Right: **An early model of the Bell Front End Loader working in challenging conditions**

Five Year Review

R000	FY Dec 2003	FY Dec 2002	FY Dec 2001	FY Dec 2000	FY Dec 1999
INCOME STATEMENT					
Revenue	**2 778 279**	2 386 356	1 658 096	1 438 507	1 163 526
Cost of sales	**2 173 237**	1 768 707	1 228 425	1 032 289	840 670
Gross profit	**605 042**	617 649	429 671	406 218	322 856
Net operating costs	**452 333**	386 423	296 696	288 289	233 948
Operating profit before finance costs	**152 709**	231 226	132 975	117 929	88 908
Net finance costs	**76 001**	56 144	475	11 538	30 363
Profit before taxation	**76 708**	175 082	132 500	106 391	58 545
Taxation	**40 054**	49 481	35 217	25 077	12 134
Profit after taxation	**36 654**	125 601	97 283	81 314	46 411
Shares in issue 000	**94 224**	94 210	93 837	93 634	93 248
Shares in issue 000 (wt avg)	**94 219**	93 892	93 750	93 429	83 248
Earnings per share (cents)	**39**	134	104	87	56
Proposed dividend per ordinary share (cents)	**–**	15	10	10	–
Net asset value (cents)	**755**	762	705	530	426
BALANCE SHEET					
Property, plant and equipment	**154 819**	142 284	135 054	102 892	82 485
Investments and long-term receivables	**56 389**	30 440	21 083	12 692	1 393
Deferred taxation	**16 560**	5 303	–	–	–
Inventory	**855 791**	843 994	635 838	513 638	333 366
Receivables and prepayments	**251 409**	295 135	344 976	239 875	167 904
Total assets	**1 334 968**	1 317 156	1 136 951	869 097	585 148
Shareholders' equity	**711 257**	717 688	661 259	496 689	397 202
Deferred taxation	**–**	–	11 627	4 711	6 675
Payables, provisions and dividends payable	**368 821**	471 360	326 146	233 576	125 340
Taxation	**3 475**	19 675	17 590	30 649	5 131
Net borrowings	**251 415**	108 433	120 329	103 472	50 800
Total equity and liabilities	**1 334 968**	1 317 156	1 136 951	869 097	585 148

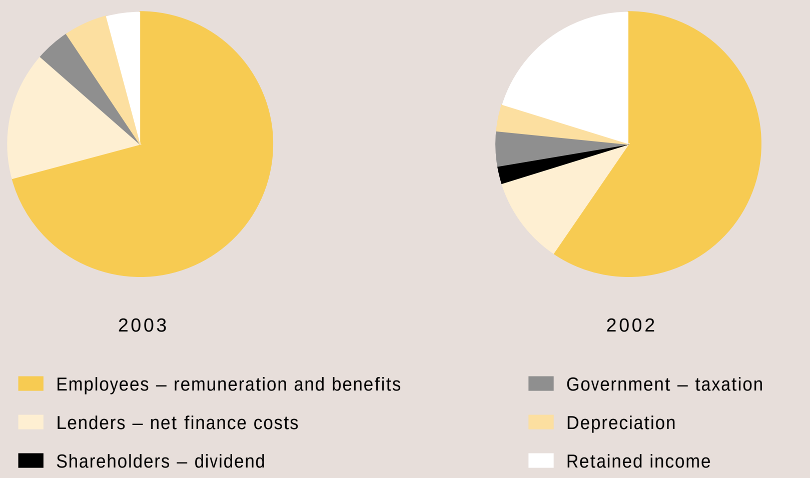
R000	**FY Dec 2003**	FY Dec 2002	FY Dec 2001	FY Dec 2000	FY Dec 1999
KEY RATIOS					
Operating ratios					
Operating margin (%)	**5**	10	8	8	8
(Operating profit) / (Revenue)					
Net asset turn (times)					
(Revenue) / (Average net assets)	**3**	3	2	3	3
Return on net assets (%) (RONA)					
(Operating profit) / (Average net assets)	**17**	29	19	22	20
Financial ratios					
Gearing (%)					
(Net borrowings) / (Total shareholders' funds)	**35**	15	18	21	13
Interest cover (times)					
(Operating profit) / (Net interest paid)	**7**	18	17	15	5
Overall performance					
Return on shareholders' funds (%)					
(Attributable profit) / (Average shareholders' funds)	**5**	18	17	18	17
Ratios					
Gross profit to revenue %	**22**	26	26	28	28
Working capital days trade cycle					
Inventory	**144**	174	189	182	145
Receivables	**33**	45	76	61	53
Payables	**62**	97	97	83	54
Total	**115**	122	168	160	144
ABBREVIATED CASH FLOW					
Cash operating profit before working capital changes	**187 237**	211 408	221 226	172 957	97 762
Cash invested in working capital	**(95 356)**	(30 917)	(122 210)	(164 860)	(3 559)
Net finance costs	**(80 492)**	(57 718)	(3 530)	(14 079)	(32 477)
Taxation paid	**(62 599)**	(64 402)	(41 268)	(4 955)	(1 358)
Net cash flow (applied to) from operating activities	**(51 210)**	58 371	54 218	(10 937)	60 368
Dividends paid	**(14 131)**	(9 385)	(9 364)	(5 595)	–
Invested in property, plant, equipment, investments and long-term receivables	**(75 612)**	(16 814)	(69 195)	(40 783)	(32 047)
(Funding requirement) cash surplus	**(140 953)**	32 172	(24 341)	(57 315)	28 321
Net increase in shares	**44**	953	533	1 061	180 120
Net borrowings increased (repaid)	**140 909**	(33 125)	23 808	56 254	(208 441)
Funds procured (cash surplus applied)	**140 953**	(32 172)	24 341	57 315	(28 321)

Value Added Statement

for the year ended 31 December 2003

	December		December	
	2003		2002	
	R000	**%**	R000	%
Revenue	**2 778 279**		2 386 356	
Goods and services acquired	**2 263 942**		1 814 609	
Total value added	**514 337**		571 747	
Applied as follows:				
To employees – remuneration and benefits	**350 997**	**68**	320 617	56
To lenders – net finance costs	**76 001**	**15**	56 144	10
To shareholders – dividend	**–**	**–**	14 134	2
To governments – taxation	**40 054**	**8**	49 481	9
Retained for investment in the group				
– Depreciation	**24 162**	**5**	19 904	3
– Retained income	**23 123**	**4**	111 467	20
Total value added	**514 337**	**100**	571 747	100

Value Added



Auditors' Report

Report of the Independent Auditors to the Members of Bell Equipment Limited

We have audited the annual financial statements and group annual financial statements as set out on pages 32 to 61. These annual financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these annual financial statements, based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the annual financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the annual financial statements fairly present, in all material respects, the financial position of the company and the group at 31 December 2003 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (SA)

Richards Bay
10 March 2004

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 the annual financial 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 South African Statements of Generally Accepted Accounting Practice and examined by independent auditors in conformity with generally accepted auditing standards.

The annual financial statements of the group and the company which appear on pages 33 to 61 were approved by the directors on 10 March 2004 and are signed on their behalf by:

HJ Buttery
Group Chairman

GW Bell
Group Chief Executive

Certification by the Secretary

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

DP Mahony
Company Secretary

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 2003.

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.

The group's principal products are Articulated Dump Trucks, haulage tractors and trailers, front end loaders, sugar cane and timber loading equipment, 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.

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 2003 comprised 94 224 100 (December 2002: 94 209 600) ordinary shares of no par value.

Dividends

The directors have not declared a dividend for this year (2002: 15 cents).

Property, plant and equipment

Movements in property, plant and equipment are recorded in note 3 to the annual financial statements. There was no change in the policy relating to the use of such assets.

During the course of the year under review the company commissioned an assembly facility which is situated in Eisenach, Germany.

Share option schemes

The company has two employee share option schemes. The maximum number of shares any employee may acquire in terms of these schemes shall not exceed 200 000. Particulars of transactions which occurred on scheme number one during the year are as follows:

	31 December 2003	31 December 2002
Options granted brought forward	**771 150**	1 132 350
Options granted and accepted	**–**	32 000
Options exercised	**(14 500)**	(372 600)
Options forfeited	**(4 700)**	(20 600)
Options granted carried forward	**751 950**	771 150

Directors and senior management hold 233 000 of the unexercised options (2002: 201 800), the balance being held by other employees throughout the group.

