverse roles around the world and have been the nursery for our strong management team.

Bell Equipment takes pride in its apprenticeship scheme, being the only employer in the earthmoving equipment industry to have such a programme. We annually take in 50 apprentices, the majority of whom come from previously disadvantaged groups, and diligently manage their progress to becoming fully fledged artisans.

The company runs several in-house, as well as externally resourced development programmes, to facilitate on-the-job training and offers a study assistance programme whereby employees are encouraged to further their tertiary qualifications at no cost to themselves, should they apply themselves to their studies and pass their examinations.

Reshaping the future with environment friendly products

Front End Loaders

In terms of a manufacturing and distribution agreement with John Deere, a comprehensive range of Front End Loaders (FEL) is assembled at the group's main factory in Richards Bay. The complete range commences with the 1,1 cubic metre bucket, through various sizes and culminates in the powerful 4,7 cubic metre workhorse.

Used in tandem, the FELs are often seen in construction and quarrying applications loading Bell ADTs. Since commencing local production of these units, Bell FELs have made a huge impact on the local market in South Africa and have proven their worth in yielding high availability and superior fuel consumption figures. John Deere and Bell collaborate their research and development efforts and respond to feedback from customers in an effort to achieve continuous improvement.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Corporate governance

our success stems from how we run our business

Our people are a major factor in giving us our competitive advantage.

Corporate governance within Bell Equipment is a culture of ethical behaviour towards all stakeholders

The directors and management of Bell Equipment are constantly aware of the need to apply sound principles of corporate governance to all our operations in South Africa and internationally. We are strongly committed to ensuring that our business is built on the fundamental pillars of corporate governance contained in the second report of the King Committee. We see our compliance with the recommendations made in the King II Report as an essential feature of the way we behave as a responsible corporate citizen and an integral part of our drive to become world-class.

An assessment of our compliance with the recommendations made in the second King Report confirms that the group substantially complies with the majority of aspects.

Some aspects upon which we wish to make additional and specific comments are:

Internal control systems

The internal audit function of the group enjoys the full support and co-operation of the Board of Directors, management and staff. The internal audit function has the requisite professional integrity and experience for this task and has given the assurance to the Risk Management and Audit Committee that the internal control systems are sound. The Board of Directors is kept fully informed of the proceedings of the Risk Management and Audit Committee as well as the Bell Audit Services Committee.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and asset safeguarding. Furthermore, the effectiveness of an internal control system can change with circumstances and for this reason this needs to be, and is, reviewed and updated on a regular basis.

Nothing has come to the attention of the directors, or of the internal or external auditors, to indicate that any material breakdown in the functioning of the group's key internal controls and systems occurred during 2007.

Going concern

After making due inquiries, the directors believe that the group has adequate resources to continue to operate for the foreseeable future. For this reason the financial statements have been prepared on the going-concern basis.

In reaching this view the directors took into account the following factors:

- Our current order book for new unit sales
- The technology of our products
- The budget for the next financial year
- The strength of the after sales market
- The liquidity and working capital of the group including its credit facilities
- The banking facilities available to the group
- Market share for its products as monitored by independent third parties
- The positive working relationships with suppliers and employees

Risk management

Our group is committed to managing its risks, threats and opportunities, in line with good corporate governance in the interests of all stakeholders. Risk management is done in terms of a Board approved group risk management policy statement and accompanying framework.

An ongoing strategic, systematic, multitiered and enterprise-wide risk assessment process supports the group's risk management philosophy which in turn supports the group's corporate strategy. This ensures that risks and opportunities are not only adequately identified, evaluated and managed at the appropriate level, but also that their individual and joint impact on the group as a whole is taken into consideration.

Senior managers or 'risk champions' carry out a self-assessment of risk periodically. This process identifies critical strategic, operational, financial and compliance exposures and opportunities facing the group and the adequacy and effectiveness of control factors at those levels. The assessment methodology takes into account the impact or severity and probability of occurrence and applies a rating based on the quality of control effectiveness, thereby ranking risks and setting priorities. The top risks, elevated to group level and reported to the Risk Management and Audit Committee, are addressed through action plans put in place with responsibilities assigned to accountable persons.

The Commercial Director of our operating subsidiary in South Africa is responsible for risk management within the group. He oversees the process from the perspective of strategic direction, ongoing improvement in methodology and

Corporate governance (continued)

process, and technical assistance. The internal auditors check for compliance and alignment and provide assurance thereon through their own reporting procedures. The Risk Management and Audit Committee carries out an independent oversight role of the process.

Structure of the Board and committees

The roles of the Chairman, who is an executive director, and Chief Executive are distinct and there are seven non-executive directors, one of whom chaired the Risk Management and Audit Committee and another the Nominations and Remuneration Committee throughout the year under review. The company has a unitary board which meets at least four times per annum. The size and diversity of the Board is considered appropriate to the company. With the exception of the Chief Executive all directors are subject to retirement by rotation every three years.

In terms of the shareholders' agreement concluded between IA Bell and Company (Pty) Limited and John Deere Construction and Forestry Company, these two principal shareholder parties are entitled to nominate four and three directors respectively. This agreement furthermore limits the number of independent non-executive directors to four.

All directors have access to the Company Secretary and are entitled to seek other independent professional advice with regard to the performance of their duties. Non-executive directors are independent of, and have unfettered access to management.

Newly appointed directors are briefed on their fiduciary duties, their legal obligations and the company's history, operations and key initiatives. If there are areas for strengthening the performance of individual directors suitable training will be considered.

The Board of Directors is ultimately responsible for ensuring that Bell Equipment is a viable business and to this end effectively controls the company and its subsidiaries, monitors executive management and takes all decisions that are material for this purpose.

Directors' attendance at meetings

During 2007, the Board met on four occasions, with attendance recorded as follows:

Executive	
GW Bell	4 out of 4
HJ Buttery (Chairman)	4 out of 4
KJ van Haght	4 out of 4
DL Smythe	4 out of 4

Non-executive	
JW Kloet	2 out of 2
BW Schaffter	3 out of 4
J Dalhoff	1 out of 3
DM Gage	4 out of 4

Independent non-executive	
PJC Horne	4 out of 4
MA Mun-Gavin	3 out of 4
TO Tsukudu	4 out of 4
DJJ Vlok	4 out of 4

Alternates	
GP Harris	1 out of 1
JW Kloet	1 out of 1

The Board of Directors conducts periodic reviews of its performance and implements action plans to achieve strengthening and effectiveness in areas which are identified in this process. The directors have fully complied with their collective and individual obligations in terms of the JSE rules inter alia with regard to disclosures and observance of closed periods.

At least two John Deere nominated directors attended each meeting of the Board and all Board committees.

Particulars of the composition of the Board of Directors and committees appear on pages 16 and 17 of this report.

Risk Management and Audit Committee

The Chairman of the Risk Management and Audit Committee is an independent non-executive director. This committee operates in terms of a formally approved charter which clearly sets out the roles and responsibilities of committee members and one of its main tasks is to ensure the maintenance of and, where necessary, review the effectiveness of internal controls in the group in the light of the findings of the external or internal auditors. It has complied with the terms of the charter.

This committee has confirmed the suitability of the head of the group internal audit function. The external auditors are independent and do not perform any internal audit functions, but may perform certain non-audit services on a periodic basis. The Risk Management and Audit Committee has set the principles, which have been duly confirmed by the Board, as well as the limitations for making use of the external auditors for non-audit services.

Other areas that are reviewed include important accounting issues, pending changes in legislation which will give rise to changes in practice, specific disclosures in the financial statements and the publication of the interim and annual reports, as well as reviewing the group's risk management programme.

Attendance at meetings

During 2007, the Risk Management and Audit Committee met on four occasions, with attendance being as follows:

Members	
PJC Horne (Chairman)	4 out of 4
JW Kloet	2 out of 2
MA Mun-Gavin	4 out of 4
DJJ Vlok	4 out of 4
J Dalhoff	1 out of 3

Certain senior executive management attend each meeting of the committee.

The audit partner of Deloitte & Touche was invited to all meetings of this committee during the year.

Nominations and Remuneration Committee

Bell Equipment's Nominations and Remuneration Committee, which also operates in terms of a formally approved charter, is chaired by an independent non-executive director. and reviews and approves the remuneration of executive directors and senior management in line with their individual contributions to the group's overall performance. It also reviews the qualifications and suitability of candidates, taking due cognisance of diversity and skills, and makes recommendations to the Board for appointment of directors. All members of this committee are non-executive directors. The committee met twice in the year, with attendance as shown below and has complied with the terms of its charter.

Members	
DJJ Vlok (Chairman)	2 out of 2
TO Tsukudu	2 out of 2
DM Gage	2 out of 2

Certain senior executive management attend each meeting of the committee.

The group's remuneration philosophy is to reward its people fairly and in line with the market in similar industries. As recognition for superior performance, the group has incentive schemes which pay monthly and annual bonuses which could place employees' remuneration packages beyond the norm provided that certain hurdles are cleared.

The performance of the Chief Executive is evaluated annually by the independent Chairman of the Nominations and Remuneration Committee in order to determine his salary package for the ensuing year. Likewise, the Chief Executive conducts an annual review of the performance of all senior executives, including the Chairman of the Board in respect of his executive functions. The company does not have long-term service contracts for any of its executives. Normal notice periods apply as stated in all letters of appointment.

The group remunerates its executive directors based on reliable benchmarking data and seeks to achieve market related cost to employer packages that are a combination of basic salaries augmented by incentives provided that the group achieves set returns on shareholders' funds. Independent non-executive directors receive basic annual retainers, similarly determined by market surveys, but the bulk of their remuneration comes from attendance fees for meetings that they attend. The independent non-executive directors who chair board subcommittees receive a fee premium for this additional responsibility.

The non-executive directors and their alternates who are appointed by John Deere in terms of the shareholders' agreement with IA Bell and Company (Pty) Limited have elected not to receive remuneration for their services. Details of the remuneration paid to directors of the company is fully disclosed on page 84 of the financial statements.

Stakeholder communication and worker participation

The Board recognises the importance and value of communications with all stakeholders and this is achieved in a variety of ways.

The group holds annual conferences with its external business partners (principally suppliers, customers, and dealers) and uses this opportunity to communicate its plans for the year ahead so that these stakeholders are fully appraised of the group's expectations and requirements. At the same time Bell receives valuable feedback from its customers with regard to its products and services and where these can be improved.

The group produces annual and interim reports as required and publish these on the company's investor relations website. Each quarter Bell publishes a top quality magazine – *Bulletin* – that features articles of technical, commercial and general interest which is distributed worldwide to customers, suppliers and other interested parties.

The group produces an annual employee report and has other regular communications with employees. Among the foremost of these is '*Bell Online*' which is an effective, transparent, balanced and fair mechanism whereby topical issues are addressed with employees approximately on a five-weekly basis. Employees are encouraged to make use of this publication to raise contentious issues and air their views.

Code of ethics

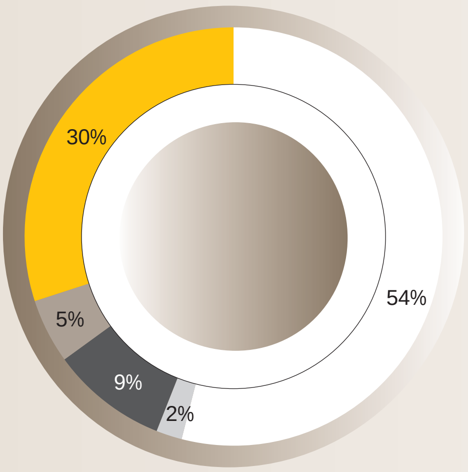
The group has a code of ethics which commits the group and its employees to the highest standards of ethical and professional integrity and has the full commitment of the Board of Directors and the Chief Executive. It is effectively communicated to all Bell Equipment operations worldwide.

