BELL EQUIPMENT

Strong Reliable Machines

2004

Strong Reliable Machines

Annual Report 2004

Contents

Mission Statement

At Bell we have learnt that by valuing the contribution of every one of our people, we have been able to grow. That everyone on the team can and does make a difference.

Our customers will receive quality in everything we do. The commitment to our customers distinguishes Bell Excellence. It is a continuous process of achieving improvements which result in equitable attainment of customer, suppliers, shareholders and employee expectations.

All our activities are conducted in a spirit of fairness, honesty and integrity. Bell products fulfil haulage and materials handling needs across many industries.

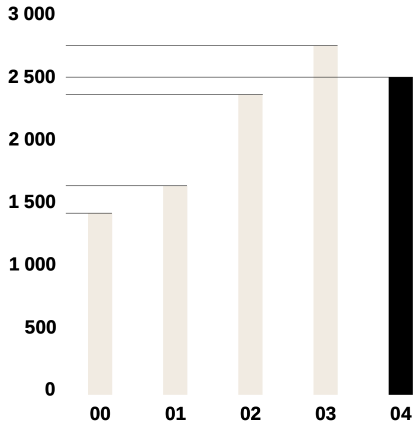
We design and manufacture products to fulfil the needs of our customers. Through listening we are able to produce innovative equipment that matches their needs.

We will continue to expand our international distribution.

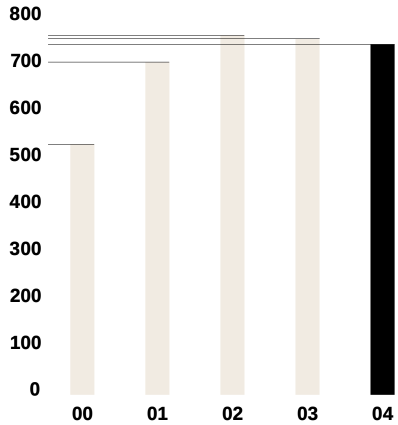
We are proud of our heritage and will provide opportunities for all our people in a safe and healthy environment worldwide.

Financial Highlights

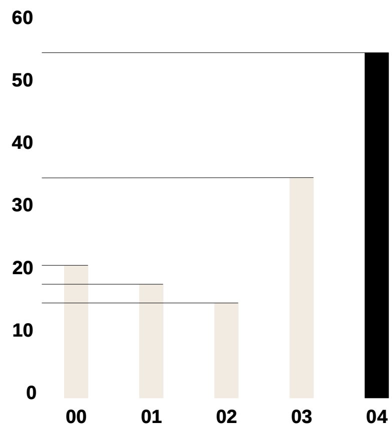
Revenue (R000)



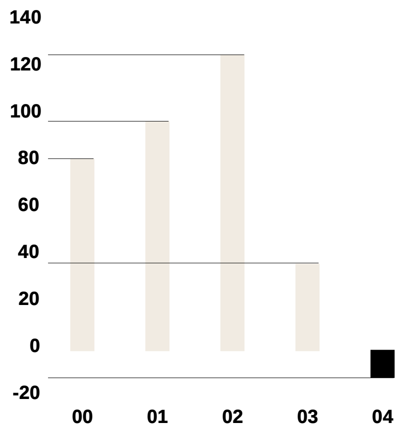
Net asset value (cents per share)



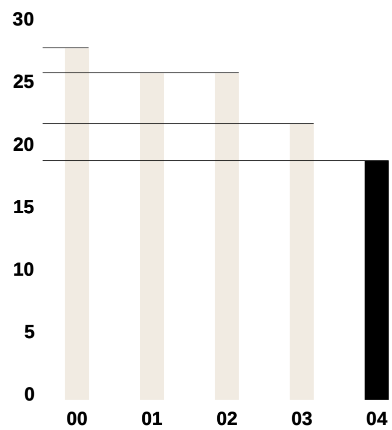
Gearing (%)



(Loss)/Profit after tax (R000)



Gross profit to revenue (%)



Chairman's Statement

2004 was the year in which Bell proudly celebrated its 50th year of existence with customers and suppliers. However, the financial results for the year are very disappointing with the strong Rand once again affecting sales and margins. Whilst volumes increased by 3%, revenue dropped by 9% in line with lower export proceeds and heavy competition from local importers taking advantage of the strong Rand. Exports as a percentage of total sales were 51%, up from the previous year and export volumes increased by 11%. All exports, other than sales directly to the United States, are now transacted in Euros. Sales to the United States in 2004 amounted to R391,7 million on which the group made a loss as a result of dollar based pricing entered into when conventional wisdom indicated a weakening Rand.

The operating profit for the year was R25,4 million as compared to R152,7 million in the previous year. This decline was mainly attributable to a drop of R132,5 million in gross profit from the comparable year. Despite the increase in volumes, total overheads of R531,4 million are only 2 percent higher than 2003.

Due to the nature of some of the transactions we entered into with our customers to assist them with financing their purchases of equipment, the rules relating to revenue recognition have had a greater impact than in the previous year. In particular, the gross profit in the last six months of the year was impacted adversely to the extent of R5,9 million which resulted in a small loss for the six months and an increase of R45,3 million in assets supported by a similar increase in liabilities which, had these rules not applied, would merely have resulted in a contingent liability.

The loss for the second half of the year was R0,3 million lower than that of the first six months, but for the revenue recognition change we would have recorded a small profit in the period. Despite the group making an overall loss for the year, some of the subsidiaries were profitable, resulting in income tax becoming payable.

The single most disappointing feature for the year was the R246,8 million increase in inventory since 30 June 2004. This was the exclusive cause of the negative cash flow of R180,5 million for the year and the increase in interest costs. The increase in inventory was as a result of logistics and global supply chain linkages and a 30% increase in the production rate at our Eisenach (German) plant and the very high level of used inventory in the group. Since year-end substantial reduction of both the German and second hand inventory has reduced borrowings and improved the gearing level, which at 55% at year-end was unacceptably high. Trade cycle (working capital) days deteriorated from 115 days to 133 days as a direct result of the increased inventory.

Bell continued its policy of covering forward all net foreign currency liability positions.

An amendment to the policy in May 2004 allowed some export proceeds to be forward covered. This policy resulted in currency exchange losses of R7,4 million as compared with a R54,8 million expense last year. Overall net finance costs for the year dropped by R44,6 million to R31,4 million.

Our joint financing venture with Wesbank (a division of FirstRand Bank Limited) continues to be profitable and provides an extremely valuable tool for financing sales in the local market. At the year-end the book was R628,9 million of which R89,7 million was funded by Bell. A deal was made with a Swiss based leasing company to finance unit sales in sub-Saharan Africa.

Our German assembly plant continues to complement our South African production. The plant, now nearly 18 months old, produces high quality product at an overall cost slightly lower than our Richards Bay plant. Our European sales have been strong with an overall market share in that region of 20,4%. The German plant will, until the third quarter of 2005, continue to supply John Deere with the bulk of their Articulated Dump Truck (ADT) take off from the group, after which the new arrangements with John Deere, which are referred to later in this report, will be implemented. Other than the year-end problems, of shipping delays and kit shortages, the German plant has been successful in reducing working capital as a consequence of its close location to many of our component suppliers.

In previous reports I stated that there were a number of actions that the group would need to take if there were to be sustainable changes to our profitability. The first of these, having an assembly plant in Europe to counteract the long supply lead time for components and minimise the impact of exchange rates, has now been achieved. We are now re-engineering our business processes to obtain the maximum benefit of our strategic alliance with Deere.

I am pleased to report that negotiations have been concluded with Deere under which Bell will license Deere to build our range of ADTs in North America. We are not currently able to manufacture ADTs at a cost that allows us to enjoy a profit on these sales to North America.

Exports as a percentage of total sales were 51%, up from the previous year and export volumes increased by 11%.

Chairman's Statement
(continued)

By moving the manufacturing location of the 450 trucks that we are currently exporting each year to the USA, the losses on these exports will be eliminated. In addition, this new agreement will enable Bell and Deere to better leverage combined volumes and a common, global supply base to reduce product costs wherever the products are manufactured.

As a result of moving some ADT manufacture to Deere, our plant in Richards Bay will have some excess capacity. This excess capacity will be partially filled by the assembly of Front End Loader (FEL) kits and side-shift Tractor Loader Backhoes (TLBs) during 2005, with full absorption expected during the course of 2006. We will be Deere's exclusive licensee for side shift TLBs initially resulting in increased sales in southern Africa, Australasia and some shipments back to the US. We believe that eventually with Deere's approval, we will be able to become a substantial supplier of both Wheeled Loaders and side shift TLBs to Europe.

Elsewhere in this annual report a comprehensive document has been included to ensure that all stakeholders clearly understand the extent and benefit of the various agreements that have been recently signed with Deere.

Corporate governance best practices continue to enjoy our highest priority and commitment. The Board of directors, which consists of a majority of non-executive directors, ensures that management, who are the stewards of our shareholders' capital, pursue the best interests of all stakeholders. Of vital importance are the roles, functions and responsibilities of our non-executive directors and our management's respect for the contribution of these directors.

We continue to implement most of the King II best practice recommendations and want all stakeholders to be aware of our continued commitment to excellence in this area.

We are also pleased to report that all Board sub-committees comprise only non-executive directors and are chaired by independent non-executive directors. Bell Audit Services, our internal audit function, continues to provide valuable information and service to both the Risk Management and Audit Committee and our management teams.

Also the independent non-executive chairman of the Risk Management and Audit Committee spends time each month in the company in pursuit of his duties and attends all the Bell Audit Services committee meetings.

There are a number of serious obstacles that face South African capital equipment manufacturers in their day-to-day operations. It is important that all shareholders have an understanding of some of the challenges that face the Bell executive and management team. These include:

a) The negative impact of the strength of the Rand on the revenue from our exports and the favourable impact on our competitors' imports. Once orders are lost, production facilities relocated and jobs destroyed, it is unlikely that sales will return even if the Rand weakens.
b) High real interest rates compared to trading partners and competitors, who are able to work with less costly working capital and where customers are better able to finance purchases.
c) The lack of effective supply side and WTO friendly support measures.
d) Difficulties of implementing innovative ways to improve labour flexibility without impacting on core employees.

Bell Equipment continues to explore opportunities created by the Government's Black Economic Empowerment (BEE) policies but are concerned about the lack of recognition in the Charters and codes to job creation and job retention.