The maximum aggregate number of shares available to employees under scheme number one was 2 159 200.

The unallocated balance at 31 December 2003 was 23 950 shares (December 2002: 19 250).

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

Share purchase option

In terms of an agreement concluded on 18 March 1999, John Deere Construction and Forestry Company acquired a 32,2% interest in Bell and has the option to acquire the IA Bell & Co (Pty) Limited shares at US$1,45 per share, plus or minus the increase or decrease in net asset value at 31 December 1998 (R2,56) up to the previous quarter end of exercising this option, or at 80% of the average market price for the previous 30 days, whichever is the higher. The option shall lapse on 31 December 2005.

Directors

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

MW Arnold – Resigned 12 March 2003
PE Leroy – Appointed 12 March 2003
TD Kgobe – Resigned 31 October 2003
SCM Nyembezi – Appointed 17 December 2003
TO Tsukudu – Appointed 17 December 2003

Details of the directors and senior management of the Bell Equipment group appear on page 64 and 65 of this report

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

	Direct beneficial		Indirect beneficial		Indirect non-beneficial	
	2003	2002	**2003**	2002	**2003**	2002
GW Bell	**10 000**	10 000	*****	*	**–**	–
PC Bell	**–**	–	*****	*	**–**	–
PA Bell	**–**	–	*****	*	**23 400**	23 400
MA Campbell	**–**	–	*****	*	**–**	–
DI Campbell	**–**	–	*****	*	**–**	–
HJ Buttery	**–**	–	*****	*	**8 000**	8 000
PJC Horne	**10 000**	10 000	**10 000**	10 000	**5 500**	5 500
GP Harris	**75 000**	75 000	**1 800**	1 800	**–**	–

*The above directors have an indirect beneficial shareholding in 45 259 513 shares (48,03% of the issued share capital) through their 100% holding in IA Bell & Co (Pty) Limited which owns the shares in Bell Equipment Limited.

Major shareholders

The major shareholders in Bell Equipment as at 31 December 2003 were:

IA Bell & Co (Pty) Limited	48,03%
John Deere Construction and Forestry Company	31,84%
Old Mutual	10,18%

Secretary

Particulars of the company secretary and his business and postal addresses appear on page 62.

Subsidiaries

Details of the company's interest in its subsidiary companies are contained on page 61 of this report.

Subsequent events

There is no material fact or circumstance which has arisen since the balance sheet date and the date of this report.

Signed on behalf of the Board

HJ Buttery **GW Bell**

10 March 2004

Balance Sheets

at 31 December 2003		GROUP		COMPANY	
	Notes	**2003 R000**	2002 R000	**2003 R000**	2002 R000
ASSETS					
Non-current assets		**227 768**	178 027	**269 028**	280 568
Property, plant and equipment	3	**154 819**	142 284	**–**	–
Interest in subsidiary companies	4	**–**	–	**269 028**	280 568
Investment	5	**27 323**	24 094	**–**	–
Long-term receivables		**29 066**	6 346	**–**	–
Deferred taxation	6	**16 560**	5 303	**–**	–
Current assets		**1 170 959**	1 145 056	**–**	580
Inventory	7	**855 791**	843 994	**–**	–
Trade and other receivables		**191 518**	253 171	**–**	–
Current portion of long-term receivables		**20 167**	8 250	**–**	–
Prepayments		**39 724**	33 714	**–**	–
Taxation		**15**	1 121	**–**	580
Cash resources		**63 744**	4 806	**–**	–
TOTAL ASSETS		**1 398 727**	1 323 083	**269 028**	281 148
EQUITY AND LIABILITIES					
Capital and reserves		**711 257**	717 688	**268 796**	281 132
Stated capital	8	**224 352**	224 308	**224 352**	224 308
Non-distributable reserves	9	**34 883**	65 310	**–**	–
Retained earnings		**452 022**	428 070	**44 444**	56 824
Non-current liabilities		**29 293**	6 221	**–**	–
Long-term borrowings	10	**8 612**	6 221	**–**	–
Long-term warranty provision	11	**20 681**	–	**–**	–
Current liabilities		**658 177**	599 174	**232**	16
Trade and other payables		**291 291**	430 493	**217**	16
Current portion of long-term borrowings	10	**4 538**	2 073	**–**	–
Current portion of warranty provision	11	**56 849**	38 794	**–**	–
Taxation		**3 490**	20 796	**15**	–
Short-term interest bearing debt		**302 009**	107 018	**–**	–
TOTAL EQUITY AND LIABILITIES		**1 398 727**	1 323 083	**269 028**	281 148
Shares issued (000)		**94 224**	94 210		
Net asset value per share (cents)		**755**	762		

Income Statements

for the year ended 31 December 2003

	Notes	GROUP 2003 R000	GROUP 2002 R000	COMPANY 2003 R000	COMPANY 2002 R000
Revenue					
Continuing operations	12	**2 778 279**	2 386 356	**5 245**	4
Cost of sales		**2 173 237**	1 768 707	**–**	–
Gross profit		**605 042**	617 649	**5 245**	4
Other operating income		**66 940**	73 202	**–**	–
Distribution costs		**(411 995)**	(336 378)	**–**	–
Administration expenses		**(59 847)**	(82 016)	**(1 117)**	(196)
Other operating expenses		**(47 431)**	(41 231)	**(317)**	(252)
Profit (loss) from operating activities		**152 709**	231 226	**3 811**	(444)
Finance costs	13	**(286 567)**	(157 674)	**(454)**	(766)
Finance income	14	**210 566**	101 530	**867**	2 116
Profit before taxation	15	**76 708**	175 082	**4 224**	906
Taxation	16	**(40 054)**	(49 481)	**(2 473)**	(2 678)
Net profit (loss) for the year		**36 654**	125 601	**1 751**	(1 772)
		Cents	Cents		
Earnings per share					
Basic	17	**39**	134		
Diluted	17	**39**	133		
Headline earnings per share					
Basic	17	**39**	133		
Diluted	17	**39**	132		
Proposed dividend per share	18	**–**	15		

Cash Flow Statements

for the year ended 31 December 2003		GROUP		COMPANY	
	Notes	**2003 R000**	2002 R000	**2003 R000**	2002 R000
CASH FLOW FROM OPERATING ACTIVITIES					
Cash generated from operations	A	**91 881**	180 491	**4 012**	579
Net finance (costs paid) income received		**(80 492)**	(57 718)	**413**	(224)
Taxation paid	B	**(62 599)**	(64 402)	**(1 878)**	(3 254)
Net cash flow (applied to) from operating activities		**(51 210)**	58 371	**2 547**	(2 899)
CASH FLOW (APPLIED TO) FROM INVESTING ACTIVITIES					
Purchase of additional property, plant and equipment		**(37 957)**	(30 638)	**–**	–
Purchase of replacement property, plant and equipment		**(25)**	(3 378)	**–**	–
Proceeds on disposal of property, plant and equipment		**236**	1 426	**–**	–
Increase in investment		**(3 229)**	(12 565)	**–**	–
Decrease (increase) in interest in subsidiary companies		**–**	–	**20**	(1 494)
Net cash flow (applied to) from investing activities		**(40 975)**	(45 155)	**20**	(1 494)
CASH FLOW (APPLIED TO) FROM FINANCING ACTIVITIES					
Repayments from (advances to) subsidiaries		**–**	–	**11 520**	(6 051)
Dividends paid		**(14 131)**	(9 385)	**(14 131)**	(9 385)
Proceeds from cancellation of convertible loan structure	C	**–**	19 065	**–**	19 065
Long-term borrowings repaid	C	**(2 854)**	(44 097)	**–**	(187)
Long-term borrowings raised	C	**7 710**	3 315	**–**	–
(Increase) decrease in long-term receivables		**(34 637)**	9 276	**–**	–
Proceeds from share issues		**44**	953	**44**	953
Net cash flow (applied to) from financing activities		**(43 868)**	(20 873)	**(2 567)**	4 395
Net (decrease) increase in cash for the year		**(136 053)**	(7 657)	**–**	2
Net short-term interest bearing debt at beginning of the year		**(102 212)**	(94 555)	**–**	(2)
Net short-term interest bearing debt at end of the year	D	**(238 265)**	(102 212)	**–**	–