The code of ethics covers the interactive relationships between the group, its directors, management and employees amongst themselves and outside stakeholders, customers, shareholders and society at large.

Value added statement

for the year ended 31 December 2007

	2007 R000	2007 %	2006 R000	2006 %
Revenue	4 624 961		3 533 177	
Goods and services acquired	3 413 468		2 609 437	
Total value added	1 211 493		923 740	
Applied as follows:				
To employees – remuneration benefits	656 257	54	515 417	56
To lenders – net finance costs	19 696	2	21 127	2
To governments – taxation	109 657	9	110 880	12
Retained for investment in the group				
– Depreciation and amortisation of intangible assets	60 974	5	40 159	4
– Profit	364 909	30	236 157	26
Total value added	1 211 493	100	923 740	100



Value added 2007

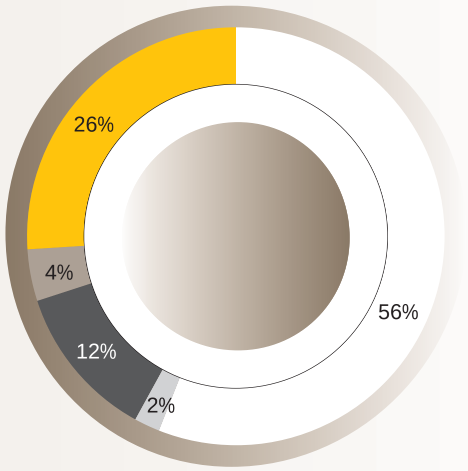
Employees – remuneration benefits

Lenders – net finance costs

Governments – taxation

Depreciation and amortisation of intangible assets

Profit



Value added 2006

Teaming up with leading manufacturers to deliver quality products

Excavators, Graders, Compaction Rollers and Dozers

Bell Equipment is the appointed distributor in South Africa of a range of products that complement our own so as to offer a 'One Stop Shop' for our customers. These machines are imported as fully assembled units, branded Bell and sold and supported through our proven customer service centre distribution network. We have 28 outlets throughout southern Africa, justifying our claim of delivering strong, reliable support.

Approval of annual financial statements

The directors of Bell Equipment Limited are responsible for the integrity of the annual financial statements of the group and the company and the objectivity of the other information presented in these statements.

In order to fulfil this responsibility, the group maintains internal accounting and administrative control systems and procedures designed to provide assurance that assets are safeguarded and that transactions are executed and recorded in accordance with the group's policies and procedures.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and examined by independent auditors in conformity with International Standards on Auditing.

The annual financial statements of the group and the company which appear on pages 44 to 84 were approved by the directors on 12 March 2008 and are signed on their behalf by:

HJ Buttery
Group Chairman

GW Bell
Group Chief Executive

12 March 2008

Certification by the Company Secretary

I certify that the company has, in respect of the financial year reported upon, lodged with the Registrar of Companies all returns required of a public company and that all such returns are, to the best of my knowledge and belief, correct and current.

DP Mahony
Company Secretary

12 March 2008

Independent auditor's report

To the members of Bell Equipment Limited

We have audited the annual financial statements and group annual financial statements of Bell Equipment Limited which comprise the directors' report, the balance sheet and consolidated balance sheet as at 31 December 2007, the income statement and consolidated income statement, the statement of changes in equity and consolidated statement of changes in equity and cash flow statement and consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 44 to 84.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and the group as of 31 December 2007 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Deloitte & Touche
Registered Auditors
Audit – KZN

Deloitte & Touche

Per C Howard-Browne
Partner

12 March 2008

Suite 4 Pinnacle Point
9 Lira Link
Richards Bay 3900

PO Box 351
Richards Bay 3900
South Africa

Directors' report

The directors submit the annual financial statements for the group and the company together with the reports thereon for the year ended 31 December 2007.

GENERAL REVIEW

The group manufactures and distributes a wide range of materials handling equipment, both locally and internationally, through an extensive wholly owned network of customer service centres, strategic alliances and independent dealers. Through its joint venture with WesBank it is able to offer financing to facilitate sales in southern Africa.

The group's principal products are Articulated Dump Trucks, Haulage Tractors, Tractor Loader Backhoes, Front End Loaders, sugar cane and timber-loading equipment and construction equipment such as Graders, Dozers and Excavators, and related parts and service.

FINANCIAL RESULTS

The results of the group and the company are fully disclosed in the accompanying financial statements and notes thereon and in the Chief Executive's report and Chairman's statement.

STATED CAPITAL

The company's authorised share capital remains at 100 000 000 ordinary shares of no par value.

The stated capital account as at 31 December 2007 comprised 94 857 900 (December 2006: 94 816 900) ordinary shares of no par value.

DIVIDENDS

Subsequent to year-end, the directors have declared a dividend of 40 cents per share (2006: 25 cents per share).

PROPERTY, PLANT AND EQUIPMENT

Our accounting policy in respect of property, plant and equipment is recorded in note 2 to the annual financial statements. The fixed property was revalued in 2007 in line with our policy and the increased value, together with other movements in property, plant and equipment, was brought to account as recorded in note 6 to the annual financial statements.

SHARE OPTION SCHEMES

The company has two employee share option schemes. The maximum number of shares any employee may acquire in terms of these schemes shall not exceed 200 000. The options have a maximum contractual life of 10 years from the date of award. The options are equity settled, vest immediately and are forfeited on leaving the company. Particulars of transactions which occurred on scheme number one, which is running out, during the year are as follows:

	31 December 2007	31 December 2006
Options granted brought forward	183 100	157 000
Options granted and accepted	–	90 600
Options exercised	(41 000)	(53 500)
Options forfeited	–	(11 000)
Options granted carried forward	**142 100**	183 100

Directors, senior and general management held 105 600 of the unexercised options at 31 December 2007 (2006: 105 600), the balance of which was held by other employees throughout the group.

The maximum aggregate number of shares available to employees under scheme number one was 2 159 200. The unallocated balance at 31 December 2007 was nil shares (December 2006: nil).

There were no transactions during the year under review for scheme number two, which is currently inoperative, and has a maximum of 5 000 000 shares available for allocation.

DIRECTORS

During the year under review the following changes in the composition of the Board of Directors took place:

Directors

RL Bridges	resigned 12 January 2007	GP Harris	resigned 3 May 2007
DM Gage	appointed 12 January 2007	JW Kloet	resigned 4 August 2007
J Dalhoff	appointed 4 August 2007		

Alternate directors

DM Gage	resigned 12 January 2007	GP Harris	appointed 31 May 2007
JW Kloet	appointed 20 December 2007		

Mr PJC Horne who retires by rotation and is eligible for re-election has intimated his intention not to seek re-election at the forthcoming Annual General Meeting of the company.

Details of the directors and senior management of the Bell Equipment group appear on pages 17 and 24 of this report.

As at the end of the period under review the directors' shareholdings were as follows:

	Number of shares held					
	Direct beneficial		Indirect beneficial		Indirect non-beneficial	
	2007	2006	2007	2006	2007	2006
GW Bell	–	–	8 671 264	9 692 672	–	–
PA Bell	–	–	8 671 264	9 692 672	23 400	23 400
PC Bell	–	–	8 671 264	9 692 672	–	–
HJ Buttery	–	–	3 691 473	4 126 301	–	–
MA Campbell	–	–	3 009 152	3 363 606	–	–
GP Harris	–	–	1 800	1 800	–	–
PJC Horne	–	–	–	20 000	5 500	5 500
MA Mun-Gavin	–	–	10 000	10 000	–	–

MAJOR SHAREHOLDERS

The major shareholders in Bell Equipment Limited as at 31 December 2007 were:

IA Bell & Company (Pty) Limited	37,66%
John Deere Construction and Forestry Company	31,63%

COMPANY SECRETARY

Particulars of the Company Secretary and his business and postal addresses appear on page 88 of this report.

SUBSIDIARIES

Details of the company's interest in its subsidiary companies are contained on page 83 of this report. The principal subsidiary is Bell Equipment Company SA (Pty) Limited which is incorporated in South Africa.

SUBSEQUENT EVENTS

Other than the incorporation of Bell Equipment Sales SA Limited and the sale of certain assets to this company which has minority equity holders as reported elsewhere in this report, there is no material fact or circumstance which has arisen between the balance sheet date and the date of this report.

Signed on behalf of the Board

HJ Buttery
Group Chairman

GW Bell
Group Chief Executive

12 March 2008

Balance sheets

as at 31 December 2007

	Notes	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
ASSETS					
Non-current assets		473 633	368 315	404 842	291 470
Property, plant and equipment	6	426 649	318 140	–	–
Intangible assets	7	8 328	7 074	–	–
Investments in subsidiary companies	8	–	–	404 842	291 470
Other investments	9	13 464	14 348	–	–
Long-term receivables	10	11 231	6 289	–	–
Deferred taxation	11	13 961	22 464	–	–
Current assets		2 408 034	1 673 937	94	–
Inventory	12	1 698 820	1 219 834	–	–
Trade and other receivables	13	662 828	378 983	94	–
Current portion of long-term receivables	10	10 499	15 271	–	–
Prepayments		13 314	10 486	–	–
Taxation		1 865	1 623	–	–
Cash and bank balances		20 708	47 740	–	–
Total assets		2 881 667	2 042 252	404 936	291 470
EQUITY AND LIABILITIES					
Capital and reserves		1 380 869	954 912	383 084	277 473
Stated capital	14	226 293	226 185	226 293	226 185
Non-distributable reserves	15	140 040	55 490	–	–
Retained earnings		1 014 536	673 237	156 791	51 288
Non-current liabilities		214 779	158 371	–	–
Interest-bearing liabilities	16	76 624	2 319	–	–
Repurchase obligations and deferred leasing income	17	83 695	133 253	–	–
Deferred warranty income	18	50 740	11 724	–	–
Lease escalation	19	1 677	3 643	–	–
Provisions	20	2 043	7 432	–	–
Current liabilities		1 286 019	928 969	21 852	13 997
Trade and other payables	21	758 984	557 330	214	596
Current portion of interest-bearing liabilities	16	31 838	2 467	–	–
Current portion of repurchase obligations and deferred leasing income	17	20 638	17 021	–	–
Current portion of deferred warranty income	18	2 497	5 291	–	–
Current portion of lease escalation	19	1 699	1 179	–	–
Current portion of provisions	20	49 349	69 569	–	–
Taxation		52 927	88 741	21 638	13 401
Short-term interest-bearing debt		368 087	187 371	–	–
Total equity and liabilities		2 881 667	2 042 252	404 936	291 470
Shares issued (000)		94 858	94 817		
Net asset value per share (cents)		1 456	1 007		

Income statements

for the year ended 31 December 2007

		Group		Company	
		2007	2006	2007	2006
	Notes	R000	R000	R000	R000
Revenue	22	4 624 961	3 533 177	–	–
Cost of sales		(3 647 808)	(2 739 263)	–	–
Gross profit		977 153	793 914	–	–
Other operating income		70 894	102 604	152 710	59 912
Distribution costs		(453 548)	(415 194)	–	–
Administration expenses		(54 816)	(60 307)	(1 820)	(1 616)
Other operating expenses		(45 421)	(52 853)	–	–
Profit from operating activities	23	494 262	368 164	150 890	58 296
Interest paid		(33 387)	(27 818)	(480)	–
Interest received		13 691	6 691	26	25
Profit before taxation		474 566	347 037	150 436	58 321
Taxation	24	(109 657)	(110 880)	(21 224)	(6 153)
Profit for the year		364 909	236 157	129 212	52 168

