strong reliable machines strong reliable support

ANNUAL REPORT 2008

BELL


B30D
BELL

Contents

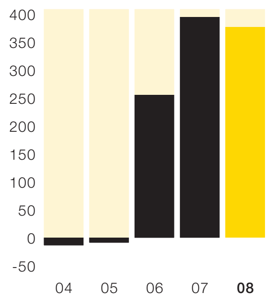
Nature of our business

Bell Equipment manufactures, distributes and supports a wide range of materials handling equipment including Articulated Dump Trucks, Front End Loaders, Tractor Loader Backhoes, Tri-Wheeled Loaders (timber/sugar cane loading machines), Haulage Tractors, Rollers, Graders and Excavators. After sales operations include service, refurbishment and parts supply. The group has also expanded its compaction equipment range by concluding a deal in terms whereof the Bomag range of products will henceforth be distributed into the South African market by Bell Equipment.

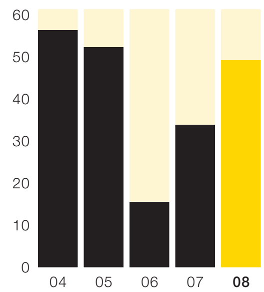
Through an extensive network of customer service centres and distributors in many parts of the world, supported by strategic financing partners, the group is able to meet the requirements of customers in and suppliers to the mining, construction, forestry industries and agriculture.

Financial snapshot

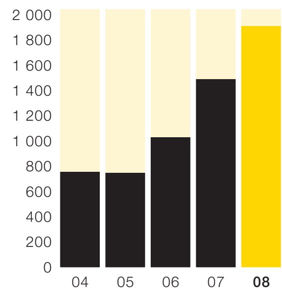
the year in brief



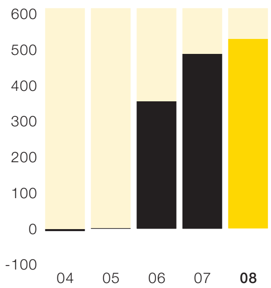
Earnings (loss) per share
(cents)



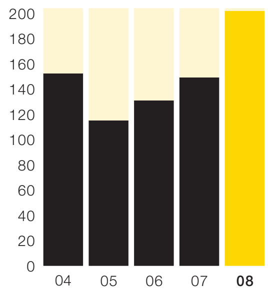
Gearing
(%)



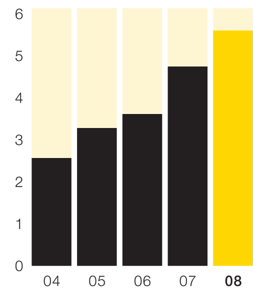
Net asset value per share
(cents)



Profit (loss) before tax
(R million)



Trade cycle
(days)

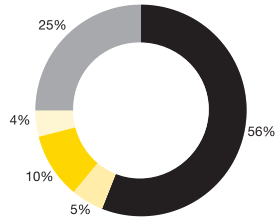


Revenue
(R billion)

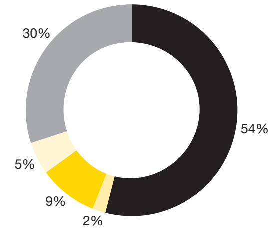
Value added statement
for the year ended 31 December 2008

	2008 R000	2008 %	2007 R000	2007 %
Revenue	**5 458 273**		4 624 961	
Goods and services acquired	**3 997 539**		3 413 468	
Total value added	**1 460 734**		1 211 493	
Applied as follows:				
To employees – remuneration benefits	**812 931**	**56**	656 257	54
To lenders – net interest paid	**74 637**	**5**	19 696	2
To governments – taxation	**153 751**	**10**	109 657	9
Retained for investment in the group				
– Depreciation and amortisation	**58 699**	**4**	60 974	5
– Profit	**360 716**	**25**	364 909	30
Total value added	**1 460 734**	**100**	1 211 493	100

Employees – remuneration benefits
Lenders – interest paid
Governments – taxation
Depreciation and amortisation
Profit



Value added 2008



Value added 2007

Our strategy

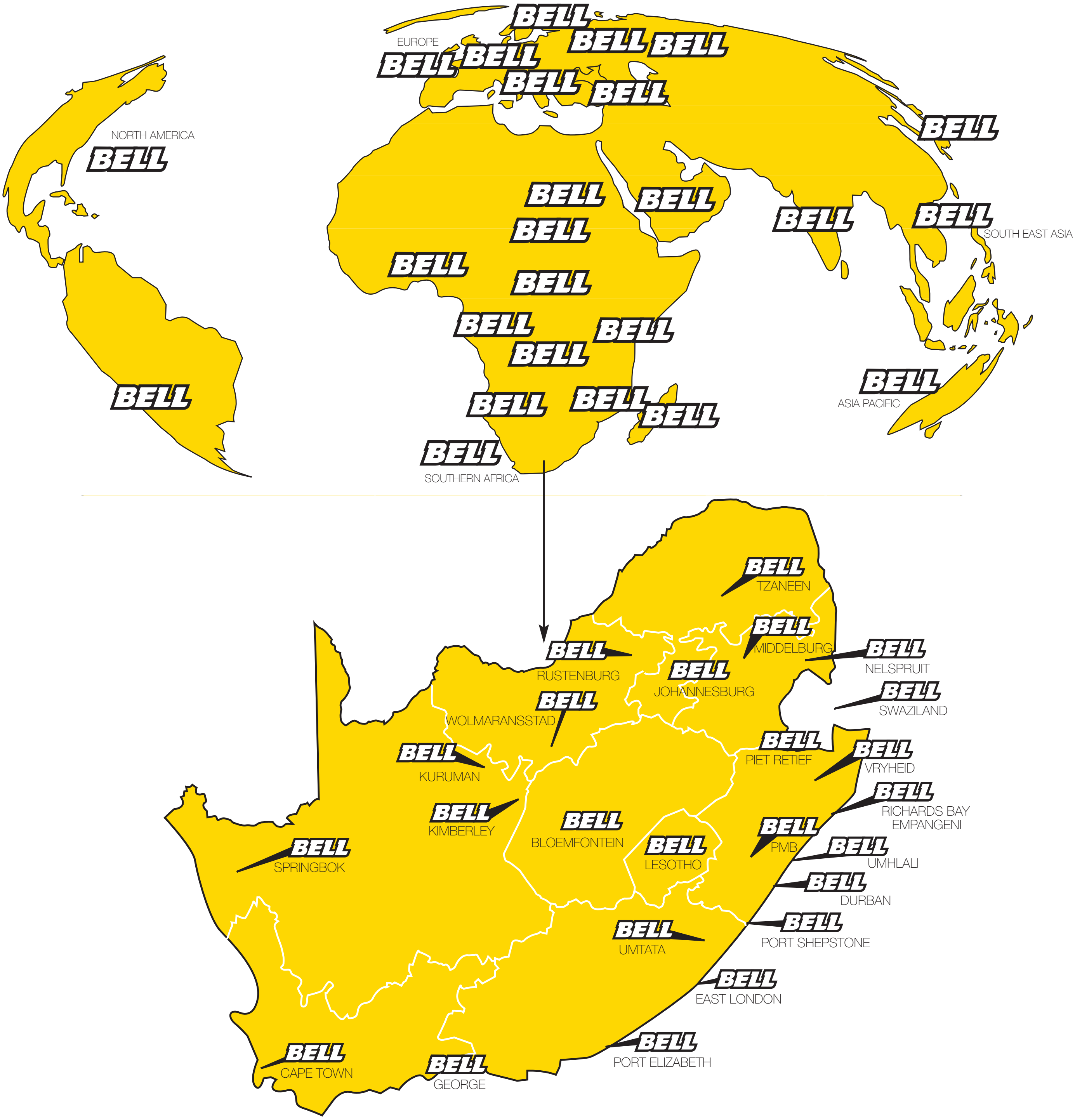
growing our business profitably

Strategic objectives, backed up by detailed action plans 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 value in all our dealings	Service levels are assessed regularly; increased customer base and repeat business indicate customer satisfaction
Our people	We will develop our people to their fullest potential and reward them appropriately	Largest earthmoving equipment company with an apprenticeship scheme in South Africa; low labour turnover in technical skill occupations; 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 our markets and to extend our philosophy of continuous improvement in all our operations	Stabilised trend in warranty claims; commitment to research and development leading to numerous product improvements in the year; factory upgrades and continued employee development
Cost management	We aim to operate in the most cost-effective manner and to deliver the best possible yield to our stakeholders with competitive products and services, which minimise the total cost of owning and operating our machines	The group has intensified its focus on cost reduction
Working capital management	We will manage our operations, cash flows and credit facilities effectively in order to be a sustainable business	Inventory levels remained high and a number of action plans have been implemented to address this issue
Relationship building	We will develop our strategic alliances to the benefit of the group and all its stakeholders	Bell's strategic partners represent some of the most respected marques in the industry, having global distribution networks covering all continents

These and other factors are continuously monitored through balanced scorecards at group, business unit and support function level and are cascaded throughout the organisation by means of performance agreements with employees.

Global distribution



Global corporate structure

100% SHAREHOLDING, EXCEPT WHERE SPECIFIED OTHERWISE

Timeline

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.

2008

revitalisation

The company adopts a redesigned brand and commissions its Global Logistics Centre in Jet Park, Johannesburg.

Five-year review
for the year ended 31 December 2008

R000	**2008**	2007	2006	2005	2004
INCOME STATEMENT					
Revenue	**5 458 273**	4 624 961	3 533 177	3 209 233	2 526 488
Cost of sales	**(4 036 622)**	(3 647 808)	(2 739 263)	(2 701 658)	(2 053 943)
Gross profit	**1 421 651**	977 153	793 914	507 575	472 545
Net operating costs	**(832 547)**	(482 891)	(425 750)	(481 351)	(454 619)
Profit from operating activities	**589 104**	494 262	368 164	26 224	17 926
Net interest paid	**(74 637)**	(19 696)	(21 127)	(22 404)	(24 408)
Profit (loss) before taxation	**514 467**	474 566	347 037	3 820	(6 482)
Taxation	**(153 751)**	(109 657)	(110 880)	(12 017)	(6 169)
Profit (loss) for the year	**360 716**	364 909	236 157	(8 197)	(12 651)
Shares in issue (000)	**94 950**	94 858	94 817	94 763	94 246
Shares in issue (000) (wt avg)	**94 907**	94 840	94 771	94 567	94 237
Earnings (loss) per share (basic) (cents)	**367**	385	249	(9)	(13)
Dividend per ordinary share (cents)	**40**	25	–	–	–
Net asset value per share (cents)	**1 864**	1 456	1 007	738	744
BALANCE SHEET					
Property, plant and equipment	**532 764**	426 649	318 140	229 755	219 200
Intangible assets	**30 309**	8 328	7 074	7 639	–
Interest-bearing investments and long-term receivables	**34 787**	24 695	20 637	50 885	57 553
Deferred taxation	**67 962**	13 961	22 464	7 486	43
Inventory	**2 546 512**	1 698 820	1 219 834	928 838	1 056 828
Trade and other receivables	**627 839**	662 828	378 983	361 812	213 139
Prepayments and current portion of interest-bearing long-term receivables	**33 679**	23 813	25 757	19 860	18 145
Taxation	**12 494**	1 865	1 623	2 194	21 457
Cash resources	**36 426**	20 708	47 740	33 138	13 081
Total assets	**3 922 772**	2 881 667	2 042 252	1 641 607	1 599 446
Shareholders' equity	**1 769 555**	1 380 869	954 912	699 259	701 462
Long-term portion of provisions, repurchase obligations and deferred income	**190 710**	138 155	156 052	84 647	46 620
Current portion of provisions, repurchase obligations and deferred income	**128 071**	74 183	93 060	74 606	63 510
Interest-bearing liabilities	**174 425**	108 462	4 786	7 485	10 353
Trade and other payables	**839 474**	758 984	557 330	390 340	391 952
Taxation	**115 905**	52 927	88 741	–	–
Short-term interest-bearing debt	**704 632**	368 087	187 371	385 270	385 549
Total equity and liabilities	**3 922 772**	2 881 667	2 042 252	1 641 607	1 599 446

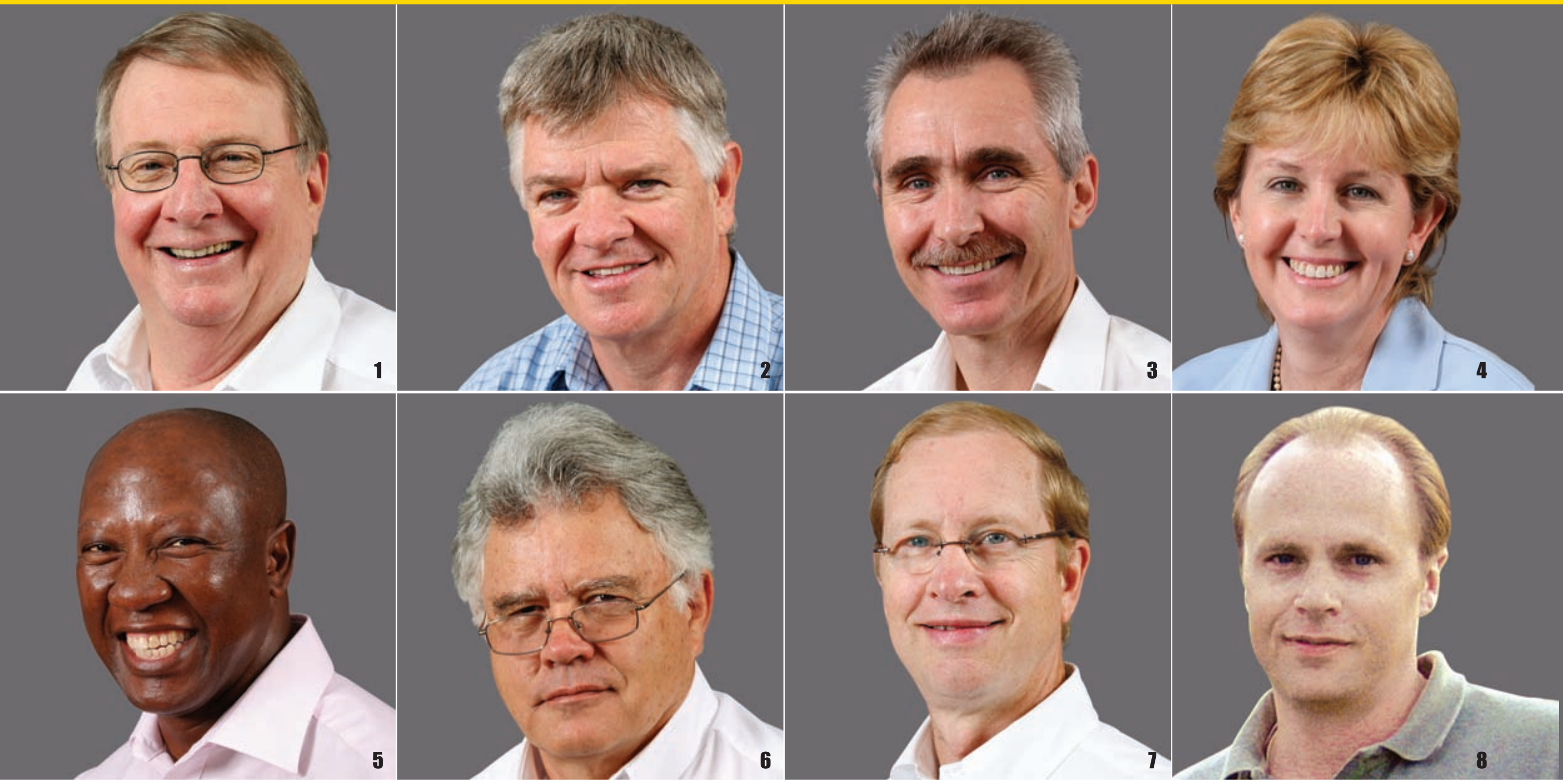
	2008	2007	2006	2005	2004
KEY RATIOS					
Operating ratios					
Operating margin (%)	**11**	11	10	1	1
(Operating profit) / (Revenue)					
Return on total assets (%)	**17**	20	20	2	1
(Operating profit) / (Average total assets, excluding cash)					
Financial ratios					
Gearing (%)	**48**	33	15	51	55
(Interest-bearing liabilities) / (Total shareholders' funds)					
Interest cover (times)	**8**	25	17	1	1
(Operating profit) / (Net interest paid)					
Overall performance					
Return on shareholders' funds (%)	**23**	31	29	(1)	(2)
(Profit (loss) after tax) / (Average shareholders' funds)					
Gross profit to revenue (%)	**26**	21	22	16	19
Working capital days trade cycle					
Inventory	**231**	170	163	125	188
Receivables	**42**	52	39	41	31
Payables	**(76)**	(76)	(74)	(53)	(70)
Total	**197**	146	128	113	149