Bell Equipment continues to explore opportunities created by the Government's Black Economic Empowerment (BEE) policies. Our negative cash flows and relative low exposure to direct Government purchases makes us an unattractive BEE opportunity. We support the move towards Broad Based BEE but are concerned about the lack of recognition in the Charters and codes to job creation and job retention that is the sharp end for many previously disadvantaged people in terms of empowerment. Fortunately, given the complex nature of our products and the need for ongoing support, we have not lost any meaningful market share to importers using BEE fronting companies. We continue to monitor development in key sectors such as mining and construction and when we see opportunity in this area, we will extend our current activities.

Once again we are pleased to report that our strategic alliances continue to be developed. All three of our alliance partners, John Deere Construction & Forestry Company, Hitachi Construction Machinery and Liebherr-Hydraulikbagger GmbH, increased their units and parts purchases from us during the year. We are extremely grateful for these alliances and the benefits that they provide to our group.

Until the group returns to profitability and positive cash flow, the Board will suspend the payment of any dividend, therefore there will be no divided in respect of the year ended 31 December 2004.

The first two months of the current year have produced a positive result, particularly in relation to working capital where there has been a reduction in interest bearing debt.

The immediate outlook for Bell appears to be more positive when one considers the initiatives that are under way to further reduce cost of manufacture and working capital. The profit management programme known as "the vital few" that we reported on in June 2004 has been extended to incorporate a programme that is known as Project 100 Plus, where we have engaged the professional services of an independent consultancy to help us drive down our cost base by at least R100 million. We believe that 2005 should see the group return to profitability.

Prospects for a less volatile Rand and lower domestic inflation should improve the business environment.

I take this opportunity to thank the management team and my Board colleagues for all the time and energy spent on these fundamental issues during the year.

I particularly would like to pay tribute to our non-executive directors, many of whom travel vast distances to attend our meetings, for their continued commitment and support for the group. We have steered our way through very challenging times and I believe that the group will benefit considerably from meeting these challenges in the future.

Finally I would like to take this opportunity to thank our three most important stakeholders, our customers, our employees and our suppliers who strive to work together to ensure mutual growth and ongoing development.

A special feature of our business are the Bell employees who do everything they can to take ownership and responsibility to make our company a success. I pay tribute to the employees and their families who have given much to the company and made many sacrifices, not only during these challenging times but over the 50 years of our existence.

Howard J Buttery
Group Chairman

Chief Executive's Report

Highlights

In 2004 the company celebrated its 50th year of existence but there were several other notable features. Amongst the foremost of these was the continuing strengthening of the Rand which impacted adversely on our operating results. During the year the Rand appreciated by 15% against the US Dollar and by 8% against the Euro which resulted in earning far less for our exports and also allowed our competitors to import products at reduced cost and which they were then able to sell in South Africa at very competitive prices.

Regional review

2004 was largely a year of consolidation where we tightened the belt in all areas of the business and continued our focus on quality improvement, cost reduction and working capital efforts to ensure that we remain competitive.

The Rand has clearly impacted on our business and our export margins. At the same time it has made the pricing of our imported competitors' products more favourable, thus giving them an edge. As a result we lost some market share in South Africa and although we have gained some market share in Europe, this did not impact significantly on our profitability.

On the positive side the local market grew at a rapid rate because of growth in the volume of product sold into the larger sectors. We took advantage of this and increased our volume of production, but again there was no increase in profitability because of the pricing pressure.

We may be under pricing pressure due to the strength of the Rand, but our competitive advantage is that we still have the strongest distribution network in southern Africa. Our goal is to make sure we continue to benefit from this advantage by providing our customers with a higher level of mechanical availability on their products and a superior level of service and support.

The southern African sales and distribution operations continued to grow their customer base and the team put in a tremendous effort to maintain their ability to generate profits even in the difficult times experienced in the past year.

Our plan for the European market is to increase our penetration into Eastern Europe where we have already sold machines into the Czech Republic, Russia and Poland – all countries where we have previously not had a presence.

The introduction of a range of Bell branded Excavators into the United Kingdom at the end of 2004 should also contribute in the coming year as we are able to offer a complete load and haul solution to our customers in that region.

The assembly plant, which was commissioned in Eisenach, Germany during October 2003, is now operating at full production to meet the demands of our northern hemisphere markets of Europe and North America.

Manufacturing and product development

With the current level of pricing pressure, Bell Equipment's continuous improvement philosophy has become even more critical in the world marketplace. In 2004 the engineering team emphasised cost reduction in the design phase and has embarked on several projects aimed at providing an improved product at a lower cost.

In this way we will be able to better achieve our philosophy of providing better value for our customers with strong, reliable machines that give them lower operating costs and greater flexibility.

Bell has developed a cutting edge technology fleet management tool known as 'Fleetm@tic'. This system, which is an option in our range of Articulated Dump Trucks and will soon be extended to our other products, allows essential data such as engine speeds, load weights, oil levels, vehicle tracking – even tyre pressures – to be monitored and relayed via satellite to a central control room. It therefore becomes possible for owners and operators of our products to be constantly aware of critical operating data and to be able to take preventative action.

Following the successful testing of two prototypes, Bell Equipment started production in 2004 of an All Terrain Loader suited to the sugar and forestry industries as well as a DeBarker, a specialised forestry machine designed to increase production by gum harvesting contractors, improve safety and reduce operating costs.

We are continuing to spend a significant amount of our revenues on research and development and these costs are written off as they are incurred. This investment into the sustainability of the company is one which the Board treats very seriously and willingly.

Partnerships

Bell Equipment and John Deere Construction and Forestry are entering into a series of agreements to expand their business relationship in 2005. In terms of these agreements Bell will license Deere to manufacture Bell designed Articulated Dump Trucks (ADTs) in North America, for which we will be paid a royalty, and Deere will license Bell to manufacture certain Deere designed Tractor Loader Backhoes (TLBs) and Front Loaders (FELs) in South Africa for which Bell will pay a royalty.

This collaboration will enable both companies to minimise the effects of currency exchange rates, reduce working capital requirements, and provide increased value to our customers.

The parties will together pursue global purchasing whenever possible to enable both companies to obtain components and parts at the lowest possible cost. Bell will utilise these improvements and cost reductions in the ADTs it manufactures and sells throughout the world, making it a more effective global competitor.

The South African market grew at a rapid rate because of growth in the volume of product sold into the larger economic sectors.

Chief Executive's Report

(continued)

By manufacturing an expanded line of FELs as well as TLBs, Bell will significantly diversify and expand its manufacturing base. As with the ADTs, Bell and Deere will collaborate on cost reductions and in global sourcing of components.

Prospects

We accept that the strong Rand is likely to be with us for the foreseeable future and this has necessitated a whole new way of running a business whose primary focus is exports.

Our management team will be continuing to drive a select few key issues, namely quality, cost reduction, working capital management, and people development whilst sticking to the basics that have proved successful in the past.

We will continue to be an innovative, learning organisation with a reputation of producing strong reliable machines that provide our customers with real value for money.

We will continue to supply our products into the southern African market and will seek to entrench our position at the forefront of the industries which we supply. 2005 will, however, see us extending our product offering and utilising our alliance with John Deere to better effect both domestically and in the export market. We are confident that the steps that we have introduced to change the way we do business in the current economic climate and a strong Rand will bear fruit in the year ahead and assist in our recovery to profitability.

In December 2004 the Board engaged Deloitte Consulting to assist management in an extensive review and revamping of our business processes. This project, known as 'Project 100 Plus', is initially scheduled to run until July 2005 and is aimed at making a significant improvement in the group's operating and financial performance.

We have already seen some breakthrough improvements as the project team sets about tackling key areas.

Inventory

Inventory has shown an increase, predominantly in parts and work in progress, to cater for the anticipated volumes of business in 2005. Used stock has shown a large increase during the year as a result of a number of buy back deals having reached maturity. We are actively addressing this issue by engaging in sales drives in South Africa as well as neighbouring countries.

Acknowledgements

We've come a long way since the company started as a small engineering works 50 years ago, and in 2004 more than ever we have reaped the benefit of being a learning organisation that is on a path of continuous improvement.

In spite of difficult times I am proud to say that my team of employees remains highly motivated and our core strength. It would be remiss of me not to give them and their management special recognition for showing loyalty and dedication during such trying times.

I wish also to express my gratitude to the Board of Directors for their guidance in the strategic affairs of the group.

Gary Bell
Chief Executive

The Strategic Alliance

between Bell Equipment Limited ('Bell') and John Deere Construction and Forestry Equipment Company ('Deere')

Background

In April 1999 Deere acquired a 32% stake in Bell when 30 million shares were issued at R6,00 each. This was in terms of a shareholders' agreement between Deere, Bell and the Bell Family shareholders who were at the time the controlling shareholders in the company. The shareholders' agreement was underpinned by a supply and distribution agreement that gave Deere the virtually exclusive right to distribute and support Bell designed Articulated Dump Trucks (ADTs) in certain territories including North and South America. Deere were also granted an option by the Bell Family to purchase their shares at an agreed price and this option will, under the previous shareholders' agreement, be valid until 31 December 2005.

At the time the distribution and supply agreement, which denominated selling prices in US Dollars, was acceptable but subsequently, due to the substantial strengthening of the Rand against the US Dollar, it became increasingly clear to Bell that it was not possible to continue with this arrangement since Bell's exports to North America were resulting in gross losses. This led to the parties negotiating revised terms for their alliance.

Bell had embarked on various cost cutting programmes in order to maintain profitability but it was obvious that the strategic alliance between Bell and Deere would produce improved results if the parties could re-align their operations using each other's strengths to better advantage.

The new arrangements – the Shareholders' Agreement

With effect from 15 March 2005 Bell and Deere are concluding new contracts which have been referred to various regulatory authorities and advisers and found to be acceptable. As in the former case there will be a shareholders' agreement (in the form of an amendment to the 1999 Shareholders' Agreement) which is underpinned by manufacturing, supply and distribution agreements with the exception that the latter will be product specific as will be seen below. Deere's earlier option over the Bell Family shares will still exist under the new arrangements, but will fall away at the end of 2005 if not exercised.

The shareholders' agreement will once again be between Bell, its two largest shareholders viz. Deere who owns 32% and IA Bell & Company (Pty) Limited who owns 48% of the issued shares. Also party to this agreement are the constituent shareholders of IA Bell & Company, viz. GW Bell, PC Bell, PA Bell, MA Campbell, DI Campbell and HJ Buttery.