		Cents	Cents
Earnings per share			
Basic	25	385	249
Diluted	25	384	249
Dividend per share		25	–

Statements of changes in equity

for the year ended 31 December 2007

	Stated capital R000	Non-distributable reserves R000	Retained earnings (accumulated loss) R000	Total capital and reserves R000
Group				
Balance at 31 December 2005	225 946	36 921	436 392	699 259
Realisation of revaluation reserve on depreciation of buildings	–	(688)	688	–
Exchange differences on translation of foreign operations	–	18 577	–	18 577
Exchange difference on foreign reserves	–	680	–	680
Net income recognised directly in equity	–	18 569	688	19 257
Net profit for the year	–	–	236 157	236 157
Total recognised income and expense	–	18 569	236 845	255 414
Share options exercised	239	–	–	239
Balance at 31 December 2006	226 185	55 490	673 237	954 912
Realisation of revaluation reserve on depreciation of buildings	–	(688)	688	–
Surplus on revaluation of properties	–	95 042	–	95 042
Deferred taxation on revaluation of properties	–	(20 835)	–	(20 835)
Increase in legal reserves of foreign subsidiaries	–	589	(589)	–
Exchange differences on translation of foreign operations	–	10 476	–	10 476
Exchange difference on foreign reserves	–	(34)	–	(34)
Net income recognised directly in equity	–	84 550	99	84 649
Net profit for the year	–	–	364 909	364 909
Total recognised income and expense	–	84 550	365 008	449 558
Share options exercised	108	–	–	108
Dividends paid	–	–	(23 709)	(23 709)
Balance at 31 December 2007	226 293	140 040	1 014 536	1 380 869
Company				
Balance at 31 December 2005	225 946	–	(880)	225 066
Net profit for the year	–	–	52 168	52 168
Share options exercised	239	–	–	239
Balance at 31 December 2006	226 185	–	51 288	277 473
Net profit for the year	–	–	129 212	129 212
Share options exercised	108	–	–	108
Dividends paid	–	–	(23 709)	(23 709)
Balance at 31 December 2007	226 293	–	156 791	383 084

Cash flow statements

for the year ended 31 December 2007

	Notes	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
CASH FLOW FROM OPERATING ACTIVITIES					
Cash (utilised) generated from operations	A	(30 208)	285 447	144 277	28 992
Net interest (paid) received		(19 696)	(21 127)	(454)	25
Taxation (paid) refunded	B	(158 285)	(36 269)	(12 987)	1 523
Net cash flow (utilised) generated from operating activities		(208 189)	228 051	130 836	30 540
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of additional property, plant and equipment and intangible assets		(133 263)	(120 781)	–	–
Purchase of replacement property, plant and equipment and intangible assets		(3 304)	(3 212)	–	–
Proceeds on disposal of property, plant and equipment and intangible assets		65 938	900	–	–
Proceeds on disposal of interest in subsidiary company		–	–	2 283	–
Decrease in investment		884	22 189	–	–
Net cash flow (utilised) generated from investing activities		(69 745)	(100 904)	2 283	–
CASH FLOW FROM FINANCING ACTIVITIES					
Advances to subsidiaries		–	–	(109 518)	(30 779)
Interest-bearing liabilities repaid	C	(2 856)	(3 113)	–	–
Interest-bearing liabilities raised	C	106 532	414	–	–
(Decrease) increase in repurchase obligations and deferred leasing income		(45 941)	72 459	–	–
Increase in deferred income from extended warranty sales		36 222	10 439	–	–
(Increase) decrease in long-term receivables		(170)	4 916	–	–
Proceeds from share options exercised		108	239	108	239
Dividends paid		(23 709)	–	(23 709)	–
Net cash flow generated (utilised) from financing activities		70 186	85 354	(133 119)	(30 540)
Net (decrease) increase in cash for the year		(207 748)	212 501	–	–
Net short-term interest-bearing debt at beginning of the year		(139 631)	(352 132)	–	–
Net short-term interest-bearing debt at end of the year	D	(347 379)	(139 631)	–	–

Notes to the cash flow statements

for the year ended 31 December 2007

		Group		Company	
		2007	2006	2007	2006
		R000	R000	R000	R000
A.	CASH GENERATED FROM OPERATIONS				
	Profit from operating activities	494 262	368 164	150 890	58 296
	Adjustments for:				
	Depreciation	60 515	39 910	–	–
	Amortisation of intangible assets	459	249	–	–
	(Decrease) increase in warranty provision	(22 090)	4 831	–	–
	Decrease in provision for residual value risk	(4 694)	(3 134)	–	–
	Decrease in lease escalation	(1 446)	(430)	–	–
	Decrease in provision for impairment of interest in subsidiary company	–	–	(5 347)	(28 253)
	Net (surplus) loss on disposal of property, plant and equipment and intangible assets	(743)	3 450	–	–
	Surplus on disposal of interest in subsidiary company	–	–	(790)	–
	Exchange differences on translation of foreign subsidiaries	7 534	16 338	–	–
	Operating profit before working capital changes	533 797	429 378	144 753	30 043
	Increase in inventory	(478 986)	(290 996)	–	–
	Increase in receivables and prepayments	(286 673)	(19 925)	(94)	–
	Increase (decrease) in trade and other payables	201 654	166 990	(382)	(1 051)
	Total cash (utilised) generated from operations	(30 208)	285 447	144 277	28 992
B.	TAXATION (PAID) REFUNDED				
	Net (taxation owing) refund due at beginning of the year	(87 118)	2 194	(13 401)	(5 725)
	Tax charge for the year:				
	South African normal taxation	(72 150)	(108 937)	(7 999)	(6 153)
	South African secondary tax on companies	(2 437)	–	(2 437)	–
	Foreign taxation	(36 854)	(15 295)	–	–
	Withholding tax on dividends	(10 788)	(1 349)	(10 788)	–
	Net taxation owing at end of the year	51 062	87 118	21 638	13 401
	Total taxation (paid) refunded	(158 285)	(36 269)	(12 987)	1 523
C.	INTEREST-BEARING LIABILITIES				
	Long-term portion of interest-bearing liabilities at beginning of the year	2 319	4 754	–	–
	Add: current portion at beginning of the year	2 467	2 731	–	–
	Total interest-bearing liabilities at beginning of the year	4 786	7 485	–	–
	Interest-bearing liabilities raised	106 532	414	–	–
	Interest-bearing liabilities repaid	(2 856)	(3 113)	–	–
	Less: current portion at end of the year	(31 838)	(2 467)	–	–
	Long-term portion of interest-bearing liabilities at end of the year	76 624	2 319	–	–
D.	NET SHORT-TERM INTEREST-BEARING DEBT				
	Short-term interest-bearing debt	(368 087)	(187 371)	–	–
	Cash resources	20 708	47 740	–	–
	Net short-term interest-bearing debt at end of the year	(347 379)	(139 631)	–	–

Notes to the annual financial statements

for the year ended 31 December 2007

1. GENERAL INFORMATION

Bell Equipment Limited (the company) is a public company incorporated in South Africa. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the company and its subsidiaries (the group) are described in the directors' report under the heading general review.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and are consistent with those applied to the previous year, except for new and revised standards adopted per note 3 to the financial statements. The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments, and adjustments, where applicable, in respect of hyperinflation accounting.

The significant accounting policies adopted are set out below:

2.2 Basis of consolidation

The group annual financial statements incorporate the financial position and results of the company and of its subsidiaries. The results of subsidiaries are included from the dates effective control was acquired until the effective dates of their disposal. All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the company.

2.3 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is capitalised and reviewed for impairment at least annually. Any excess in the group's interest in the net fair value of a subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

2.4 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

2.5 Property, plant and equipment

Freehold land is not depreciated and is stated at valuation with subsequent additions at cost, less any subsequent accumulated impairment losses. Freehold buildings are stated at valuation, with subsequent additions at cost less subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations, on the depreciated replacement cost basis, are undertaken every three years. Other assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of assets commences when the asset is available for use. Depreciation on revalued buildings is charged to income. The depreciable values of leasehold buildings and materials handling equipment held as rental assets are depreciated over the shorter of their expected useful lives and the period of the lease. Depreciation on other assets is provided on a straight-line basis over the anticipated useful lives of the assets taking residual values into account. Depreciation ceases on an asset only when the asset is derecognised or when it is classified as held for sale.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 **Property, plant and equipment** (continued)

The annual rates of depreciation currently used are:

Freehold buildings	2% to 3,33%
Leasehold buildings	5% to 10%
Plant and equipment	10% to 33%
Aircraft	12,5%
Vehicles	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Useful lives and residual values are reviewed annually.

2.6 **Intangible assets**

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The annual rate of amortisation currently used is 20%.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

2.7 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the lessee. Operating leases are those leases which do not fall within the scope of the above definition.

The group as lessee

Assets classified as finance lease agreements are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Assets held under finance leases are depreciated on the straight-line basis over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are charged to operating profit when incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

The group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.8 Financial guarantee contracts

Financial guarantee contracts are accounted for as insurance contracts and, consequently, are measured initially at cost and thereafter in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

2.9 Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Financial instruments carried on the balance sheet include cash and bank balances, investments, long-term receivables, trade and other receivables, interest-bearing liabilities, trade and other payables and short-term interest-bearing debt.

Derivative financial instruments

Derivative financial instruments, principally forward foreign exchange contracts, are used by the group in its management of financial risks. These contracts are held for trading at fair value through profit and loss.

Long-term, trade and other receivables

Long-term, trade and other receivables are recognised at amortised cost, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held on call with banks and are subject to an insignificant risk of changes in value.

Short-term, interest-bearing debt

Short-term, interest-bearing debt comprises bank overdrafts and borrowings on call which are measured at fair value, net of transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial instruments (continued)

Trade and other payables

Trade and other payables are recognised at amortised cost.

Interest-bearing liabilities

Interest-bearing liabilities are measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Investments

Investments are initially recorded at cost and are adjusted for interest earned thereon and the group's share of the profits or losses of the investee after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment.

Offsetting financial agreements

Financial assets and liabilities are offset where the group has a legal and enforceable right to set off the recognised amounts and it intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.10 Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is generally determined on the following bases:

Raw materials, merchandise spares, work-in-progress and finished goods are valued on the first-in first-out basis. Finished goods, work-in-progress and manufactured components include the cost of direct materials, and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Redundant and slow-moving inventory is identified and written down with regard to their estimated economic or realisable values. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.11 Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled share-based payments.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

2.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

2.13 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in South African Rand, which is the company's functional and presentation currency.

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Forward cover contracts are separately valued at equivalent forward rates ruling at the reporting date.

Surpluses and losses arising on translation of foreign currency transactions are dealt with in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Foreign currency translation (continued)

Foreign subsidiary translation

The results and financial position of all group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet are translated at the exchange rates prevailing on the balance sheet date;
- income and expenses for each income statement are translated at average exchange rates for the period; and
- all resulting exchange differences are recognised as equity and transferred to the group's foreign currency translation reserve.

Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Where a subsidiary reports in the currency of a hyperinflationary economy, its financial statements are restated by applying a general price index pertaining to that economy before they are translated and included in the consolidated financial statements. Translation of the restated financial statements of the subsidiary is performed at rates of exchange ruling at the year-end.

2.14 Revenue

Revenue comprises the invoiced value of sales, service income and rentals received. Sales to group companies are invoiced at cost plus a mark-up and are reversed on consolidation.