ABBREVIATED CASH FLOW STATEMENT

R000

	2008	2007	2006	2005	2004
Cash operating profit before working capital changes	**714 903**	533 797	429 378	73 048	9 280
Cash invested in working capital	**(732 562)**	(564 005)	(143 931)	(23 146)	(89 712)
Cash (utilised) generated from operations	**(17 659)**	(30 208)	285 447	49 902	(80 432)
Net interest paid	**(74 637)**	(19 696)	(21 127)	(22 404)	(24 408)
Taxation (paid) refunded	**(154 249)**	(158 285)	(36 269)	501	(28 984)
Net cash (utilised) generated from operating activities	**(246 545)**	(208 189)	228 051	27 999	(133 824)
Net cash flow utilised from investing activities	**(171 825)**	(69 745)	(100 904)	(41 085)	(70 034)
Net cash flow generated from financing activities	**97 543**	70 186	85 354	33 422	69 655
Net cash (outflow) inflow	**(320 827)**	(207 748)	212 501	20 336	(134 203)

Board of Directors



1: Howard Buttery
Group Chairman
CTA
Years' service: 38
Age: 62

2: Gary Bell
Group Chief Executive
Dip Mech Eng
Years' service: 38
Age: 56

3: Derek Smythe
Director: Strategic Alliances
BCompt
Years' service: 22
Age: 51

4: Karen van Haght
Group Financial Director
BCompt (Hons), CA(SA)
Years' service: 8
Age: 42

5: Tiisetso Tsukudu#
Independent Non-executive Director
BA, MBA
Years' service: 5
Age: 55

6: Danie Vlok#*
Independent Non-executive Director
Chairman of the Nominations and Remuneration Committee
BCom, MBA
Years' service: 14
Age: 63

7: Douglas Gage#
Non-executive Director
BSc Mech Eng, MBA
Years' service: 5
Age: 52

8: Kelan Manning
Non-executive Director
BSc, MBA, CPA
Years' service: 2
Age: 46

Nominations and Remuneration Committee
* Risk Management and Audit Committee

9: Michael Mun-Gavin*
Independent Non-executive Director
Chairman of the Risk Management and Audit Committee
BCom CA(SA)
Years' service: 3
Age: 59

10: Barry Schaffter
Non-executive Director
BSc Eng, Mgt
Years' service: 4
Age: 58

11: John Kloet
Alternate Director
BSc Acctg, CPA
Years' service: 7
Age: 55

12: Andre McDuling
Alternate Director
Dip Mech Eng
Years' service: 21
Age: 41

13: Peter Bell
Alternate Director
Years' service: 41
Age: 59

14: Leon Goosen
Alternate Director
BCom (Hons), CA(SA)
Years' service: 2
Age: 36

15: Guy Harris
Alternate Director
BCom (Hons), CA(SA)
Years' service: 15
Age: 56

Howard Buttery

Group Chairman
Bell Equipment Limited

Group Chairman's statement

Our people are regarded as a strategic priority and we appreciate their commitment to make our group a success.


BELL

During 2009, we will continue to focus on our strategic position in Africa.

The group closed the 2008 financial year with credible results, having achieved profits after taxation of R360,7 million (2007: R364,9 million) and earnings per share of 367 cents (2007: 385 cents). The first 10 months of 2008 saw the group producing record pre-tax and post-tax profits. However, the global economic crisis, which started to seriously affect the group in October of 2008, saw us making a loss in the month of December 2008. The first indications of the financial crisis were noticed in our European subsidiaries by mid-2008 but it was not until October 2008 that we realised the likely full extent of the contagion. The harsh reality is that we are being widely affected by an unfolding economic crisis of global proportions, a crisis that had its origins in the developed world. Serious shock waves are continuing to hit our shores with the extent and depth of damage, whether ongoing or forthcoming, being extremely difficult to assess or project at this point in time. A deep financial crisis largely perpetrated by irresponsible governance and risk management practices on the part of numerous large corporations, policymakers and regulatory authorities in the most advanced of economies has spread globally. In the last two months of 2008 and the first two months of 2009 we have seen a drop of 24% in our turnover year-on-year.

In 2008, revenue increased by 18% to R5,458 billion and at the same time gross profit peaked at an all-time high of R1,422 billion up R444,5 million on the previous year. Gross profit as a percentage of revenue increased to 26% from the previous year's 21%. This was due to efforts by management to maintain price realisation, contain costs, and achieve economies of scale and because of favourable exchange rates. Despite the drop in sales in the last two months of the year the gross profit in those months remained strong as a result of export sales in US Dollars and Euros.

Whilst the spend in developing economies on infrastructure has not slowed down as much, we have seen an alarming drop in the price of mining commodities, particularly in platinum, copper, diamonds and chrome. It is, however, very encouraging to note that government has allocated funds to spend on infrastructure in South Africa. According to a recently published article, South Africa currently ranks third in the world by infrastructure spend behind China and the United States. Stimulus packages in South Africa of R637 million (US$69 billion) have been announced to be spent on local infrastructure, accounting for 24,4% of our country's gross domestic product (GDP). We expect this expenditure to be of considerable benefit to our group's activities in South Africa going forward.

Subsequent to year-end we have made substantial progress in negotiating loan facilities from developmental financial institutions to tide us over our peak working capital demands as we downscale. In addition, we are engaging with the unions and government on other initiatives to help tide us through the trough and to ensure that we emerge in a stronger globally competitive position with our human capital and appropriate supplier base intact.

Our focus on the lifetime revenue stream from the sale of parts and service has once again been significant with revenue increasing by 16,5%. Parts continue to be a focus area in growth in terms of customer service as well as revenue and gross profit and these sales generate 15,8% of our turnover. Subsequent to year-end we have moved the four geographically disparate parts operations that we ran in various parts of Johannesburg into a single global logistics centre at Jet Park. This facility was built at a cost of R220 million by our landlord and we expect to generate improved parts sales from this location.

Exports achieved a turnover of R2,76 billion, up by 9% on the previous year. 20,1% of total turnover was sold in Europe and 21,1% in Africa outside of South Africa. Exports represented 50,5% of our global turnover as compared with 54,7% in 2007. During 2009, we will continue to focus on our strategic position in Africa where we have superior network cover and a supply chain advantage. The industries in which we operate in Africa have been less affected by the global slow-down and because of our close proximity to markets we are competitive both in terms of pricing and service.

As a result of our increased turnover and gross profit, operating profit for the year increased by R94,8 million to R589,1 million. This was despite a R350,1 million increase in total expenses.

We continue to engage with government in seeking opportunities to work with the Department of Trade and Industry and other state 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 in export markets. This is especially critical when exports and manufacturing output are dropping and the country is operating with a near critical current account deficit and high unemployment. We look forward to not only improved industry policy but more importantly to more effective implementation of such policy.

For the past few years we have been challenged to contain overheads due to large increases in business volumes, turnover, weakening reporting currency and the inflationary pressures that have been brought to bear upon us in many of the countries in which we operate. As we advised in last year's report, we expected overheads to increase in 2008 in line with our increased gross profit and revenue. Overheads increased by R350,1 million largely as a result of increased salaries and wages. In the first nine months of the year we continued to lose key employees through emigration and were forced to increase salaries to retain skills. Subsequent to the year-end and as a direct result of the economic crisis we have been forced to lay off nearly 800 contractors, at the same time making substantial cuts to all overheads in order to rightsize our business to cope with the current levels of turnover. We will continue to rightsize the business throughout 2009 in order to ensure optimal levels of overheads.

Once again, I am very pleased to report on the successful control of warranty costs within the group. This expenditure remained at similar levels to 2007 at 1,8% of total sales in 2008. This constitutes a better performance than 2007 since we benefited from a reversal of prior year warranty provisions in that year amounting to R22 million. Once again, we pay tribute to our engineering, technical and production teams which have continued to improve on their quality standards through their design and manufacturing processes. Net finance costs increased by R54,9 million as a result of substantially higher borrowings and higher interest rates. Our tax rate at 29,9% is at a higher level than we would like and whilst we are benefiting from research and development allowances, the foreign tax paid was at higher levels than budgeted.

Our South African sales and distribution operations as well as our Africa sales group achieved pleasing results and I would like to congratulate the management and employees of those operations. Our subsidiaries in Zambia, the Democratic Republic of Congo (DRC) and Zimbabwe produced good results in difficult trading conditions. The subsequent collapse of world commodity prices has seen these operations having a slow start to 2009. Our Sales and Service Centre, established last year in Lubumbashi in the DRC, had a particularly good year and was supported by a very loyal customer base. The funding of receivables in the DRC continues to provide both challenges and at the same time good returns, in line with the risks, which should extend into 2009.

As mentioned in our interim report, our European operations did very well in the first six months of 2008 but suffered a decline and losses in the second six months. This is particularly noticeable in our United Kingdom and Spanish operations where the markets have experienced serious slowdowns. We have taken corrective steps after year-end to reduce our overheads in both of these operations and are planning a restructure for the rest of our European businesses. We have curtailed production at our German assembly facility to match retail demand. We constantly review our sales and inventory requirements for Europe and will shortly take a decision as to whether this curtailment of production should be extended further into the year. Our business relationship with Hitachi in Asia and the Far East has had a very successful year and turnover in those markets has increased by 60% to R395 million. We would like to thank our strategic alliance partner Hitachi Construction Machinery for their role in promoting our products in those markets as well as for the great support that they offer us on industry-related matters.

I would also like to acknowledge the important role that our shareholder and partner John Deere Construction and Forestry Company plays in our business. Not only do we get the benefit of their expertise at our Board meetings but also on a daily basis our management worldwide is assisted by John Deere to improve our technology, sales skills and systems. In these difficult economic times it is really important for us to have a partner of such international standing.

Our balance sheet clearly spells out the difficult trading conditions we encountered in the last two months of the year with inventory and interest-bearing debt at all-time highs. Currently we have inventory of R850 million in excess of our requirements at current turnover levels. All of this inventory is valued at the lower of cost and net realisable value and is all saleable over the next six to eight months, during which time we will use these proceeds to reduce group debt. Over and above the curtailment of production at our German factory mentioned above, the Richards Bay factory is on a reduced schedule and rates will be adjusted later in the year. We intend to keep the factory operating at these levels until such time as we are able to dispose of our inventory and see the demand develop for additional production. We are acutely aware that our turnover in 2009 to date has dropped by close to 40% in comparison to the prior year's turnover and currently we are not able to get a clear picture of the markets and sales going forward. For this reason we have decided to adopt a very cautious and conservative approach to our production plans. If turnover continues to drop we will continue to rightsize the business to cope as it is important that we do not run the group at a loss and use the proceeds from the sale of inventory to finance losses.

As a result of the above we have suffered a negative cash flow of R320,8 million in the year under review as a direct consequence of the increase in working capital. Last year our problems were the intermittent supply of electricity, supply chain and component shortage problems. The economic slowdown has had an unintended positive consequence turning around the serious power outages we had at this time last year. As far as supply chain and component shortages are concerned, this is something of the past, particularly subsequent to October 2008 with the serious downturn in the world economy. As a result of financing inventory our gearing is up at 48% but this is expected to drop substantially during 2009 in line with our robust business plan to reduce inventory and debt.

Subsequent to the year-end, the two major shareholders in the group have provided additional lines of credit to the group to support the winding down of the group's excessive inventory. John Deere is providing assistance on account settlement in respect of machines and kits they have supplied to the group. I A Bell and Company (Pty) Limited has made a cash loan facility of R150 million available at 12% per annum repayable at the option of the company or by the end of June 2010, providing the company's gearing is consistently below 20%. Our business plan aims to achieve sales of at least R320 million per month in 2009 with a commensurate reduction in overheads. The reduction in the excess inventory will enable us to return to our stated ideal capital structure of a gearing ratio not exceeding 20%. In achieving this position we will be well poised to take full advantage of the expected upswing when it occurs.

In these turbulent economic times the financing of the purchase of our equipment provides us with a number of challenges. Once again I need to thank financing venture partner WesBank, a division of FirstRand Bank Limited, for their continued support and substantial assistance in providing finance both inside South Africa and Zambia to support our sales. The book in our financing venture partnership is now over R800 million in South Africa and a further US$30 million in Zambia. The joint venture continues to be strong and this, together with the support we get from Deutsche Leasing AG in Germany to finance sales in Europe continues to be of incalculable value to the group. We continue to enjoy support from a Swiss-based leasing company, which provides finance for sales in sub-Saharan Africa and South America. In view of the current crisis in the interbank lending market worldwide, we are very grateful for this support.

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 their contribution. 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 subcommittees 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. An executive director of our main operating company heads risk management and we have had a number of sessions during the year to identify the top 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.

As reported in our interim statement, we brought a broad-based BEE partner and employee shareholders into Bell Equipment Sales South Africa Limited (BESSA) at the start of the year. This has now been operating with great success for over a year. Our partners, Kagiso Strategic Investments III (Pty) Limited, continue to make a substantial contribution and this company has had a very successful result in 2008. We have made good progress in the Department of Trade and Industry's BBBEE generic scorecard and we are very proud that BESSA is a certified level 5 BBBEE contributor. This allows 80% of our customers' spend with Bell Equipment to be claimed and assists them with their scorecards. We continue to do all we can in all our South African subsidiaries to increase our level contributor status. It is pleasing to note that the factory contributes maximum points to BESSA in terms of BESSA's procurement. I wish to formally thank the Kagiso representatives on the board of BESSA for their support and contribution.

Despite the sizeable after-tax profits generated in 2008, the Board cannot recommend the payment of any dividend. All cash needs to be conserved in order to ensure the group's ability to fund itself in these difficult economic times.

I take this opportunity to thank the entire management team and my Board colleagues for their support during 2008. It is very encouraging that at this time I am able to report that all Bell employees and particularly our executive team have taken up the challenge to assist Bell in these difficult times. Our people are regarded as a strategic priority and we appreciate their commitment to make our group a success. We have through this group developed a very robust business plan to combat the economic downturn and I am positive that we will come out of this downturn a stronger and better company as a result of our endeavours in a very difficult time. We also have a robust contingency plan should the markets further deteriorate.

HJ Buttery
Group Chairman

11 March 2009

Gary Bell

Group Chief Executive
Bell Equipment Limited

Group Chief Executive's report

A robust business plan has been developed to increase sales and drive down inventory and costs and I am confident that this plan will go a long way in ensuring that Bell weathers the current economic conditions and meets the expectations of stakeholders.


BELL

Despite the economic downturn towards the end of 2008 the group has been able to produce near record results for the year.

During 2008 we have maintained our focus on the same basic strategic objectives that form the cornerstones of our business. Although we have done well in achieving most of the desired results, the increases in inventory are again a matter of concern and a number of steps have been taken to ensure that inventory levels are reduced.

General review

Despite the economic downturn towards the end of 2008 the group has been able to produce near record results for the year, with profits after tax of R360 million from revenue of about R5,5 billion. Diluted earnings per share fell marginally from 384c to 367c, while net asset value increased 28% from R14,56 to R18,64. Although these results are a testimony to the group's global competitiveness, it must also be acknowledged that one of the risks of being a group with a global footprint is our exposure to the inevitable global economic downturn. Although the current downturn is of unprecedented proportions, I am confident that the group has acted proactively by putting in place a robust action plan to manage the downturn, ensure we survive the trough and emerge as a stronger, more competitive organisation.

Operational review and prospects

Due to the arrangement in terms whereof Bell Equipment's alliance partner, John Deere, manufactures and sells trucks in the US under licence from Bell, the group has not been exposed excessively to the downturn in the US markets. Our European operations have, however, been impacted negatively by the adverse economic conditions in this region. Timeous actions have been taken to minimise the impact on Bell in these markets. 2008 also saw market share gains for Bell in many other markets and products. The group is relatively fortunate in having established distribution operations in most developing African markets and these markets have shown some resilience. The South African sales and service operations, which generate the largest part of the group's revenue, have also again delivered a strong performance in a very competitive market. It is also expected that the South African government's planned infrastructure spend will be of considerable benefit to our group's activities in South Africa going forward.

The global credit crunch has had many knock-on implications. The weakness in the large truck markets of the US and Europe has resulted in competitors in these markets to shift their focus to the relatively strong developing markets where Bell has infrastructure, logistical and exchange rate advantages. There has also been a very strong tightening up of customer credit due to the depletion of global banking and financing capacity.

Due to high levels of inventory at year-end and the time required to turn these inventories into cash, both major shareholders have provided additional support to ensure a safety buffer if trading conditions deteriorate further. This is a show of support and medium-term confidence by shareholders that the industry and company will be able to survive the current economic crisis. A robust business plan has been developed to increase sales and drive down inventory and costs and I am confident that this plan will go a long way in ensuring that Bell weathers the current economic conditions and meets the expectations of stakeholders.