Notes to the Cash Flow Statements

for the year ended 31 December 2003	GROUP		COMPANY	
	2003 R000	2002 R000	**2003 R000**	2002 R000
A. Cash generated from operations				
Profit (loss) from operating activities	**152 709**	231 226	**3 811**	(444)
Adjustments for:				
Depreciation	**24 162**	19 904	**–**	–
Increase in warranty provision	**38 736**	15 486	**–**	–
Loss (surplus) on disposal of property, plant and equipment	**54**	(320)	**–**	–
Exchange differences on translation of foreign subsidiaries	**(28 424)**	(54 888)	**–**	–
Operating profit (loss) before working capital changes	**187 237**	211 408	**3 811**	(444)
Increase in inventory	**(11 797)**	(208 156)	**–**	–
Decrease in receivables and prepayments	**55 643**	43 773	**–**	1 069
(Decrease) increase in trade and other payables	**(139 202)**	133 466	**201**	(46)
Total cash generated from operations	**91 881**	180 491	**4 012**	579
B. Taxation paid				
Net taxation owing (refund due) at beginning of the year	**19 675**	17 590	**(580)**	(4)
Tax charge for the year:				
S.A. normal taxation	**40 875**	64 168	**707**	1 168
Secondary tax on companies	**1 766**	1 159	**1 766**	1 159
Capital gains tax	**–**	351	**–**	351
Foreign taxation	**3 473**	809	**–**	–
Withholding tax on dividends	**285**	–	**–**	–
Net taxation (owing) refund due at end of the year	**(3 475)**	(19 675)	**(15)**	580
Total taxation paid	**62 599**	64 402	**1 878**	3 254
C. Long-term borrowings				
Long-term borrowings at beginning of the year	**6 221**	25 774	**–**	–
Add: current portion at beginning of the year	**2 073**	5 811	**–**	187
Total long-term borrowings at beginning of the year	**8 294**	31 585	**–**	187
Long-term borrowings raised	**7 710**	3 315	**–**	–
Long-term borrowings repaid	**(2 854)**	(44 097)	**–**	(187)
Proceeds from cancellation of convertible loan structure	**–**	19 065	**–**	–
Financial instrument income	**–**	(1 574)	**–**	–
Less: current portion at end of the year	**(4 538)**	(2 073)	**–**	–
Long-term borrowings at end of the year	**8 612**	6 221	**–**	–
D. Net short-term interest bearing debt				
Short-term interest bearing debt	**302 009**	107 018	**–**	–
Cash resources	**(63 744)**	(4 806)	**–**	–
Net short-term interest bearing debt at end of the year	**238 265**	102 212	**–**	–

Statements of Changes in Equity

for the year ended 31 December 2003

	Notes	Stated capital R000	Non-distributable reserves R000	Retained earnings R000	Total R000
Group					
Balance at 31 December 2001		223 355	125 518	312 386	661 259
Issue of share capital		953	–	–	953
Realisation of revaluation reserve on depreciation of buildings		–	(241)	241	–
Decrease in foreign currency translation reserve of foreign subsidiaries		–	(63 569)	–	(63 569)
Increase in legal reserves of foreign subsidiaries		–	773	(773)	–
Exchange difference on foreign reserves		–	2 829	–	2 829
Net profit for the year		–	–	125 601	125 601
Dividend	18	–	–	(9 385)	(9 385)
Balance at 31 December 2002		224 308	65 310	428 070	717 688
Effect of adoption of AC133: Adjustment to opening retained earnings in respect of fair value of embedded forward exchange derivatives in purchases and sales contracts		–	–	829	829
Issue of share capital		44	–	–	44
Realisation of revaluation reserve on depreciation of buildings		–	(240)	240	–
Decrease in foreign currency translation reserve of foreign subsidiaries		–	(31 082)	1 047	(30 035)
Increase in legal reserves of foreign subsidiaries		–	687	(687)	–
Exchange difference on foreign reserves		–	208	–	208
Net profit for the year		–	–	36 654	36 654
Dividend	18	–	–	(14 131)	(14 131)
Balance at 31 December 2003		**224 352**	**34 883**	**452 022**	**711 257**
Company					
Balance at 31 December 2001		223 355	–	67 981	291 336
Issue of share capital		953	–	–	953
Net loss for the year		–	–	(1 772)	(1 772)
Dividend	18	–	–	(9 385)	(9 385)
Balance at 31 December 2002		224 308	–	56 824	281 132
Issue of share capital		44	–	–	44
Net profit for the year		–	–	1 751	1 751
Dividend	18	–	–	(14 131)	(14 131)
Balance at 31 December 2003		**224 352**	**–**	**44 444**	**268 796**

1. ACCOUNTING POLICIES

The group annual financial statements have been prepared in compliance with South African Statements of Generally Accepted Accounting Practice and the requirements of the South African Companies Act. The annual financial statements have been prepared using the historical cost basis, adjusted for the revaluation of freehold property and the fair value of financial instruments.

The following principal accounting policies are consistent in all material respects with those of the previous year, with the exception of the adoption of AC133, Financial Instruments: Recognition and Measurement.

As a result of adopting AC133, embedded forward exchange derivatives in purchases and sales contracts, which were previously not recognised in the financial statements, are now accounted for on the balance sheet at fair value, with all changes in fair value being recognised in the income statement in the period to which they relate.

1.1 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.

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 and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is capitalised and amortised on a straight line basis over its useful economic life, a period generally not exceeding 20 years.

1.2 Property, plant and equipment

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

Leasehold buildings are depreciated over the period of the lease. Aircraft, plant and equipment and vehicles are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis over the anticipated useful lives of the assets.

The following annual rates of depreciation are used:

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

1.3 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the group.

Operating leases are those leases which do not fall within the scope of the above definition. Operating lease rentals are charged against operating profit as they become due.

Assets subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the assets is depreciated at appropriate rates on the straight line basis over the estimated useful lives of the assets. 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.

1. ACCOUNTING POLICIES (continued)

1.4 Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, trade receivables, trade payables and borrowings. The estimated fair values of these instruments approximate their carrying amounts. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Derivative financial instruments, principally forward foreign exchange contracts, are used by the group in its management of financial risks. These contracts are accounted for on a mark to market basis and the associated gains and losses are recognised in the results of the current period.

1.5 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 direct costs and, where appropriate, a proportion of manufacturing overhead expenditure.

Redundant and slow moving inventory are identified and written down with regard to their estimated economic or realisable values.

1.6 Deferred taxation

Deferred taxation is provided on the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values. Where the effect of temporary differences results in a deferred tax asset, the asset is brought to account if recovery is probable.

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

1.7 Foreign currency transactions

Transactions in foreign currencies are accounted for at the rate of exchange ruling at the date of the transaction, except for transactions containing embedded forward exchange derivatives which are accounted for at the forward rate.

1.8 Foreign currency balances

Monetary assets and liabilities in foreign currencies are translated into South African Rand at the rates of exchange ruling at the balance sheet date. 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.

1.9 Foreign subsidiary translation

Assets and liabilities of foreign subsidiaries are translated into South African Rand at the year end rates of exchange. Income statement items of foreign subsidiaries and equity accounted foreign associates are translated at a weighted average rate of exchange for the year.

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.

Aggregated gains and losses arising on translation of foreign subsidiaries are taken directly to non-distributable reserves.

1. ACCOUNTING POLICIES (continued)

1.10 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.

1.11 Discontinuing operations

A discontinuing operation results from the sale or abandonment of an operation that represents a separate, major line of business of the group and of which the assets, net profit or loss and activities can be distinguished physically, operationally and for financial reporting purposes.

The profit or loss on discontinuance is determined from the discontinuance date, being the date from which management has reasonable assurance as to the eventual conclusion of the formal plan of discontinuance. The profit or loss is determined by including the best estimates at the reporting date of the operating results from the discontinuance date to the expected final disposal date, the difference between the proceeds on disposal, if any, and the net carrying value of the assets and liabilities to be disposed of as well as all costs and expenses directly associated with the disposal.

If a loss is anticipated, full provision is made from the discontinuance date. If a profit is expected, it is recognised only when realised.

1.12 Revenue

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

1.13 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. 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.

1.14 Research and development

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

1.15 Warranty costs

The cost of making good warranty products sold before the balance sheet date is provided for.

1.16 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the year in which the employee renders the related service.

Retirement benefits

The policy of the group is to provide retirement benefits for its employees. Retirement benefit costs are charged against operating income as incurred.

1.17 Off-setting financial agreements

Financial assets and liabilities are set-off 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.