The purpose of this agreement is to protect the respective intellectual property of Bell and Deere and also to provide the terms under which each of them will re-align their operations strategically and what will need to be observed should the Bell Family or Deere wish to dispose of part or all of their respective shareholdings.

The new shareholders' agreement places a restriction on the Bell Family unilaterally selling any part of their shareholding that is owned through IA Bell & Company until 15 March 2015 while any Product Agreement (see below) is in effect or while Deere remains the beneficial owner of 25% or more of the issued capital of Bell.

Negotiations have been concluded with John Deere under which Bell will license Deere to build our range of Articulated Dump Trucks in North America. Bell will produce Front End Loaders and Tractor Loader Backhoes under licence from Deere.

The Strategic Alliance
between Bell Equipment Limited ('Bell') and John Deere Construction and Forestry Equipment Company ('Deere') (continued)

The restriction applies in the case of any Shareholder (being IA Bell & Company and its individual shareholders) contemplating the sale of any Bell shares to a construction equipment company where the prior written consent of Deere shall be required. On the same basis Deere will also need to consent should Bell, or any Shareholder, procure the disposal by Bell of certain defined assets to or the merging by Bell with another construction equipment company. The defined assets are assets with a market value in excess of US$500 000 irrespective of whether the disposal occurs in a single transaction or a series of related transactions. Deere will have a right of first refusal should any of such assets or the Bell Family shares be offered for sale.

After 15 March 2015 should any Shareholder party other than Deere wish to sell its shares then the agreement provides that Deere shall have a right of first refusal to purchase these shares at fair market value. Should Deere not exercise that right then the agreement provides the procedure whereby the shares may be sold through auction where Deere may be one of the bidders.

The Product Agreements

The new agreement between Bell and Deere centres around three products – Articulated Dump Trucks (ADTs), Front End Loaders (FELs) and side shift Tractor Loader Backhoes (TLBs). Bell is granting Deere the exclusive right to manufacture ADTs in North America and in exchange for this right Deere will pay Bell a royalty. Deere on the other hand is granting Bell the exclusive right to manufacture and distribute certain Deere designed FELs and side shift TLBs in southern Africa for which Bell will pay Deere royalties. The initial royalties payable by each party are at an equal percentage of unit costs.

Each of the product agreements will be 'evergreen' but will be subject to termination should Deere or any affiliate of Deere cease to hold an equity interest in Bell or should either party be in breach and fail to rectify the breach. Each of the parties will retain their respective intellectual property rights in the various products as exist at the time of concluding the agreements. Thereafter the agreements make various provisions for the allocation and sharing of product improvements. Thus the cost of having duplicated research and development departments will be rationalised. The parties will leverage their respective purchasing strengths and any savings in the cost of producing any of the products will be shared for the mutual benefit of Bell and Deere in the future.

There are territorial restrictions attached to each product agreement. Deere may distribute and supply ADTs on an exclusive basis in North, Central and South America including the Caribbean Islands and China (the latter country and North America being shared initially with Hitachi). Deere may also sell ADTs on a non-exclusive basis anywhere in the world, excluding southern Africa and certain African countries for which Bell has exclusive rights and Australasia, South East Asia and Japan for which Hitachi has exclusive rights and excluding certain African countries. Hitachi may source its ADTs from either Bell or Deere, depending on where the products will be sold. Bell has the non-exclusive right to market its ADT products anywhere in the world with the exception of Deere and Hitachi exclusive countries.

The FEL agreement relates to a range of products that will fill the gaps in Bell Equipment's existing product offering of that equipment and permits Bell to market FELs on an exclusive basis in southern Africa and, upon approval of a business plan acceptable to Deere, on a non-exclusive basis in other countries except North, Central and South America. The agreement provides that Bell will discontinue production of its own FELs as soon as is practical, but in any event not later than 30 June 2006, and thereafter will only produce and sell the Deere designed models. The TLB agreement relates to a specific variant known as the 'side shift' model which will be marketed by Bell in the same territories as the FELs. In addition Bell is contracted to manufacture these particular machines on behalf of Deere for supply to Deere and Hitachi with Bell earning the sales revenue but being required to pay Deere a royalty. General provisions in all of the product agreements provide for the manufacturing party to use its brand on the products it produces and that they will share the benefits of their research and development programmes with one another. The parties are confident that this new business model which is founded on good faith between them will deliver economies and translate into greater revenue earning opportunities.

Bell and Deere will use their respective strengths to bring about savings in the cost of manufacture which translates into benefits for customers.

Corporate Governance

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

An assessment of our compliance with the recommendations made in the second King Report confirms that the South African group already substantially complies with the majority of aspects and is well on the way to achieving full compliance where it is responsible to do so.

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

Internal control systems

The internal audit function of the group enjoys the full support and co-operation of the Board of directors, management and staff. The internal audit function has the prerequisite professional integrity and experience for this task and they have given the assurance to the Risk Management and Audit Committee that the internal control systems are adequate. The Board of Directors is kept fully informed of the proceedings of the Risk Management and Audit 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 reviewed and updated on a regular basis.

During 2004 we exceeded the banking covenants with certain of our banks that limited gearing to 50%. The relevant banks have accepted these periodic excesses and management updates all the banks on a regular basis as to progress against budget and with the Project 100 Plus. With this exception nothing has come to the attention of the directors, or to 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 2004.

Going concern

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

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

- Our current order book for new unit sales and sales in the first months of 2005
- The technology of our products
- The budget for the next financial year
- The volume of the after sales market
- The liquidity and working capital of the company including its credit facilities
- The banking facilities available to the group
- Market share for its products as monitored by independent third parties
- The positive working relationships with suppliers and employees, and
- The projected benefits that will flow from our Project 100 Plus.

We see our compliance with the recommendations made in the King Report as an essential feature of the way we behave as a responsible corporate citizen.

Environment

Bell Equipment places environmental responsibility among our core values and recognises the importance of preserving the integrity of our natural heritage. We aim to comply with the environmental regulatory standards of all countries into which we sell our products.

Our concern for the environment will be subject to review of accomplishment and continuous improvement processes. A more detailed report on how we manage our environmental responsibility is contained in the sustainability report on page 19.

In designing and manufacturing our products we aim to ensure that:

- All industrial effluent and waste products generated by our manufacturing operations are managed so as to minimise their impact on the environment.
- Our products will be designed so as to ensure that emissions have the least impact on the environment and that operating noise levels are minimised.
- The environmental impact of our products shall be minimised by having due regard to their functionality in working in the industries into which they are sold.

As part of its drive towards sound corporate governance the group is committed to complying with environmental requirements for its Richards Bay factory, German assembly plant and distribution operations elsewhere.

Employment equity

In taking our responsibilities as an employer to greater lengths than required by the Employment Equity Act, Bell Equipment has committed itself to 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.

This aspect is covered in greater detail on pages 19 to 20.

Structure of the Board and committees

The roles of the Chairman and Chief Executive are distinct and there are seven non-executive directors, one of whom chaired the Risk Management and Audit Committee and another the Nominations and Remuneration Committee throughout the year under review.

The company has a unitary board which meets at least four times per annum.

All directors have access to the Company Secretary and are entitled to seek other independent professional advice in regard to the performance of their duties.

Newly appointed directors are required to undergo an induction programme during which they are briefed on their fiduciary duties, their legal obligations and the company's history, operations and key initiatives.

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 is involved in all decisions that are material for this purpose.

Corporate Governance
(continued)

Directors' attendance at meetings

During 2004 the Board met on four occasions, with attendance recorded as follows:

Directors	Attendance
CD Anderson	4 out of 4
GW Bell	4 out of 4
PC Bell	2 out of 2
HJ Buttery	4 out of 4
MA Campbell	3 out of 4
MA Guinn	1 out of 1
GP Harris	3 out of 4
PJC Horne	4 out of 4
JW Kloet	3 out of 4
PE Leroy	3 out of 4
SCM Nyembezi	3 out of 4
DB Rhind (alt)	4 out of 4
TO Tsukudu	4 out of 4
DJJ Vlok	4 out of 4

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

Particulars of the composition of the Board of Directors and committees appear on pages 64 and 65 of this report.

Risk Management and Audit Committee

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

Other areas that are reviewed include the review of 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 company's risk management programme.

Risk Management and Audit Committee attendance at meetings

During 2004 the Risk Management and Audit Committee met on four occasions, with attendance being as follows:

	Attendance
PJC Horne	4 out of 4
JW Kloet	3 out of 4
SCM Nyembezi	1 out of 4
DJJ Vlok	4 out of 4
By invitation:	
GW Bell	4 out of 4
HJ Buttery	4 out of 4
DB Rhind (Alt)	4 out of 4

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 the executive directors and senior management in line with their individual contributions to the company's overall performance. All members of this committee are independent non-executive directors.

The committee met once in the year, with full attendance and has complied with the terms of its Charter.

The company's remuneration philosophy is to reward its people fairly and in line with the market in similar industries. As recognition for superior performance the company has incentive schemes which could pay monthly and annual bonuses which would place employees' remuneration packages beyond the norm provided that certain hurdles are cleared. The remuneration paid to directors of the company is disclosed on page 63.

Stakeholder communication and worker participation

Many Bell Equipment employees and stakeholders are shareholders in the company or hold share options and therefore receive the annual report. The company also produces an annual employee report. In addition, many stakeholders regularly receive Bell Equipment publications such as the 'Bulletin' and 'Communique' which are distributed worldwide and have access to additional information via the company's website and intranet site.
A briefing system is in place to facilitate communication to all levels within Bell Equipment. We endeavour to make all our communication effective, transparent, balanced and fair and produce 'Bell Online' to address such issues with employees on a five-weekly basis. The company has a recognition agreement with NUMSA and a constructive relationship with other unions that have a significant number of members in Richards Bay and generally enjoys positive industrial relations.

Code of Ethics

The company has a Code of Ethics which commits the company 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 and during the year under review there has been substantial compliance.
The Code of Ethics covers the interactive relationships between the company, its directors, management and employees as between themselves and outside stakeholders, customers, shareholders and society at large.