Continued product reliability is reflected in the low warranty claim costs. I am pleased to report that the group has commissioned new facilities to improve customer service through expanded facilities in Jet Park. These facilities now include the group's Global Logistics Centre which will focus on the parts after-market as part of our efforts to increase customer satisfaction and the lifetime revenue stream from the sale of parts.

In addition, 2008 saw the conclusion of an agreement between Bell and Bomag, in terms whereof the Bomag range of compaction equipment has been added to the Bell Equipment range of products.

Production

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. In an effort to drive down inventory and overhead costs, this factory and our assembly plant in Eisenach, Germany, has for the interim been placed on a reduced schedule. We constantly review our production rates to ensure that we will meet market demand when the upswing occurs.

Warranty costs were maintained at 1,8% of total sales in 2008 and this again bears testimony to the fact that our engineers are continuously striving to improve the quality of our products.

The research and development team has made great strides in developing our E-series Articulated Dump Truck (ADT) and our design team is working closely with their counterparts at John Deere on an ongoing basis to ensure that our products remain at the cutting edge of technology.

I am pleased to report that our factories in Richards Bay as well as in Eisenach have again performed exceptionally with regard to health and safety, with very few lost-time injuries being sustained during the year.

Black Economic Empowerment

2008 saw the implementation of the black empowerment deal which was concluded with Kagiso in 2007. The involvement of this partner and employee shareholders in the ownership of one of the group's major operating subsidiaries, Bell Equipment Sales South Africa Limited, has proven to be very successful. This company's BBBEE status was also verified by an accreditation agent during the year and it was rated as a level 5 contributor. The group is confident that the next verification will result in the upgrading of its status to a level 4 contributor. This will ensure that 100% of our customers' spend with us will qualify as BEE spend.

People

Our employees, their skills and dedication are considered to be the group's most valuable asset and we have continued to introduce measures to keep employees appropriately incentivised throughout 2008. In this regard we will be proposing to shareholders the implementation of a new employee share scheme that is intended to not only retain essential skills within the organisation but to also ensure that the interests of our employees are aligned to those of shareholders.

An unfortunate consequence of the current adverse economic conditions is that we will have to implement a number of initiatives to drive down the group's cost structure, including the salaries and wage bill. I want to assure all our employees that every effort will be made to retain jobs and that we will constantly be engaging with them and their labour representatives to ensure that the planned cost reductions are effected in a consultative and constructive manner.

Strategic objectives

During 2008 we have maintained our focus on the same basic strategic objectives that form the cornerstones of our business. Although we have done well in achieving most of the desired results, the increases in inventory are again a matter of concern and a number of steps have been taken to ensure that inventory levels are reduced.

The Board of Directors, which provides the strategic direction for the group, has evaluated the current and possible future impact of the global economic downturn on the group and has approved a robust business plan to address the various challenges brought about by this downturn. I am confident that the implementation of this plan will not only ensure the future sustainability of Bell, but will show the mettle and resolve of our employees to overcome adversity.

Acknowledgements

Bell was the recipient of the 2008 Department of Science and Technology Minister's award for Overall Excellence and this is again an acknowledgement of the ingenuity and resourcefulness of our employees. This and other awards received during 2008 recognise the foundation that is available to enter our next growth phase when markets turn.

I take this opportunity to thank all our valued stakeholders for their continued support and look forward with confidence to our continued success, even in these challenging times.

GW Bell
Group Chief Executive

11 March 2009

Committed to transformation
driving force of the future

Bell Equipment aims to take a leading role in transformation in the South African earthmoving and capital equipment distributors industry.

In 2004, the Board of Directors 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 opportunity was given greater emphasis 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, in line with corporate and state philosophy on transformation and that there were meaningful business advantages flowing from the transaction.

In October 2007, the Board reported on the culmination of its efforts in forming a business relationship with Kagiso Strategic Investments III (Pty) Limited ('Kagiso'). The essential elements of this structure were as follows: The main operating subsidiary in South Africa, Bell Equipment Company SA (Pty) Limited ('BECSA') sold its customer centres, including the Swaziland and Namibian subsidiaries plus the financing venture with WesBank to a newly incorporated company, Bell Equipment Sales South Africa Limited ('BESSA').

In terms of this transaction Kagiso 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 are held by approximately 1 600 employees, predominantly black, the allocation having been done firstly per capita and thereafter based on length of service. These employees have their shares registered in their own names instead of through a trust, as the group believed this to be consistent with the true spirit of empowerment.

The transaction was approved by the South African competition authorities on 19 December 2007 and operations under the new structure commenced on 1 January 2008. The Board of BESSA currently comprises a majority of non-executives and representation is balanced and consists of four nominees, two of whom are executives from Bell and two non-executives from Kagiso, one nominated by and voted on by employees and an independent non-executive. Bokkie Coertze, with over 23 years' experience in the group, heads up BESSA as Chief Executive. In this role he has been instrumental in guiding the transformation within BESSA.

BECSA was also restructured into two main operating divisions, one dealing with design, manufacturing and logistics and the other to look after African distribution, the company's Global Logistics Centre and third-party products importation into Africa. These divisions, along with BESSA and Bell Equipment Europe, are supported by group-wide support functions in finance, internal audit, marketing, information technology, human resources, strategy, risk and corporate services.

It is pleasing to report that our commitment to transformation was evidenced in October 2008, when both BECSA and BESSA were rated by PKF BEE Solutions (Pty) Limited against the full scorecard covering not only ownership, but also management diversity, employment equity, skills development preferential procurement, enterprise development and socio-economic development. BECSA was rated as a level 7 contributor whilst BESSA was rated level 5, resulting in 80% of customers' purchases from BESSA being classified as BEE. This is particularly important when our customers make large capital purchases. Plans are in place to lift BESSA to a level 4 contributor, at which time 100% of our customers' purchases will rank.

A Transformation Forum was also established within both BECSA and BESSA in 2008 under the leadership of our Group Human Resources Director. These representative working groups are working effectively. The contribution from Kagiso to the Transformation Forum in BESSA continues to be meaningful and welcome.

We still believe that our largest contribution to broad-based black economic empowerment in South Africa is to create and protect the entry level jobs created both internally and amongst our many local suppliers, and we will continuously strive to increase these opportunities.

Group
executive management

1: Clive Barret
Director: Global parts – BECSA
Years' service: 32
Age: 64

2: Bokkie Coertze
Managing Director – BESSA
Years' service: 23
Age: 58

3: Rino D'Alessandro
Director: Information Systems
Information systems CPIM
Years' service: 12
Age: 45

4: Mike Dutton
Director: Distribution Division – BECSA
Years' service: 21
Age: 43

5: Leon Goosen
Commercial Director
BCom (Hons), CA(SA)
Years' service: 2
Age: 36

6: Riaan Verster
Group Company Secretary
BProc, LLB, LLM
Years' service: 8 months
Age: 32

7: Lucas Maloka
Executive Manager: Human Resources
BA, MMHR
Years' service: 2
Age: 47

8: Andre McDuling
Director: Engineering – BECSA
Dip Mech Eng
Years' service: 21
Age: 41

9: Donald Paynter
Director: Group Marketing
Dip MM
Years' service: 2
Age: 40

10: Marc Schurmann
Executive Director: European Operations
BEng (Mech), Pr Eng
Years' service: 13
Age: 41

11: Dave Scobie
Executive Manager: WCO
Chartered HR practitioner, CPIM
Years' service: 18
Age: 62

Divisional
senior management

1: Dominic Chinnapen
Director: Planning and Scheduling – BECSA
CPIM, BCom Logistics
Years' service: 21
Age: 40

2: Cameron Crawford
Financial Director: Bell Equipment Europe SA
BCompt, MBA, MPhil, AMPTM, FCMA
Years' service: 18
Age: 47

3: Terry Gillham
General Manager: Sales and Marketing – BESSA
Years' service: 18
Age: 56

4: Nigel Hosking
Company Secretary – BESSA
BCom, CA(SA)
Years' service: 2
Age: 60

5: Bertie Kok
General Manager: Parts – BESSA
BCompt, MBA
Years' service: 13
Age: 51

6: Aldo Mayer
General Manager: Programme Manager – BECSA
NH Dip Mech Eng, BTech MB
Years' service: 12
Age: 36

7: Sonja Pepper
General Manager: Human Resources – BESSA
BA (Psychology)
Years' service: 5
Age: 46

8: Peter Purchase
General Manager: Logistics – BECSA
Years' service: 22
Age: 50

9: Gerard Rokebrand
Commercial Director – BESSA
BCompt (Hons), CA(SA)
Years' service: 14
Age: 55

10: Ivan Terblanche
General Manager: Engineering – BECSA
BEng (Mech), Pr Eng
Years' service: 13
Age: 39

11: Pieter van Buuren
General Manager: Finance – BESSA
BCom (Hons), CA(SA), ACMA
Years' service: 4
Age: 38

12: Burt van der Westhuizen
General Manager: Global Logistics Centre (GLC) – BECSA
NDip – Marketing, BTech – Marketing, MBA
Years' service: 2
Age: 36

Review of operations

Global Partners

Global Footprint

Global Support

Global Logistics Centre

Bell takes giant steps in after sales support

The Bell Equipment group, as part of its commitment to business in southern Africa and providing customers with world-class after-sales support, commissioned a R220 million expansion next to its existing Jet Park facility in Johannesburg.

The 9,5 hectare portion of land is owned by the Old Mutual Property Group, which has undertaken the development to Bell Equipment's specifications. Included in the project is the group's upgraded used equipment division complete with eight workshop bays, four component workshop bays and a used parts store of 1 600 m^2. Also included in this part of the development is a wash bay, paint bay, sandblasting facility, fully equipped boiler shop and office space.

A major part of the development is the new Global Logistics Centre (GLC), which has a dedicated focus to the parts after-market. The facility also accommodates the management of the Bell Equipment Distribution Division and the company's Johannesburg parts sales counters and staff.

The GLC is aimed at providing a defining advantage that sets Bell Equipment apart from its competitors, namely to provide the best parts availability and customer service in the industry so as to offer customers increased uptime through superior parts availability.

This has been achieved by increasing and consolidating the existing GLC, which comprises three different warehouses with a total floor space of 6 500 m^2 and a maximum racking height on 3,5 metres. By comparison the new facility is 11 000 m^2 with a maximum height of 9 metres and an additional 2 100 m^2 of office accommodation.

The facility is unique in that it offers three types of storage, namely racking, shelving and electronic lean lifts for the storage of small parts. Adding to the uniqueness is the 500 m-conveyor system, which is the primary transportation within the GLC. Moving at 4 metres per second, the conveyor can manage up to 400 totes or "shopping baskets" of parts, each weighing up to 25 kg.

The development facilitates better control of parts stock, as the company has implemented the state-of-the-art SAP warehouse management system, which includes software for warehouse management, stock-level management as well as customer analysis and bar coding. The SAP system will facilitate improved security and control over stock, better parts availability and improved forecasting. This R6 million system meets the company's strategic objective to upgrade its information systems and thereby provide a better service to its customers.

As from the second quarter of 2009 all imports and exports, both by sea and air, will be handled by the GLC, which will have a dedicated container handling facility. In addition, the GLC has a full repacking facility for those parts not custom packaged by suppliers, and bar coding has been introduced to improve warehouse efficiency and stock level accuracy.

Completing the development is a separate building for the head offices of Bell Equipment Sales South Africa Limited (BESSA) incorporating boardrooms, training facilities and customer entertainment facilities.

The contractor, Edilcon, completed the first phase of the project, the used equipment division, at the end of August 2008. The GLC became operational at the end of 2008 and will be fully stocked and equipped by the end of the first quarter of 2009.

Our products

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.

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.

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 m^3 bucket, through various sizes and culminates in the powerful 4,7 m^3 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.

Tractor Loader Backhoes

Bell Equipment assembles John Deere-designed side-shift Tractor Loader Backhoes (TLBs) 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 that are backed up by strong, reliable service.

Tri-Wheelers

The trusted Bell name first started earning its reputation with our pioneer product, the Bell Cane Loader. Its 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.

Excavators, Graders, and Dozers

Bell Equipment is the appointed distributor in South Africa of a range of products that complements our own so as to offer a 'One Stop Shop' for our customers. These machines are imported as fully assembled units, branded Bell 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.

Bomag

The group's compaction equipment range has been expanded by the conclusion of a deal with the Fayat Group in terms whereof the Bomag range of products will be marketed and distributed in South Africa by Bell Equipment.

Maintenance, part supply and after sales technical support for these products will also be provided by Bell Equipment.

Sustainability report

Our dedication to the responsible management of human and natural resources contributes to the sustainable growth of our company.

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 and services.

The Board of Directors attaches great emphasis in caring for the environment and will ensure transparency in maintaining operations, which are recognised as role models in the earthmoving equipment industry. Our concern for the environment is subject to continuous review and improvement.

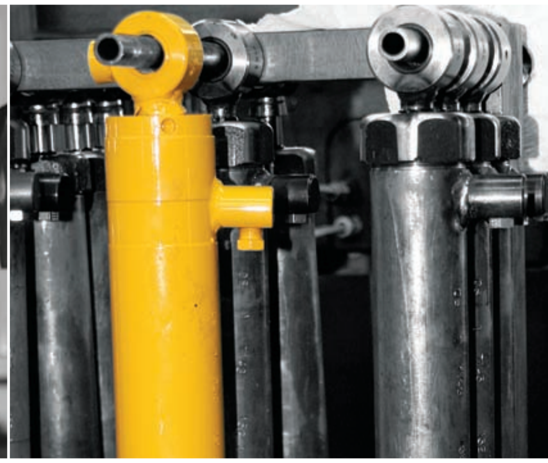
As part of our drive towards sound corporate governance, the group is committed to complying with environmental requirements for its Richards Bay factory, German assembly plant and all distribution operations worldwide. All products distributed meet the required European emissions standards and our Product Development Process is well positioned to ensure that our products will meet the more onerous engine emissions requirements, which are to be implemented in Europe and the USA over the next few years.

We have continued our efforts to reduce waste by increasing the use of recyclable materials such as packaging materials, oils and steel offcuts in applications which traditionally generate considerable waste.

Safety

The group has attained excellent results from the implementation of a 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. We work hard to inculcate a safety awareness ethic in all our employees and others who visit our different sites. To further this end our Richards Bay factory has seen significant investment in the review of all our legal compliance processes with regard to occupational health and safety. Critically, the review included refresher training for all levels of management and supervision.

The enhanced employees' induction process and the STOP Safety Programme that have been running for the past three years in our manufacturing operations, continue to reduce workplace injuries. 2008 saw further integration of these programmes with our manufacturing best practice implementation strategy. A formal world-class manufacturing function has been introduced to accelerate these programmes. This function has been resourced through the permanent redeployment of some of our best senior managers. A world-class manufacturing academy has also been established to provide dedicated resources to this critical function.



Bell Equipment Sales South Africa Limited's headquarters in Jet Park has achieved the Technilaw five-star grading. We are also pleased to report that there were no reportable safety incidents during the construction of our new Global Logistics Centre at our Jet Park premises in 2008.

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. Our employees are part of the communities in which the group operates and we view our socio-economic efforts within these communities as an integral part of improving the quality of life of our employees and their families. Key areas that the group is focusing its efforts on are job creation, education and socio-economic development.

Following a benchmarking exercise involving various stakeholders, a comprehensive socio-economic development programme has been put in place and successfully executed during the year. This programme has had an impact on the following areas in the communities in which we operate:

- Educational programmes
- School infrastructure
- Environmental and sustainability projects
- HIV/AIDS programmes (including financial support to the Amangwe HIV/AIDS orphanage)
- Community sports and recreation

Bell Equipment also believes that for a successful business to continue into the future, it is necessary to reinvest 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, skills development education, 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 a 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 group enjoys a stable and committed workforce. Many employees have long service records and have shown their preparedness to go the extra mile in order to serve our customers. In 2008, we continued engaging worker representatives in a constructive manner to ensure an environment that fosters sound employee relations conducive to doing business and sustaining jobs in the group. 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 two protected union-called work stoppages, in the process losing 1 768 man-days – this did not have a significant impact on production.

Union membership statistics

	2008 %	2007 %
Non-union members	**25**	37
Non-union members under metal industries bargaining unit	**12**	15
Solidarity	**30**	21
NUMSA	**31**	23
UASA	**2**	4

Key:
NUMSA = The National Union of Metalworkers of South Africa
UASA = United Association of South Africa

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

Employee wellness

This remains a major focus area at Bell Equipment and we remain acutely aware of the HIV/AIDS threat to our employees. We have maintained a comprehensive education and treatment programme as well as voluntary counselling and testing to minimise its spread among our workforce and to extend the productive working life and quality of life of employees living with the disease. Bell Equipment is pleased to report that as a result of these ongoing efforts more and more employees are enjoying the benefits of these programmes offered by the group.