1. ACCOUNTING POLICIES (continued)

1.18 Impairment of assets

Where there is an indication that an asset may be impaired, the recoverable amount of an asset is estimated. Recoverable amount is the higher of an asset's net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

A reversal of an impairment loss for an asset is recognised as income immediately in the income statement, unless the asset is carried at a revalued amount. Any reversal of an impairment loss on a revalued asset is treated as a revaluation increase.

1.19 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.

1.20 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.

1.21 Borrowing costs

Borrowing costs are charged against operating profit as incurred.

1.22 Government grants

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

2. Segmental analysis

Geographical segments (in line with internal reporting)

The group operates in two principal geographical areas.

Group 2003	**South Africa R000**	**Rest of world R000**	**Consolidated R000**
Revenue	**1 516 070**	**1 262 209**	**2 778 279**
Result			
Segment result	**80 503**	**72 206**	**152 709**
Net finance costs			**(76 001)**
Taxation			**(40 054)**
Net profit			**36 654**
Other information			
Segment assets	**1 053 819**	**344 908**	**1 398 727**
Segment current liabilities	**535 467**	**122 710**	**658 177**
Long-term borrowings	**4 848**	**3 764**	**8 612**
Long-term warranty provision	**20 681**	**–**	**20 681**
Consolidated total liabilities			**687 470**
Capital expenditure	**29 655**	**8 327**	**37 982**
Depreciation	**21 042**	**3 120**	**24 162**
Other non-cash expenses	**37 363**	**1 373**	**38 736**
Group			
2002			
Revenue	1 269 027	1 117 329	2 386 356
Result			
Segment result	197 278	33 948	231 226
Net finance costs			(56 144)
Taxation			(49 481)
Net profit			125 601
Other information			
Segment assets	995 735	327 348	1 323 083
Segment current liabilities	491 869	107 305	599 174
Long-term borrowings	5 011	1 210	6 221
Consolidated total liabilities			605 395
Capital expenditure	31 885	2 131	34 016
Depreciation	16 680	3 224	19 904
Other non-cash expenses	9 155	6 331	15 486

for the year ended 31 December 2003

GROUP

	2003 R000 Cost/ valuation	2003 R000 Accumulated depreciation	2003 R000 Net book value	2002 R000 Cost/ valuation	2002 R000 Accumulated depreciation	2002 R000 Net book value
3. Property, plant and equipment						
Owned						
Freehold land and buildings	**83 835**	**8 794**	**75 041**	78 760	6 129	72 631
Leasehold buildings	**2 150**	**1 240**	**910**	2 015	1 266	749
Plant and equipment	**166 653**	**102 467**	**64 186**	142 688	86 950	55 738
Aircraft	**3 715**	**3 105**	**610**	3 715	2 929	786
Vehicles	**12 717**	**6 885**	**5 832**	11 784	4 883	6 901
Capitalised leased assets						
Leasehold buildings	**2 220**	**302**	**1 918**	2 393	246	2 147
Plant and equipment	**7 454**	**1 178**	**6 276**	3 096	19	3 077
Vehicles	**69**	**23**	**46**	598	343	255
Totals	**278 813**	**123 994**	**154 819**	245 049	102 765	142 284

	Freehold land and buildings R000	Leasehold buildings R000	Plant and equipment R000	Aircraft R000	Vehicles R000	**Total 2003 R000**	Total 2002 R000
Movement in property, plant and equipment							
Net book value at beginning of the year	72 631	2 896	58 815	786	7 156	**142 284**	135 054
Additions	5 393	384	31 190	–	1 015	**37 982**	34 016
Disposals	–	–	(217)	–	(73)	**(290)**	(1 106)
Depreciation	(2 673)	(185)	(18 984)	(176)	(2 144)	**(24 162)**	(19 904)
Translation differences	(310)	(267)	(342)	–	(76)	**(995)**	(5 776)
Net book value at end of the year	75 041	2 828	70 462	610	5 878	**154 819**	142 284

	2003	2002
Certain property, plant and equipment is encumbered as indicated in note 10.		
Freehold land and buildings at cost/valuation comprise:		
Lot 1894 Alton Industrial Township, Richards Bay		
– at valuation on 1 October 1999	**7 906**	7 906
Lot 10024 Alton Industrial Township, Richards Bay		
– at valuation on 1 October 1999	**47 962**	47 962
– subsequent additions at cost in 2000	**476**	476
– subsequent additions at cost in 2001	**14 334**	14 334
– subsequent additions at cost in 2002	**2 959**	2 959
– subsequent additions at cost in 2003	**5 345**	–
Avda.Collao no. 1944, Concepcion, Chile – at cost in 2001	**4 976**	4 976
– subsequent additions at cost in 2002	**147**	147
– subsequent additions at cost in 2003	**48**	–
– translation differences	**(318)**	–
Total freehold land and buildings at cost/valuation	**83 835**	78 760

for the year ended 31 December 2003	GROUP	
	2003 R000	2002 R000
3. Property, plant and equipment (continued)		
The freehold land and buildings, except for the property in Chile which was acquired in 2001, were valued by the Mills Fitchet Group, independent qualified valuers, on the depreciated replacement cost basis, on 1 October 1999. 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:		
Historical cost	**72 394**	67 319

	GROUP		COMPANY	
	2003 R000	2002 R000	**2003 R000**	2002 R000
4. Interest in subsidiary companies				
Local subsidiaries				
Shares at cost	**–**	–	**12 063**	12 065
Indebtedness by subsidiaries	**–**	–	**160 497**	173 260
Total local subsidiaries	**–**	–	**172 560**	185 325
Foreign subsidiaries				
Shares at cost	**–**	–	**96 468**	96 486
Indebtedness by subsidiaries	**–**	–	**–**	5 090
Indebtedness to subsidiaries	**–**	–	**–**	(6 333)
Total foreign subsidiaries	**–**	–	**96 468**	95 243
Total interest in subsidiary companies	**–**	–	**269 028**	280 568

Further details of interest in subsidiary companies are set out on page 61.

for the year ended 31 December 2003	GROUP		COMPANY	
	2003 R000	2002 R000	**2003 R000**	2002 R000
5. Investment				
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.				
In terms of this arrangement, the following categories of financing are provided for:				
– 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 remaining profits of these transactions. Applications from customers are categorised into Wesbank's risk grading system, with the risk category determing 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 funding provided is reflected as an interest bearing investment on the balance sheet;				
– specific transactions, the risks and rewards of which are for the group. In respect of these transactions, the group is required to invest an amount equal to 25% of the value of the financing provided by Wesbank to customers. This investment is reflected as receivables on the balance sheet. In the event of default by a customer, the group is at risk for the full balance due to Wesbank by the customer which amounted to	**139 691**	22 804	**–**	–
Less: reflected as receivables balance	**38 398**	12 458	**–**	–
Net contingent liability	**101 293**	10 346	**–**	–
A fee is paid to Wesbank for administering this business.				
These transactions are consolidated by the group as reflected below.				
Total investment in financing venture	**65 721**	36 552	**–**	–
Capital investment	**58 092**	32 916	**–**	–
Interest earned	**6 759**	3 186	**–**	–
Share of profits	**870**	450	**–**	–
Less: specific transactions consolidated by the group	**38 398**	12 458	**–**	–
Long-term receivables	**22 507**	4 592	**–**	–
Current portion of long-term receivables	**15 891**	7 866	**–**	–
Net investment	**27 323**	24 094	**–**	–

for the year ended 31 December 2003	GROUP		COMPANY	
	2003 R000	2002 R000	**2003 R000**	2002 R000
6. Deferred taxation				
The deferred taxation asset, analysed by major category of temporary difference, is as follows:				
Revaluation of properties	**3 020**	3 123	**–**	–
Prepayments	**4 313**	3 932	**–**	–
Provision for doubtful debts	**(1 126)**	202	**–**	–
Excess tax allowances over depreciation charge	**2 540**	2 181	**–**	–
Sales in advance	**(266)**	–	**–**	–
Provision for warranty expenditure	**(19 766)**	(8 920)	**–**	–
Provision for leave pay	**(2 667)**	(2 385)	**–**	–
Tax losses	**(2 108)**	(3 436)	**–**	–
Embedded forward exchange derivatives	**(683)**	–	**–**	–
Unrealised foreign currency gains and losses with controlled foreign companies	**183**	–	**–**	–
Net deferred taxation asset	**(16 560)**	(5 303)	**–**	–