Safety

The company has implemented an effective safety management process which is aimed at making the workplace and all work processes safe. All safety breach incidents are thoroughly investigated to ensure that these are not repeated and proper training and retraining is given where appropriate. While it is a fact that accidents can and will happen, we try to inculcate a safety awareness ethic in all our employees.
Our safety initiative has been awarded the NOSA (National Occupation Safety Association) 4 star grading for our factory in Richards Bay and we are actively working towards improving this grading. Our Southern African Sales and Distribution Operations headquarters in Jet Park has achieved the Technilaw 5 star grading.

Only non-executive directors are members of the committees of the Board and these are chaired by independent non-executives.

Risk Management

Effective risk management is critical to Bell Equipment's operations. We therefore follow a comprehensive Risk Management process which involves identifying, understanding and managing the risk associated with our business.

Risk management in Bell is about:

- Instilling a culture of risk awareness into every aspect of operation
- Proactively identifying and understanding risk and the root causes of the risk
- Setting up a system of risk mitigation activities
- Continuous improvement
- Documenting, monitoring and commentating on risks and their treatment

Risk management framework and structure

The Risk Management and Audit Committee (RMAC) is responsible for the overall risk management process of the organisation, but the Board retains full accountability.

Management is responsible to the Board for designing, implementing and monitoring the process of risk management and integration into the day-to-day activities of the company.

The company has established an internal audit committee (Bell Audit Services – 'BAS'). This committee reports to RMAC.

Through our risk management structure the Board is able to receive assurance that the fundamental areas of risk recognition and mitigation are covered in a responsible manner.

The Board, operating through RMAC, supervises the financial reporting process.

The group maintains adequate accounting records and effective systems of internal control and risk management over financial reporting and safeguarding of assets against unauthorised acquisition, use or disposition. These systems are designed to provide reasonable assurance to the company's management and Board of Directors regarding the preparation of reliable public financial statements. They include a documented and tested organisational structure and division of responsibilities and established policies and procedures, including a code of conduct to foster a strong ethical climate, all of which are communicated to all personnel.

Internal auditors monitor the operations of the internal control systems, report findings and make recommendations to management and the Board of Directors. Corrective actions are taken to address control deficiencies and opportunities for improving the systems are constantly sought.

BOARD OF DIRECTORS

↓

RISK MANAGEMENT AND AUDIT COMMITTEE

↓

BELL AUDIT SERVICES

↓

SENIOR MANAGEMENT

↓

ASSURANCE PROVIDERS

EXTERNAL	INTERNAL
External Auditors	Policies and procedures
NOSA	Security
Technilaw	Internal auditors
ISO: 9002	Functional committees
Consultants, insurers and underwriters	(eg. safety, quality etc.)

Risk management process

Risk identification

In addition to periodical zero based risk assessment and ownership allocation, risks are continuously identified through focused risk discussions. The group's risk register is regularly reviewed and updated (identification, evaluating and managing significant risks) with corrective actions and preventive measures taken and thereafter closely monitored. Any significant risk that is new to the group is reported to RMAC via BAS.

Risk evaluation

Risks are evaluated based on their potential impact on Bell as well as the probability of occurrence. The impact of risk is assessed through regular interaction with operations. Residual risk is calculated based on these assessments.

Risks are classified as either strategic risks or business risks depending on their nature. The Board monitors strategic risks while business risks are managed and monitored by management.

Response strategies

Response strategies are developed or reconfirmed for all risks. These responses are determined by risk appetite as well as taking the impact and probability of occurrence into account. Response strategies depend on the nature of the risk and are often a combination of various actions which include insurance, outsourcing, risk avoidance and/or active management of risk via people, processes and systems. The cost of risk mitigation is taken into account in determining the response strategies. Certain risks are accepted based on their possible impact as well as the company's risk appetite. Risk such as global receding economic environment, currency fluctuations and accelerated technology changes are largely beyond Bell's control and mitigation is limited to response actions to counter the impact of such risk.

Through our risk management structure the Board is able to receive assurance that the fundamental areas of risk recognition and mitigation are covered in a responsible manner.

Risk Management
(continued)

Monitoring

Ownership is allocated for each risk as well as for the response strategies of each risk owner who is responsible for the day-to-day management and monitoring of risk and for the overall adequacy and effectiveness of mitigating actions.

The risk management structure provides for understanding and oversight of the risk as well as assigning of responsibilities. Through this process the Board is satisfied that the group's key business risks are being managed effectively and that there are disaster recovery plans in place in the event of being affected by catastrophic incidents.

We recognise that risks are dynamic and will change over time. New risks will emerge whilst others that have been subject to close attention will either disappear or be managed down to acceptable levels. The Board is confident that the structures and processes are more than adequate to ensure that the group operates in an environment where risk is not merely a threat but is a valuable opportunity for improvement.

The table contains a summary of those risks that have been assessed as key strategic risk due to the impact they could have on the organisation if not mitigated well.

Business Risks	Preventive Controls/Corrective Controls
Dependence on limited source 3rd party suppliers	Strategic supplier source programme Supplier evaluation programme Reactive plans Appropriate relationship/partnership development
Operational risk pertaining to people	Employment equity and employee advancement programmes HIV/AIDS programme Values and diversity training Critical skill monitoring Incentive schemes Social investment
Financial	Treasury committee Gearing policy Working capital management Internal audit Costing protocol
Production/Capacity	Quality control programme Safety programme Capital equipment and IT disaster recovery plan Multiple production facilities
Innovation in the industry	Feedback from clients, suppliers and industry specialists Feedback from Fleetm@tic System Freedom to use 'best of breed' components

Sustainability Report

Continuous improvement

Due to the dynamics of business in the global community, Bell Equipment views Continuous Improvement (CI) as vital for survival. During 2004 the company identified the need to align its continuous improvement initiatives to the company's Operations Strategy and a Cost Reduction Plan was formulated.

This plan encompasses all aspects of the business's drive to reduce costs and is based on a collaborative effort between Bell Equipment and John Deere. Whilst 2004 did not produce any exceptional results in this area, the CI team was able to contain its costs. 2005 will bring new challenges, but with the combined efforts of everyone in the organisation being harnessed in Project 100 Plus, CI goals will be achieved.

Social

The group's operations cover various countries throughout the world and apply the ethic of consistency in our relationship with our employees. Where local legislation requires specific attention to be given to a particular aspect we aim for full compliance well ahead of deadlines. Due to the majority of our employees being in South Africa this report primarily deals with the domestic situation.

Trading conditions continued to be difficult in 2004 with the strength of the Rand adding further pressure to the operation. Bell Equipment's stable and committed workforce rose to the challenge in making the changes necessary to keep the company on track in trying times.

The company has always maintained that its strength is its people and that we have managed to deal with the challenges of 2004 is illustrative of one of our core strengths. We remain confident that these abilities and the tenacious spirit of our workforce will enable the company to continue to grow from strength to strength.

People development

Bell Equipment believes in developing skills from within and consults regularly with all stakeholders to discuss and agree on the training requirements of our employees. This ensures that opportunities for advancement are offered to as wide a group as possible and that employment equity targets are met.

The link between training and development and the fulfilment of government's Skills Development Plan was met in 2004 with a number of candidates from the targeted groups being identified for fast track development. As part of the company's employment equity plan some key positions have been identified where incumbents will be retiring and we aim to fill these with those who have come through the fast track development programme.

Several programmes are in place to assist and encourage employees to improve their skills level. These include Adult Basic Education Training courses (ABET), a study assistance programme, on-the-job training, functional courses, work assessments and safety induction courses.

The management development programme, developed a few years ago in conjunction with the University of Johannesburg, has largely been completed and has had a positive effect on management in the Southern African Sales and Distribution Team by enhancing their business knowledge and skills.

Bell Equipment continues to offer apprenticeships and learnerships in different areas, mainly technical. These programmes are strongly biased towards groups targeted by employment equity legislation and are also important to secure the level of skills needed for future growth of the company.

Bell Equipment is to undertake training of its assemblers and welders through the Sectoral Education and Training Authority for the Metal and Engineering Industries. Unemployed people have been identified and tested for numeracy and literacy, in line with the company's aim to increase the level of education in the factory. These people will be registered on learnerships and once trained, will then be employed on a temporary basis while full time employees on the shopfloor are taken off the line for their training periods.

Employee health is a key concern of the company and Bell Equipment provides support through lifestyle counselling and occupational health clinics. The company also supports efforts to reduce the HIV/AIDS threat to the region and its workforce and concentrates its efforts on the prevention of HIV/AIDS and assisting those afflicted with the virus to live as productively as possible.

Voluntary Counselling and Testing is done at the company clinic in Richards Bay and middle and senior management have attended an HIV/AIDS workshop with the aim of establishing a support system for employees already affected by the pandemic.

The company's policy to provide anti-retroviral treatment to those not on medical aid will now be brought in line with government's announcement of a roll-out programme for anti-retroviral drugs.

In line with our HIV/AIDS programme Bell Equipment has compiled an Employee Assistance Programme (EAP), which comprises six focus areas:

- HIV/AIDS
- Disability
- Substance abuse, including narcotics and alcohol
- Financial management
- Trauma
- Marital problems and conflicts

Relationships

In terms of Bell Equipment's organisation climate and remuneration philosophy the company offers acceptable basic salaries with incentives if certain targets are met.

The company has implemented the TASK (Tuned Assessment of Skills and Knowledge) grading system, which has enabled benchmarking internally and externally of each job position and provided an accurate costing. The future benefit of this exercise is that the interest of employees is taken care of and the company is simultaneously able to ensure a fair return for the salaries it pays.

During 2004 the employee relations at the company were relatively settled, having started the year with a relationship exercise in which management and the major union, NUMSA, took part.

Importantly, and in a positive step forward, discussions between management and the unions are predominantly about improving business efficiencies and reducing costs for the sustainability of the company and, as a result, its employees.

	2004	2003
	%	%
Non-union members:	**46**	50
Membership per union		
Solidarity	**10**	4
NUMSA	**31**	32
UASA	**12**	13
NICWU	**1**	1

Key:

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

In a positive step, discussions between management and the unions are predominantly about improving business efficiencies and reducing costs.

Black Economic Empowerment

Bell Equipment supports Black Economic Empowerment (BEE) and has partnered with emerging plant hire, construction and mining groups to assist them in establishing their operations and is looking at similar developments in the construction, forestry and sugar industries.

Apart from providing BEE companies with opportunities to grow their business, Bell Equipment believes it has a responsibility to play an active role in identifying such initiatives and supports the emergence of these enterprises. Focus areas to promote success are a real transfer of skills in sales, management, administration, logistics, product support and related areas.