The group 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, including HIV/AIDS. 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 group 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 socio-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 regards its people as a valuable resource and does not tolerate discrimination of any kind, whether on the grounds of gender, race, sexual orientation, background or religious beliefs. We identify the required skills to run our business successfully on an ongoing basis and will recruit people who meet these needs either immediately or after appropriate training and skills development. We also believe in ensuring that our 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 of 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 resources were deployed in 2008 aimed at the formal implementation of succession planning, career paths 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 the 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 who have developed into leading roleplayers on our strong executive and senior management teams.

Bell Equipment takes pride in its apprenticeship scheme, being the largest South African employer in the earthmoving equipment industry to have such a programme. During 2008, we took in 50 apprentices, the majority of whom come from previously disadvantaged groups. We are diligently managing their progress to becoming fully fledged artisans.

The group 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.

Corporate governance

We are strongly committed to ensuring that our business is built on the fundamental pillars of corporate governance best practice.

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 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 King II 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 cooperation 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. This Committee annually considers and approves the group's internal audit work plan. 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 2008.

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. This policy statement and framework are periodically reviewed and communicated to all employees.

An ongoing strategic, systematic, multi-tiered 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 Group Commercial Director is responsible for risk management within the group. He oversees the process from the perspective of strategic direction, ongoing improvement in methodology and 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 currently six 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 year. 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 I A 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. The Board has approved and regularly reviews the group's schedule of authorities which allows for the clear segregation of duties within the group.

Directors' attendance at meetings

During 2008, 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	
BW Schaffter	2 out of 4
DM Gage	4 out of 4
K Manning	4 out of 4
Independent non-executive	
PJC Horne	1 out of 1
MA Mun-Gavin	4 out of 4
TO Tsukudu	4 out of 4
DJJ Vlok	4 out of 4
Alternates	
JW Kloet (attending in BW Schaffter's stead)	2 out of 2

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.

Particulars of the composition of the Board of Directors and committees appear on pages 12 and 13 of this report.

Risk Management and Audit Committee

The Chairman of the Risk Management and Audit Committee is an independent non-executive director and this committee only has independent non-executive directors as members. This committee operates in terms of a formally approved charter, which clearly sets out the terms of reference, 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 view of the findings of the external or internal auditors. The charter of this committee has been redrafted in accordance with the additional requirements applicable to audit committees brought about by the changes to the South African Companies Act (the Act) and it has complied with the terms of this charter. This committee performed (and was mandated to perform) the following specific functions for the 2008 financial year:

- nominated for appointment the auditor of the company who, in the opinion of this committee, is independent of the company;
- determined the fees to be paid to the auditor and the auditor's terms of engagement;
- ensured that the appointment of the auditor complies with the Act and any other legislation relating to the appointment of auditors;
- determined the nature and extent of any non-audit services which the auditor may provide to the company;
- pre-approved any proposed contract with the auditor for the provision of non-audit services to the company;
- mandated to receive and deal appropriately with any complaints (whether from within or outside the company) relating either to the accounting practices and internal audit of the company or to the content or auditing of its financial statements, or to any related matter; and
- mandated to perform other functions determined by the Board.

This committee has confirmed the suitability of the head of the group internal audit function and the Financial Director of the company. The auditors 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 2008, the Risk Management and Audit Committee met on four occasions, with attendance being as follows:

Members	
PJC Horne	1 out of 1
MA Mun-Gavin (Chairman)	4 out of 4
DJJ Vlok	4 out of 4

Certain senior executive managers attend meetings of the committee.

The audit partner of Deloitte & Touche was invited and attended 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, suitability, calibre and credibility of candidates, taking due consideration 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 on three occasions in the year, with attendance as shown below and has complied with the terms of its charter.

Members	
DJJ Vlok (Chairman)	3 out of 3
TO Tsukudu	3 out of 3
DM Gage	2 out of 2

Certain senior executive managers 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. These incentive schemes have been structured to reward performance and to align directors' interest with the interests of shareholders.

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 I A 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 79 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 apprised 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, known as the *Bell Bulletin*, which features articles of technical, commercial and general interest, which is distributed worldwide to customers, suppliers and other interested parties. The group's external website (www.bellequipment.com) was relaunched in 2008 and is an important means of effectively communicating with all stakeholders – keeping them abreast of developments within the group and providing essential information relating to the group and its operations.

The group produces an annual employee report and has other regular communications with employees. Amongst the foremost of these is 'Bell Online', which is an effective, transparent and balanced mechanism whereby topical issues are addressed with employees on a five-weekly basis. Employees are encouraged to make use of this publication to raise contentious issues and air their views. The Bell Equipment Intranet also plays an important role in keeping our employees around the world informed of the group's activities and facilitates communication amongst our various operations.

Code of ethics and code of business conduct

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. This code of ethics has been augmented by a code of business conduct, which has recently been approved by the Board and is applicable to all Bell Equipment employees worldwide. This code deals with a number of aspects and provides a broad framework on how different stakeholders must be engaged and prescribes the minimum ethical standards employees are expected to adhere to.

Bell Equipment realises the importance of a facility for the reporting of any unethical or improper actions and has, in conjunction with Tip-Offs Anonymous, established a reporting facility that is available 24 hours a day. All stakeholders are encouraged to report any unethical and improper behaviour via this facility. More information on this reporting facility is available from our official website.

Annual financial statements 2008


BELL
BELL

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 40 to 79 were approved by the directors on 11 March 2009 and are signed on their behalf by:

HJ Buttery
Group Chairman

GW Bell
Group Chief Executive

11 March 2009

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.

R Verster
Company Secretary

11 March 2009

Independent auditors' 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 2008, 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 40 to 79.

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.

Auditors' 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 2008 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.

Without qualifying our opinion, we draw attention to the comments in the directors' report referring to the going-concern assumption which indicates the existence of a material uncertainty with respect to the group's funding facilities.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
Audit – KZN

Per C Howard-Browne
Partner

11 March 2009

Suite 4, Pinnacle Point
9 Lira Link
Richards Bay 3900

PO Box 351
Richards Bay 3900
South Africa

National Executive: GG Gelink, Chief Executive; AE Swiegers, Chief Operating Officer; GM Pinnock, Audit; DL Kennedy, Tax & Legal and Financial Advisory; L Geeringh, Consulting; L Bam, Corporate Finance; CR Beukman, Finance; TJ Brown, Clients & Markets; NT Mtoba, Chairman of the Board.
Regional Leader: GC Brazier

A full list of partners and directors is available on request.

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 2008.

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 financing 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.

GOING CONCERN AND FUNDING REQUIREMENTS

As a result of the current global economic climate, there has been a significant downturn in the markets in which the group operates and business plans have been revised to address the expected lower demand and difficult trading conditions in 2009.

Additional financing has been obtained from shareholders subsequent to year-end in the form of a loan and account settlement assistance. In this regard, I A Bell and Company (Pty) Limited has entered into a loan agreement with the company to the effect that the shareholder will lend the company R150 million until at least 30 June 2010, or when the group's gearing is maintained at 20% or less. The other major shareholder and the single largest supplier to the group, John Deere Construction and Forestry Company, is providing assistance on account settlement in respect of machines and kits supplied. Furthermore, application has been made to the Industrial Development Corporation for a loan of approximately R220 million for which the due diligence review is currently in progress.

Business plans have been revised in line with the changed outlook for 2009 and costs have been reduced accordingly, but with careful consideration given to the long-term sustainability of the business. The priority for 2009 is on positive cash flow and realising the value in inventory and receivables.

The group's bankers are fully apprised of the group's liquidity challenges and their continued support is vital to the group's future success. The group acknowledges that the banks' willingness and ability to maintain facilities available to the group is dependent on the success of the group's business plans regarding sales realisation, recovery of the carrying values of inventory and receivables and cost reduction.

Although the group has current liquidity constraints and this leads to material uncertainty at the time of approving these annual financial statements, the directors, taking full cognisance of all the issues referred to above, believe that the going-concern assumption is appropriate.

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 2008 comprised 94 950 000 (December 2007: 94 857 900) ordinary shares of no par value.

DIVIDENDS

The directors have not declared a dividend for this year (2007: 40 cents per share).

PROPERTY, PLANT AND EQUIPMENT

Our accounting policy in respect of property, plant and equipment is recorded in note 2.5 to the annual financial statements.

SHARE OPTION SCHEMES

The company currently has one operating employee share option scheme and will seek shareholder approval for the implementation of a further employee share scheme at the company's forthcoming annual general meeting. The maximum number of shares any employee may acquire in terms of the existing scheme may not exceed 200 000 shares. The options of both schemes 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 scheme is being wound up) during the year are as follows:

	31December 2008	31 December 2007
Options granted brought forward	**142 100**	183 100
Options granted and accepted	**–**	–
Options exercised	**(92 100)**	(41 000)
Options forfeited	**–**	–
Options granted carried forward	**50 000**	142 100

Executive directors, senior and general management held the 50 000 unexercised options at 31 December 2008. The maximum aggregate number of shares available to employees under scheme number one was 2 159 200. The unallocated balance at 31 December 2008 was nil shares (December 2007: Nil).

DIRECTORS

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

Mr PJC Horne retired on 7 May 2008.

Details of the directors and senior management of the Bell Equipment group appear on pages 12 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		Associates	
	2008	2007	**2008**	2007	**2008**	2007
GW Bell	**120 600**	–	**8 671 264**	8 671 264	**–**	–
PA Bell	**–**	–	**8 671 264**	8 671 264	**–**	–
PC Bell	**–**	–	**8 671 264**	8 671 264	**–**	–
HJ Buttery	**–**	–	**3 691 473**	3 691 473	**7 800**	–
MA Campbell	**–**	–	**3 009 152**	3 009 152	**–**	–
GP Harris	**–**	–	**1 800**	1 800	**–**	–
MA Mun-Gavin	**–**	–	**10 000**	10 000	**–**	–
Totals	**120 600**	–	**32 726 217**	32 726 217	**7 800**	–

There has been no change in the shareholding of directors as reflected above between the end of the financial year and 11 March 2009.

MAJOR SHAREHOLDERS

The major shareholders in Bell Equipment Limited as at 31 December 2008 were:

	2008 %	2007 %
I A Bell and Company (Pty) Limited	**37,62**	37,66
John Deere Construction and Forestry Company	**31,60**	31,63

COMPANY SECRETARY

Particulars of the Company Secretary and his business and postal addresses appear on page 81 of this report.

SUBSIDIARIES

Details of the company's interest in its subsidiary companies are contained on page 78 of this report. The principal subsidiaries are Bell Equipment Company SA (Proprietary) Limited and Bell Equipment Sales South Africa Limited both of which are incorporated in South Africa.

SUBSEQUENT EVENTS

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

11 March 2009

Balance sheets

as at 31 December 2008

	Notes	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
ASSETS					
Non-current assets		**665 822**	473 633	**383 996**	404 842
Property, plant and equipment	6	**532 764**	426 649	**–**	–
Intangible assets	7	**30 309**	8 328	**–**	–
Investments in subsidiary companies	8	**–**	–	**383 996**	404 842
Interest-bearing investments	9	**3 370**	13 464	**–**	–
Interest-bearing long-term receivables	10	**31 417**	11 231	**–**	–
Deferred taxation	11	**67 962**	13 961	**–**	–
Current assets		**3 256 950**	2 408 034	**109**	94
Inventory	12	**2 546 512**	1 698 820	**–**	–
Trade and other receivables	13	**627 839**	662 828	**109**	94
Current portion of interest-bearing long-term receivables	10	**20 016**	10 499	**–**	–
Prepayments		**13 663**	13 314	**–**	–
Taxation		**12 494**	1 865	**–**	–
Cash resources		**36 426**	20 708	**–**	–
Total assets		**3 922 772**	2 881 667	**384 105**	404 936
EQUITY AND LIABILITIES					
Capital and reserves		**1 769 555**	1 380 869	**368 893**	383 084
Stated capital	14	**228 586**	226 293	**228 586**	226 293
Non-distributable reserves	15	**200 940**	140 040	**–**	–
Retained earnings		**1 326 761**	1 014 536	**140 307**	156 791
Attributable to equity holders of Bell Equipment Limited		**1 756 287**	1 380 869	**368 893**	383 084
Minority interest	16	**13 268**	–	**–**	–
Non-current liabilities		**273 881**	214 779	**–**	–
Interest-bearing liabilities	17	**83 171**	76 624	**–**	–
Repurchase obligations and deferred leasing income	18	**81 001**	83 695	**–**	–
Deferred warranty income	19	**95 370**	50 740	**–**	–
Lease escalation	20	**4 384**	1 677	**–**	–
Provisions	21	**9 955**	2 043	**–**	–
Current liabilities		**1 879 336**	1 286 019	**15 212**	21 852
Trade and other payables	22	**839 474**	758 984	**361**	214
Current portion of interest-bearing liabilities	17	**91 254**	31 838	**–**	–
Current portion of repurchase obligations and deferred leasing income	18	**66 186**	20 638	**–**	–
Current portion of deferred warranty income	19	**11 047**	2 497	**–**	–
Current portion of lease escalation	20	**1 344**	1 699	**–**	–
Current portion of provisions	21	**49 494**	49 349	**–**	–
Taxation		**115 905**	52 927	**14 851**	21 638
Short-term interest-bearing debt		**704 632**	368 087	**–**	–
Total equity and liabilities		**3 922 772**	2 881 667	**384 105**	404 936
Shares issued (000)		**94 950**	94 858		
Net asset value per share (cents)		**1 864**	1 456		

Income statements

for the year ended 31 December 2008

	Notes	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
Revenue	23	**5 458 273**	4 624 961	**–**	–
Cost of sales		**(4 036 622)**	(3 647 808)	**–**	–
Gross profit		**1 421 651**	977 153	**–**	–
Other operating income		**71 300**	70 894	**46 124**	152 710
Distribution costs		**(663 826)**	(453 548)	**–**	–
Administration expenses		**(66 638)**	(54 816)	**(2 245)**	(1 820)
Other operating expenses		**(173 383)**	(45 421)	**–**	–
Profit from operating activities	24	**589 104**	494 262	**43 879**	150 890
Interest paid		**(104 237)**	(33 387)	**–**	(480)
Interest received		**29 600**	13 691	**–**	26
Profit before taxation		**514 467**	474 566	**43 879**	150 436
Taxation	25	**(153 751)**	(109 657)	**(22 419)**	(21 224)
Profit for the year		**360 716**	364 909	**21 460**	129 212
Profit for the year attributable to:					
Equity holders of Bell Equipment Limited		**348 348**	364 909		
Minority interest		**12 368**	–		
		Cents	Cents		
Earnings per share					
Basic	26	**367**	385		
Diluted	26	**367**	384		
Dividend per ordinary share		**40**	25		

Statements of changes in equity

for the year ended 31 December 2008

	Stated capital R000	Non-distributable reserves R000	Retained earnings R000	Total R000	Minority interest R000	Total capital and reserves R000
	Attributable to equity holders of Bell Equipment Limited					
GROUP						
Balance at 31 December 2006	226 185	55 490	673 237	954 912	–	954 912
Realisation of revaluation reserve on depreciation of buildings	–	(969)	969	–	–	–
Deferred taxation on realisation of revaluation reserve on depreciation of buildings	–	281	(281)	–	–	–
Surplus on revaluation of properties	–	95 042	–	95 042	–	95 042
Deferred taxation on revaluation of properties	–	(20 835)	–	(20 835)	–	(20 835)
Increase in legal reserves of foreign subsidiaries	–	589	(589)	–	–	–
Exchange differences on translation of foreign operations	–	10 476	–	10 476	–	10 476
Exchange difference on foreign reserves	–	(34)	–	(34)	–	(34)
Net income recognised directly in equity	–	84 550	99	84 649	–	84 649
Net profit for the year	–	–	364 909	364 909	–	364 909
Total recognised income and expense	–	84 550	365 008	449 558	–	449 558
Share options exercised	108	–	–	108	–	108
Dividends paid	–	–	(23 709)	(23 709)	–	(23 709)
Balance at 31 December 2007	**226 293**	**140 040**	**1 014 536**	**1 380 869**	**–**	**1 380 869**
Realisation of revaluation reserve on depreciation of buildings	**–**	**(3 417)**	**3 417**	**–**	**–**	**–**
Deferred taxation on realisation of revaluation reserve on depreciation of buildings	**–**	**957**	**(957)**	**–**	**–**	**–**
Effect of change in tax rate on realisation of revaluation reserve	**–**	**800**	**–**	**800**	**–**	**800**
Increase in legal reserves of foreign subsidiaries	**–**	**639**	**(639)**	**–**	**–**	**–**
Exchange differences on translation of foreign operations	**–**	**60 413**	**–**	**60 413**	**–**	**60 413**
Exchange differences on foreign reserves	**–**	**1 508**	**–**	**1 508**	**–**	**1 508**
Net income recognised directly in equity	**–**	**60 900**	**1 821**	**62 721**	**–**	**62 721**
Net profit for the year	**–**	**–**	**348 348**	**348 348**	**12 368**	**360 716**
Total recognised income and expense	**–**	**60 900**	**350 169**	**411 069**	**12 368**	**423 437**
Share issue to minority shareholders	**–**	**–**	**–**	**–**	**900**	**900**
Share options exercised	**2 293**	**–**	**–**	**2 293**	**–**	**2 293**
Dividends paid	**–**	**–**	**(37 944)**	**(37 944)**	**–**	**(37 944)**
Balance at 31 December 2008	**228 586**	**200 940**	**1 326 761**	**1 756 287**	**13 268**	**1 769 555**
COMPANY						
Balance at 31 December 2006	226 185	–	51 288	277 473	–	277 473
Net profit for the year	–	–	129 212	129 212	–	129 212
Share options exercised	108	–	–	108	–	108
Dividends paid	–	–	(23 709)	(23 709)	–	(23 709)
Balance at 31 December 2007	**226 293**	**–**	**156 791**	**383 084**	**–**	**383 084**
Net profit for the year	**–**	**–**	**21 460**	**21 460**	**–**	**21 460**
Share options exercised	**2 293**	**–**	**–**	**2 293**	**–**	**2 293**
Dividends paid	**–**	**–**	**(37 944)**	**(37 944)**	**–**	**(37 944)**
Balance at 31 December 2008	**228 586**	**–**	**140 307**	**368 893**	**–**	**368 893**