Reconciliation of the movement in the deferred taxation balance	At beginning of the year R000	Credit (charge) to income for the year R000	Credit to equity for the year R000	At end of the year R000
Tax effect of:				
Revaluation of properties	3 123	(103)	–	3 020
Prepayments	3 932	381	–	4 313
Provision for doubtful debts	202	(1 328)	–	(1 126)
Excess tax allowances over depreciation charge	2 181	359	–	2 540
Sales in advance	–	(266)	–	(266)
Provision for warranty expenditure	(8 920)	(10 846)	–	(19 766)
Provision for leave pay	(2 385)	(282)	–	(2 667)
Tax losses	(3 436)	1 328	–	(2 108)
Embedded forward exchange derivatives	–	4 637	(5 320)	(683)
Unrealised foreign currency gains and losses with controlled foreign companies	–	183	–	183
Totals	(5 303)	(5 937)	(5 320)	(16 560)

for the year ended 31 December 2003	GROUP		COMPANY	
	2003 R000	2002 R000	**2003 R000**	2002 R000
7. Inventory				
Raw materials	**9 209**	9 017	**–**	–
Work in progress	**118 461**	112 251	**–**	–
Finished goods	**410 665**	293 995	**–**	–
Merchandise spares and components	**317 456**	428 731	**–**	–
Total inventory	**855 791**	843 994	**–**	–
Included above is inventory of R142,5 million (2002: R61,1 million) carried at net realisable value.				
Certain inventory is encumbered as indicated in note 10.				
8. Stated capital				
Authorised: 100 000 000 (2002: 100 000 000) ordinary shares of no par value	**–**	–	**–**	–
Issued: 94 224 100 (2002: 94 209 600) ordinary shares of no par value	**224 352**	224 308	**224 352**	224 308
The unissued shares are under the unrestricted control of the directors until the next annual general meeting of shareholders.				
The directors have been granted general authority until the next annual general meeting of shareholders, subject to legal requirements, to repurchase shares in the issued capital of the company.				
At 31 December 2003, the company had granted options to directors and employees to subscribe for 751 950 (2002: 771 150) shares in the company as set out on page 34.				

for the year ended 31 December 2003		GROUP		COMPANY	
		2003 R000	2002 R000	**2003 R000**	2002 R000
9. Non-distributable reserves					
Surplus arising from revaluation of freehold land and buildings – prior years		**7 286**	7 527	**–**	–
– current year realisation		**(240)**	(241)	**–**	–
Total surplus arising from revaluation of freehold land and buildings		**7 046**	7 286	**–**	–
Legal reserves of foreign subsidiaries					
– prior years		**2 429**	2 491	**–**	–
– current year transfer		**687**	773	**–**	–
– exchange difference		**(562)**	(835)	**–**	–
Total legal reserves of foreign subsidiaries		**2 554**	2 429	**–**	–
Foreign currency translation reserve of foreign subsidiaries					
– prior years		**55 595**	115 500	**–**	–
– current year transfer		**(31 082)**	(63 569)	**–**	–
– exchange difference		**770**	3 664	**–**	–
Total foreign currency translation reserve of foreign subsidiaries		**25 283**	55 595	**–**	–
Total non-distributable reserves		**34 883**	65 310	**–**	–
10. Long-term borrowings	**Rate of interest**				
Secured:					
Repayable by June 2003	6%	**–**	77	**–**	–
Repayable by March 2005	5,7%	**991**	1 262	**–**	–
Repayable by March 2005	10,2% – 10,4%	**1 902**	3 640	**–**	–
Repayable by May 2006	7%	**78**	–	**–**	–
Repayable by February 2008	9,5%	**7 017**	3 315	**–**	–
Repayable by July 2011	3,9%	**3 162**	–	**–**	–
Total long-term borrowings		**13 150**	8 294	**–**	–
Less: current portion		**(4 538)**	(2 073)	**–**	–
Total long-term borrowings		**8 612**	6 221	**–**	–

The following inventory and property, plant and equipment, at net book value, is encumbered as security for the secured borrowings above:

Inventory R786 038 (2002: R3 300 491)

Motor vehicles R45 980 (2002: R254 513)

Plant and equipment R6 276 700 (2002: R3 077 156)

Leasehold land and buildings R1 918 187 (2002: R2 146 671)

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

The directors have unlimited borrowing powers in terms of the Articles of Association of the holding company.

for the year ended 31 December 2003	GROUP		COMPANY	
	2003	2002	**2003**	2002
	R000	R000	**R000**	R000
11. Long-term warranty provision				
Balance at beginning of the year	**38 794**	23 308	**–**	–
Raised during the year	**118 813**	78 986	**–**	–
Utilised during the year	**(80 077)**	(63 500)	**–**	–
Balance at end of the year	**77 530**	38 794	**–**	–
Less: current portion	**(56 849)**	(38 794)	**–**	–
Long-term warranty provision	**20 681**	–	**–**	–
An insurance policy is in place to fund certain warranty costs incurred.				
12. Revenue				
Revenue represents:				
Sale of				
– Machines	**2 316 431**	1 998 722	**–**	–
– Parts	**360 611**	301 537	**–**	–
– Other	**101 237**	86 097	**5 245**	4
Total revenue	**2 778 279**	2 386 356	**5 245**	4
Related party sales are disclosed in note 24.				
13. Finance costs				
Interest paid	**29 540**	21 455	**–**	766
Currency exchange losses:				
Borrowings	**10 725**	2 139	**–**	–
Operations	**246 302**	134 080	**454**	–
Total finance costs	**286 567**	157 674	**454**	766
14. Finance income				
Interest received	**8 307**	8 508	**111**	267
Financial instrument income	**–**	1 574	**–**	1 574
Currency exchange gains:				
Operations	**202 259**	91 448	**756**	275
Total finance income	**210 566**	101 530	**867**	2 116

for the year ended 31 December 2003	GROUP		COMPANY	
	2003 R000	2002 R000	**2003 R000**	2002 R000
15. Profit before taxation				
Profit before taxation is analysed as follows:				
From continuing operations	**76 708**	175 082	**4 224**	906
Profit before taxation is arrived at after taking into account:				
Income				
Import duty rebates	**30 267**	41 236	**–**	–
Surplus on disposal of property, plant and equipment	**–**	320	**–**	–
Income from subsidiaries				
– interest	**–**	–	**–**	4
– dividends	**–**	–	**5 245**	–
Expenditure				
Auditors' remuneration				
– audit fees – current	**2 557**	2 653	**150**	12
– prior	**57**	138	**–**	–
– other services	**426**	724	**–**	–
– expenses	**40**	25	**–**	–
Depreciation				
– freehold buildings	**2 673**	2 333	**–**	–
– leasehold buildings	**185**	323	**–**	–
– plant and equipment	**18 984**	14 739	**–**	–
– aircraft	**176**	234	**–**	–
– vehicles	**2 144**	2 275	**–**	–
Loss on disposal of property, plant and equipment	**54**	–	**–**	–
Operating lease charges				
– equipment	**4 390**	4 385	**–**	–
– motor vehicles	**5 923**	4 627	**–**	–
– properties	**12 935**	9 934	**–**	–
Research and development expenses				
– direct material	**12 347**	18 856	**–**	–
– operating expenses	**40 722**	20 094	**–**	–
Increase in warranty provision	**38 736**	15 486	**–**	–
Staff costs	**351 007**	320 617	**–**	–
Number of employees at the end of the year	**2 370**	2 138	**–**	–
Directors' emoluments				
Paid by company:				
– non-executive directors' fees			**323**	438
Paid by subsidiaries:				
Executive directors				
– salaries			**4 426**	3 487
– benefits			**2 224**	4 494
Non-executive directors				
– other services			**587**	185
Total directors' emoluments			**7 560**	8 604
Details of directors' emoluments paid to directors of the company are set out on page 63.				