2.15 Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer. If the sale of goods is combined with a buy-back agreement or a residual value guarantee, the sale is accounted for as an operating lease transaction if significant risks of the goods are retained in the group. Revenue from services is recognised when the services have been rendered. Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Deferred income from extended warranty sales

Proceeds from extended warranty contracts sold are deferred and recognised in income over the extended warranty period on a basis that matches the income earned with the related costs.

2.16 Research and development

Research and development costs, excluding capital items, are charged against operating income as incurred.

2.17 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the group's obligation under the plans is equivalent to those arising in a defined contribution retirement benefit plan.

2.18 Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

2.18 **Impairment of tangible and intangible assets excluding goodwill** (continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at the revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.19 **Provisions**

A provision is recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Warranties

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the group's obligation.

2.20 **Segmental information**

The principal segments of the group have been identified on a primary basis by significant geographical regions. The primary basis is representative of the internal structure for management reporting purposes.

2.21 **Borrowing costs**

Borrowing costs are charged against operating profit as incurred.

2.22 **Government grants**

Government grants are recognised as income over the periods necessary to match them with the related costs.

Notes to the annual financial statements (continued)

for the year ended 31 December 2007

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year the group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board ('the IASB') and the International Financial Reporting Interpretations Committee ('the IFRIC') of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2007 and these were the following:

- IFRS 7 – Financial Instruments: Disclosures
- IAS 1 – Presentation of Financial Statements – Amendments to add disclosures about an entity's capital.

This resulted in additional disclosures.

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

		Effective date for annual periods beginning on or after:
New		
IFRS 8	– Operating Segments	1 January 2009
IFRIC 11	– IFRS 2 Group and Treasury Share Transactions	1 March 2007
IFRIC 12	– Service Concession Arrangements	1 January 2008
IFRIC 13	– Customer Loyalty Programmes	1 July 2008
IFRIC 14	– IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008
Revised		
IAS 1	– Presentation of Financial Statements: Comprehensive Revision Including Requiring a Statement of Comprehensive Income	1 January 2009
IAS 1	– Presentation of Financial Statements: Amendments Relating to Disclosure of Puttable Instruments and Obligations Arising on Liquidation	1 January 2009
IAS 23	– Borrowing Costs: Comprehensive Revision to Prohibit Immediate Expensing	1 January 2009
IAS 27	– Consolidated and Separate Financial Statements: Consequential Amendments Arising from Amendments to IFRS 3	1 July 2009
IAS 28	– Investments in Associates: Consequential Amendments Arising from Amendments to IFRS 3	1 July 2009
IAS 31	– Interests in Joint Ventures: Consequential Amendments Arising from Amendments to IFRS 3	1 July 2009
IAS 32	– Financial Instruments – Presentation: Amendments Relating to Puttable Instruments and Obligations Arising on Liquidation	1 January 2009
IFRS 2	– Share-based Payments: Amendment Relating to Vesting Conditions and Cancellations	1 January 2009
IFRS 3	– Business Combinations: Comprehensive Revision on Applying the Acquisition Method	1 July 2009

The directors are in the process of evaluating the impact that the adoption of these standards and interpretations in future periods will have on the financial statements of the group.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 Judgements made by management

Preparing financial statements in accordance with IFRS requires estimates and assumptions that affect reported amounts and related disclosures. Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments. The items for consideration have been identified as follows:

Asset lives and residual values

Property, plant and equipment are depreciated over the useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually taking into account factors such as technological innovation, product life cycles and maintenance programmes. Residual value assessments consider issues such as market conditions, the remaining life of the asset and projected disposal values.

Impairment of assets

Ongoing assessments are made regarding any potential impairment of assets, using assumptions made in terms of the models allowed under IFRS.

Valuation of financial instruments

The value of derivative financial instruments fluctuates on a daily basis and the actual amounts realised may differ materially from their value at the balance sheet date.

Warranty provision

The provision for future warranty costs on products sold is based on past experience.

Provisions for residual value risks

Residual value risks are attributable to operating lease contracts and sales transactions combined with buy-back agreements or residual value guarantees. Residual value risks are the risks that the group in the future would have to dispose of used products at a loss if the price realised for these products is less than what was expected when the contracts were entered into. If the residual value risks are pertaining to products that are reported as rental assets on the balance sheet, these risks are reflected by depreciation or write-down of the carrying value of these assets. If the residual value risks are pertaining to products which are not reported as assets on the balance sheet, these risks are reflected under the line item provisions.

4.2 Key sources of estimation uncertainty

There are no other key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that management have assessed as having a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

	South Africa R000	Rest of world R000	Eliminations R000	Consolidated R000
5. SEGMENTAL ANALYSIS				
Group				
2007				
Revenue				
External sales	2 095 564	2 529 397	–	4 624 961
Inter-segment sales	57 883	934 671	(992 554)	–
Total revenue	2 153 447	3 464 068	(992 554)	4 624 961
Profit from operating activities	281 684	212 578		494 262
Net finance costs				(19 696)
Taxation				(109 657)
Profit for the year				364 909
Other information				
Assets	1 998 712	882 955		2 881 667
Current liabilities	996 350	289 669		1 286 019
Non-current liabilities	144 144	68 592		212 736
Long-term warranty provision	2 043	–		2 043
Total liabilities	1 142 537	358 261		1 500 798
Capital expenditure	108 360	28 207		136 567
Depreciation and amortisation of intangibles	43 680	17 294		60 974
Other non-cash income	(20 037)	(8 193)		(28 230)
Group				
2006				
Revenue				
External sales	1 720 506	1 812 671	–	3 533 177
Inter-segment sales	13 379	679 831	(693 210)	–
Total revenue	1 733 885	2 492 502	(693 210)	3 533 177
Profit from operating activities	287 770	80 394		368 164
Net finance costs				(21 127)
Taxation				(110 880)
Profit for the year				236 157
Other information				
Assets	1 458 397	583 855		2 042 252
Current liabilities	696 307	232 662		928 969
Non-current liabilities	57 904	95 857		153 761
Long-term warranty provision	4 610	–		4 610
Total liabilities	758 821	328 519		1 087 340
Capital expenditure	49 938	74 055		123 993
Depreciation and amortisation of intangibles	26 425	13 734		40 159
Other non-cash expenses (income)	1 803	(536)		1 267

		Group				
	2007			2006		
	Cost/ valuation R000	Accumulated depreciation R000	Net book value R000	Cost/ valuation R000	Accumulated depreciation R000	Net book value R000
6. PROPERTY, PLANT AND EQUIPMENT						
Owned						
Freehold land and buildings	186 153	1 414	184 739	88 569	6 322	82 247
Leasehold buildings	948	259	689	2 499	1 743	756
Plant and equipment	271 089	153 516	117 573	205 512	137 633	67 879
Rental assets	141 571	40 355	101 216	178 725	25 524	153 201
Aircraft	6 546	1 294	5 252	3 499	1 160	2 339
Vehicles	19 144	5 679	13 465	11 575	4 522	7 053
Leased						
Leasehold buildings	2 953	1 051	1 902	2 711	874	1 837
Plant and equipment	3 912	2 476	1 436	3 912	1 868	2 044
Vehicles	760	383	377	1 181	397	784
Totals	633 076	206 427	426 649	498 183	180 043	318 140

	Freehold land and buildings R000	Leasehold buildings R000	Plant and equipment R000	Rental assets R000	Aircraft R000	Vehicles R000	Total R000
Movement in property, plant and equipment							
2007							
Net book value at beginning of the year	82 247	2 593	69 923	153 201	2 339	7 837	318 140
Surplus on revaluation	95 042	–	–	–	–	–	95 042
Additions	11 391	–	69 115	42 897	3 047	8 401	134 851
Disposals	–	–	(50)	(64 577)	–	(565)	(65 192)
Depreciation	(3 953)	(152)	(20 578)	(33 559)	(134)	(2 139)	(60 515)
Transfers	12	(12)	27	2 589	–	(2 616)	–
Translation differences	–	162	572	665	–	2 924	4 323
Net book value at end of the year	184 739	2 591	119 009	101 216	5 252	13 842	426 649
2006							
Net book value at beginning of the year	84 080	2 338	59 018	75 349	1 804	7 166	229 755
Additions	1 286	33	27 358	92 026	633	2 657	123 993
Disposals	–	–	(113)	(3 679)	–	(242)	(4 034)
Depreciation	(3 119)	(140)	(17 735)	(17 391)	(98)	(1 427)	(39 910)
Translation differences	–	362	1 395	6 896	–	(317)	8 336
Net book value at end of the year	82 247	2 593	69 923	153 201	2 339	7 837	318 140

Certain property, plant and equipment is encumbered as indicated in note 16.

The rental assets are subject to repurchase obligations as reflected in note 17.

	Group 2007 R000	Group 2006 R000
6. PROPERTY, PLANT AND EQUIPMENT (continued)		
Freehold land and buildings at cost/valuation comprise:		
Lot 1892 Alton Industrial Township, Richards Bay		
– at valuation on 1 October 2007	20 648	–
– subsequent additions at cost in 2007	501	–
Lot 1894 Alton Industrial Township, Richards Bay		
– at valuation on 1 October 2007	56 618	–
– at valuation on 1 October 2004	–	27 669
– subsequent additions at cost in 2007	1 437	–
– subsequent additions at cost in 2006	–	1 215
Lot 10024 Alton Industrial Township, Richards Bay		
– at valuation on 1 October 2007	104 642	–
– at valuation on 1 October 2004	–	59 614
– subsequent additions at cost in 2007	2 307	–
– subsequent additions at cost in 2006	–	71
Total freehold land and buildings at cost/valuation	186 153	88 569

The freehold land and buildings were valued by the Mills Fitchet Group, independent qualified valuers, on the depreciated replacement cost basis, on 1 October 2007. The valuations were undertaken in accordance with the handbook of the Royal Institute of Chartered Surveyors in the United Kingdom. The book values of these properties were adjusted to their valuations during the relevant financial period and the resultant net surpluses credited to the revaluation reserve.

The comparable amounts under the historical cost convention for the freehold land and buildings were:

	2007 R000	2006 R000
Historical cost	80 970	69 579

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
7. INTANGIBLE ASSETS				
Capitalised software				
Cost				
At beginning of the year	11 489	11 805	–	–
Acquired	1 716	–	–	–
Disposed	(3)	(316)	–	–
At end of the year	13 202	11 489	–	–
Accumulated amortisation				
At beginning of the year	4 415	4 166	–	–
Charge for the year	459	249	–	–
At end of the year	4 874	4 415	–	–
Carrying amount				
At end of the year	8 328	7 074	–	–
8. INVESTMENTS IN SUBSIDIARY COMPANIES				
Local subsidiaries				
Shares at cost	–	–	12 063	12 063
Indebtedness by subsidiaries	–	–	146 330	188 286
Total local subsidiaries	–	–	158 393	200 349
Foreign subsidiaries				
Shares at cost	–	–	94 975	96 468
Impairment loss recognised	–	–	–	(5 347)
Indebtedness by subsidiaries	–	–	151 474	–
Total foreign subsidiaries	–	–	246 449	91 121
Total investments in subsidiary companies	–	–	404 842	291 470

Further details of investments in subsidiary companies are set out on page 83.

The company impaired its investment in a subsidiary in prior years due to accumulated operating losses incurred in underlying subsidiaries. In the current year, the balance of this provision of R5,3 million was reversed as a result of the improved profitability of these entities.

During the 2007 financial year the company sold its interest in Bell Equipment Switzerland SA to its subsidiary Bellinter Holdings SA.