Community obligations

Bell Equipment believes in giving back to the community in which it operates. The company's employees form part of this community and by helping to improve the standard of living, the company is also improving life for employees and their families.

The company has identified and targets the key areas of job creation, education, environment, HIV/AIDS, crime prevention and the upliftment of the poorest sector of our community. The company also recognises the role that sport plays in bringing people together and providing opportunities for healthy recreation.

Where possible Bell Equipment's approach has been to empower the community to encourage sustainability, well-being and a sense of self worth. Some of these initiatives not only benefit the recipients but have a claw-back benefit for the company. An example is the company's support of a number of institutions in the Zululand area, such as Thuthukani Special School and Jabulani Skills Training Centre, that exist to uplift and support those people whose opportunities are limited.

Bell Equipment remains an active member in the Zululand branch of Business Against Crime and through this involvement we have continued our work in improving the facilities at the Empangeni Police Station. Our helicopter fleet is made available to the South African Police Services to provide air assistance whenever a serious crime is committed. In this way the company is helping to keep employees and their families safe.

In acknowledging HIV/AIDS as one of the greatest threats to the region and the workforce, Bell Equipment has joined hands with other Zululand industries to provide support at Amangwe Village. This is a unique and specialised project aimed at providing care to AIDS victims.

The company likewise participates in and supports various fund raising drives and makes modest donations to deserving charities.

Environment

Although the Bell Equipment factory in Richards Bay deals with noxious fumes during the manufacturing process, it does not create emissions or unacceptable levels of pollution.

The company takes environmental protection seriously and disposes of oils and other harmful waste products in a responsible manner.

All factory employees are supplied with protective clothing and are required to undergo medical tests, including hearing level assessments, to ensure that the working environment is responsibly managed and does not negatively impact on their health.

Environmental concerns extend to the products manufactured by the company and Bell Equipment aims to meet and beat international emission standards when designing products.

The company likewise remains mindful of other environmental factors such as ground compaction and endeavours to act as responsibly as possible to reduce the impact of its products on the environment.

Business Review

Bell Equipment, a leading global manufacturer and exporter of a wide range of heavy earthmoving machinery, markets an impressive range of over 50 models of Articulated Dump Trucks (ADTs), wheeled loaders, rigid and articulated haulers and tri-wheeler rough terrain materials handling equipment. It supplies machinery to the sugar, forestry, mining and construction industries worldwide.
In addition the company is an appointed distributor in selected territories representing the manufacturers of several leading international brands. The group also has trade and strategic alliances with global companies including Kato Works of Japan, John Deere based in the United States, Hitachi in Asia, Liebherr in Germany and Hyundai of Korea.

General

In South Africa, in all the markets we compete in, competition from our fully imported competitors was high and the continuing strength of the Rand enabled these products to be offered at unprecedented pricing levels. Inevitably this resulted in our margins coming under pressure.
Bell ADTs in particular were often more competitively priced both locally and in our overseas markets. To counter the effects of the strong currency several cost reduction programmes were implemented, including changing certain previously standard features to options, as many of these are not always required by customers.
Fleetm@tic was launched in September, and subscriptions to Bell Equipment's ADT satellite tracking and production management system have been favourable. Although the use of wireless and satellite communications on production machinery is not unique, Fleetm@tic is currently the only remote system to monitor machine position and service data as well as full productivity data. This is because Bell ADTs are the only such machines to offer an accurate On-Board-Weigh (OBW) system. Fleet owners will find great use in being able to optimise machine productivity, as well as the ability to detect and pinpoint any abuse of equipment and time.

The Bell brand continues to spread its footprint across Europe with ADT sales into new territories, such as Norway where we gained 11% market share during our first full year of representation. Other successes are into Eastern Europe with sales in Poland, Croatia and Russia.
Although the Eastern bloc countries have traditionally used rigid off highway trucks, they are looking to the West to update their fleets and are seeing the benefits and advantages of Articulated Dump Trucks. Although sales of ADTs are still at a low level the potential is there. Bell Equipment views Russia as one of the countries with the greatest potential for growth, having delivered ten B30D trucks into this country during 2004.
Bell Equipment UK launched their range of Bell branded Excavators into the UK and Northern Ireland during the last quarter of 2004. This enables the company to sell a complete load and haul system to its customers and the reception from the market so far has been extremely positive, which should result in significant sales this coming year.
The company's new flagship B50D ADT, having enjoyed its official European launch at Germany's Bauma exhibition earlier in 2004, has taken off exceptionally well with sales so far into the UK, Spain and Norway. The company had planned to build about thirty B50Ds during the year under review but some large multi-unit deals from European customers has resulted in the German factory having to increase the build quantities closer to fifty of these units.
The B50D has shown that it can produce 25% more than a 40 ton ADT, with operating and fuel consumption cost penalties of only 5% to 15%. Although this unit is eating into the 40 ton ADT market, it is largely impacting on the rigid truck sector. We see this trend continuing for the foreseeable future before the 50 ton ADT establishes its own segment.

The Bell Equipment assembly plant in Eisenach, Germany, has been in operation for just over a year, and is already exceeding its forecasted production plan. The plant is achieving its goal to provide ADTs to our northern hemisphere markets of Europe and North America. Importantly the quality of the machines from this plant is meeting our high quality standards.

The forecasted gain from reduced logistics is starting to pay dividends, especially in Europe where in most cases machines are delivered direct from the plant to the end user.

Currency levels were a major contributor to the growth experienced in the South African Front End Loader (FEL) market during 2004. The strength of the Rand against the Yen, US Dollar and Euro opened the door for competitors to gain a foothold on the market with reduced prices, placing pressure on Bell Equipment as a local manufacturer.

Although Bell Equipment was unable to capitalise on this situation, its market share remained strong as the company held onto its position as one of the top selling brands in the country. This is attributed to the strength and reliability of the proven FELs and the overall back-up and service package that we are able to offer our customers.

At the end of 2004 the company announced that it would be looking to further increase its competitiveness by expanding its FEL range with four new models, increasing Bell Equipment's offering from 10t to 22t machines to a 26t unit. The additional models will form the company's new D-series range of FELs to give customers a wider selection from which to match their machine requirements, as well as providing them with the latest available technology.

The company's new flagship B50D Articulated Dump Truck was launched in Europe early in 2004 and has taken off exceptionally well.

Business Review

(continued)

Mining and Construction

The strength of the Rand, during the period under review, once again had an adverse effect on the profitability levels of local mining companies. Despite this we were successful with the full Bell mining product offering to both the mining houses and mining contractors alike.

Commodity prices of both precious and base metals remained very bullish throughout the period, largely as a result of the massive demand for these metals coming from China. New projects coming on stream were limited and a number either remain shelved or have been mothballed. This scenario is unlikely to change going into the new year, with the Rand at its current levels.

The year saw much continuing development along the South African coastline and as a result our Cape and KwaZulu-Natal regions enjoyed a particularly successful 12 months. We enjoyed good sales to the construction industry with the smaller end of our construction product offering.

Entry into the Indonesian market has proved to be extremely difficult with our major competitor buying market share and although this is a large ADT market, due to price competitiveness Hitachi is facing huge challenges.

Some success has been had in New Zealand in gold and coal mining and this trend looks set to continue through 2005.

The construction industry in North America has continued to grow at double digit pace with growth in ADTs at 38% and good growth in the scraper tractor market where we once again enjoyed double digit growth in unit sales.

Sugar and Forestry

2004 has been another year of substantial growth for Bell Equipment's Sugar and Forestry sector, especially in forestry and more specifically our South American markets. The year has seen factory output, in terms of units, increase by 13%. On the back of a 32% increase in the previous year this certainly looks hopeful for 2005, especially considering that a third of forecasted production for 2005 is destined for South America.

Sales into the sugar sector have remained steady in 2004 with the world market being influenced by two significant developments during the past 12 months. The entire market has closely followed the World Trade Organisation's preliminary ruling in favour of Brazil, Australia and Thailand following a complaint lodged by these countries. The trio believe that the European subsidies paid to beet growers and sugar processors in that region give the EU common market organisation an unfair advantage on the world export market.

The second development was a renewed scare brought about by a massive hike in crude oil prices reminiscent of the early seventies and eighties. Now, as then, ethanol production has become a focal point of the industry and, in Brazil's case, has led to a policy decision that has seen that country become the world's most dominant sugar producer. Both of these developments bode well for the future and Bell Equipment's continued commitment to the industry.

The Asian markets have continued at a low ebb in both sugar and forestry machine sales and whilst Bell Equipment South East Asia has concentrated on dealer development in the territory our sales have fallen way short of forecast. An encouraging note is our return to parts sales in this marketplace through our new dealer network. This will continue to grow and provide a higher margin revenue stream to the operation.

The New Zealand forestry industry is still in a difficult situation and our distributor for forestry products has only recently resumed sales of machines into this market.

The North American forestry industry has shown an increase in activity and we are seeing good growth in our parts business due to rebuilding of older units infield and re-commissioning those which had previously been mothballed.

2004 has been another year of substantial growth for Bell Equipment's Sugar and Forestry sector and more specifically our South American markets.

Company History Timeline

1954

Company founder Irvine Bell establishes a small enterprise providing engineering and equipment repair services to the pioneer farming community in KwaZulu-Natal, South Africa. One of his earliest and most successful inventions was the self-loading trailer for the sugarcane industry.

1964

Searching for a better way, Irvine Bell invents a three wheeled loading machine. The Bell Tri-Wheeler's revolutionary design is granted patents worldwide. Over time an improved design and an attachment range see the machine adapted for the forestry and construction industries.

1984

Two years after entering the Wheeled Loader market with a machine designed for Africa's harsh operating environment, the company enters the competitive ADT market with their first Articulated Dump Truck, the B25A. To meet growing local and export demand, Bell commissions a new production facility in Richards Bay, South Africa.

1989

Bell Equipment launches its innovative B40 Articulated Dump Truck, to target heavy duty mining applications.

1995

Bell Equipment acquires the rights to distribute John Deere Construction and Forestry Equipment in southern Africa under the Bell brand. This complements the alliance with Kato Works in Japan, formed three years earlier, to sell a branded Excavator range. In the same year Bell Equipment is listed on the Johannesburg Stock Exchange.

1999

Bell Equipment forms a strategic alliance with John Deere's construction and forestry arm. John Deere begins to brand and distribute Bell ADTs in North and South America. The launch of the Bell D-series ADTs in 2001, which sets a new standard of excellence, sees this arrangement and a similar alliance with Hitachi in Australia flourish.