for the year ended 31 December 2003

	GROUP		COMPANY	
	2003	2002	**2003**	2002
	R000	R000	**R000**	R000
16. Taxation				
South African normal taxation				
Current taxation				
– current year	**30 623**	54 233	**1 432**	–
– prior year	**10 252**	9 935	**(725)**	1 168
Deferred taxation				
– current year	**(5 595)**	(2 345)	**–**	–
– prior year	**(1 182)**	(10 894)	**–**	–
Secondary tax on companies				
– current year	**1 766**	1 159	**1 766**	1 159
Capital gains tax	**–**	351	**–**	351
Foreign taxation				
Current taxation				
– current year	**3 484**	818	**–**	–
– prior year	**(11)**	(9)	**–**	–
Deferred taxation				
– current year	**432**	(3 767)	**–**	–
Withholding tax on dividends	**285**	–	**–**	–
Total taxation	**40 054**	49 481	**2 473**	2 678
Reconciliation of rate of taxation (%)				
Standard rate of taxation	**30**	30	**30**	30
Adjustment for:				
Disallowable expenditure	**6**	–	**2**	28
Non-taxable income	**(3)**	–	**2**	(52)
Utilisation of tax losses	**–**	–	**–**	(22)
Prior year taxation	**12**	(1)	**(17)**	145
Secondary tax on companies	**2**	1	**42**	128
Capital gains tax	**–**	–	**–**	39
Different tax rates of subsidiaries operating in other jurisdictions and the utilisation of tax losses by these subsidiaries	**5**	(2)	**–**	–
Effective rate of taxation	**52**	28	**59**	296

Estimated tax losses attributable to foreign subsidiaries amount to approximately R70 million (2002: R67,5 million). The utilisation of these losses is dependent on there being future taxable income of sufficient amount.

for the year ended 31 December 2003

	GROUP 2003	GROUP 2002	COMPANY 2003 R000	COMPANY 2002 R000
17. Earnings per share				
17.1 Earnings per share (basic)				
Profit attributable to shareholders (R000)	**36 654**	125 601		
The weighted average number of shares in issue	**94 219 203**	93 891 981		
Earnings per share (basic) (cents)	**39**	134		
17.2 Earnings per share (diluted)				
Profit attributable to shareholders (R000)	**36 654**	125 601		
Fully converted weighted average number of shares	**94 631 949**	94 663 131		
Earnings per share (diluted) (cents)	**39**	133		
The number of shares in issue for this calculation has been adjusted for the effects of all dilutive potential ordinary shares.				
17.3 Headline earnings per share (basic)				
Profit attributable to shareholders (R000)	**36 654**	125 601		
Loss (surplus) on disposal of property, plant and equipment	**54**	(320)		
Headline earnings (R000)	**36 708**	125 281		
The weighted average number of shares in issue	**94 219 203**	93 891 981		
Headline earnings per share (basic) (cents)	**39**	133		
17.4 Headline earnings per share (diluted)				
Earnings as calculated in 17.3 above (R000)	**36 708**	125 281		
Fully converted weighted average number of shares per 17.2 above	**94 631 949**	94 663 131		
Headline earnings per share (diluted) (cents)	**39**	132		
18. Dividend	**R000**	R000		
Final dividend paid on 14 April 2003 15 cents per share (15 April 2002: 10 cents per share)	**14 131**	9 385	**14 131**	9 385

for the year ended 31 December 2003	GROUP		COMPANY	
	2003 R000	2002 R000	**2003 R000**	2002 R000
19. Change in accounting policy				
During the prior year the group changed its accounting policy with respect to depreciation on freehold buildings.				
The group now provides for depreciation on freehold buildings. Previously, buildings were not depreciated as they were considered to be investment properties. The comparative amounts were appropriately restated.				
The effect of this change was as follows: Reduction in net profit due to increase in depreciation expense:				
Gross	**–**	2 333	**–**	–
Taxation	**–**	(663)	**–**	–
Net	**–**	1 670	**–**	–
Restatement of opening retained earnings in respect of prior year adjustment:				
Gross	**–**	4 009	**–**	–
Taxation	**–**	(1 139)	**–**	–
Effect on equity at the beginning of the year	**–**	2 870	**–**	–
Transfer from revaluation reserve	**–**	(482)	**–**	–
Net	**–**	2 388	**–**	–
20. Contingent liabilities				
20.1 The group has guaranteed the repurchase of units sold to dealers and finance institutions for an amount of	**174 753**	164 536	**–**	–
In the event of repurchase, it is estimated that these units would presently realise	**177 219**	162 525	**–**	–
This risk of a shortfall between repurchase price and realisable value has been insured.				
20.2 The company provided unlimited suretyship for the overdrafts and short–term borrowings made to subsidiaries.	**–**	–	**423 517**	320 963
20.3 A subsidiary has issued performance guarantees and an advance payment guarantee, all expiring during 2003, for the delivery of equipment.	**–**	1 030	**–**	–

for the year ended 31 December 2003	GROUP		COMPANY	
	2003 R000	2002 R000	**2003 R000**	2002 R000
20. Contingent liabilities (continued)				
20.4 The company has guaranteed a bank facility provided to a related party	**–**	30 020	**–**	–
20.5 An action has been instituted against a subsidiary of the company for a substantial amount.				
As previously reported, this action is being defended and the continuing view of the company's legal advisers is that the company has good grounds for successfully opposing the claims.				
After consideration and based on this legal advice, the Board is satisfied that the company will not suffer any material loss.				
21. Commitments				
21.1 Capital expenditure				
Contracted	**497**	323	**–**	–
Authorised, but not contracted	**24 197**	49 925	**–**	–
Total capital expenditure commitments	**24 694**	50 248	**–**	–
This capital expenditure is to be financed from internal resources and long-term facilities.				
21.2 Operating lease commitments				
The group has commitments under non-cancellable operating leases as set out below:				
Land and buildings:				
Less than one year	**11 484**	7 933	**–**	–
Two to five years	**34 767**	22 115	**–**	–
More than five years	**30 898**	1 218	**–**	–
Equipment and vehicles:				
Less than one year	**13 158**	10 864	**–**	–
Two to five years	**23 036**	12 232	**–**	–
More than five years	**20**	26	**–**	–
Total operating lease commitments	**113 363**	54 388	**–**	–

22. 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 company to identify its share of the underlying financial position and performance and to account for the plan as a defined benefit plan. The actuarial review as at 31 March 2003 found the fund to be in a sound financial position with the market value of assets at R18 200 million and liabilities of R13 720 million.

The Pension Funds Second Amendment Act, 2001 became effective on 7 December 2001. The changes to the Act aim to make provision for the apportionment of actuarial surpluses and for minimum benefits to members. The Act requires an equitable once-off apportionment of the existing surplus at the surplus apportionment date between members, former members, pensioners and the employer.

The Act defines an actuarial surplus as follows:

- an actuarial surplus in a defined benefit fund;
- an employer reserve account in a defined contribution fund; and
- a surplus that has been utilised improperly by the employer prior to the surplus apportionment date.

The surplus apportionment date of the fund can be no later than the next statutory actuarial valuation of the fund.

Other employees are eligible to join the Bell Equipment Pension Fund, which is an externally managed defined contribution plan. The pension fund is governed by the Pension Funds Act and retirement benefits are determined with reference to the employees' contributions to the fund. This fund is actuarially valued but by its 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 R20,9 million during the current year (2002: R17,1 million) and were charged against income.

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

23. Financial instruments

Financial instruments as disclosed in the balance sheet include long- and short-term borrowings, investments, cash resources, trade receivables and trade payables. The estimated fair values of these instruments approximate their carrying amounts.

23.1 Financial risk management

The group's liquidity, credit, currency and interest risks are monitored regularly by a treasury committee, consisting of senior executives, which reports to the chief executive. The committee operates within group policies approved by the Board.

23. Financial instruments (continued)

23.2 Liquidity risk

The group manages liquidity risk by proper management of working capital and cash flows. Adequate banking facilities are maintained. The general banking facility utilisation at 31 December 2003 is as follows:

	Facilities R000	Utilisation R000
General banking facilities	423 517	238 265

23.3 Credit risk

Credit risk consists mainly of short-term cash deposits 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 widespread customer base, and operations management undertake ongoing credit evaluations of the financial condition of their customers. At 31 December 2003, the group does not consider there to be any material credit risk that has not been insured or adequately provided for.