Cash flow statements

for the year ended 31 December 2008

	Notes	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
CASH FLOW FROM OPERATING ACTIVITIES					
Cash (utilised) generated from operations	A	**(17 659)**	(30 208)	**44 011**	144 277
Interest paid		**(104 237)**	(33 387)	**–**	(480)
Interest received		**29 600**	13 691	**–**	26
Taxation paid	B	**(154 249)**	(158 285)	**(29 206)**	(12 987)
Net cash (utilised) generated from operating activities		**(246 545)**	(208 189)	**14 805**	130 836
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of additional property, plant and equipment and intangible assets		**(209 918)**	(133 263)	**–**	–
Purchase of replacement property, plant and equipment and intangible assets		**(3 593)**	(3 304)	**–**	–
Proceeds on disposal of property, plant and equipment and intangible assets		**31 592**	65 938	**–**	–
Proceeds on disposal of interest in subsidiary company		**–**	–	**–**	2 283
Increase in investments in subsidiary companies		**–**	–	**(197 263)**	–
Decrease in interest-bearing investments		**10 094**	884	**–**	–
Net cash (utilised) generated from investing activities		**(171 825)**	(69 745)	**(197 263)**	2 283
CASH FLOW FROM FINANCING ACTIVITIES					
Repayments from (advances to) subsidiaries		**–**	–	**218 109**	(109 518)
Interest-bearing liabilities raised	C	**98 009**	106 532	**–**	–
Interest-bearing liabilities repaid	C	**(32 046)**	(2 856)	**–**	–
Increase (decrease) in repurchase obligations and deferred leasing income		**42 854**	(45 941)	**–**	–
Increase in deferred warranty income		**53 180**	36 222	**–**	–
Increase in interest-bearing long-term receivables		**(29 703)**	(170)	**–**	–
Share issue to minority shareholders		**900**	–	**–**	–
Proceeds from share options exercised		**2 293**	108	**2 293**	108
Dividends paid		**(37 944)**	(23 709)	**(37 944)**	(23 709)
Net cash generated (utilised) from financing activities		**97 543**	70 186	**182 458**	(133 119)
Net decrease in cash for the year		**(320 827)**	(207 748)	**–**	–
Net short-term interest-bearing debt at beginning of the year		**(347 379)**	(139 631)	**–**	–
Net short-term interest-bearing debt at end of the year	D	**(668 206)**	(347 379)	**–**	–

Notes to the cash flow statements

for the year ended 31 December 2008

	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
A. Cash (utilised) generated from operations				
Profit from operating activities	**589 104**	494 262	**43 879**	150 890
Adjustments for:				
Depreciation	**54 784**	60 515	**–**	–
Amortisation of intangible assets	**3 915**	459	**–**	–
Increase (decrease) in warranty provision	**2 742**	(22 090)	**–**	–
Decrease in provision for residual value risk	**(299)**	(4 694)	**–**	–
Increase (decrease) in lease escalation	**2 352**	(1 446)	**–**	–
Decrease in provision for impairment of interest in subsidiary company	**–**	–	**–**	(5 347)
Net surplus on disposal of property, plant and equipment and intangible assets	**(40)**	(743)	**–**	–
Surplus on disposal of interest in subsidiary company	**–**	–	**–**	(790)
Exchange differences on translation of foreign subsidiaries	**62 345**	7 534	**–**	–
Operating profit before working capital changes	**714 903**	533 797	**43 879**	144 753
Increase in inventory	**(847 692)**	(478 986)	**–**	–
Decrease (increase) in receivables and prepayments	**34 640**	(286 673)	**(15)**	(94)
Increase (decrease) in trade and other payables	**80 490**	201 654	**147**	(382)
Total cash (utilised) generated from operations	**(17 659)**	(30 208)	**44 011**	144 277
B. Taxation paid				
Net taxation owing at beginning of the year	**(51 062)**	(87 118)	**(21 638)**	(13 401)
Tax charge for the year:				
South African normal taxation	**(184 979)**	(72 150)	**(22 419)**	(7 999)
South African secondary tax on companies	**–**	(2 437)	**–**	(2 437)
Foreign taxation	**(21 619)**	(36 854)	**–**	–
Withholding tax on dividends	**–**	(10 788)	**–**	(10 788)
Net taxation owing at end of the year	**103 411**	51 062	**14 851**	21 638
Total taxation paid	**(154 249)**	(158 285)	**(29 206)**	(12 987)
C. Interest-bearing liabilities				
Long-term portion of interest-bearing liabilities at beginning of the year	**76 624**	2 319	**–**	–
Add: current portion at beginning of the year	**31 838**	2 467	**–**	–
Total interest-bearing liabilities at beginning of the year	**108 462**	4 786	**–**	–
Interest-bearing liabilities raised	**98 009**	106 532	**–**	–
Interest-bearing liabilities repaid	**(32 046)**	(2 856)	**–**	–
Less: current portion at end of the year	**(91 254)**	(31 838)	**–**	–
Long-term portion of interest-bearing liabilities at end of the year	**83 171**	76 624	**–**	–
D. Net short-term interest-bearing debt				
Short-term interest-bearing debt	**(704 632)**	(368 087)	**–**	–
Cash resources	**36 426**	20 708	**–**	–
Net short-term interest-bearing debt at end of the year	**(668 206)**	(347 379)	**–**	–

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.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original acquisition and the minorities' share of changes in equity since the date of the acquisition. Losses applicable to the minorities in excess of their interest in the subsidiaries' equity are allocated against the interests of the group except to the extent that the minorities have a binding obligation and are able to make an additional investment to cover the losses.

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 a 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, interest-bearing investments, interest-bearing 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.

Interest-bearing long-term receivables, trade and other receivables

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

Cash resources

Cash resources 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial instruments (continued)

Interest-bearing 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.

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.

Notes to the annual financial statements (continued)

for the year ended 31 December 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 warranty income

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.

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 (or 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 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 (or 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 (or 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.

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 2008.

The following Interpretations were effective for the current year:
IFRIC 11 – IFRS 2 Group and Treasury Share Transactions
IFRIC 12 – Service Concession Arrangements
IFRIC 14 – IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these Interpretations has not led to any changes in the group's accounting policies and did not have a material impact on the financial statements of the group.

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

New	Effective date for annual periods beginning on or after:
IFRS 8 – Operating Segments	1 January 2009
IFRIC 13 – Customer Loyalty Programmes	1 July 2008
IFRIC 15 – Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	1 October 2008
IFRIC 17 – Distributions of Non-cash Assets to Owners	1 July 2009
IFRIC 18 – Transfers of Assets from Customers	1 July 2009
Revised	
IFRS 1 – First-time Adoption of International Financial Reporting Standards: Amendment Relating to Cost of an Investment on First-time Adoption	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
IFRS 7 – Financial Instruments: Disclosures – Amendments Enhancing Disclosures about Fair Value and Liquidity Risk	1 January 2009
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

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Revised (continued)

IAS 27 – Consolidated and Separate Financial Statements: Amendment Relating to Cost of an Investment on First-time Adoption	1 January 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
IAS 39 – Financial Instruments – Recognition and Measurement: Amendments for Eligible Hedged Items	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.

Annual Improvements Project

The IASB recently issued improvements to International Financial Reporting Standards – a collection of amendments to IFRSs. These amendments consist of various necessary, but non-urgent, amendments to Standards that will not be part of another major project of the IASB.

The following Standards have been affected by these amendments:	Effective date for annual periods beginning on or after:
IAS 1 – Presentation of Financial Statements	1 January 2009
IAS 16 – Property, Plant and Equipment	1 January 2009
IAS 19 – Employee Benefits	1 January 2009
IAS 20 – Government Grants and Disclosure of Government Assistance	1 January 2009
IAS 23 – Borrowing Costs	1 January 2009
IAS 27 – Consolidated and Separate Financial Statements	1 January 2009
IAS 28 – Investments in Associates	1 January 2009
IAS 29 – Financial Reporting in Hyperinflationary Economies	1 January 2009
IAS 31 – Interests in Joint Ventures	1 January 2009
IAS 36 – Impairment of Assets	1 January 2009
IAS 38 – Intangible Assets	1 January 2009
IAS 39 – Financial Instruments: Recognition and Measurement	1 January 2009
IAS 40 – Investment Property	1 January 2009
IAS 41 – Agriculture	1 January 2009
IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations	1 July 2009

The directors are in the process of evaluating the requirements of the amendments.

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.

Recoverability of trade receivables
In assessing the amounts recoverable from trade receivables, assumptions are made based on past default experience, estimations of the value of any security, in the form of second-hand equipment, and the estimated costs of preparing the equipment for resale, including transport.

Recoverable value of inventory
The recoverable value of inventory takes into account current market conditions and the amounts expected to be realised from the sale of equipment, less estimated costs to sell.

Foreign subsidiary translation
In the absence of official inflation rate information, management has applied judgement in determining an appropriate general price index for the Zimbabwean economy in order to translate the financial statements of Bell PTA (Pvt) Limited into South African Rand for inclusion in the consolidated financial statements.

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 and current warranty campaigns.

Revenue recognition
Where buy-back agreements with customers are concluded, management uses the guidance from IAS 18 with regard to the transfer of risks and rewards for the purposes of revenue recognition.

Provisions for residual value risks and repurchase commitments
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 revenue is not recognised on a transaction which includes a buy-back, then the residual value risks are pertaining to products that are reported as rental assets on the balance sheet and these risks are reflected by depreciation or write-down of the carrying value of these assets. If revenue is recognised on a transaction which includes a buy-back, then the residual value risks are pertaining to products which are not reported as assets on the balance sheet and these risks are reflected under the line item provisions. Significant assumptions are made in estimating residual values. These are assessed based on past experience and take into account expected future market conditions and projected disposal values.

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 has 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				
2008				
Revenue				
External sales	**2 700 335**	**2 757 938**	**–**	**5 458 273**
Inter-segment sales	**42 119**	**926 304**	**(968 423)**	**–**
Total revenue	**2 742 454**	**3 684 242**	**(968 423)**	**5 458 273**
Profit from operating activities	**541 539**	**47 565**		**589 104**
Net interest paid				**(74 637)**
Taxation				**(153 751)**
Profit for the year				**360 716**
Other information				
Assets	**2 745 685**	**1 177 087**		**3 922 772**
Current liabilities	**1 531 292**	**348 044**		**1 879 336**
Non-current liabilities	**182 623**	**81 303**		**263 926**
Long-term warranty provision	**9 591**	**364**		**9 955**
Total liabilities	**1 723 506**	**429 711**		**2 153 217**
Capital expenditure	**129 552**	**83 959**		**213 511**
Depreciation and amortisation of intangibles	**37 117**	**21 582**		**58 699**
Other non-cash expenses (income)	**11 621**	**(6 826)**		**4 795**
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 interest paid				(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					
	Cost/ valuation 2008 R000	**Accumulated depreciation 2008 R000**	**Net book value 2008 R000**	Cost/ valuation 2007 R000	Accumulated depreciation 2007 R000	Net book value 2007 R000
6. PROPERTY, PLANT AND EQUIPMENT						
Owned						
Freehold land and buildings	**204 462**	**7 168**	**197 294**	186 153	1 414	184 739
Leasehold buildings	**5 933**	**1 782**	**4 151**	948	259	689
Plant and equipment	**356 040**	**181 154**	**174 886**	271 089	153 516	117 573
Rental assets	**169 722**	**39 569**	**130 153**	141 571	40 355	101 216
Aircraft	**7 191**	**1 408**	**5 783**	6 546	1 294	5 252
Vehicles	**29 014**	**9 592**	**19 422**	19 144	5 679	13 465
Leased						
Leasehold buildings	**–**	**–**	**–**	2 953	1 051	1 902
Plant and equipment	**3 912**	**2 837**	**1 075**	3 912	2 476	1 436
Vehicles	**–**	**–**	**–**	760	383	377
Total	**776 274**	**243 510**	**532 764**	633 076	206 427	426 649

	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							
2008							
Net book value at beginning of the year	**184 739**	**2 591**	**119 009**	**101 216**	**5 252**	**13 842**	**426 649**
Additions	**18 309**	**1 163**	**81 079**	**75 706**	**695**	**10 663**	**187 615**
Disposals	**–**	**–**	**(568)**	**(30 262)**	**(50)**	**(655)**	**(31 535)**
Depreciation	**(5 754)**	**(159)**	**(27 132)**	**(17 800)**	**(114)**	**(3 825)**	**(54 784)**
Translation differences	**–**	**556**	**3 573**	**1 293**	**–**	**(603)**	**4 819**
Net book value at end of the year	**197 294**	**4 151**	**175 961**	**130 153**	**5 783**	**19 422**	**532 764**
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

Certain property, plant and equipment is encumbered as indicated in note 17.
The rental assets are subject to repurchase obligations as reflected in note 18.

	Group 2008 R000	Group 2007 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**	20 648
– subsequent additions at cost in 2007	**501**	501
– subsequent additions at cost in 2008	**1 422**	–
Lot 1894 Alton Industrial Township, Richards Bay		
– at valuation on 1 October 2007	**56 618**	56 618
– subsequent additions at cost in 2007	**1 437**	1 437
– subsequent additions at cost in 2008	**1 189**	–
Lot 10024 Alton Industrial Township, Richards Bay		
– at valuation on 1 October 2007	**104 642**	104 642
– subsequent additions at cost in 2007	**2 307**	2 307
– subsequent additions at cost in 2008	**15 698**	–
Total freehold land and buildings at cost/valuation	**204 462**	186 153

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:

	Group 2008 R000	Group 2007 R000
Historical cost	**99 279**	80 970

	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
7. INTANGIBLE ASSETS				
Capitalised software				
Cost				
At beginning of the year	**13 202**	11 489	**–**	–
Acquired	**25 896**	1 716	**–**	–
Disposed	**–**	(3)	**–**	–
At end of the year	**39 098**	13 202	**–**	–
Accumulated amortisation				
At beginning of the year	**4 874**	4 415	**–**	–
Charge for the year	**3 915**	459	**–**	–
At end of the year	**8 789**	4 874	**–**	–
Carrying amount				
At end of the year	**30 309**	8 328	**–**	–

	Group		Company	
	2008	2007	**2008**	2007
	R000	R000	**R000**	R000
8. INVESTMENTS IN SUBSIDIARY COMPANIES				
Local subsidiaries				
Shares at cost	**–**	–	**14 164**	12 063
Indebtedness by subsidiaries	**–**	–	**79 695**	146 330
Total local subsidiaries	**–**	–	**93 859**	158 393
Foreign subsidiaries				
Shares at cost	**–**	–	**290 137**	94 975
Indebtedness by subsidiaries	**–**	–	**–**	151 474
Total foreign subsidiaries	**–**	–	**290 137**	246 449
Total investments in subsidiary companies	**–**	–	**383 996**	404 842

During the 2008 financial year the company:

– acquired a 70% interest in a newly formed local group company, Bell Equipment Sales South Africa Limited; and

– increased the investment in subsidiary Bell Equipment Europe SA by capitalisation of the indebtedness by the subsidiary and the acquisition of 189 000 shares of Euro 80 each.

Further details of investments in subsidiary companies are set out on page 78.

	Group		Company	
	2008	2007	**2008**	2007
	R000	R000	**R000**	R000
9. INTEREST-BEARING 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	**29 501**	17 728	**–**	–
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 interest-bearing long-term receivables on the balance sheet (note 10)	**(26 131)**	(4,264)	**–**	–
– 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	**3 370**	13 464	**–**	–

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 is reflected in note 27.1.