2002

Following on the successful launch of the Bell D-series ADTs in 2001, the company launches the world's largest ADT and latest flagship, the Bell B50D. The Bell Construction Tractor concept is successfully introduced into North America and a strategic alliance with Liebherr doubles product distribution efforts in Europe.

2003

An assembly plant is opened in Germany to provide greater flexibility and better management of logistics when delivering ADTs to the important Northern Hemisphere markets. The company celebrates the production of the 10 000th Tri-Wheeler unit and also receives the Technology Top 100 Award for Overall Technology Excellence: Large Enterprise.

2004

Bell Equipment celebrates its 50th year in the manufacturing industry and announces plans to further strengthen its business partnership with John Deere by a series of arrangements that would see John Deere assembling Bell ADTs in North America for that continent and Bell Equipment manufacturing the Deere Tractor-Loader-Backhoe and range of Front End Loaders for the southern African and international markets.

Five Year Review

for the year ended 31 December

	2004 R000	2003 R000	2002 R000	2001 R000	2000 R000
INCOME STATEMENT					
Revenue	**2 526 488**	2 778 279	2 386 356	1 658 096	1 438 507
Cost of sales	**2 053 943**	2 173 237	1 768 707	1 228 425	1 032 289
Gross profit	**472 545**	605 042	617 649	429 671	406 218
Net operating costs	**447 194**	452 333	386 423	296 696	288 289
Operating profit before finance costs	**25 351**	152 709	231 226	132 975	117 929
Net finance costs	**31 428**	76 001	56 144	475	11 538
(Loss) profit before taxation	**(6 077)**	76 708	175 082	132 500	106 391
Taxation	**5 356**	40 054	49 481	35 217	25 077
(Loss) profit after taxation	**(11 433)**	36 654	125 601	97 283	81 314
Shares in issue 000	**94 246**	94 224	94 210	93 837	93 634
Shares in issue 000 (wt avg)	**94 237**	94 219	93 892	93 750	93 429
(Loss) earnings per share (cents)	**(12)**	39	134	104	87
Proposed dividend per ordinary share (cents)	**–**	–	15	10	10
Net asset value (cents)	**743**	755	762	705	530
BALANCE SHEET					
Property, plant and equipment	**202 464**	154 819	142 284	135 054	102 892
Investments and long-term receivables	**57 553**	56 389	30 440	21 083	12 692
Deferred taxation	**3 709**	16 560	5 303	–	–
Inventory	**1 056 828**	855 791	843 994	635 838	513 638
Receivables and prepayments	**231 284**	251 409	295 135	344 976	239 875
Taxation	**26 809**	–	–	–	–
Total assets	**1 578 647**	1 334 968	1 317 156	1 136 951	869 097
Shareholders' equity	**700 118**	711 257	717 688	661 259	496 689
Deferred taxation	**–**	–	–	11 627	4 711
Payables, provisions and dividends payable	**495 708**	368 821	471 360	326 146	233 576
Taxation	**–**	3 475	19 675	17 590	30 649
Net borrowings	**382 821**	251 415	108 433	120 329	103 472
Total equity and liabilities	**1 578 647**	1 334 968	1 317 156	1 136 951	869 097

	2004	2003	2002	2001	2000
KEY RATIOS					
Operating ratios					
Operating margin (%)	**1**	5	10	8	8
(Operating profit)					
(Revenue)					
Net asset turn(times)					
(Revenue)	**2**	3	3	2	3
(Average net assets)					
Return on net assets (%) (RONA)					
(Operating profit)	**2**	17	29	19	22
(Average net assets)					
Financial ratios					
Gearing (%)					
(Net borrowings)	**55**	35	15	18	21
(Total shareholders' funds)					
Interest cover (times)					
(Operating profit)	**1**	7	18	17	15
(Net interest paid)					
Overall performance					
Return on shareholders' funds (%)					
(Attributable profit)	**(2)**	5	18	17	18
(Average shareholders' funds)					
Gross profit to revenue %	**19**	22	26	26	28
Working capital days trade cycle					
Inventory	**188**	144	174	189	182
Receivables	**33**	33	45	76	61
Payables	**88**	62	97	97	83
Total	**133**	115	122	168	160

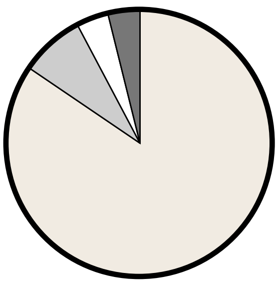
	R000	R000	R000	R000	R000
ABBREVIATED CASH FLOW					
Cash operating profit before working capital changes	**11 622**	187 237	211 408	221 226	172 957
Cash invested in working capital	**(85 034)**	(95 356)	(30 917)	(122 210)	(164 860)
Net finance costs	**(31 428)**	(80 492)	(57 718)	(3 530)	(14 079)
Taxation paid	**(28 984)**	(62 599)	(64 402)	(41 268)	(4 955)
Net cash flow (applied to) from operating activities	**(133 824)**	(51 210)	58 371	54 218	(10 937)
Dividends paid	**–**	(14 131)	(9 385)	(9 364)	(5 595)
Invested in property, plant, equipment, investments and long-term receivables	**(46 692)**	(75 612)	(16 814)	(69 195)	(40 783)
(Funding requirement) cash surplus	**(180 516)**	(140 953)	32 172	(24 341)	(57 315)
Net increase in shares	**62**	44	953	533	1 061
Net borrowings increased (repaid)	**180 454**	140 909	(33 125)	23 808	56 254
Funds procured (cash surplus applied)	**180 516**	140 953	(32 172)	24 341	57 315

Value Added Statement

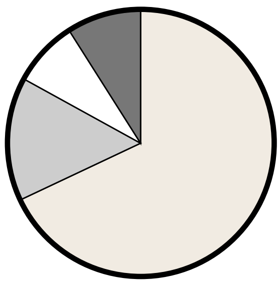
for the year ended 31 December 2004

	December 2004		December 2003	
	R000	**%**	R000	%
Revenue	**2 526 488**		2 778 279	
Goods and services acquired	**2 136 917**		2 263 103	
Total value added	**389 571**		515 176	
Applied as follows:				
To employees – remuneration benefits	**337 856**	**87**	351 007	68
To lenders – net finance costs	**31 428**	**8**	76 001	15
To governments – taxation	**5 356**	**4**	40 054	8
Retained for investment in the group				
– Depreciation	**26 364**	**7**	24 162	5
– (Deficit) retained income	**(11 433)**	**(3)**	23 952	4
Total value added	**389 571**	**100**	515 176	100

2004



2003



Employees Lenders Governments Retained for investment

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 South African Statements of Generally Accepted Accounting Practice and examined by independent auditors in conformity with South African 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 11 March 2005 and are signed on their behalf by:

HJ Buttery
Group Chairman

GW Bell
Group Chief Executive

Certification by 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

Auditors' Report

for the year ended 31 December 2004

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 page 33 to page 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 2004 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

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

Richards Bay
11 March 2005

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 2004.

General review

The group manufactures and distributes a wide range of materials handling equipment both locally and internationally through an extensive wholly owned network of customer service centres, strategic alliances, and independent dealers. Through its joint venture with Wesbank it is able to offer financing to facilitate sales.
The group's principal products are Articulated Dump Trucks, haulage tractors and trailers, Front End Loaders, sugarcane 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 2004 comprised 94 246 400 (December 2003: 94 224 100) ordinary shares of no par value.

Dividends

The directors have not declared a dividend for this year (2003: Nil cents).

Property, plant and equipment

Movements in property, plant and equipment are recorded in note 3 to the annual financial statements as is the result of the valuation of our fixed property which was reviewed in the year in line with our policy. There was no change in the policy relating to the use of such assets.

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 2004	31 December 2003
Options granted brought forward	**751 950**	771 150
Options granted and accepted	**4 900**	–
Options exercised	**(22 300)**	(14 500)
Options forfeited	**(11 100)**	(4 700)
Options granted carried forward	**723 450**	751 950

Directors and senior management hold 225 900 of the unexercised options (2003: 233 000), 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 2004 was 35 050 shares (December 2003: 23 950).
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 I.A Bell & Co (Proprietary) 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 lapses on 31 December 2005.

Directors

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

Directors:

PC Bell – Resigned 27 October 2004
MA Campbell – Resigned 21 December 2004

DL Smythe – Appointed 21 December 2004
JP du Toit – Appointed 21 December 2004

Alternate directors:

MA Guinn – Resigned 23 November 2004
MO Rysa – Resigned 21 December 2004

PC Bell – Appointed 21 December 2004
MA Campbell – Appointed 21 December 2004

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	
	2004	2003	**2004**	2003	**2004**	2003
GW Bell	**10 000**	10 000	*	*	**–**	–
PC Bell	**–**	–	*	*	**–**	–
PA Bell	**–**	–	*	*	**23 400**	23 400
HJ Buttery	**–**	–	*	*	**8 000**	8 000
MA Campbell	**–**	–	*	*	**–**	–
DI Campbell	**–**	–	*	*	**–**	–
GP Harris	**–**	75 000	**1 800**	1 800	**–**	–
PJC Horne	**–**	10 000	**20 000**	10 000	**5 500**	5 500
DL Smythe	**42 250**	–	**–**	–	**–**	–

*The above directors have an indirect beneficial shareholding in 45 259 513 shares (48,02% of the issued share capital) through their 100% holding in I A Bell & Co (Proprietary) Limited which owns the shares in Bell Equipment Limited.

Major shareholders

The major shareholders in Bell Equipment Limited as at 31 December 2004 were :

I A Bell & Co (Proprietary) Limited	48,02%
John Deere Construction and Forestry Company	31,83%
Old Mutual	11,10%

Secretary

Particulars of the Company Secretary and his business and postal addresses appear on page 62 of this report.