Notes to the annual financial statements (continued)

for the year ended 31 December 2007

	Group		Company	
	2007 R000	2006 R000	2007 R000	2006 R000
9. OTHER INVESTMENTS				
A financing venture has been entered into with WesBank, a division of FirstRand Bank Limited, in order to assist customers with the financing of equipment purchased from the group.				
Total investment in WesBank venture	17 728	20 346	–	–
In terms of this arrangement, the following categories of financing are provided for:				
– specific transactions, the risks and rewards of which are for the group. In respect of these transactions, the group is required to deposit an amount equal to 25% of the value of the financing provided by WesBank to customers. A fee is paid to WesBank for administering this business. This deposit is reflected as long-term receivables on the balance sheet (note 10)	(4 264)	(5 998)	–	–
– transactions for which WesBank requires support, either due to the credit risk profile of the customer or the specific structuring of the financing deal. The group is entitled to a share of the profits from these transactions. Applications from customers are categorised into WesBank's risk grading system, with the risk category determining the funding required and level of risk shared by the group. The group's risk is, however, limited to the amount of its investment. This portion of the investment is reflected as an interest-bearing investment under non-current assets on the balance sheet in the amount of	13 464	14 348	–	–

In respect of the first category above, in the event of default by a customer, the group is at risk for the full balance due to WesBank by the customer. This contingent liability and the group's provision for non-recovery is reflected in note 26.1.

The directors consider that the carrying amount of investments approximates their fair value.

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
10. LONG-TERM RECEIVABLES				
WesBank financing venture (note 9)	4 264	5 998	–	–
Bank of Scotland (Ireland) Limited*	3 291	2 906	–	–
Retention deposits**	14 175	12 138	–	–
Deferred consideration on sale of subsidiary	–	518	–	–
	21 730	21 560	–	–
Less: current portion	(10 499)	(15 271)	–	–
Total long-term receivables	11 231	6 289	–	–

* Deposit held as security for subsidiary's obligations under a customer's stocking finance agreement.

**Deposits held by financial institutions as security for residual values on units guaranteed by the group. The recoverability of these deposits is dependent on the units realising the guaranteed residual values at the end of the guarantee period. This contingent liability and the group's provision for non-recovery is included in note 26.3.

	Group: Net deferred taxation asset at beginning of year R000	Charge to equity for year R000	Credit (charge) to income for year R000	Net deferred taxation asset at end of year R000
11. DEFERRED TAXATION				
The deferred taxation asset analysed by major category of temporary difference and the reconciliation of the movement in the deferred tax balance is as follows:				
Revaluation of properties	(8 141)	(20 835)	1 288	(27 688)
Prepayments	(1 701)	–	435	(1 266)
Provision for doubtful debts	4 236	–	(3 887)	349
Provision for lease escalation	1 482	–	(488)	994
Deferred income	2 645	–	11 433	14 078
Excess tax allowances over depreciation charge	(5 144)	–	(7 624)	(12 768)
Sales in advance	1 849	–	6 315	8 164
Provision for warranty expenditure	13 067	–	(3 549)	9 518
Provision for leave pay	4 446	–	1 756	6 202
Provision for bonuses	5 480	–	2 493	7 973
Provision for unit additional costs	1 893	–	5 733	7 626
Taxable losses	245	–	(162)	83
Provision for residual value risk	1 211	–	(1 124)	87
Unrealised foreign currency gains and losses with controlled foreign companies	607	–	(189)	418
Investment subsidies	289	–	(98)	191
Totals	22 464	(20 835)	12 332	13 961

Notes to the annual financial statements (continued)

for the year ended 31 December 2007

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
12. INVENTORY				
Merchandise spares, components and raw materials	750 090	537 395	–	–
Work in progress	330 914	214 130	–	–
Finished goods	617 816	468 309	–	–
Total inventory	1 698 820	1 219 834	–	–
Included above is inventory of R138,3 million (2006: R131,8 million) carried at net realisable value.				
Inventory to the value of R67,2 million was written off to profit and loss during the year.				
13. TRADE AND OTHER RECEIVABLES				
Amounts receivable from the sale of goods and services	595 097	347 596	–	–
Allowance for estimated irrecoverable amounts	(11 280)	(9 955)	–	–
	583 817	337 641	–	–
Sundry receivables	79 011	41 342	94	–
Total trade and other receivables	662 828	378 983	94	–
The allowance for estimated irrecoverable amounts has been determined by reference to past default experience.				
The directors consider that the carrying amount of trade and other receivables approximates their fair value.				
14. STATED CAPITAL				
Authorised				
100 000 000 (2006: 100 000 000) ordinary shares of no par value	–	–	–	–
Issued				
94 857 900 (2006: 94 816 900) ordinary shares of no par value	226 293	226 185	226 293	226 185

The unissued shares are under the unrestricted control of the directors until the next annual general meeting of shareholders.

At 31 December 2007, the company had granted options to directors and employees to subscribe for 142 100 (2006: 183 100) shares in the company as set out on page 44.

		Group		Company	
		2007	2006	2007	2006
		R000	R000	R000	R000
15. NON-DISTRIBUTABLE RESERVES					
Surplus arising from revaluation of freehold land and buildings					
– prior years		17 468	18 156	–	–
– current year surplus on revaluation		95 042	–	–	–
– deferred taxation on revaluation		(20 835)	–	–	–
– current year realisation		(688)	(688)	–	–
Total surplus arising from revaluation of freehold land and buildings		90 987	17 468	–	–
Legal reserves of foreign subsidiaries					
– prior years		2 810	2 403	–	–
– current year transfer		589	–	–	–
– exchange difference		230	407	–	–
Total legal reserves of foreign subsidiaries		3 629	2 810	–	–
Foreign currency translation reserve of foreign subsidiaries					
– prior years		35 212	16 362	–	–
– current year transfer		10 476	18 577	–	–
– exchange difference		(264)	273	–	–
Total foreign currency translation reserve of foreign subsidiaries		45 424	35 212	–	–
Total non-distributable reserves		140 040	55 490	–	–
16. INTEREST-BEARING LIABILITIES					
Secured	Rate of				
Repayable in instalments by:	interest				
July 2007	8,5%	–	31	–	–
March 2008	6,4%	35	350	–	–
August 2008	9,0%	173	458	–	–
October 2008	11,8%	–	129	–	–
August 2012	12,0%	8 254	3 818	–	–
Total secured liabilities		8 462	4 786	–	–
Less: current portion		(2 348)	(2 467)	–	–
Long-term portion		6 114	2 319	–	–

Notes to the annual financial statements (continued)

for the year ended 31 December 2007

	Rate of interest	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
16. INTEREST-BEARING LIABILITIES (continued)					
Unsecured					
Repayable in instalments by:					
November 2010	12,0%	100 000	–	–	–
Less: current portion		(29 490)	–	–	–
Long-term portion		70 510	–	–	–
Total long-term portion of interest-bearing liabilities		76 624	2 319	–	–
The following property, plant and equipment, at net book value, is encumbered as security for the secured borrowings above: Motor vehicles in Zambia R377 294 (2006: R783 234) Leasehold buildings in France R1 902 227 (2006: R1 926 905) Plant and equipment in South Africa R10 494 125 (2006: R5 759 854)					
The company has provided suretyship for the repayment of the secured and unsecured borrowings.					
The directors have unlimited borrowing powers in terms of the articles of association of the holding company.					
17. REPURCHASE OBLIGATIONS AND DEFERRED LEASING INCOME					
Total repurchase obligations and deferred leasing income		104 333	150 274	–	–
Less: current portion		(20 638)	(17 021)	–	–
Long-term portion of repurchase obligations and deferred leasing income		83 695	133 253	–	–
Repurchase obligations and deferred leasing income are in respect of the rental assets reflected in note 6.					
18. DEFERRED WARRANTY INCOME					
Total deferred income from extended warranty sales		53 237	17 015	–	–
Less: current portion		(2 497)	(5 291)	–	–
Long-term portion of deferred warranty income		50 740	11 724	–	–
Deferred income relates to extended warranty contracts sold where the warranty commitment period of the group extends beyond the warranty period contained in the standard conditions of sale.					
19. LEASE ESCALATION					
Total lease escalation		3 376	4 822	–	–
Less: current portion		(1 699)	(1 179)	–	–
Long-term portion of lease escalation		1 677	3 643	–	–

The lease escalation liability relates to rental and lease contracts with escalation clauses. Rentals payable under the contracts are charged to profit or loss on a straight-line basis over the term of the relevant lease.

	Warranty provision R000	Group: Provision for residual value risk R000	Total R000
20. PROVISIONS			
Balance at 31 December 2005	61 483	8 127	69 610
Raised during the year	91 766	–	91 766
Utilised during the year	(81 241)	(3 134)	(84 375)
Balance at 31 December 2006	72 008	4 993	77 001
Less: current portion	(67 398)	(2 171)	(69 569)
Long-term provisions at 31 December 2006	4 610	2 822	7 432
Balance at 31 December 2006	72 008	4 993	77 001
Raised during the year	57 485	–	57 485
Utilised during the year	(78 400)	(4 694)	(83 094)
Balance at 31 December 2007	51 093	299	51 392
Less: current portion	(49 050)	(299)	(49 349)
Long-term provisions at 31 December 2007	2 043	–	2 043

The warranty provision represents management's best estimate of the group's liability under warranties granted on product sold, based on past experience.

The provision for residual value risk relates to sales transactions combined with buy-back agreements or residual value guarantees. Residual value risk is the risk that the group in the future will have to dispose of used products at a loss if the price realised for these products is less than what was expected when the contracts were entered into.The provision represents the discounted value of management's best estimate of the group's liability.

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
21. TRADE AND OTHER PAYABLES				
Trade creditors	532 171	381 521	–	–
Accruals	226 813	175 809	214	596
Total trade and other payables	758 984	557 330	214	596
The directors consider that the carrying amount of trade and other payables approximates their fair value.				
22. REVENUE				
Revenue represents:				
Sale of machines	3 741 704	2 623 540	–	–
Sale of parts	674 503	740 454	–	–
Service income	156 275	138 576	–	–
Rental income	52 479	30 607	–	–
Total revenue	4 624 961	3 533 177	–	–

Related party sales are disclosed in note 30.

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
23. PROFIT FROM OPERATING ACTIVITIES				
Profit from operating activities is arrived at after taking into account:				
Income				
Currency exchange gains	137 373	134 840	1 299	–
Decrease in provision for impairment of interest in subsidiary company	–	–	5 347	28 253
Decrease in provision for residual value risk	4 694	3 134	–	–
Decrease in warranty provision	22 090	–	–	–
Dividend received	–	–	144 022	30 000
Import duty rebates	9 956	30 940	–	–
Royalties	12 994	30 419	–	–
Net surplus on disposal of property, plant and equipment and intangible assets	743	–	–	–
Expenditure				
Amortisation of intangible assets				
– capitalised software	459	249	–	–
Auditors' remuneration				
– audit fees – current	4 455	3 740	26	11
– prior	538	379	–	–
– other services	62	203	–	–
– expenses	74	55	–	–
Consulting fees	10 354	7 605	–	–
Currency exchange losses	154 962	141 730	216	–
Depreciation				
– freehold buildings	3 953	3 119	–	–
– leasehold buildings	152	140	–	–
– plant and equipment	20 578	17 735	–	–
– rental assets	33 559	17 391	–	–
– aircraft	134	98	–	–
– vehicles	2 139	1 427	–	–
Directors' emoluments				
Paid by company:				
– non-executive directors' fees	898	749	898	749
Paid by subsidiaries:				
Executive directors				
– salaries	7 594	6 726	–	–
– benefits	4 834	2 818	–	–
Net loss on disposal of property, plant and equipment and intangible assets	–	3 450	–	–
Operating lease charges				
– equipment and vehicles	20 126	20 047	–	–
– land and buildings	22 315	18 007	–	–
Research and development expenses (excluding staff costs)	26 980	17 123	–	–
Increase in warranty provision	–	4 831	–	–
Staff costs	656 257	515 417	–	–
Number of employees at the end of the year	3 022	2 541	–	–

Details of emoluments paid to directors of the company are set out on page 84.