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

	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
10. INTEREST-BEARING LONG-TERM RECEIVABLES				
WesBank financing venture (note 9)	**26 131**	4 264	**–**	–
Bank of Scotland (Ireland) Limited*	**4 474**	3 291	**–**	–
Retention deposits**	**17 891**	14 175	**–**	–
Trade receivables recoverable beyond 12 months	**2 937**	–	**–**	–
	51 433	21 730	**–**	–
Less: current portion	**(20 016)**	(10 499)	**–**	–
Total interest-bearing long-term receivables	**31 417**	11 231	**–**	–

* 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 27.3.

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:	Group Net deferred taxation asset at beginning of the year R000	Charge to equity for the year R000	Credit (charge) to income for the year R000	Net deferred taxation asset at end of the year R000
Deferred income	14 078	**–**	**13 258**	**27 336**
Excess tax allowances over depreciation charge	(12 768)	**–**	**(4 610)**	**(17 378)**
Investment subsidies	191	**–**	**32**	**223**
Prepayments	(1 266)	**–**	**(8)**	**(1 274)**
Provision for bonuses	7 973	**–**	**(4 038)**	**3 935**
Provision for doubtful debts	349	**–**	**(1 179)**	**(830)**
Provision for lease escalation	994	**–**	**657**	**1 651**
Provision for leave pay	6 202	**–**	**298**	**6 500**
Provision for residual value risk	87	**–**	**(87)**	**–**
Provision for unit additional costs	7 626	**–**	**1 335**	**8 961**
Provision for warranty expenditure	9 518	**–**	**4 923**	**14 441**
Other provisions	–	**–**	**688**	**688**
Revaluation of properties	(27 688)	**800**	**1 418**	**(25 470)**
Sales in advance	8 164	**–**	**(4 921)**	**3 243**
Taxable losses	83	**–**	**(38)**	**45**
Unrealised foreign currency gains and losses	418	**–**	**(4 230)**	**(3 812)**
Unrealised profit in inventory	–	**–**	**49 703**	**49 703**
Total	13 961	**800**	**53 201**	**67 962**

	Group		Company	
	2008	2007	**2008**	2007
	R000	R000	**R000**	R000
12. INVENTORY				
Merchandise spares, components and raw materials	**1 028 288**	750 090	**–**	–
Work-in-progress	**229 145**	330 914	**–**	–
Finished goods	**1 289 079**	617 816	**–**	–
Total inventory	**2 546 512**	1 698 820	**–**	–

Included above is inventory of R154,9 million (2007: R138,3 million) carried at net realisable value.

Inventory to the value of R64,0 million (2007: R67,2 million) was written off to profit during the year.

	Group		Company	
	2008	2007	**2008**	2007
	R000	R000	**R000**	R000
13. TRADE AND OTHER RECEIVABLES				
Amounts receivable from the sale of goods and services	**543 398**	595 097	**–**	–
Allowance for estimated irrecoverable amounts	**(32 908)**	(11 280)	**–**	–
	510 490	583 817	**–**	–
Sundry receivables	**117 349**	79 011	**109**	94
Total trade and other receivables	**627 839**	662 828	**109**	94

In assessing the amounts recoverable from trade receivables, assumptions are made based on past default experience, estimations of the value of any security, in the form of second-hand equipment, and the estimated costs of preparing the equipment for re-sale, including transport.

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

Further information regarding the group's credit risk management is set out in note 30.3.

	Group		Company	
	2008	2007	**2008**	2007
	R000	R000	**R000**	R000
14. STATED CAPITAL				
Authorised:				
100 000 000 (2007: 100 000 000) ordinary shares of no par value				
Issued:				
94 950 000 (2007: 94 857 900) ordinary shares of no par value	**228 586**	226 293	**228 586**	226 293

The increase in issued share capital relates to 92 100 share options exercised at an average share price of R24,90 per share.

At 31 December 2008, the company had granted options to directors and employees to subscribe for 50 000 (2007: 142 100) shares in the company as set out on page 41.

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

	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
15. NON-DISTRIBUTABLE RESERVES				
Net surplus arising from revaluation of freehold land and buildings				
– prior years	**90 987**	17 468	**–**	–
– prior year surplus on revaluation	**–**	95 042	**–**	–
– deferred taxation on revaluation	**–**	(20 835)	**–**	–
– current year realisation	**(3 417)**	(969)	**–**	–
– deferred taxation on current year realisation	**957**	281	**–**	–
– effect of change in tax rate	**800**	–	**–**	–
Net surplus arising from revaluation of freehold land and buildings	**89 327**	90 987	**–**	–
Legal reserves of foreign subsidiaries				
– prior years	**3 629**	2 810	**–**	–
– current year transfer	**639**	589	**–**	–
– exchange difference	**1 228**	230	**–**	–
Total legal reserves of foreign subsidiaries	**5 496**	3 629	**–**	–
Foreign currency translation reserve of foreign subsidiaries				
– prior years	**45 424**	35 212	**–**	–
– current year transfer	**60 413**	10 476	**–**	–
– exchange difference	**280**	(264)	**–**	–
Total foreign currency translation reserve of foreign subsidiaries	**106 117**	45 424	**–**	–
Total non-distributable reserves	**200 940**	140 040	**–**	–

16. MINORITY INTEREST

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 (Proprietary) Limited ('Kagiso'). In terms of this agreement, the sales and customer service centres in South Africa as well as the investments in I A Bell Equipment Co Namibia (Proprietary) Limited and Bell Equipment Co Swaziland (Proprietary) Limited were acquired by a newly formed group company, Bell Equipment Sales South Africa Limited ('BESSA'), from Bell Equipment Company SA (Proprietary) Limited. The shares in the capital of BESSA were subscribed for and are 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 was 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 R78,9 million. The subscription price of R225 000 for shares allotted and issued to group employees was donated by the group.

	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
Balance at beginning of the year	**–**	–	**–**	–
Share capital issued	**900**	–	**–**	–
Share of profit for the year	**12 368**	–	**–**	–
Balance at end of the year	**13 268**	–	**–**	–

	Rate of interest	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
17. INTEREST-BEARING LIABILITIES					
Secured					
Repayable in instalments by:					
March 2008	6,4%	**–**	35	**–**	–
August 2008	9,0%	**–**	173	**–**	–
August 2012	13,0%	**5 906**	8 254	**–**	–
Total secured liabilities		**5 906**	8 462	**–**	–
Less: current portion		**(1 598)**	(2 348)	**–**	–
Long-term portion		**4 308**	6 114	**–**	–
Unsecured					
Repayable in instalments by:					
November 2010	12,0%	**70 510**	100 000	**–**	–
Less: current portion*		**(70 510)**	(29 490)	**–**	–
Long-term portion		**–**	70 510	**–**	–
No fixed repayment					
Loan – Kagiso Strategic Investments 111 (Proprietary) Limited**	25,0%	**98 009**	–	**–**	–
Less: current portion		**(19 146)**	–	**–**	–
Long-term portion		**78 863**	–	**–**	–
Total current portion of interest-bearing liabilities		**91 254**	31 838	**–**	–
Total long-term portion of interest-bearing liabilities		**83 171**	76 624	**–**	–

The following property, plant and equipment, at net book value, is encumbered as security for the secured borrowings above:
Motor vehicles in Zambia R Nil (2007: R377 294)
Leasehold buildings in France R Nil (2007: R1 902 227)
Plant and equipment in South Africa R6 808 564 (2007: R10 494 125)

The company has provided suretyship for the repayment of the secured and unsecured borrowings.

* At year-end, the group was in breach of a loan agreement covenant regarding the group's debt service cover ratio. The group does not have an unconditional right to defer settlement on the loan for 12 months after year-end and consequently an amount of R37 million has been reclassified as current. The lender has, however, not requested accelerated repayment of the loan.

** The loan from Kagiso Strategic Investments 111 (Proprietary) Limited relates to the minority interest loan funding referred to in note 16.

The directors have unlimited borrowing powers in terms of the articles of association of the holding company.

	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
18. REPURCHASE OBLIGATIONS AND DEFERRED LEASING INCOME				
Total repurchase obligations and deferred leasing income	**147 187**	104 333	**–**	–
Less: current portion	**(66 186)**	(20 638)	**–**	–
Long-term portion of repurchase obligations and deferred leasing income	**81 001**	83 695	**–**	–

Repurchase obligations and deferred leasing income are in respect of the rental assets reflected in note 6 and relate to sales transactions combined with buy-back agreements or residual value guarantees where the revenue was not recognised on the transaction.

	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
19. DEFERRED WARRANTY INCOME				
Total deferred income from extended warranty contracts sold	**106 417**	53 237	**–**	–
Less: current portion	**(11 047)**	(2 497)	**–**	–
Long-term portion of deferred warranty income	**95 370**	50 740	**–**	–

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.

	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
20. LEASE ESCALATION				
Total lease escalation	**5 728**	3 376	**–**	–
Less: current portion	**(1 344)**	(1 699)	**–**	–
Long-term portion of lease escalation	**4 384**	1 677	**–**	–

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
21. PROVISIONS			
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**
Balance at 31 December 2007	**51 093**	**299**	**51 392**
Raised during the year	**104 016**	**–**	**104 016**
Utilised during the year	**(95 660)**	**(299)**	**(95 959)**
Balance at 31 December 2008	**59 449**	**–**	**59 449**
***Less:* current portion**	**(49 494)**	**–**	**(49 494)**
Long-term provisions at 31 December 2008	**9 955**	**–**	**9 955**

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

The provision for residual value risk relates to sales transactions combined with buy-back agreements or residual value guarantees where the revenue was recognised on the transaction. 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		Company	
	2008 R000	2007 R000	**2008 R000**	2007 R000
22. TRADE AND OTHER PAYABLES				
Trade creditors	**579 766**	532 171	**–**	–
Accruals	**259 708**	226 813	**361**	214
Total trade and other payables	**839 474**	758 984	**361**	214

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

	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
23. REVENUE				
Revenue represents:				
Sale of machines	**4 494 247**	3 741 704	**–**	–
Sale of parts	**737 979**	674 503	**–**	–
Service income	**189 628**	156 275	**–**	–
Rental income	**36 419**	52 479	**–**	–
Total revenue	**5 458 273**	4 624 961	**–**	–

Related-party sales are disclosed in note 31.

	Group		Company	
	2008	2007	**2008**	2007
	R000	R000	**R000**	R000
24. PROFIT FROM OPERATING ACTIVITIES				
Profit from operating activities is arrived at after taking into account:				
Income				
Currency exchange gains	**499 590**	137 373	**43 691**	1 299
Decrease in provision for impairment of interest in subsidiary company	**–**	–	**–**	5 347
Decrease in provision for residual value risk	**299**	4 694	**–**	–
Decrease in warranty provision	**–**	22 090	**–**	–
Dividend received	**–**	–	**–**	144 022
Import duty rebates	**–**	9 956	**–**	–
Royalties	**11 573**	12 994	**–**	–
Net surplus on disposal of property, plant and equipment and intangible assets	**40**	743	**–**	–
Expenditure				
Amortisation of intangible assets				
– capitalised software	**3 915**	459	**–**	–
Auditors' remuneration				
– audit fees – current	**5 593**	4 455	**200**	26
– prior	**582**	538	**35**	–
– other services	**262**	62	**–**	–
– expenses	**66**	74	**–**	–
Consulting fees	**14 066**	10 354	**–**	–
Currency exchange losses	**566 640**	154 962	**–**	216
Depreciation				
– freehold buildings	**5 754**	3 953	**–**	–
– leasehold buildings	**159**	152	**–**	–
– plant and equipment	**27 132**	20 578	**–**	–
– rental assets	**17 800**	33 559	**–**	–
– aircraft	**114**	134	**–**	–
– vehicles	**3 825**	2 139	**–**	–
Directors' emoluments				
Paid by company:				
– non-executive directors' fees	**656**	898	**656**	898
Paid by subsidiaries:				
Executive directors				
– salaries	**8 509**	7 594	**–**	–
– benefits	**5 057**	4 834	**–**	–
Operating lease charges				
– equipment and vehicles	**28 312**	20 126	**–**	–
– land and buildings	**33 825**	22 315	**–**	–
Research and development expenses (excluding staff costs)	**34 268**	26 980	**–**	–
Increase in warranty provision	**2 742**	–	**–**	–
Staff costs	**812 931**	656 257	**–**	–
Number of employees at end of the year	**3 224**	3 022	**–**	–

Details of emoluments paid to directors of the company are set out on page 79.

	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
25. TAXATION				
South African normal taxation				
Current taxation				
– current year	**185 391**	85 819	**26 274**	12 657
– prior year	**(412)**	(13 669)	**(3 855)**	(4 658)
Secondary tax on companies	**–**	2 437	**–**	2 437
Deferred taxation				
– current year	**(57 856)**	(13 594)	**–**	–
– prior year	**8 495**	525	**–**	–
Foreign taxation				
Current taxation				
– current year	**23 419**	37 049	**–**	–
– prior year	**(1 800)**	(195)	**–**	–
Deferred taxation				
– current year	**(3 486)**	198	**–**	–
– prior year	**–**	299	**–**	–
Withholding tax on dividends	**–**	10 788	**–**	10 788
Total taxation	**153 751**	109 657	**22 419**	21 224
Reconciliation of rate of taxation (%)				
Standard rate of taxation	**28**	29	**28**	29
Adjustment for:				
Non-taxable income	**–**	–	**–**	(29)
Disallowable expenditure	**1**	–	**1**	–
Special allowances for tax	**(3)**	(3)	**–**	–
Income attributed from controlled foreign company	**4**	4	**46**	8
Prior year taxation	**1**	(3)	**(9)**	–
Rebates for foreign tax paid	**(1)**	(1)	**(15)**	(3)
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)	**–**	–
Effective rate of taxation	**30**	23	**51**	14

Estimated tax losses attributable to foreign subsidiaries amount to approximately R43 million (2007: R17 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 R10,5 million that will expire in 2013 and R0,1 million in 2014. Further amounts totalling R10,2 million will expire from 2025. Other losses may be carried forward indefinitely.

Notes to the annual financial statements (continued)

for the year ended 31 December 2008

		Group	
		2008	2007
26.	**EARNINGS PER SHARE**		
26.1	**Earnings per share (basic)**		
	Profit attributable to equity holders of Bell Equipment Limited (R000)	**348 348**	364 909
	Weighted average number of shares in issue	**94 906 604**	94 839 508
	Earnings per share (basic) (cents)	**367**	385
	The effect of the increased short-term interest-bearing debt for the year ended 31 December 2008 on basic earnings per share is 19 cents per share.		
26.2	**Earnings per share (diluted)**		
	Profit attributable to equity holders of Bell Equipment Limited (R000)	**348 348**	364 909
	Fully converted weighted average number of shares	**94 946 517**	94 920 655
	Earnings per share (diluted) (cents)	**367**	384
	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 41.		
26.3	**Headline earnings per share**		
	Profit attributable to equity holders of Bell Equipment Limited (R000)	**348 348**	364 909
	Net surplus on disposal of property, plant and equipment and intangible assets (R000)	**(40)**	(743)
	Tax effect of net surplus on disposal of property, plant and equipment and intangible assets (R000)	**11**	215
	Headline earnings (R000)	**348 319**	364 381
	Weighted average number of shares in issue	**94 906 604**	94 839 508
	Headline earnings per share (cents)	**367**	384
	The effect of the increased short-term interest-bearing debt for the year ended 31 December 2008 on headline earnings per share is 19 cents per share.		
26.4	**Headline earnings per share (diluted)**		
	Profit as calculated in 26.3 above (R000)	**348 319**	364 381
	Fully converted weighted average number of shares per 26.2 above	**94 946 517**	94 920 655
	Headline earnings per share (diluted) (cents)	**367**	384

	Group		Company	
	2008	2007	**2008**	2007
	R000	R000	**R000**	R000
27. CONTINGENT LIABILITIES				
27.1 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	**120 508**	11 816	**–**	–
In the event of default, the units financed would be recovered and it is estimated that they would presently realise	**(103 986)**	(26 151)	**–**	–
Net contingent liability	**16 522**	–	**–**	–
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.				
27.2 The repurchase of units sold to customers and financial institutions has been guaranteed by the group for an amount of	**10 473**	29 306	**–**	–
In the event of repurchase, it is estimated that these units would presently realise	**(11 741)**	(31 794)	**–**	–
Net contingent liability	**–**	–	**–**	–
27.3 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	**13 801**	15 180	**–**	–
Less: provision for residual value risk	**–**	(299)	**–**	–
Net contingent liability	**13 801**	14 881	**–**	–
The provision for residual value risk is based on the assessment of the probability of return of units.				
27.4 The company provided unlimited suretyship for the overdrafts, short-term borrowings and loans made to subsidiaries	**–**	–	**977 850**	538 062
27.5 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.				