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**

11 March 2005

Balance Sheets

at 31 December 2004

		GROUP		COMPANY	
		2004	2003	**2004**	2003
	Notes	**R000**	R000	**R000**	R000
ASSETS					
Non-current assets		**263 726**	227 768	**265 366**	269 028
Property, plant and equipment	3	**202 464**	154 819	**–**	–
Interest in subsidiary companies	4	**–**	–	**265 366**	269 028
Investment	5	**42 926**	27 323	**–**	–
Long-term receivables	6	**14 627**	29 066	**–**	–
Deferred taxation	7	**3 709**	16 560	**–**	–
Current assets		**1 328 002**	1 170 959	**2 008**	–
Inventory	8	**1 056 828**	855 791	**–**	–
Trade and other receivables		**213 139**	191 518	**2**	–
Current portion of long-term receivables	6	**11 264**	20 167	**–**	–
Prepayments		**6 881**	39 724	**–**	–
Taxation		**26 809**	15	**2 006**	–
Cash resources		**13 081**	63 744	**–**	–
TOTAL ASSETS		**1 591 728**	1 398 727	**267 374**	269 028
EQUITY AND LIABILITIES					
Capital and reserves		**700 118**	711 257	**267 125**	268 796
Stated capital	9	**224 414**	224 352	**224 414**	224 352
Non-distributable reserves	10	**34 874**	34 883	**–**	–
Retained earnings		**440 830**	452 022	**42 711**	44 444
Non-current liabilities		**48 037**	29 293	**–**	–
Interest-bearing	11	**6 669**	8 612	**–**	–
Non-interest-bearing	11	**34 431**	–	**–**	–
Provisions	12	**6 937**	20 681	**–**	–
Current liabilities		**843 573**	658 177	**249**	232
Trade and other payables		**390 989**	291 291	**249**	217
Current portion of interest-bearing liabilities	11	**3 684**	4 538	**–**	–
Current portion of non-interest-bearing liabilities	11	**14 617**	–	**–**	–
Current portion of provisions	12	**48 734**	56 849	**–**	–
Taxation		**–**	3 490	**–**	15
Short-term interest-bearing debt		**385 549**	302 009	**–**	–
TOTAL EQUITY AND LIABILITIES		**1 591 728**	1 398 727	**267 374**	269 028
Shares issued (000)		**94 246**	94 224		
Net asset value per share (cents)		**743**	755		

Income Statements

for the year ended 31 December 2004

		GROUP		COMPANY	
	Notes	**2004 R000**	2003 R000	**2004 R000**	2003 R000
Revenue					
Continuing operations	13	**2 526 488**	2 778 279	**–**	5 245
Cost of sales		**2 053 943**	2 173 237	**–**	–
Gross profit		**472 545**	605 042	**–**	5 245
Other operating income		**84 228**	66 940	**–**	–
Distribution costs		**(429 821)**	(411 995)	**–**	–
Administration expenses		**(57 135)**	(59 847)	**(1 510)**	(1 117)
Other operating expenses		**(44 466)**	(47 431)	**–**	(317)
Profit (loss) from operating activities		**25 351**	152 709	**(1 510)**	3 811
Finance costs	14	**(157 394)**	(286 567)	**(42)**	(454)
Finance income	15	**125 966**	210 566	**–**	867
(Loss) profit before taxation	16	**(6 077)**	76 708	**(1 552)**	4 224
Taxation	17	**(5 356)**	(40 054)	**(181)**	(2 473)
Net (loss) profit for the year		**(11 433)**	36 654	**(1 733)**	1 751

		Cents	Cents
(Loss) earnings per share			
Basic	18	**(12)**	39
Diluted	18	**(12)**	39
Headline (loss) earnings per share			
Basic	18	**(13)**	39
Diluted	18	**(13)**	39
Proposed dividends per share	19	**–**	–

Cash Flow Statements

for the year ended 31 December 2004

		GROUP		COMPANY	
		2004	2003	**2004**	2003
	Notes	**R000**	R000	**R000**	R000
CASH FLOW (APPLIED TO) FROM OPERATING ACTIVITIES					
Cash (applied to) generated from operations	A	**(73 412)**	91 881	**(1 480)**	4 012
Net finance (costs paid) income received		**(31 428)**	(80 492)	**(42)**	413
Taxation paid	B	**(28 984)**	(62 599)	**(2 202)**	(1 878)
Net cash flow (applied to) from operating activities		**(133 824)**	(51 210)	**(3 724)**	2 547
CASH FLOW (APPLIED TO) FROM INVESTING ACTIVITIES					
Purchase of additional property, plant and equipment		**(57 167)**	(37 957)	**–**	–
Purchase of replacement property, plant and equipment		**(61)**	(25)	**–**	–
Proceeds on disposal of property , plant and equipment		**2 797**	236	**–**	–
Increase in investment		**(15 603)**	(3 229)	**–**	–
Decrease in interest in subsidiary companies		**–**	–	**–**	20
Net cash flow (applied to) from investing activities		**(70 034)**	(40 975)	**–**	20
CASH FLOW FROM (APPLIED TO) FINANCING ACTIVITIES					
Repayments from subsidiaries		**–**	–	**3 662**	11 520
Dividends paid		**–**	(14 131)	**–**	(14 131)
Interest-bearing liabilities repaid	C	**(2 827)**	(2 854)	**–**	–
Interest-bearing liabilities raised	C	**30**	7 710	**–**	–
Non-interest-bearing liabilities raised	C	**49 048**	–	**–**	–
Decrease (increase) in long-term receivables		**23 342**	(34 637)	**–**	–
Proceeds from share issues		**62**	44	**62**	44
Net cash flow from (applied to) financing activities		**69 655**	(43 868)	**3 724**	(2 567)
Net decrease in cash for the year		**(134 203)**	(136 053)	**–**	–
Net short-term interest-bearing debt at beginning of the year		**(238 265)**	(102 212)	**–**	–
Net short-term interest bearing debt at end of the year	D	**(372 468)**	(238 265)	**–**	–

Notes to the Cash Flow Statements

for the year ended 31 December 2004

		GROUP		COMPANY	
		2004	2003	**2004**	2003
		R000	R000	**R000**	R000
A.	**Cash (applied to) generated from operations**				
	Profit (loss) from operating activities	**25 351**	152 709	**(1 510)**	3 811
	Adjustments for:				
	Depreciation	**26 364**	24 162	**–**	–
	(Decrease) increase in warranty provision	**(30 042)**	38 736	**–**	–
	Increase in provision for residual value risk	**4 669**	–	**–**	–
	(Surplus) loss on disposal of property, plant and equipment	**(454)**	54	**–**	–
	Exchange differences on translation of foreign subsidiaries	**(14 266)**	(28 424)	**–**	–
	Operating profit (loss) before working capital changes	**11 622**	187 237	**(1 510)**	3 811
	Increase in inventory	**(201 037)**	(11 797)	**–**	–
	Decrease (increase) in receivables and prepayments	**11 222**	55 643	**(2)**	–
	Increase (decrease) in trade and other payables	**99 698**	(139 202)	**32**	201
	Increase in extended warranty income	**5 083**	–	**–**	–
	Total cash (applied to) generated from operations	**(73 412)**	91 881	**(1 480)**	4 012
B.	**Taxation paid**				
	Net taxation owing (refund due) at beginning of year	**3 475**	19 675	**15**	(580)
	Tax charge for the year:				
	S.A. normal taxation	**(6 247)**	40 875	**181**	707
	Secondary tax on companies	**–**	1 766	**–**	1 766
	Foreign taxation	**4 947**	3 473	**–**	–
	Withholding tax on dividends	**–**	285	**–**	–
	Net taxation refund due (owing) at end of year	**26 809**	(3 475)	**2 006**	(15)
	Total taxation paid	**28 984**	62 599	**2 202**	1 878
C.	**Non-current liabilities**				
	Non-current liabilities at beginning of year	**8 612**	6 221	**–**	–
	Add: current portion at beginning of year	**4 538**	2 073	**–**	–
	Total non-current liabilities at beginning of year	**13 150**	8 294	**–**	–
	Interest-bearing liabilities raised	**30**	7 710	**–**	–
	Interest-bearing liabilities repaid	**(2 827)**	(2 854)	**–**	–
	Non-interest-bearing liabilities raised	**49 048**	–	**–**	–
	Less: current portion at end of year	**(18 301)**	(4 538)	**–**	–
	Non-current liabilities at end of year	**41 100**	8 612	**–**	–
D.	**Net short-term interest-bearing debt**				
	Short-term interest-bearing debt	**385 549**	302 009	**–**	–
	Cash resources	**(13 081)**	(63 744)	**–**	–
	Net short-term interest-bearing debt at end of the year	**372 468**	238 265	**–**	–

Statements of Changes in Equity

for the year ended 31 December 2004

	Notes	Stated capital R000	Non-distributable reserves R000	Retained earnings R000	Total R000
GROUP					
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	19	–	–	(14 131)	(14 131)
Balance at 31 December 2003		224 352	34 883	452 022	711 257
Issue of share capital		62	–	–	62
Surplus on revaluation of properties		–	19 287	–	19 287
Deferred taxation on revaluation of properties		–	(5 786)	–	(5 786)
Realisation of revaluation reserve on depreciation of buildings		–	(241)	241	–
Decrease in foreign currency translation reserve of foreign subsidiaries		–	(11 934)	–	(11 934)
Exchange difference on foreign reserves		–	(1 335)	–	(1 335)
Net loss for the year		–	–	(11 433)	(11 433)
Balance at 31 December 2004		**224 414**	**34 874**	**440 830**	**700 118**
COMPANY					
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	19	–	–	(14 131)	(14 131)
Balance at 31 December 2003		224 352	–	44 444	268 796
Issue of share capital		62	–	–	62
Net loss for the year		–	–	(1 733)	(1 733)
Balance at 31 December 2004		**224 414**	**–**	**42 711**	**267 125**

Notes to the Annual Financial Statements

for the year ended 31 December 2004

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.

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 impaired where appropriate.

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.

The depreciable values of leasehold buildings and materials handling equipment held as rental assets are depreciated over the period of the lease.

Other assets 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 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 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.

Operating lease rentals are charged against operating profit as they become due.

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.

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 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.

1.12 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.

1.13 Research and development

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

1.14 Warranty costs

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

1.15 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.

1.16 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.

1.17 Impairment of assets

Where there is an indication that an asset may be impaired, the recoverable amount of the 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 revalued amount. Any reversal of an impairment loss on a revalued asset is treated as a revaluation increase.

1.18 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. **ACCOUNTING POLICIES** (continued)

1.19 Provisions for residual value risks

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

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.