Currency exchange gains and losses have been reclassified from net finance costs to operating expenses and comparative information has been restated. This had no impact on the results of the group.

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
24. TAXATION				
South African normal taxation				
Current taxation				
– current year	85 819	102 836	12 657	6 153
– prior year	(13 669)	6 101	(4 658)	–
Secondary tax on companies	2 437	–	2 437	–
Deferred taxation				
– current year	(13 594)	(13 334)	–	–
– prior year	525	–	–	–
Foreign taxation				
Current taxation				
– current year	37 049	15 594	–	–
– prior year	(195)	(299)	–	–
Deferred taxation				
– current year	198	(1 367)	–	–
– prior year	299	–	–	–
Withholding tax on dividends	10 788	1 349	10 788	–
Total taxation	109 657	110 880	21 224	6 153
Reconciliation of rate of taxation (%)				
Standard rate of taxation	29	29	29	29
Adjustment for:				
Disallowable expenditure	–	2	–	–
Non-taxable income	–	–	(29)	(29)
Special allowances for tax	(3)	–	–	–
Income attributed from controlled foreign company	4	2	8	13
Prior year taxation	(3)	1	–	–
Rebates for foreign tax paid	(1)	–	(3)	(2)
Secondary tax on companies	1	–	2	–
Withholding tax on dividends	2	–	7	–
Different tax rates of subsidiaries operating in other jurisdictions and the utilisation of tax losses by these subsidiaries	(6)	(2)	–	–
Effective rate of taxation	23	32	14	11

Estimated tax losses attributable to foreign subsidiaries amount to approximately R17 million (2006: R74 million). The utilisation of these losses is dependent on there being future taxable income of sufficient amount. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams in these countries. Included in unrecognised tax losses are losses of R2,0 million that will expire in 2013. Further amounts totalling R7,8 million will expire from 2019. Other losses may be carried forward indefinitely.

	Group 2007	Group 2006
25. EARNINGS PER SHARE		
25.1 Earnings per share (basic)		
Profit attributable to shareholders (R000)	364 909	236 157
Weighted average number of shares in issue	94 839 508	94 770 619
Earnings per share (basic) (cents)	385	249
25.2 Earnings per share (diluted)		
Profit attributable to shareholders (R000)	364 909	236 157
Fully converted weighted average number of shares	94 920 655	94 836 123
Earnings per share (diluted) (cents)	384	249
The number of shares in issue for this calculation has been adjusted for the effect of the dilutive potential ordinary shares relating to the unexercised options as set out on page 44.		
25.3 Headline earnings per share		
Profit attributable to shareholders (R000)	364 909	236 157
Net (surplus) loss on disposal of property, plant and equipment and intangible assets (R000)	(743)	3 450
Tax effect of net (surplus) loss on disposal of property, plant and equipment and intangible assets (R000)	215	(1 000)
Headline earnings (R000)	364 381	238 607
Weighted average number of shares in issue	94 839 508	94 770 619
Headline earnings per share (cents)	384	252
25.4 Headline earnings per share (diluted)		
Profit as calculated in 25.3 above (R000)	364 381	238 607
Fully converted weighted average number of shares per 25.2 above	94 920 655	94 836 123
Headline earnings per share (diluted) (cents)	384	252

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
26. CONTINGENT LIABILITIES				
26.1 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 a certain category of this financing provided and in the event of default by customers, the group is at risk for the full balance due to WesBank by the customers.				
At year-end the amount due by customers to WesBank in respect of these transactions totalled	11 816	61 275	–	–
In the event of default, the units financed would be recovered and it is estimated that they would presently realise	(26 151)	(60 482)	–	–
	(14 335)	793	–	–
Less: provision for non-recovery	–	(14 700)	–	–
Net contingent liability	–	–	–	–
To the extent that customers are both in arrears with WesBank and there is a shortfall between the estimated realisation values of units and the balances due by the customers to WesBank, a provision for the full shortfall is made.				
26.2 The repurchase of units sold to customers and financial institutions has been guaranteed by the group for an amount of	29 306	41 305	–	–
In the event of repurchase, it is estimated that these units would presently realise	(31 794)	(49 262)	–	–
	(2 488)	(7 957)	–	–
Less: provision for residual value risk	–	(1 991)	–	–
Net contingent liability	–	–	–	–
The provision for residual value risk is based on the assessment of the probability of return of units.				
26.3 The residual values of certain equipment sold to financial institutions have been guaranteed by the group. In the event of a residual value shortfall, the group would be exposed to an amount of	15 180	13 943	–	–
Less: provision for residual value risk	(299)	(3 002)	–	–
Net contingent liability	14 881	10 941	–	–

Notes to the annual financial statements (continued)

for the year ended 31 December 2007

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
26. CONTINGENT LIABILITIES (continued)				
26.4 Certain trade receivables have been discounted with financial institutions for an amount of	–	6 266	–	–
These transactions are with recourse to the group. In the event of default, certain units could be recovered and it is estimated that these units would presently realise	–	(6 266)	–	–
Net contingent liability	–	–	–	–
26.5 The company provided unlimited suretyship for the overdrafts and short-term borrowings made to subsidiaries	–	–	538 062	507 419
26.6 Letters of support have been issued by the company to certain of the subsidiaries to the effect that financial assistance would be provided should the subsidiaries be unable to meet their commitments.				
27. COMMITMENTS				
27.1 **Capital expenditure**				
Contracted	9 228	5 531	–	–
Authorised, but not contracted	131 643	95 309	–	–
Total capital expenditure commitments	140 871	100 840	–	–
This capital expenditure is to be financed from internal resources and long-term facilities.				
27.2 **Operating lease commitments**				
The group has commitments under non-cancellable operating leases as set out below:				
Land and buildings:				
Less than one year	18 132	13 535	–	–
Two to five years	128 304	42 835	–	–
More than five years	288 257	27 174	–	–
Equipment and vehicles:				
Less than one year	17 927	8 389	–	–
Two to five years	8 080	16 318	–	–
Total operating lease commitments	460 700	108 251	–	–

28. RETIREMENT BENEFIT INFORMATION

South African group employees in certain scheduled occupations are required by legislation to join an industrial defined benefit plan. The pension fund is governed by the Pension Funds Act and retirement benefits are determined with reference to the employees' pensionable remuneration and years of service. Sufficient information regarding this multi-employer plan is not available to enable the group to identify its share of the underlying financial position and performance and to account for the plan as a defined benefit plan. The actuarial review as at 31 March 2005 found the fund to be in a sound financial position with the market value of assets at R27 074 million and liabilities of R16 676 million.

Other employees are eligible to join the Bell Equipment Pension Fund and the Bell Equipment Provident Fund, which are externally managed defined contribution plans. These funds are governed by the Pension Funds Act and retirement benefits are determined with reference to the employees' contributions to the fund. These funds are actuarially valued but by their nature the group has no commitment to meet any unfunded benefits.

Certain of the foreign subsidiaries offer pension fund plans to their employees. These funds are externally managed defined contribution plans and are not actuarially valued. These companies have no commitment to meet any unfunded benefits.

The employer contributions to retirement benefit funds were R35 million during the current year (2006: R27 million) and were charged against income.

There is no obligation to meet any post-retirement medical costs of employees.

29. FINANCIAL INSTRUMENTS

Financial instruments as disclosed in the balance sheet include long and short-term borrowings, investments, cash resources, long-term receivables, trade receivables and trade payables.

Categories of financial instruments

	Group	
	2007 R000	2006 R000
Financial assets		
Loans and receivables at amortised cost		
– Other investments	13 464	14 348
– Long-term receivables	21 730	21 560
– Trade and other receivables	662 828	378 983
– Cash and bank balances	20 708	47 740
Total financial assets	718 730	462 631
Financial liabilities		
Financial liabilities at amortised cost		
– Interest-bearing liabilities	108 462	4 786
– Trade and other payables	758 984	557 330
– Short-term interest-bearing debt	368 087	187 371
Total financial liabilities	1 235 533	749 487

29. FINANCIAL INSTRUMENTS (continued)

Financial risk management

The group's approach to risk management includes being able to identify, describe and analyse risks at all levels throughout the group, with mitigating actions being implemented at the appropriate point of activity. The very significant, high impact risk areas and the related mitigating action plans are monitored by the Risk Management and Audit Committee. The overall risk strategy remains unchanged from 2006.

In the normal course of its operations, the group is exposed to capital, liquidity, credit and market risks (foreign currency and interest rate risks). In order to manage these risks, the group may enter into transactions which make use of derivatives. They include forward foreign exchange contracts. The group does not speculate in derivative instruments.

The group's treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to operations of the group through internal risk reports which analyse exposures and the magnitude of risks.

The group's liquidity, credit and market risks (foreign currency and interest rate risks) are monitored regularly by a treasury committee, consisting of certain directors and senior executives, which reports to the Board. The committee operates within group policies approved by the Board.

29.1 Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The group's overall strategy remains unchanged from 2006.

The capital structure of the group consists of debt, which includes short-term and long-term borrowings as disclosed in note 16, cash and cash equivalents and equity comprising issued capital and reserves, as disclosed in notes 14 and 15, and retained earnings.

Gearing ratio

The Board reviews the capital structure on a regular basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the year end was as follows:

	Group	
	2007 R000	2006 R000
Short-term and long-term borrowings	476 549	192 157
Cash and cash equivalents	(20 708)	(47 740)
Net debt	455 841	144 417
Equity	1 380 869	954 912
Net debt-to-equity ratio (%)	33	15

29. FINANCIAL INSTRUMENTS (continued)

29.2 Liquidity risk

The group manages liquidity risk by management of working capital and cash flows. Adequate banking facilities are maintained. The general banking facility utilisation at 31 December 2007 is as follows:

	Group Facilities R000	Group Utilisation R000
General banking facilities	538 062	368 087

The following details the group's remaining contractual maturities for its non-derivative financial liabilities and assets. The table has been drawn up based on the undiscounted cash flows and where applicable includes both interest and principal cash flows.

	Group				
Non-derivative financial liabilities	Less than 1 year R000	1-2 years R000	2-3 years R000	More than 3 years R000	Total R000
2007					
Secured interest-bearing liabilities	3 224	2 357	2 148	2 947	10 676
Unsecured interest-bearing liabilities	40 152	40 152	40 152	–	120 456
Trade and other payables	758 984	–	–	–	758 984
Short-term interest-bearing debt	368 087	–	–	–	368 087
Totals	1 170 447	42 509	42 300	2 947	1 258 203
2006					
Secured interest-bearing liabilities	2 982	1 433	588	379	5 382
Trade and other payables	557 330	–	–	–	557 330
Short-term interest-bearing debt	187 371	–	–	–	187 371
Totals	747 683	1 433	588	379	750 083
Non-derivative financial assets					
2007					
Other investments	–	–	–	13 464	13 464
Long-term receivables	10 499	1 297	3 252	6 682	21 730
Trade and other receivables	662 828	–	–	–	662 828
Cash and bank balances	20 708	–	–	–	20 708
Totals	694 035	1 297	3 252	20 146	718 730
2006					
Other investments	–	–	–	14 348	14 348
Long-term receivables	15 271	420	1 869	4 000	21 560
Trade and other receivables	378 983	–	–	–	378 983
Cash and bank balances	47 740	–	–	–	47 740
Totals	441 994	420	1 869	18 348	462 631

29. FINANCIAL INSTRUMENTS (continued)

29.2 Liquidity risk (continued)

The following details the group's maturity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted gross cash inflows/(outflows) on the derivative instruments that settle on a gross basis.