23.4 Currency risk

The group follows a policy of matching import and export cash flows where possible. The foreign subsidiaries do not hedge their inter group purchases. The majority of any remaining inward 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 2003 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	Fair value in Rands R000
Euro	18 325	10,52	192 779
Japanese Yen	494 471	16,18	30 561

23.5 Interest rate risk

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 2003, is as follows:

	Call	1-6 months	Long-term borrowings	Total borrowings
Borrowings (R000)	254 200	47 809	13 150	315 159
Rate	Floating	Floating	Fixed	
% of total borrowings	81	15	4	

for the year ended 31 December 2003	GROUP		COMPANY	
	2003 R000	2002 R000	**2003 R000**	2002 R000
24. Related party transactions				
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. All purchasing and selling transactions are concluded at arms' length. 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	**343 175**	213 895	**–**	–
– purchases	**125 115**	85 371	**–**	–
– amounts owing to	**27 378**	30 751	**–**	–
– amounts owing by	**8 680**	30 925	**–**	–
Loinette Company Leasing Limited				
– leasing costs	**1 533**	5 672	**–**	–
– interest paid	**23**	153	**–**	–
Enterprises over which directors are able to exercise significant influence				
Triumph International Madagascar SARL				
– sales	**187**	194	**–**	–
– amounts owing by	**11**	56	**–**	–
Triumph International Trading Limited				
– sales	**5 230**	5 176	**–**	–
– amounts owing by	**6**	204	**–**	–
– amounts owing to	**134**	–	**–**	–
Tractor and Equipment (Mauritius) Limited				
– sales	**6 256**	3 348	**–**	–
– amounts owing by	**–**	269	**–**	–

25. 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 2003

Subsidiaries	Business type	Issued share capital 2003 R	Effective holding 2003 %	Interest of Bell Equipment Limited: Book value of shares 2003 R000	Book value of shares 2002 R000	Amounts owing by (to) 2003 R000	Amounts owing by (to) 2002 R000
Southern Africa							
Bell Equipment Co S.A.(Pty) Limited	O	**2**	**100**	**12 063**	12 063	**160 497**	173 260
Bell Equipment Group Insurance Brokers (Pty) Limited	O	**360**	**100**				
IA Bell Equipment Co Namibia (Pty) Limited	O	**4**	**100**				
Bell Equipment Co Swaziland (Pty) Limited	O	**2**	**100**				
Oakington Investments (Pty) Limited	R	**–**	**–**		2		
Bell Equipment Finance Company (Pty) Limited	D	**100**	**100**				
Other Africa							
Bell Equipment (Zambia) Limited	O	**827 507**	**100**				
Bell PTA (Pvt) Limited	O	**3 082 257**	**100**				
Bell Equipment (Malawi) Limited	O	**2**	**100**				
Bell Equipment Mozambique Limited	O	**712 932**	**100**				
Europe							
Bellinter Holdings SA	H	**123 132 000**	**100**	**94 974**	94 974		5 090
Bell Handling Systems (CI) Limited	D	**7 944 000**	**100**				
Bell France SARL	O	**23 594 301**	**100**				
Bell Equipment UK Limited	O	**10 551 638**	**100**				
Heathfield Haulamatic Limited	D	**71 957**	**100**				
Bell Equipment Switzerland S.A.	O	**940 434**	**100**	**1 494**	1 494		
BEQ Switzerland BV	R	**–**	**–**		18		(6 333)
Bell Equipment (Deutschland) GmbH	O	**7 622 192**	**100**				
United States of America							
Bell Equipment North America Inc	O	**26 480 000**	**100**				
South America							
Bell Properties Chile S.A.	O	**36 408**	**91**				
Asia							
Bell Equipment (SEA) Pte Limited	O	**9 944 637**	**100**				
Australasia							
Bell Equipment (NZ) Limited	O	**1 977 841**	**100**				
Bell Equipment Australia (Pty) Limited	O	**1 911 611**	**100**				
Interest in subsidiary companies				**108 531**	108 551	**160 497**	172 017

D Dormant companies
H Holding companies
O Operating companies
R De-registered companies

Group Services

Attorneys

Chapman Dyer Inc.

Auditors

Deloitte & Touche

Share transfer secretaries

Computershare Investor Services Limited
70 Marshall Street
Johannesburg, 2001
PO Box 1053, Johannesburg, 2000

Telephone: +27 11 370-5101
Facsimile: +27 11 370-5272

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

Bankers to the group

ABSA Asia Limited
ABSA Bank Limited
Banque Cantonale de Fribourg – Switzerland
Barclays Bank PLC
Commerzbank AG
FNB Corporate, a division of FirstRand Bank Limited
Investec Bank
Nedcor Bank Limited – London
Uniao Comercial de Bancos – Maputo

Secretary and registered office

DP Mahony FCIS FCIBM

Business address

13-19 Carbonode Cell
Alton, Richards Bay, 3900

Telephone: +27 35 907-9111
Facsimile: +27 35 797-4336

Web: www.bellequipment.com
E-mail: Company Secretary –
patm@bell.co.za

Postal address

Private Bag X20046
Empangeni, 3880
South Africa

Shareholders' Diary

Financial year end	December
Interim Report	September
Annual Report	March
Annual general meeting	May

Directors' Emoluments

for the year ended 31 December 2003

	Salary R	Bonus R	Pension/ Provident Fund R	Other benefits and allowances R	**2003 Total R**	2002 Total R
Paid to directors of the company by the company and its subsidiaries						
Executive directors						
GW Bell	1 029 137	66 667	111 429	172 434	**1 379 667**	1 505 167
PC Bell	826 013	50 000	113 559	170 428	**1 160 000**	1 704 333
HJ Buttery	993 794	62 500	111 429	154 777	**1 322 500**	1 691 000
MA Campbell	308 855	171 980	40 271	122 714	**643 820**	684 680
DB Rhind	613 692	73 225	86 789	106 009	**879 715**	1 021 242
PA Bell	334 014	45 317	107 170	125 576	**612 077**	706 830
DI Campbell	292 692	162 014	37 988	119 860	**612 554**	667 872
GP Harris (from 1 December 2003)	28 214	–	4 286	7 500	**40 000**	–
	4 426 411	631 703	612 921	979 298	**6 650 333**	7 981 124
			Fees R	Other services R		
Non executive directors						
PJC Horne			104 000	–	**104 000**	123 000
DJJ Vlok			118 500	–	**118 500**	107 000
TD Kgobe			25 500	–	**25 500**	71 000
GP Harris (to 1 December 2003)			60 000	586 400	**646 400**	256 006
Dr MW Arnold			–	–	**–**	66 000
SCM Nyembezi			7 500	–	**7 500**	–
TO Tsukudu			7 500	–	**7 500**	–
			323 000	586 400	**909 400**	623 006
Total					**7 559 733**	8 604 130

DB Rhind has current share options in terms of the Employee Share Option Scheme in respect of 8 200 shares at R3,00 each (expiry date 25 May 2005) and 40 000 shares at R2,50 each (expiry date 31 December 2008).
All other executive directors have no unexercised options.

Directorate and Senior Management

as at 1 January 2004

Key: Non-executive* Risk Management and Audit Committee § Nominations and Remuneration Committee # USA † Finnish ‡

1 | Douglas Gage BSc Mech Eng, MBA, Alternate Director* † Age: 47

2 | Guy Harris BCom Hons, CA(SA), Director Years Service: 10 Age: 51

3 | Jeremy Horne FCA, ACMA, CA(SA), Director* Years Service: 7 Age: 66 Committees: Chair of Risk Management and Audit Committee

4 | Marc Schurmann BEng Mech, PrEng, Group General Manager – Manufacturing Years Service: 9 Age: 35

5 | Gary Bell Dip Mech Eng, Chief Executive Years Service: 33 Age: 51

6 | Michael Campbell Director Years Service: 27 Age: 46

7 | Mikko Rysa Master of Forestry, BEcon, Alternate Director * ‡ Years Service: 2 Age: 56

8 | Peter Bell Director Years Service: 36 Age: 54

9 | André Mc Duling Dip Mech Eng, Group General Manager – Quality Years Service: 16 Age: 36

10 | John du Toit BSc Mech Eng, Group General Manager – Marketing Years Service: 9 Age: 33

11 | Tiisetso Tsukudu BA, MBA, Director* *Age:* 50 #

12 | Peter Purchase Group General Manager – Logistics Years Service: 17 Age: 45

13 | Max Guinn BA Mech Eng, MBA Alternate Director * † Years Service: 5 Age: 45

14 | Clive Barrett Group General Manager – Parts Years Service: 27 Age: 59

15 | John Kloet BSc Acctg, CPA, Director * † Years Service: 2 Age: 50 Committees: §

1 l Paul Bell Alternate Director
Years Service: 27 Age: 46

2 l Doug Rhind BCompt Hons, Alternate Director
Years Service: 21 Age: 54

3 l Rino D' Alessandro CPIM, Group Chief Information Officer Years Service: 7 Age: 40