		Group		Company	
		2008	2007	**2008**	2007
		R000	R000	**R000**	R000
28.	**COMMITMENTS**				
28.1	**Capital expenditure**				
	Contracted	**3 552**	9 228	**–**	–
	Authorised, but not contracted	**50 341**	131 643	**–**	–
	Total capital expenditure commitments	**53 893**	140 871	**–**	–
	This capital expenditure is to be financed from internal resources and long-term facilities.				
28.2	**Operating lease commitments**				
	The group has commitments under non-cancellable operating leases as set out below:				
	Land and buildings:				
	Less than one year	**54 702**	18 132	**–**	–
	Two to five years	**178 128**	128 304	**–**	–
	More than five years	**277 623**	288 257	**–**	–
	Equipment and vehicles:				
	Less than one year	**19 899**	17 927	**–**	–
	Two to five years	**18 002**	8 080	**–**	–
	Total operating lease commitments	**548 354**	460 700	**–**	–

29. 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 last actuarial review as at 31 March 2005 found the fund to be in a sound financial position.

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 R44 million during the current year (2007: R35 million) and were charged against income.

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

	Group 2008 R000	Group 2007 R000

30. FINANCIAL INSTRUMENTS

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

	2008 R000	2007 R000
Categories of financial instruments		
Financial assets		
Loans and receivables at amortised cost		
– Interest-bearing investments	**3 370**	13 464
– Interest-bearing long-term receivables	**51 433**	21 730
– Trade and other receivables	**627 839**	662 828
– Cash resources	**36 426**	20 708
Total financial assets	**719 068**	718 730
Financial liabilities		
Financial liabilities at amortised cost		
– Interest-bearing liabilities	**174 425**	108 462
– Trade and other payables	**839 474**	758 984
– Short-term interest-bearing debt	**704 632**	368 087
Total financial liabilities	**1 718 531**	1 235 533

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 Board. The overall risk strategy has changed to place emphasis on liquidity.

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.

30.1 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 is to decrease borrowings and focus on cash generation.

The capital structure of the group consists of debt, which includes short-term and long-term borrowings as disclosed in note 17, cash and cash equivalents, all components of equity, comprising issued capital, reserves and minority interest, as disclosed in notes 14 to 16, and retained earnings.

The increase in long-term borrowings during the period is due to the minority interest loan funding from Kagiso Strategic Investments III (Proprietary) Limited as referred to in note 16.

Short-term interest-bearing debt, comprising bank overdrafts and borrowings on call, increased during the period to fund the increase in working capital.

30. FINANCIAL INSTRUMENTS (continued)

30.1 Capital risk management (continued)

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.

In terms of the agreement for certain long-term borrowings, the group is required to maintain a debt-to-equity ratio of not more than 75%. The group complied with this capital requirement during the year.

	Group	
	2008	2007
	R000	R000
The gearing ratio at the year-end was as follows:		
Short-term and long-term borrowings	**879 057**	476 549
Cash resources	**(36 426)**	(20 708)
Net debt	**842 631**	455 841
Total equity	**1 769 555**	1 380 869
Attributable to equity holders of Bell Equipment Limited	**1 756 287**	1 380 869
Minority interest	**13 268**	–
Net debt-to-equity ratio (%)	**48**	33

30.2 Liquidity risk

The group manages liquidity risk by management of working capital and cash flows. Banking facilities are constantly monitored for adequacy. The general banking facility utilisation at 31 December 2008 is as follows:

	Group	
	Facilities	**Utilisation**
	R000	**R000**
General banking facilities	**907 340**	**704 632**

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

	Group				
	Less than one year	**One to two years**	**Two to three years**	**More than three years**	**Total**
	R000	**R000**	**R000**	**R000**	**R000**
Non-derivative financial liabilities					
2008					
Secured interest-bearing liabilities	**2 247**	**2 058**	**1 788**	**1 192**	**7 285**
Unsecured interest-bearing liabilities	**99 450**	**–**	**–**	**78 863**	**178 313**
Trade and other payables	**839 474**	**–**	**–**	**–**	**839 474**
Short-term interest-bearing debt	**704 632**	**–**	**–**	**–**	**704 632**
Totals	**1 645 803**	**2 058**	**1 788**	**80 055**	**1 729 704**
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

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	
	2008	2007
	R000	R000
Derivative financial instruments		
Less than one year		
Gross settled foreign exchange forward contracts – imports	**(322 267)**	(240 829)
Gross settled foreign exchange forward contracts – exports	**166 968**	228 093
	(155 299)	(12 736)

30.3 Credit risk

Credit risk consists mainly of short-term cash deposits, interest-bearing long-term receivables 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 undertakes 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 and the value of the underlying security.

Certain trade receivables amounting to R52,6 million (2007: R57,7 million) have been discounted with financial institutions. These transactions are with recourse to the group and do not qualify for derecognition. The carrying amount of the associated liability is included in trade and other payables.

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 2008, 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 R262,1 million (2007: R115,7 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. Included in this total is an amount of R158,4 million outstanding from a single customer in the Democratic Republic of Congo. The credit terms for this customer have been renegotiated in 2009, the debt is repayable by July 2010 and interest is charged at 13,5% per annum. Provision for impairment of this receivable has been made to the extent that there is a shortfall between the balance outstanding and the estimated value of the underlying security, being second-hand equipment, less costs to re-sell.

30. FINANCIAL INSTRUMENTS (continued)

30.3 Credit risk (continued)

A summarised age analysis of past due debtors is set out below.

	Group 2008 R000	Group 2007 R000
Ageing of past due but not impaired		
30 – 60 days	**–**	9 824
60 – 90 days	**32 497**	48 890
90 – 120 days	**33 634**	22 785
120+ days	**196 007**	34 221
Total	**262 138**	115 720
Movement in the allowance for doubtful debts		
Balance at beginning of the year	**11 280**	9 955
Amounts written off as uncollectible	**(4 915)**	(5 814)
Amounts recovered during the year	**(657)**	(657)
Increase in allowance	**27 200**	7 796
Balance at end of the year	**32 908**	11 280

30.4 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.

30.4.1 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 2008 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:

	Foreign amount 000	Rate	Group Market value in Rands R000	Group Fair value gain (loss) R000
Import contracts				
Euro	2 258	13,48	30 438	1 376
Japanese Yen	60 901	9,47	6 431	(555)
United States Dollar	30 527	9,69	295 807	9 553
Export contracts				
Euro	12 465	13,38	166 782	207

The group is mainly exposed to the United States Dollar and the Euro. The analysis on the following page details the group's sensitivity to a 20% 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.

If the South African Rand had been 20% weaker against these currencies and all other variables were held constant, the group's:
– profit for the year ended 31 December 2008 would have increased by R260 million (2007: R206 million).
– other equity at the year-end would have increased by R96 million (2007: R44 million).

For a 20% strengthening, there would have been an equal and opposite impact on the profit and other equity.

30.4.2 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 2008, is as follows:

		Group	
	Call	**Long-term borrowings**	**Total borrowings**
Borrowings (R000)	704 632	174 425	879 057
Rate profile	Floating	Fixed	
% of total borrowings	80	20	

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 100 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 100 basis points higher and all other variables were held constant, the group's:
– profit for the year ended 31 December 2008 would have decreased by R3,9 million (2007: R2,0 million)

For a 100 basis points decrease, there would have been an equal and opposite impact on the profit.

	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
31. 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	**101 650**	122 343	**–**	–
– purchases	**689 485**	427 544	**–**	–
– royalties received	**11 573**	12 994	**–**	–
– royalties paid	**6 545**	4 662	**–**	–
– amounts owing to	**225 687**	66 775	**–**	–
– amounts owing by	**33 226**	23 702	**–**	–
Enterprises over which directors are able to exercise significant influence and/or in which directors have a beneficial interest				
Loinette Company Limited				
– property rental paid	**6 260**	4 797	**–**	–
Loinette Company Leasing Limited				
– interest paid	**5 096**	69	**–**	–
– amounts owing to	**40 438**	59 998	**–**	–
Minosucra SARL				
– sales	**2 766**	3 812	**–**	–
– amounts owing to	**–**	25	**–**	–
– amounts owing by	**1 124**	–	**–**	–
Triumph International Madagascar SARL				
– sales	**3 709**	1 499	**–**	–
– amounts owing by	**852**	1 264	**–**	–
Triumph International Trading Limited				
– sales	**22 136**	32 223	**–**	–
– purchases	**–**	975	**–**	–
– amounts owing to	**2 132**	–	**–**	–
– amounts owing by	**239**	538	**–**	–
Tractor and Equipment (Mauritius) Limited				
– sales	**12 313**	8 641	**–**	–
– amounts owing by	**474**	598	**–**	–

	Group 2008 R000	Group 2007 R000	Company 2008 R000	Company 2007 R000
Buttery Family Investments (Proprietary) Limited				
– management fees paid	**210**	228	**–**	–
– commission paid	**332**	33	**–**	–
Ruthbut Investments (Proprietary) Limited				
– property rental paid	**108**	143	**–**	–
Castle Crest Properties 33 (Proprietary) Limited				
– property rental paid	**147**	–	**–**	–
– amounts owing by	**49**	–	**–**	–
Sno-Shu Investments (Proprietary) Limited				
– leasing costs paid	**622**	762	**–**	–
– service fees received	**441**	432	**–**	–
– amounts owing to	**42**	–	**–**	–
– amounts owing by	**–**	11	**–**	–
BAC Aviation (Proprietary) Limited				
– property rental received	**65**	–	**–**	–
– profit on sale of assets	**656**	–	**–**	–
– other expenses	**33**	–	**–**	–
– amounts owing by	**75**	–	**–**	–
Subsidiaries				
Bell Equipment Company SA (Proprietary) Limited				
– management fee received	**–**	–	**150**	300
– administration fee paid	**–**	–	**456**	300
– amounts owing by	**–**	–	**79 695**	146 330
Bell Equipment Europe SA				
– amounts owing by	**–**	–	**–**	151 474
Bell Equipment Switzerland SA				
– dividend received	**–**	–	**–**	144 022
Bell Equipment Group Insurance Brokers (Proprietary) Limited				
– commission received	**–**	–	**2 282**	1 468

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 79.

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

32. SUBSEQUENT EVENTS

No fact or circumstance material to the appreciation of these annual financial statements has occurred between the financial year-end and the date of this report.

Subsidiaries

at 31 December 2008

Subsidiaries	Business type	Issued share capital 2008 R	Effective holding 2008 %	Interest of Bell Equipment Limited: Book value of shares 2008 R000	Book value of shares 2007 R000	Amounts owing by 2008 R000	Amounts owing by 2007 R000
Southern Africa							
Bell Equipment Company SA (Pty) Limited	O	**2**	**100**	**12 064**	12 063	**79 695**	146 330
Bell Equipment Sales South Africa Limited	O	**3 000 000**	**70**	**2 100**	–	**–**	–
Bell Equipment Group Insurance Brokers (Pty) Limited	O	**360**	**100**				
I A Bell Equipment Co Namibia (Pty) Limited	O	**4**	**70**				
Bell Equipment Co Swaziland (Pty) Limited	O	**2**	**70**				
Bell Equipment Finance Company (Pty) Limited	D	**100**	**100**				
Other Africa							
Bell Equipment (Zambia) Limited	O	**1 712 951**	**100**				
Bell PTA (Pvt) Limited	O	**4 833 573**	**100**				
Bell Equipment (Malawi) Limited	O	**2**	**100**				
Bell Equipment Mozambique Limitada	O	**1 118 016**	**100**				
Bell Equipment (DRC) SPRL	O	**98 273**	**100**				
Europe							
Bell Equipment Europe SA*	H	**389 304 000**	**100**	**290 137**	94 975	**–**	151 474
Bell France SARL	O	**44 296 229**	**100**				
Bell Equipment UK Limited	O	**73 957 197**	**100**				
Heathfield Haulamatic Limited	D	**81 438**	**100**				
Bell Equipment Switzerland SA	O	**1 474 787**	**100**				
Bell Equipment (Deutschland) GmbH	O	**58 395 600**	**100**				
Bell Equipment Spain SA	O	**1 297 680**	**100**				
United States of America							
Bell Equipment North America Inc	D	**62 288 640**	**100**				
Asia							
Bell Equipment (SEA) Pte Limited	O	**199 998**	**100**				
Australasia							
Bell Equipment (NZ) Limited	O	**3 140**	**100**				
Bell Equipment Australia (Pty) Limited	O	**13**	**100**				
Interest in subsidiary companies				**304 301**	107 038	**79 695**	297 804

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

* During the 2008 financial year, Bellinter Holdings SA changed its name to Bell Equipment Europe SA.

Directors' emoluments

for the year ended 31 December 2008

	Salary R	Bonus R	Pension/ provident fund R	Other benefits and allowances R	2008 Total R	2007 Total R
Paid to directors of the company by the company and its subsidiaries:						
Executive directors						
GW Bell	1 931 100	691 562	120 000	161 399	**2 904 061**	2 728 312
PA Bell	505 804	75 000	120 000	146 216	**847 020**	788 305
PC Bell	1 401 483	530 575	120 000	185 515	**2 237 573**	2 060 523
HJ Buttery	1 768 486	659 062	180 000	164 013	**2 771 561**	2 582 063
MA Campbell	528 721	136 400	72 825	31 444	**769 390**	768 961
GP Harris	474 155	351 177	73 344	97 800	**996 476**	802 765
DL Smythe	850 321	324 391	149 766	132 527	**1 457 005**	1 328 212
KJ van Haght	1 049 002	366 562	139 498	27 546	**1 582 608**	1 369 273
	8 509 072	3 134 729	975 433	946 460	**13 565 694**	12 428 414

	Fees R	2008	2007
Non-executive directors			
PJC Horne (retired 7 May 2008)	168 000	**168 000**	299 250
MA Mun-Gavin	162 750	**162 750**	173 250
TO Tsukudu	141 750	**141 750**	157 500
DJJ Vlok	183 750	**183 750**	267 750
	656 250	**656 250**	897 750
Total		**14 221 944**	13 326 164

Other benefits and allowances comprise travel allowances and reimbursive allowances, annual leave encashments, the group's contributions to medical aid and life insurance.

Total number of unexercised share options held by Mr GW Bell at the beginning of the year was 90 600 shares at R25,25 each. These options were exercised during the year ended 31 December 2008.

There were no unexercised share options held by directors at 31 December 2008.

Shareholders' information

as at 31 December 2008

COMBINED REGISTER	Number of holders	% of total shareholders	Number of shares	% of total issued share capital
1. ANALYSIS OF SHAREHOLDINGS				
1 – 5 000	1 428	84,55	1 660 859	1,75
5 001 – 10 000	108	6,39	808 632	0,85
10 001 – 50 000	79	4,68	1 875 480	1,97
50 001 – 100 000	23	1,36	1 669 017	1,76
100 001 – 1 000 000	43	2,55	15 454 406	16,28
1 000 001 – and more	8	0,47	73 481 606	77,39
Total	**1 689**	**100,00**	**94 950 000**	**100,00**
2. MAJOR BENEFICIAL SHAREHOLDERS (5% AND MORE OF THE SHARES IN ISSUE)				
John Deere Construction and Forestry Company			30 000 000	31,60
I A Bell and Company (Pty) Limited			17 861 785	18,81
I A Bell and Company (Pty) Limited Number 2			17 861 784	18,81
3. TOP 10 HOLDERS INCLUDING FUND MANAGERS				
John Deere Construction and Forestry Company			30 000 000	31,60
I A Bell and Company (Pty) Limited			17 861 785	18,81
I A Bell and Company (Pty) Limited Number 2			17 861 784	18,81
Stanlib			6 824 430	7,19
Old Mutual			6 760 438	7,12
PIC			2 958 882	3,12
Coronation			1 854 919	1,95
Fidelity Funds – Emerging Europe			1 486 561	1,57
Basfour 3014 (Pty) Limited			900 000	0,95
Investec			735 604	0,77
Citibank			722 359	0,76
Credit Suisse			650 101	0,68
Telkom Retirement Fund			150 490	0,16
SSB and Trust CO (A/C OM01)			145 666	0,15
SG SLB Holding Account			145 344	0,15
Altron Group PF: Peregrinequant PT			14 606	0,02
4. NON-RESIDENTS	**68**	**4,03**	**35 384 744**	**37,27**
5. SHAREHOLDER SPREAD				
Non-public	**7**	**0,42**	**65 863 769**	**69,37**
Directors	3	0,18	132 400	0,14
Associates	1	0,06	7 800	0,01
10% of issued capital or more	3	0,18	65 723 569	69,22
Public	**1 682**	**99,58**	**29 086 231**	**30,63**
Total	**1 689**	**100,00**	**94 950 000**	**100,00**

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

6. DISTRIBUTION OF SHAREHOLDERS				
Individuals	1 343	79,51	7 613 876	8,02
Private companies	24	1,42	67 260 175	70,84
Public companies	1	0,06	1	–
Nominees and trusts	157	9,30	1 542 527	1,62
Close corporations	27	1,60	65 462	0,07
Other corporate bodies	53	3,14	1 888 732	1,99
Banks	8	0,47	1 680 896	1,77
Insurance companies	15	0,89	3 571 624	3,76
Pension funds and medical aid societies	42	2,49	5 601 730	5,90
Collective investment schemes and mutual funds	19	1,12	5 724 977	6,03
Total	**1 689**	**100,00**	**94 950 000**	**100,00**

Administration

COMPANY SECRETARY
R Verster

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

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
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
Mauritius Commercial Bank – Mozambique

POSTAL ADDRESS
Private Bag X20046
Empangeni 3880
South Africa

ATTORNEYS
Chapman Dyer Inc

AUDITORS
Deloitte & Touche
Telephone: +27 (0)35 789 1912
Facsimile: +27 (0)35 789 1919

WEB
www.bellequipment.com

INVESTOR RELATIONS
www.bellir.co.za

COMPANY REGISTRATION NUMBER
1968/013656/06

ISIN CODE
ZAE000028304

EMAIL
Company Secretary – riaanv@bell.co.za

JSE SPONSORS
RMB Corporate Finance

SHARE CODE
BEL

Notice of annual general meeting

Bell Equipment Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1968/013656/06)
ISIN code: ZAE000028304
Share code: BEL
("Bell Equipment" or "the company" or "the group")

Notice is hereby given that the 41st annual general meeting of members of Bell Equipment will be held at the company's registered office, 13 – 19 Carbonode Cell Road, Alton, Richards Bay, on Wednesday, 6 May 2009 at 11:00 for the following purposes:

ORDINARY BUSINESS

1. To adopt the annual financial statements of the company and the group for the year ended 31 December 2008 together with the auditors' and directors' reports thereon.