	Group 2007 R000	Group 2006 R000
Derivative financial instruments		
Less than one year		
Gross settled foreign exchange forward contracts – imports	(240 829)	(197 468)
Gross settled foreign exchange forward contracts – exports	228 093	55 906
	(12 736)	(141 562)

29.3 Credit risk

Credit risk consists mainly of short-term cash deposits, long-term and trade receivables. The group only deposits short-term cash with approved financial institutions and counterparty credit limits are in place. Trade receivables comprise a wide spread customer base, and operations management undertake ongoing credit evaluations of the financial condition of their customers. Before accepting any new customer, the group assesses the potential customer's credit quality and defines credit limits by customer.

The average credit period on sales of goods and services is 30 days. Other than in specific circumstances, no interest is charged on overdue balances. An allowance has been made for estimated irrecoverable amounts from the sale of goods and has been determined by reference to past default experience.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk. At 31 December 2007, the group does not consider there to be any material credit risk that has not been adequately provided for.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Included in the group's trade receivable balance are debtors with a carrying amount of R115,7 million (2006: R79,1 million) which are past the original expected collection date (past due) at the reporting date for which the group has not provided against as there has not been a significant change in credit quality and the amounts are still considered recoverable. In most cases, the group does not hold any collateral over these balances. A summarised age analysis of past due debtors is set out below.

	Group 2007 R000	Group 2006 R000
Ageing of past due but not impaired		
30 – 60 days	9 824	4 446
60 – 90 days	48 890	37 647
90 – 120 days	22 785	25 011
120+ days	34 221	12 031
Total	115 720	79 135

29. FINANCIAL INSTRUMENTS (continued)

29.3 Credit risk (continued)

	Group 2007 R000	Group 2006 R000
Movement in the allowance for doubtful debts		
Balance at beginning of the year	9 955	9 670
Amounts written off as uncollectible	(5 814)	(1 688)
Amounts recovered during the year	(657)	(3 643)
Increase in allowance	7 796	5 616
Balance at end of the year	11 280	9 955

29.4 Market risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. There has been no change to the group's exposure to market risks or the manner in which it manages and measures the risks.

29.4.1 Currency risk

The group undertakes certain transactions denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. The group follows a policy of matching import and export cash flows where possible. The foreign subsidiaries do not hedge their intra-group purchases. The majority of any remaining inward or outward trade exposure is covered forward. In this regard the group has entered into certain forward exchange contracts which do not relate to specific items appearing in the balance sheet, but which were entered into to cover foreign commitments not yet due.

The details of contracts held at 31 December 2007 are listed below. These contracts will be utilised during the next six months.

These contracts have been fair valued at the year-end as follows:

	Group			
	Foreign amount 000	Rate	Market value in Rands R000	Fair value gain (loss) R000
Import contracts				
Euro	6 877	10,20	70 145	256
Japanese Yen	425 299	16,14	26 351	(536)
United States Dollar	20 584	6,92	142 441	(1 537)
Export contracts				
British Pound	190	13,78	2 618	171
Euro	21 798	10,19	222 122	(5 065)
United States Dollar	1 214	6,92	8 401	(242)

The group is mainly exposed to the United States Dollar and the Euro. The analysis below details the group's sensitivity to a 10% strengthening or weakening in the South African Rand against these currencies and assumes that the relationship between the United States Dollar and the Euro remains the same.

29. FINANCIAL INSTRUMENTS (continued)

29.4 Market risk (continued)

29.4.1 Currency risk (continued)

If the South African Rand had been 10% weaker against these currencies and all other variables were held constant, the group's:

- profit for the year ended 31 December 2007 would have increased by R103 million.
- other equity at the year end would have increased by R22 million.

For a 10% strengthening, there would have been an equal and opposite impact on the profit and other equity.

29.4.2 Interest rate risk

The group is exposed to interest rate risk as entities in the group borrow funds at both fixed and floating interest rates. Exposure to interest rate risk on borrowings and investments is monitored on a proactive basis. The financing of the group is structured on a combination of floating and fixed interest rates. The group's interest rate profile of borrowings at 31 December 2007, is as follows:

	Group		
	Call	Long-term borrowings	Total borrowings
Borrowings (R000)	368 087	108 462	476 549
Rate	Floating	Fixed	
% of total borrowings	77	23	

The sensitivity analysis below has been determined based on the exposure to interest rates on borrowings at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis points increase or decrease is used and presents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher and all other variables were held constant, the group's:

- profit for the year ended 31 December 2007 would have decreased by R1,3 million (2006: R0,7 million).

For a 50 basis points decrease, there would have been an equal and opposite impact on the profit.

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
30. RELATED PARTY TRANSACTIONS				
Details of transactions between the group and other related parties are disclosed below.				
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.				
Related party relationships exist between certain directors and trading partners. The nature and value of the transactions concluded during the year and balances at the year-end are detailed below:				
Shareholders				
John Deere Construction and Forestry Company				
– sales	122 343	411 032	–	–
– purchases	270 716	382 795	–	–
– royalties received	12 994	30 419	–	–
– royalties paid	4 662	3 069	–	–
– amounts owing to	66 775	106 948	–	–
– amounts owing by	23 702	51 854	–	–
Enterprises over which directors are able to exercise significant influence and/or in which directors have a beneficial interest				
Loinette Company Leasing Limited				
– leasing costs	–	3 626	–	–
– interest paid	–	68	–	–
– amounts owing by	–	1 156	–	–
– amounts owing to	2 278	–	–	–
Minosucra SARL				
– sales	3 812	3 024	–	–
– amounts owing to	25	–	–	–
– amounts owing by	–	1 511	–	–
Triumph International Madagascar SARL				
– sales	1 499	167	–	–
– amounts owing by	1 264	14	–	–
Triumph International Trading Limited				
– sales	32 223	6 384	–	–
– purchases	975	–	–	–
– amounts owing to	–	1 683	–	–
– amounts owing by	538	–	–	–

Notes to the annual financial statements (continued)

for the year ended 31 December 2007

	Group 2007 R000	Group 2006 R000	Company 2007 R000	Company 2006 R000
30. RELATED PARTY TRANSACTIONS (continued)				
Tractor and Equipment (Mauritius) Limited				
– sales	8 641	26 054	–	–
– amounts owing by	598	521	–	–
Buttery Family Investments (Pty) Limited				
– property rental	228	210	–	–
Ruthbut Investments (Pty) Limited				
– property rental	143	129	–	–
Subsidiaries				
Bell Equipment Company SA (Pty) Limited				
– management fee received	–	–	300	600
– administration fee paid	–	–	300	456
– amounts owing by	–	–	146 330	188 286
Bellinter Holdings SA				
– amounts owing by	–	–	151 474	–
Bell Equipment Switzerland SA				
– dividend received	–	–	144 022	–
Bell Equipment Group Insurance Brokers (Pty) Limited				
– commission received	–	–	1 468	1 515

The amounts outstanding are unsecured and will be settled in cash. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Compensation of key management personnel

Executive directors are defined as key management personnel and their remuneration during the year is reflected on page 84.

The remuneration of directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

31. SUBSEQUENT EVENTS

An agreement with an effective date of 1 January 2008 was entered into between the company and a subsidiary of the Kagiso group, Kagiso Strategic Investments 111 (Pty) Limited (Kagiso). In terms of this agreement, the sales and customer service centres in South Africa as well as the investments in IA Bell Equipment Co Namibia (Pty) Limited and Bell Equipment Co Swaziland (Pty) Limited were acquired by a newly formed group company Bell Equipment Sales SA Limited (BESSA) from Bell Equipment Company SA (Pty) Limited. The shares in the capital of BESSA will be subscribed for and held by Kagiso (22,5%), by group employees in the South African, Namibian and Swazi operations (7,5%) and by Bell Equipment Limited (70%). The investment by Kagiso has been funded by the allotment and issue of shares for a subscription price of R675 000 and by the provision of loan funding to BESSA of R78 862 500.

Subsidiaries

at 31 December 2007

	Business type	Issued share capital 2007 R	Effective holding 2007 %	Interest of Bell Equipment Limited: Book value of shares 2007 R000	Book value of shares 2006 R000	Amounts owing by 2007 R000	Amounts owing by 2006 R000
Southern Africa							
Bell Equipment Company SA (Pty) Limited	O	2	100	12 063	12 063	146 330	188 286
Bell Equipment Group Insurance Brokers (Pty) Limited	O	360	100				
I A Bell Equipment Co Namibia (Pty) Limited	O	4	100				
Bell Equipment Co Swaziland (Pty) Limited	O	2	100				
Bell Equipment Finance Company (Pty) Limited	D	100	100				
Other Africa							
Bell Equipment (Zambia) Limited	O	1 322 392	100				
Bell PTA (Pvt) Limited	O	3 731 522	100				
Bell Equipment (Malawi) Limited	O	2	100				
Bell Equipment Mozambique Limitada	O	863 111	100				
Bell Equipment (DRC) SPRL	O	75 868	100				
Europe							
Bellinter Holdings SA	H	149 069 328	100	94 975	89 627	151 474	–
Bell France SARL	O	34 196 724	100				
Bell Equipment UK Limited	O	57 095 015	100				
Heathfield Haulamatic Limited	D	83 212	100				
Bell Equipment Switzerland SA	O	1 138 539	100	–	1 494		
Bell Equipment (Deutschland) GmbH	O	45 081 450	100				
Bell Equipment Spain SA	O	1 001 810	100				
United States of America							
Bell Equipment North America Inc	O	48 086 879	100				
Asia							
Bell Equipment (SEA) Pte Limited	O	154 394	100				
Australasia							
Bell Equipment (NZ) Limited	O	2 426	100				
Bell Equipment Australia (Pty) Limited	O	18	100				
Interest in subsidiary companies				107 038	103 184	297 804	188 286

D – Dormant companies
H – Holding companies
O – Operating companies

Directors' emoluments

for the year ended 31 December 2007

	Salary R	Bonus R	Pension/ provident fund R	Other benefits and allowances R	2007 Total R	2006 Total R
Paid to directors of the company by the company and its subsidiaries						
Executive directors						
GW Bell	1 753 851	678 312	180 801	115 348	2 728 312	2 029 930
PA Bell	435 205	85 805	149 059	118 236	788 305	713 744
PC Bell	1 236 814	502 765	194 481	126 463	2 060 523	1 507 868
HJ Buttery	1 584 949	637 063	264 051	96 000	2 582 063	1 902 333
MA Campbell	480 587	119 803	66 079	102 492	768 961	598 061
JP du Toit (resigned 8 May 2006)	–	–	–	–	–	317 646
GP Harris	423 079	187 546	66 707	125 433	802 765	561 571
DL Smythe	779 763	324 420	141 138	82 891	1 328 212	986 528
KJ van Haght	899 667	318 859	120 083	30 664	1 369 273	926 416
	7 593 915	2 854 573	1 182 399	797 527	12 428 414	9 544 097
				Fees R		
Non-executive directors						
PJC Horne				299 250	299 250	242 000
MA Mun-Gavin				173 250	173 250	145 000
TO Tsukudu				157 500	157 500	140 000
DJJ Vlok				267 750	267 750	222 000
				897 750	897 750	749 000
Total					13 326 164	10 293 097

Mr GW Bell has current share options in terms of the Employee Share Option Scheme in respect of 90 600 shares at R25,25 each (expiry date 21 December 2016). All other executive directors have no unexercised share options.