4 l Howard Buttery CTA, Group Chairman
Years Service: 33 Age: 57

5 l Mike Dutton Group General Manager – Technical Services Years Service: 16 Age: 38

6 l Doug Anderson BS, Director * †
Years Service: 3 Age: 56 Committees: #

7 l Eric Lerche Regional Director: Europe
Years Service: 19 Age: 59

8 l Richard Machanick BA, Group General Manager – Human Resources Years Service: 15 Age: 48

9 l Derek Smythe BCompt, Group General Manager – Strategic Alliances Years Service: 17 Age: 46

10 l Pat Mahony FCIS, FCIBM, Group Company Secretary
Years Service: 8 Age: 60

11 l David Campbell Alternate Director
Years Service: 27 Age: 46

12 l Pierre Leroy BA, MBA, Director* †
Years Service: 1 Age: 55

13 l Danie Vlok BCom, MBA, Director * Chair of Nominations and Remuneration Committee Years Service: 9 Age: 59 Committees: § #

14 l Sipho Nyembezi LLM, Director * Age: 48
Committees: § #

15 lBokkie Coertze Managing Director: Southern Africa – Sales and Distribution Years Service: 18 Age: 53

General Information

as at 31 December 2003

BENEFICIAL SHAREHOLDER SPREAD

Shareholder Type	Number of beneficial shareholders in South Africa		Number of beneficial shareholders other than in South Africa		Total beneficial shareholders	
	2003 Number %	2002 Number %	**2003 Number %**	2002 Number %	**2003 Number %**	2002 Number %
Public	**859**	886	**30**	46	**889**	932
	19,56	18,87	**32,26**	32,84	**51,82**	51,71
Directors	**8**	8	**–**	–	**8**	8
	48,18	48,29	**–**	–	**48,18**	48,29
TOTAL	**867**	894	**30**	46	**897**	940
	67,74	67,16	**32,26**	32,84	**100,00**	100,00

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

STOCK MARKET STATISTICS	**Year ended 31 December 2003**	Year ended 31 December 2002
Market price of shares		
– Year end	**780 cents**	955 cents
– Highest	**959 cents**	990 cents
– Lowest	**451 cents**	680 cents
Net asset value per share	**755 cents**	762 cents
Number of shares traded (‘000)	**3 889**	6 677
Value of shares traded (Rm)	**R28,40**	R55,18
Market capitalisation to net asset value	**1,03**	1,25
Year end		
– earnings yield %	**5,00**	13,92
– dividend yield %	**–**	1,57
– price earnings ratio	**20,26**	7,18

for the year ended 31 December 2003

EXCHANGE RATES

The following rates of exchange were used in the preparation of the financial statements:	31 December 2003 Weighted average	31 December 2003 Year end	31 December 2002 Weighted average	31 December 2002 Year end
Australian $: United States $	**0,66**	**0,75**	0,55	0,56
British £: United States $	**1,65**	**1,78**	1,51	1,61
Chilean Peso: United States $	**686,94**	**592,90**	692,88	720,50
EURO: United States $	**1,14**	**1,26**	0,95	1,05
Japanese Yen: United States $	**115,87**	**106,93**	124,67	118,78
Malawi Kwacha: United States $	**97,87**	**108,50**	77,56	87,60
Mozambique MZM: United States $	**23 471,00**	**23 400,00**	23 514,00	24 100,00
New Zealand $: United States $	**0,59**	**0,66**	0,47	0,53
SA Rand: United States $	**7,40**	**6,62**	10,32	8,58
Singapore $: United States $	**1,74**	**1,70**	1,79	1,74
Swiss Franc: United States $	**1,34**	**1,24**	1,55	1,39
Zambia K: United States $	**4 830,00**	**4 650,00**	4 521,00	4 600,00
Zimbabwe $: United States $	**3 232,50**	**5 925,00**	631,17	1 750,00

Notice to Members

Notice is hereby given that the 36th annual general meeting of members of Bell Equipment Limited will be held at the company's registered office, Carbonode Cell, Alton, Richards Bay on Thursday, 6 May 2004 at 10:00 for the following purposes:

1. To present the annual financial statements of the company and the group for the year ended 31 December 2003 together with the auditors' and directors' reports thereon.

2. To note that in terms of the company's articles of association Messrs HJ Buttery, PC Bell, MA Campbell, PE Leroy, SCM Nyembezi and T Tsukudu retire by rotation at this annual general meeting but being eligible have offered themselves for re-election.

   Brief particulars of the qualifications and experience of the above are available on pages 64 and 65 of this report.

3. In accordance with the provisions of Section 221 of the Companies Act 1973, as amended, to place control of the unissued shares of the company in respect of the share option schemes in the hands of the directors who may allot and issue any of the same to such person or persons and on such terms and conditions and at such time or times as they may determine.

   The company has unissued share capital totalling 5 775 900 shares of no par value. Of this 775 900 shares are committed to the employee share option scheme number one as reported in the Directors' Report and the balance is in respect of share option scheme number two.

4. In accordance with article 28.9 of the company's Articles of Association to grant the directors a general authority to repurchase shares in the issued capital of the company, subject to such authorities, consents and requirements as may from time to time be stipulated by any law, the Companies Act and the Johannesburg Stock Exchange Securities Exchange South Africa.

5. To transact such other business as may be transacted at a general meeting of members for which due notice has been given.

Any member who is unable to be present may appoint a proxy to attend, speak and, on a poll, to vote in his stead. A proxy need not be a member of the company. In order to be valid, instruments appointing proxies should reach the group company secretary by no later than 10:00 on Tuesday, 4 May 2004.

By order of the Board

D P Mahony FCIS. FCIBM
Group Company Secretary

31 March 2004

Printed by Ince (Pty) Ltd

Proxy Form

For the annual general meeting to be held on Thursday 6, May 2004 at 10:00

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

The Group Company Secretary

Bell Equipment Limited

Private Bag X20046

Empangeni, 3880

by no later than 10:00 on Tuesday, 4 May 2004

To be completed by certificated shareholders only

For use at the annual general meeting to be held on Thursday, 6 May 2004 at the registered office of the company, 13 – 19 Carbonode Cell Road, Alton, Richards Bay.

I/We

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

or

or failing him the chairman of the meeting as my/our proxy to act on my/our behalf at the annual general meeting of the company to be held at 10:00 on Thursday, 6 May 2004 and at each adjournment thereof.

Signature Date

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

	For	Against	Abstain
Ordinary Resolution Number 1			
Ordinary Resolution Number 2			
Ordinary Resolution Number 3			
Ordinary Resolution Number 4			
Ordinary Resolution Number 5			

Notes

1. A member who is entitled to attend and vote at a meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. The person so appointed need not be a member.
2. If no direction is given as to how a vote is to be cast, then the proxy holder will be entitled to vote as he/she deems fit.
3. Proxy forms should be signed, dated and forwarded to the group company secretary whose address is stated above or delivered to the registered office of the company at Carbonode Cell, Alton, Richards Bay, to be received by no later than 10:00 on Tuesday, 4 May 2004.

Proxy Form

For the annual general meeting to be held on Thursday, 6 May 2004 at 10:00
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

To be completed by those who have dematerialised their shares

For use at the annual general meeting to be held on Thursday, 6 May 2004 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 ____________________

Of ____________________

Appoint

1. ____________________ Or failing him/her

2. ____________________ Or failing him/her

3. The chairman of the meeting,

As my/our proxy to act for me/us at the aforementioned general meeting of members, which will be held on Thursday, 6 May 2004, and at any adjournment thereof, for the purpose of considering and, if deemed fit passing, with or without modification, the special resolution to be proposed thereat and to vote for and/or against such special resolution with or without modification and/or to abstain from voting thereon.

Signature ____________________ Date ____________________

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

	For	Against	Abstain
Ordinary Resolution Number 1			
Ordinary Resolution Number 2			
Ordinary Resolution Number 3			
Ordinary Resolution Number 4			
Ordinary Resolution Number 5			

Notes

1. A member who is entitled to attend and vote at a meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. The person so appointed need not be a member.
2. If no direction is given as to how a vote is to be cast, then the proxy holder will be entitled to vote as he/she deems fit.
3. Proxy forms should be signed, dated and forwarded to the group company secretary whose address is stated above or delivered to the registered office of the company at Carbonode Cell, Alton, Richards Bay, to be received by no later than 10:00 on Tuesday, 4 May 2004.