2. To re-elect the following directors of the company by way of single resolution:
   2.1 Mr DM Gage
   2.2 Mr DJJ Vlok
   2.3 Mr TO Tsukudu
   2.4 Mr HJ Buttery
   who retire by rotation in terms of the company's articles of association at this annual general meeting and, being eligible, make themselves available for re-election. Brief particulars of the qualifications and experience of the above are available on page 12 of this report.

3. To authorise the directors to re-appoint Deloitte & Touche as the independent auditors of the company and Ms Camilla Howard-Browne as the individual registered auditor who will undertake the audit for the company for the ensuing year.

SPECIAL BUSINESS

As special business, to consider and, if deemed fit, to pass, with or without modification, the following ordinary and special resolutions:

ORDINARY RESOLUTION NUMBER 1

4. To resolve that, in accordance with the provisions of section 221 of the Companies Act, Act 61 of 1973, as amended, the authorised but unissued shares of the company in respect of the share option schemes be and are hereby placed under the control of the directors who are hereby authorised to 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 authorised unissued share capital totalling 5 050 000 shares of no par value reserved for the purposes of the employee share option schemes. Of this, 50 000 shares are committed to the employee share option scheme number 1 as reported in the directors' report and the balance is in respect of share option scheme number 2.

ORDINARY RESOLUTION NUMBER 2

5. To resolve that the adoption of employee share option scheme number 2, the salient features of which are set out in annexure "A" to this notice of annual general meeting, be and is hereby approved and to authorise the directors to issue share options to employees who will participate in this share option scheme.

   Ordinary resolution number 2 above is subject to the approval of a 75% majority of the votes cast in favour thereof by all equity security holders present in person or represented by proxy at the meeting convened to approve such resolution.

VOTING AND PROXIES

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 11:00 on Monday, 4 May 2009. Proxy forms must only be completed by members who have not dematerialised their shares or who have dematerialised their shares with 'own name' registration.

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 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

R Verster
Group Company Secretary

11 March 2009

Annexure A

SALIENT FEATURES OF THE BELL EQUIPMENT LIMITED EMPLOYEE SHARE OPTION SCHEME 2

1. The participants of the scheme will be anyone employed by the company – "employee" meaning anyone employed by the company (excluding non-executive directors) or any of its subsidiaries or any partnership (of which the company or any subsidiary is a partner having an equity interest of not less than 51% (fifty-one per centum), or any associated company in which the company or any of its subsidiaries has an equity interest of not less than 20% (twenty per centum).

2. A total of 5 000 000 authorised unissued ordinary no par shares have been reserved for the scheme and the number of shares reserved for this scheme will at no stage exceed a total of 5 000 000 ordinary no par shares.

3. The aggregate number of fully paid ordinary shares in respect of which any employee may hold options in terms of the scheme shall not exceed 200 000 taking into account any shares offered to the employee, as may be determined from time to time by the directors of the company in writing (and, if the JSE's requirements so provide, determined in conjunction with the relevant JSE requirements).

4. The directors in their sole discretion may, after giving due consideration to the purpose of this scheme, from time to time by resolution resolve to which of the employees options shall be granted in terms of the scheme and on the terms and conditions governing such grants. Every such resolution shall specify the option price, name of the employee, the number of shares in respect of which the option is being granted and the option date. The purpose of this scheme is to:

   4.1 retain key employees and to attract new, skilled and competent personnel;

   4.2 promote an identity of interest between the company and its subsidiaries and their respective employees; and

   4.3 act as an incentive to employees to promote the continued growth of the company by giving them an opportunity to acquire shares therein.

5. An option shall be granted at the option price which shall be the (thirty) 30-day volume-weighted average of the closing market price of the ordinary share immediately preceding the option date.

6. If a beneficiary wishes to exercise an option, he may do so only in writing within the period stipulated and shall sign such written exercise provided that, after his death, such written exercise may be signed by the executor of his estate. Such written exercise of the option must be delivered to the company secretary of the company, must be accompanied by the option price for the shares in respect of which that exercise relates or by an instruction to sell the shares arising from the exercise in terms of the scheme, and if it is not signed by the beneficiary personally, must be accompanied by proof, to the satisfaction of the directors, of the authority of the signatory. The option shall only be regarded as exercised on the day the shares relating to the option are listed on the JSE, provided that if, and subject to the company's right of first refusal as provided for in clause 7.1 below, the beneficiary instructs the company to dispose of any of the shares on his behalf on the business day immediately following their listing at ruling market prices on that date, the exercise date in respect of those shares sold shall be deemed to be the date of disposal by the company.

7. An option vests and may only be exercised after the expiration of 3 (three) years from the option date in question in respect of one third (33,3%) of the shares subject to the option, after the expiration of 5 (five) years in respect of a further one third (33,3%) of such shares subject to the option and after the expiration of 7 (seven) years in respect of the remaining one third of the shares subject to the option, it being recorded that such portions of vested options shall be carried forward (on a cumulative basis), other than in the following circumstances:

   7.1 The directors shall be entitled if in their opinion special circumstances exist and in consequence of which they consider it reasonable to permit in writing the exercise of the option (in whole or in part) prior to the date on which it could be otherwise exercised, to permit such exercise.

7.2 If so determined by the directors in writing, at any time after an offer to all shareholders of the company (other than the offeree) to acquire their shares, or a scheme of arrangement between the company and its shareholders (or any class of them), or any other scheme or arrangement including the sale, re-organisation or reconstruction of the company's share capital by virtue of which control of the company would pass, become unconditional (whether in its original or revised form), or is sanctioned by court, as the case may be.

7.3 A beneficiary shall be entitled to exercise any option in full subject to it not having lapsed.

7.3.1 within 12 (twelve) months after the death of the employee concerned even if, had the employee concerned been alive, he would not have been entitled to exercise the option (in whole or in part). If the estate does not exercise the option within such (twelve) 12-month period, it shall lapse; and

7.3.2 within 12 (twelve) months after becoming a retired or retrenched employee, such an employee may exercise all options (vested or unvested) in full. If the beneficiary does not exercise these options within such period, they shall lapse.

8. An option shall lapse:

8.1 as contemplated in 7 above; or

8.2 if an employee ceases to be an employee, other than on his death or on him becoming a retired employee or on him becoming a retrenched employee or for any other reason that the directors may in their absolute discretion consider valid but excluding a cessation on grounds which justify summary dismissal at common law; and

8.3 if not duly exercised by the 10th anniversary of the option date.

9. The shares in respect of which an option is exercised shall be fully paid, rank *pari passu* with the existing ordinary shares, with the same dividend and voting rights. These shares shall be allotted and issued by the directors within 14 (fourteen) days after the exercise of the option. The directors shall use their best endeavours to procure that a listing is granted in respect of the shares on the JSE or any other stock exchange the company may be listed on.

10. No voting or dividend rights attach to options granted to participants nor the shares reserved for the scheme.

11. Options which have been granted and which are subsequently not exercised by the identified offeree(s) (for example as a result of forfeiture) will revert to the scheme.

12. If and whenever an offeree chooses to exercise options with the intention of immediately disposing of such shares, the company shall have a right of first refusal on such options prior to these shares being allotted.

13. Adjustment on reorganisation of company or share capital.

13.1 If the company, at any time before any option is duly exercised:

13.1.1 is put into liquidation for the purposes of reorganisation; or

13.1.2 is a party to a scheme of arrangement affecting the structure of its share capital; or

13.1.3 reduces its capital; or

13.1.4 splits or consolidates its shares; or

Annexure A (continued)

13.1.5 has a capitalisation or rights issue;

– the auditors shall, if they are requested to do so by the directors, be entitled in writing to effect such adjustments to the option price and/or the number of options held by the offeree in respect of the scheme shares as they shall consider fair and reasonable in the circumstances, subject (where necessary) to the sanction of the court. The auditors shall act as experts and not as arbitrators and their decision shall be final and binding.

13.2 The auditors shall confirm to the JSE in writing that any adjustments made in terms of this clause are in accordance with the provisions of the scheme.

13.3 Any adjustments made shall be reported in the company's annual financial statements in the year during which the adjustment was made and in terms of the disclosure requirements prescribed by the JSE rules.

13.4 If the company is placed in liquidation otherwise than in terms of 13.1.1 above, this scheme and any options granted hereunder which have not been exercised at the date, shall *ipso facto* lapse from the date of liquidation.

14. If an offer is made or a scheme or arrangement proposed by virtue of which control of the company would pass to another person or company, then in addition to the provisions of 7.2 above, the directors shall use their best endeavours to procure that the same or a similar offer be made or scheme of arrangement proposed, as the case may be, to all beneficiaries in respect of all scheme shares.

15. If control of the company passes to another person or company as a result of a takeover or reconstruction or amalgamation which makes provision for beneficiaries to be granted options in respect of shares to be issued by such other person or in such other company on terms, in the opinion of the auditors (acting as experts and not as arbitrators and whose decision shall be final and binding), not less favourable than those on which the beneficiaries are entitled to exercise their options (taking into account any rights issues), the beneficiaries shall be obliged to accept options in respect of shares in such other company on such terms in lieu of the existing options.

16. No amendment in respect of the matters contained as salient features herein shall operate unless such amendment has received the approval of the company in general meeting, which approval must be by a 75% majority of the votes of shareholders present in person or by proxy, excluding the votes attaching to all securities owned or controlled by existing participants of the scheme insofar as these securities have been acquired in terms of the relevant scheme.

Form of proxy

Bell Equipment Limited
Company registration number: 1968/013656/06
Share code: BEL
ISIN code: ZAE000028304
("Bell" or "the company")

TO BE COMPLETED BY THOSE SHAREHOLDERS WHO HAVE DEMATERIALISED THEIR SHARES WITH OWN NAME REGISTRATION
For use at the annual general meeting to be held on Wednesday, 6 May 2009 at 11:00 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 (full names) ______________________________

of (address) ______________________________

being a shareholder/s of __________ ordinary shares in the company, hereby appoint:

1. ______________________________ or failing him/her
2. ______________________________ or failing him/her
3. ______________________________ or failing him/her

the chairman of the annual general meeting as my/our proxy to attend, speak and, on a poll, to vote or abstain from voting on my/our behalf at the annual general meeting of the company to be held at 13 – 19 Carbonode Cell Road, Alton, Richards Bay, on Wednesday, 6 May 2009 at 11:00 or at any adjournment thereof.

I/We desire to vote as follows:

	For	Against	Abstain
1. Adoption of annual financial statements			
2. Re-election of directors: 2.1 – Mr DM Gage 2.2 – Mr DJ Vlok 2.3 – Mr TO Tsukudu 2.4 – Mr HJ Buttery			
3. Appointment of auditors			
4. Ordinary resolution number 1 Control of authorised but unissued shares in terms of employee share option schemes			
5. Ordinary resolution number 2 Adoption of employee share option scheme number 2			

Signed at ______________________________ on ______________________________ 2009

Signature/s ______________________________

Notes to the form of proxy

1. A person who holds ordinary shares in Bell ("member") is entitled to attend and vote at the annual general meeting and to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided overleaf, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the member. Should this space be left blank, the proxy will be exercised by the chairman of the annual general meeting. The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. A member's voting instructions to the proxy must be indicated by the insertion of an "X", or the number of votes exercisable by that member, in the appropriate spaces provided overleaf. Failure to do so will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting, as he/she thinks fit in respect of all the member's exercisable votes. A member or his/her proxy is not obliged to use all the votes exercisable by him/her or by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the member or by his/her proxy.

3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.

4. To be valid, the completed forms of proxy must be lodged with the Group Company Secretary at the registered office of the company at 13 – 19 Carbonode Cell Road, Alton, Richards Bay, or posted to Private Bag X20046, Empangeni, 3880, 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 11:00 on Monday, 4 May 2009.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.

6. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.

7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.

8. The chairman of the annual general meeting shall be entitled to decline or accept the authority of a person signing the proxy form:
   a. under a power of attorney; or
   b. on behalf of a company

   unless his power of attorney or authority is deposited at the offices of the Group Company Secretary or that of the Transfer Secretaries not later than 48 hours before the meeting.

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

Or the company's share Transfer Secretaries:
Link Market Services SA (Pty) Limited
PO Box 4844
Johannesburg
2000

To be received by the Group Company Secretary by no later than 11:00 on Monday, 4 May 2009.

Form of proxy

Bell Equipment Limited
Company registration number: 1968/013656/06
Share code: BEL
ISIN code: ZAE000028304
("Bell" or "the company")

For the Annual General Meeting to be held on Wednesday, 6 May 2009 at 11:00.

TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS ONLY
For use at the Annual General Meeting to be held on Wednesday, 6 May 2009 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 11:00 on Wednesday, 6 May 2009 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
1. Adoption of annual financial statements			
2. Re-election of directors: 2.1 – Mr DM Gage 2.2 – Mr DJ Vlok 2.3 – Mr TO Tsukudu 2.4 – Mr HJ Buttery			
3. Appointment of auditors			
4. Ordinary resolution number 1 Control of authorised but unissued shares in terms of employee share option schemes			
5. Ordinary resolution number 2 Adoption of employee share option scheme number 2			

Signed at ______________________________ on ______________________ 2009

Signature/s ______________________________

Notes to the form of proxy

1. A person who holds ordinary shares in Bell ("member") is entitled to attend and vote at the annual general meeting and to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided overleaf, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the member. Should this space be left blank, the proxy will be exercised by the chairman of the annual general meeting. The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. A member's voting instructions to the proxy must be indicated by the insertion of an "X", or the number of votes exercisable by that member, in the appropriate spaces provided overleaf. Failure to do so will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting, as he/she thinks fit in respect of all the member's exercisable votes. A member or his/her proxy is not obliged to use all the votes exercisable by him/her or by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the member or by his/her proxy.

3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.

4. To be valid, the completed forms of proxy must be lodged with the Group Company Secretary at the registered office of the company at 13 – 19 Carbonode Cell Road, Alton, Richards Bay, or posted to Private Bag X20046, Empangeni, 3880, 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 11:00 on Monday, 4 May 2009.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.

6. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.

7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.

8. The chairman of the annual general meeting shall be entitled to decline or accept the authority of a person signing the proxy form:
   a. under a power of attorney; or
   b. on behalf of a company

   unless his power of attorney or authority is deposited at the offices of the Group Company Secretary or that of the Transfer Secretaries not later than 48 hours before the meeting.

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

Or the company's share Transfer Secretaries:
Link Market Services SA (Pty) Limited
PO Box 4844
Johannesburg
2000

To be received by the Group Company Secretary by no later than 11:00 on Monday, 4 May 2009.

Shareholders' diary

Financial year-end	31 December
Annual report	March 2009
Annual general meeting	Wednesday, 6 May 2009
Interim results announcement	August 2009

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
Riaan Verster
Tel: +27 (0)35 907 9111
riaanv@bell.co.za

Glossary of terms

ADT	Articulated Dump Truck
BBBEE	Broad-based Black Economic Empowerment
BECSA	Bell Equipment Company SA (Pty) Limited
BESSA	Bell Equipment Sales South Africa Limited
FEL	Front End Loader
ISO	International Standards Organisation
TLB	Tractor Loader Backhoe
WCO	World-class Organisation
GLC	Global Logistics Centre

GRAPHICOR 39633

www.bellequipment.com