Shareholders' information

at 31 December 2007

BENEFICIAL SHAREHOLDER SPREAD

	Number of beneficial shareholders in South Africa and percentage holdings				Number of beneficial shareholders other than in South Africa and percentage holdings				Total beneficial shareholders			
	2007		2006		2007		2006		2007		2006	
Shareholder type	No	%	No	%	No	%	No	%	No	%	No	%
Public	1 402	25,36	1 009	23,34	82	40,14	53	34,55	1 484	65,50	1 062	57,89
Directors	7	34,50	8	42,11	–	–	–	–	7	34,50	8	42,11
Total	1 409	59,86	1 017	65,45	82	40,14	53	34,55	1 491	100,00	1 070	100,00

A list of senior management holdings in shares of the company is available from the Company Secretary.

STOCK MARKET STATISTICS

	Year ended 31 December 2007	Year ended 31 December 2006
Market price of shares (cents)		
– Year-end	5 300	2 600
– Highest	5 949	2 600
– Lowest	2 400	950
Net asset value per share (cents)	1 456	1 007
Number of shares traded ('000)	23 184	25 213
Value of shares traded (R000)	994 027	404 959
Market capitalisation to net asset value	3,64	2,58

EXCHANGE RATES

The following rates of exchange were used in the preparation of the financial statements:

	31 December 2007		31 December 2006	
	Weighted average	Year-end	Weighted average	Year-end
United States Dollar: Australian Dollar	0,84	0,88	0,76	0,79
United States Dollar: British Pound	2,01	2,00	1,85	1,97
United States Dollar: Euro	1,38	1,47	1,26	1,32
Japanese Yen: United States Dollar	117,67	112,03	116,23	118,84
Malawi Kwacha: United States Dollar	141,79	141,71	138,62	140,04
Mozambique Metical: United States Dollar	25 456	23 500	26 487	26 176
United States Dollar: New Zealand Dollar	0,74	0,77	0,65	0,71
SA Rand: United States Dollar	7,00	6,81	6,80	6,98
Singapore Dollar: United States Dollar	1,50	1,44	1,59	1,54
Swiss Franc: United States Dollar	1,20	1,13	1,25	1,22
Zambia Kwacha: United States Dollar	4 021	3 860	3 683	4 450
Zimbabwe Dollar: United States Dollar	3 250 000	3 250 000	2 800	2 800

Notice of Annual General Meeting

Notice is hereby given that the 40th Annual General Meeting of members of Bell Equipment Limited will be held at the company's registered office, 13 – 19 Carbonode Cell Road, Alton, Richards Bay, on Wednesday, 7 May 2008 at 10:00 for the following purposes:

1. To present the annual financial statements of the company and the group for the year ended 31 December 2007 together with the auditor's and directors' reports thereon.
2. To elect directors in place of those retiring by rotation. In terms of the company's articles of association Messrs DL Smythe, BW Schaffter, MA Mun-Gavin, K Manning and PJC Horne retire by rotation at this Annual General Meeting, and, with the exception of PJC Horne who is not seeking re-election, are eligible and have offered themselves for re-election. Brief particulars of the qualifications and experience of the above are available on page 17 of this report.
3. In accordance with the provisions of section 221 of the Companies Act, Act 61 of 1973, as amended, to place control of the authorised but unissued shares of the company in respect of the share option schemes in the hands of the directors who may allot and issue any of the same to such person/s and on such terms and conditions as specified in the share option scheme rules and at such time/s as the directors may determine.

Note: The company has unissued share capital totalling 5 142 100 shares of no par value. Of this 142 100 shares are committed to the employee share option scheme number one as reported in the directors' report and the balance is in respect of share option scheme number two.

On a show of hands, every member of the company present in person or represented by proxy shall have one vote only. On a poll, every member of the company shall have one vote for every share held in the company by such member.

Members who have not dematerialised their shares or who have dematerialised their shares with 'own name' registration who are unable to attend the meeting are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a member. Proxy forms must be received by the Group Company Secretary or the company's share transfer secretaries, Link Market Services SA (Pty) Limited, 11 Diagonal Street, Johannesburg or posted to PO Box 4844, Johannesburg, 2000 by 10:00 on Monday, 5 May 2008. Proxy forms must only be completed by members who have not dematerialised their shares or who have dematerialised their shares with 'own name' registration.

Members who have dematerialised their shares, other than those members who have dematerialised their shares with 'own name' registration, should contact their CSDP or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

By order of the Board

DP Mahony
FCIS FCIBM
Group Company Secretary

12 March 2008

Shareholders' diary

Financial year-end	31 December
Annual report	March 2008
Annual General Meeting	Wednesday, 7 May 2008
Interim results announcement	August 2008

Key contact people

GROUP EXECUTIVE CHAIRMAN
Howard Buttery
Tel: +27 (0)31 569 1100
howardb@bell.co.za

GROUP CHIEF EXECUTIVE
Gary Bell
Tel: +27 (0)35 907 9111
garyb@bell.co.za

GROUP FINANCIAL DIRECTOR
Karen van Haght
Tel: +27 (0)35 907 9111
karenv@bell.co.za

GROUP COMPANY SECRETARY
Pat Mahony
Tel: +27 (0)35 907 9111
patm@bell.co.za

Administration

SECRETARY
DP Mahony
FCIS FCIBM

BUSINESS ADDRESS
13 – 19 Carbonode Cell Road
Alton
Richards Bay 3900

Telephone: +27 (0)35 907 9111
Facsimile: +27 (0)35 797 4336

SHARE TRANSFER SECRETARIES
Link Market Services South Africa (Pty) Limited
11 Diagonal Street
Johannesburg 2001

PO Box 4844
Johannesburg 2000

POSTAL ADDRESS
Private Bag X20046
Empangeni 3880
South Africa

ATTORNEYS
Chapman Dyer Inc

AUDITORS
Deloitte & Touche

Telephone: +27 (0)11 630 0800
Facsimile: +27 (0)11 834 4398

Shareholders are reminded to notify the transfer secretaries of any change in address or dividend payment mandates.

FINANCIERS TO THE GROUP
ABSA Bank Limited
African Banking Corporation of Zimbabwe Limited
Banco Internaçional de Moçambique
Banco Santander – Spain
Banque Cantonale de Fribourg – Switzerland
Barclays Bank plc – London and Zambia
China Construction Bank Corporation
Commerzbank AG
FNB Corporate, a division of FirstRand Bank Limited
Investec Bank Limited
Mauritius Commercial Bank
National Australia Bank Limited
National Bank of New Zealand Limited
Nedbank Limited – London and South Africa
Sanlam Capital Markets Limited
The Development Bank of Singapore Limited
UBS SA – Switzerland
Uniao Commercial de Bancos – Mozambique

WEB
www.bellequipment.com

INVESTOR RELATIONS
www.bellir.co.za

COMPANY REGISTRATION NUMBER
1968/013656/06

ISIN CODE
ZAE000028304

EMAIL
Company Secretary – patm@bell.co.za

JSE SPONSORS
RMB Corporate Finance

SHARE CODE
BEL

Form of proxy

BELL EQUIPMENT LIMITED
Company registration number: 1968/013656/06
Share code: BEL
ISIN code: ZAE000028304

For the Annual General Meeting to be held on Wednesday, 7 May 2008 at 10:00.

TO BE COMPLETED BY THOSE WHO HAVE DEMATERIALISED THEIR SHARES
For use at the Annual General Meeting to be held on Wednesday, 7 May 2008 at the registered office of the company, 13 – 19 Carbonode Cell Road, Alton, Richards Bay.

If shareholders have dematerialised their shares with a CSDP or broker, they must arrange with the CSDP or broker concerned to provide them with the necessary authorisation to attend the Annual General Meeting or the shareholders concerned must instruct them as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

I/We ______________________________ appoint:
1. ______________________________ or failing him/her
2. ______________________________ or failing him/her
3. the chairman of the meeting, as my/our proxy to act for me/us at the aforementioned general meeting of members, which will be held on Wednesday, 7 May 2008, and at any adjournment thereof.

Please indicate with an "X" in the appropriate space below how you wish your vote to be cast:

	For	Against	Abstain
Ordinary resolution number 1 a) To elect DL Smythe as a director			
b) To elect BW Schaffter as a director			
c) To elect MA Mun-Gavin as a director			
d) To elect K Manning as a director			
Ordinary resolution number 2 To place control over the unissued shares of the company in the hands of the directors subject to terms as specified in the notice.			

Signature ______________________________ Date ____________________

Notes to the form of proxy

1. A member who is entitled to attend and vote at a meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. The person so appointed need not be a member.
2. If no direction is given as to how a vote is to be cast, then the proxy holder will be entitled to vote as he/she deems fit.
3. Proxy forms should be signed, dated and forwarded to the Group Company Secretary whose address is stated below or delivered to the registered office of the company at 13-19 Carbonode Cell Road, Alton, Richards Bay, to be received by no later than 10:00 on Monday, 5 May 2008.

Note: In order to be valid this form must be completed and returned to:

The Group Company Secretary
Bell Equipment Limited
Private Bag X20046
Empangeni
3880

by no later than 10:00 on Monday, 5 May 2008.

Form of proxy

BELL EQUIPMENT LIMITED
Company registration number: 1968/013656/06
Share code: BEL
ISIN code: ZAE000028304

For the Annual General Meeting to be held on Wednesday, 7 May 2008 at 10:00.

TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS ONLY
For use at the Annual General Meeting to be held on Wednesday, 7 May 2008 at the registered office of the company, 13 – 19 Carbonode Cell Road, Alton, Richards Bay.

I, We ____

the undersigned, being the holder/s of ____________ ordinary shares of no par value in Bell Equipment Limited, do hereby appoint

______________________________ or ______________________________

or failing him the chairman of the meeting as my/our proxy to act on my/our behalf at the Annual General Meeting of the company to be held at 10:00 on Wednesday, 7 May 2008 and at any adjournment thereof.

Please indicate with an "X" in the appropriate space below how you wish your vote to be cast:

	For	Against	Abstain
Ordinary resolution number 1 a) To elect DL Smythe as a director			
b) To elect BW Schaffter as a director			
c) To elect MA Mun-Gavin as a director			
d) To elect K Manning as a director			
Ordinary resolution number 2 To place control over the unissued shares of the company in the hands of the directors subject to terms as specified in the notice.			

Signature ______________________________ Date ______________

Notes to the form of proxy

1. A member who is entitled to attend and vote at a meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. The person so appointed need not be a member.
2. If no direction is given as to how a vote is to be cast, then the proxy holder will be entitled to vote as he/she deems fit.
3. Proxy forms should be signed, dated and forwarded to the Group Company Secretary whose address is stated above or delivered to the registered office of the company at 13-19 Carbonode Cell Road, Alton, Richards Bay, to be received by no later than 10:00 on Monday, 5 May 2008.

Note: In order to be valid this form must be completed and returned to:

The Group Company Secretary
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Private Bag X20046
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3880

by no later than 10:00 on Monday, 5 May 2008.

glossary of terms

ADT	Articulated Dump Truck
BBBEE	Broad-based Black Economic Empowerment
BECSA	Bell Equipment Company SA (Pty) Limited
BESSA	Bell Equipment Sales SA Limited
EU	European Union
FEL	Front End Loader
ISO	International Standards Organisation
JSE	Johannesburg Stock Exchange
MIDP	Motor Industry Development Programme
TLB	Tractor Loader Backhoe
WCO	World-class Organisation

GRAPHICOR 37548

Bell Equipment Limited

www.bellequipment.com