	South Africa R000	Rest of world R000	Consolidated R000
	GROUP		
2. SEGMENTAL ANALYSIS			
2004			
Revenue	**1 244 794**	**1 281 694**	**2 526 488**
Net loss			
(Loss) profit from operating activities	**(24 460)**	**49 811**	**25 351**
Net finance costs			**(31 428)**
Taxation			**(5 356)**
Net loss			**(11 433)**
Other information			
Assets	**1 052 858**	**538 870**	**1 591 728**
Current liabilities	**630 357**	**213 216**	**843 573**
Non-current liabilities	**13 946**	**27 154**	**41 100**
Long-term warranty provision	**6 937**	**–**	**6 937**
Consolidated total liabilities			**891 610**
Capital expenditure	**28 119**	**29 109**	**57 228**
Depreciation	**22 757**	**3 607**	**26 364**
Other non-cash expenses	**(36 769)**	**6 727**	**(30 042)**
2003			
Revenue	1 516 070	1 262 209	2 778 279
Net profit			
Profit from operating activities	80 503	72 206	152 709
Net finance costs			(76 001)
Taxation			(40 054)
Net profit			36 654
Other information			
Assets	1 053 819	344 908	1 398 727
Current liabilities	535 467	122 710	658 177
Non-current liabilities	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					
	2004			2003		
	R000			R000		
	Cost/ valuation	Accumulated depreciation	Net book value	Cost/ valuation	Accumulated depreciation	Net book value
3. PROPERTY, PLANT AND EQUIPMENT						
Owned						
Freehold land and buildings	**91 777**	**280**	**91 497**	83 835	8 794	75 041
Leasehold buildings	**2 053**	**1 250**	**803**	2 150	1 240	910
Plant and equipment	**174 060**	**120 322**	**53 738**	166 653	102 467	64 186
Rental assets – materials handling equipment	**45 271**	**1 418**	**43 853**	–	–	–
Aircraft	**3 715**	**3 204**	**511**	3 715	3 105	610
Vehicles	**6 984**	**3 487**	**3 497**	12 717	6 885	5 832
Capitalised leased assets						
Leasehold buildings	**2 265**	**351**	**1 914**	2 220	302	1 918
Plant and equipment	**9 455**	**2 939**	**6 516**	7 454	1 178	6 276
Vehicles	**194**	**59**	**135**	69	23	46
Totals	**335 774**	**133 310**	**202 464**	278 813	123 994	154 819

	GROUP							
	Freehold land and buildings R000	Leasehold buildings R000	Plant and equip-ment R000	Rental assets R000	Aircraft R000	Vehicles R000	**Total 2004 R000**	Total 2003 R000
3. PROPERTY, PLANT AND EQUIPMENT (continued)								
Movement in property, plant and equipment								
Net book value at beginning of the year	75 041	2 828	70 462	–	610	5 878	**154 819**	142 284
Surplus on revaluation	19 287	–	–	–	–	–	**19 287**	–
Additions	393	220	10 858	45 271	–	486	**57 228**	37 982
Disposals	–	–	(47)	–	–	(2 296)	**(2 343)**	(290)
Depreciation	(2 769)	(127)	(20 506)	(1 418)	(99)	(1 445)	**(26 364)**	(24 162)
Translation differences	(455)	(204)	(513)	–	–	1 009	**(163)**	(995)
Net book value at end of the year	91 497	2 717	60 254	43 853	511	3 632	**202 464**	154 819

Certain property, plant and equipment is encumbered as indicated in note 11.

The rental assets are subject to repurchase obligations as reflected in note 11.

	Total 2004 R000	Total 2003 R000
Freehold land and buildings at cost/valuation comprise:		
Lot 1894 Alton Industrial Township, Richards Bay		
– at valuation on 1 October 2004	**27 669**	–
– at valuation on 1 October 1999	**–**	7 906
Lot 10024 Alton Industrial Township, Richards Bay		
– at valuation on 1 October 2004	**59 614**	–
– at valuation on 1 October 1999	**–**	47 962
– subsequent additions at cost in 2000	**–**	476
– subsequent additions at cost in 2001	**–**	14 334
– subsequent additions at cost in 2002	**–**	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**	48
– translation differences	**(677)**	(318)
Total freehold land and buildings at cost/valuation	**91 777**	83 835

	GROUP	
	2004 **R000**	2003 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 2004. 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	**72 787**	72 394

	GROUP		COMPANY	
	2004 **R000**	2003 R000	**2004** **R000**	2003 R000
4. INTEREST IN SUBSIDIARY COMPANIES				
Local subsidiaries				
Shares at cost	**–**	–	**12 063**	12 063
Indebtedness by subsidiaries	**–**	–	**156 835**	160 497
Total local subsidiaries	**–**	–	**168 898**	172 560
Foreign subsidiaries				
Shares at cost	**–**	–	**96 468**	96 468
Total interest in subsidiary companies	**–**	–	**265 366**	269 028
Further details of interest in subsidiary companies are set out on page 61.				

	GROUP		COMPANY	
	2004 **R000**	2003 R000	**2004** **R000**	2003 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 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	**42 926**	27 323	**–**	–
– 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 s receivables on the balance sheet as follows:				
Long-term receivables under non-current assets	**12 039**	22 507	**–**	–
Current portion of long-term receivables under current assets	**10 921**	15 891	**–**	–
Total-long term receivables (note 6)	**22 960**	38 398	**–**	–
Total investment	**65 886**	65 721	**–**	–

In respect of the second category above, in the event of default by a customer, the group is at risk for the full balance due to Wesbank by the customer. This contingent liability and the group's provision for non-recovery is reflected in note 20.2.

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R000	R000	**R000**	R000
6. LONG-TERM RECEIVABLES				
Wesbank financing venture (note 5)	**22 960**	38 398	**–**	–
Bank of Scotland (Ireland) Limited	**2 317**	–	**–**	–
Deposit held as security for subsidiary's obligations under a customer's stocking finance agreement.				
Finance lease receivables	**614**	10 835	**–**	–
	25 891	49 233	**–**	–
Less: current portion	**(11 264)**	(20 167)	**–**	–
Total long-term receivables	**14 627**	29 066	**–**	–

Finance lease receivables are for an average of 24 months and interest of 12% per annum applies.

	GROUP			
	Net deferred taxation asset at beginning of year R000	(Credit) charge to income for year R000	Charge to equity for year R000	Net deferred taxation asset at end of year R000
7. DEFERRED TAXATION				
The deferred taxation asset analysed by major category of temporary difference and the reconciliation of the movement in the deferred tax balance is as follows:				
Revaluation of properties	3 020	(104)	5 786	**8 702**
Prepayments	4 313	(3 004)	–	**1 309**
Provision for doubtful debts	(1 126)	(4 323)	–	**(5 449)**
Excess tax allowances over depreciation charge	2 540	1 324	–	**3 864**
Sales in advance	(266)	(76)	–	**(342)**
Provision for warranty expenditure	(19 766)	16 523	–	**(3 243)**
Provision for leave pay	(2 667)	425	–	**(2 242)**
Tax losses	(2 108)	(945)	–	**(3 053)**
Embedded forward exchange derivatives	(683)	384	–	**(299)**
Provision for residual value risk	–	(1 400)	–	**(1 400)**
Unrealised foreign currency gains and losses with controlled foreign companies	183	(1 739)	–	**(1 556)**
Totals	(16 560)	7 065	5 786	**(3 709)**

		GROUP		COMPANY	
		2004	2003	**2004**	2003
		R000	R000	**R000**	R000
8.	**INVENTORY**				
	Work in progress	**202 102**	118 461	**–**	–
	Finished goods	**445 817**	410 665	**–**	–
	Merchandise spares, components and raw materials	**408 909**	326 665	**–**	–
	Total inventory	**1 056 828**	855 791	**–**	–
	Included above is inventory of R236,7 million (2003: R142,5 million) carried at net realisable value. Certain inventory is encumbered as indicated in note 11.				
9.	**STATED CAPITAL**				
	Authorised:				
	100 000 000 (2003: 100 000 000) ordinary shares of no par value	**–**	–	**–**	–
	Issued:				
	94 246 400 (2003: 94 224 100) ordinary shares of no par value	**224 414**	224 352	**224 414**	224 352
	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 2004, the company had granted options to directors and employees to subscribe for 723 450 (2003: 751 950) shares in the company as set out on page 34.				
10.	**NON-DISTRIBUTABLE RESERVES**				
	Surplus arising from revaluation of freehold land and buildings				
	– prior years	**7 046**	7 286	**–**	–
	– current year surplus on revaluation	**19 287**	–	**–**	–
	– deferred taxation on revaluation	**(5 786)**	–	**–**	–
	– current year realisation	**(241)**	(240)	**–**	–
	Total surplus arising from revaluation of freehold land and buildings	**20 306**	7 046	**–**	–
	Legal reserves of foreign subsidiaries				
	– prior years	**2 554**	2 429	**–**	–
	– current year transfer	**–**	687	**–**	–
	– exchange difference	**(327)**	(562)	**–**	–
	Total legal reserves of foreign subsidiaries	**2 227**	2 554	**–**	–
	Foreign currency translation reserve of foreign subsidiaries				
	– prior years	**25 283**	55 595	**–**	–
	– current year transfer	**(11 934)**	(31 082)	**–**	–
	– exchange difference	**(1 008)**	770	**–**	–
	Total foreign currency translation reserve of foreign subsidiaries	**12 341**	25 283	**–**	–
	Total non-distributable reserves	**34 874**	34 883	**–**	–

	Rate of interest	GROUP 2004 R000	GROUP 2003 R000	COMPANY 2004 R000	COMPANY 2003 R000
11. NON-CURRENT LIABILITIES					
11.1 Interest-bearing					
Secured:					
Repayable in instalments by March 2005	10,4%	**155**	1 902	**–**	–
Repayable in instalments by May 2006	7,0%	**52**	78	**–**	–
Repayable in instalments by July 2007	8,5%	**94**	–	**–**	–
Repayable in instalments by March 2008	6,4%	**904**	991	**–**	–
Repayable in instalments by February 2009	9,0%	**6 827**	7 017	**–**	–
Repayable in instalments by July 2011	4,0%	**2 321**	3 162	**–**	–
Total interest-bearing		**10 353**	13 150	**–**	–
Less: current portion		**(3 684)**	(4 538)	**–**	–
Long-term portion		**6 669**	8 612	**–**	–

The following inventory and property, plant and equipment, at net book value, is encumbered as security for the secured borrowings above:
Inventory in the United Kingdom R543 147 (2003: R786 038)
Motor vehicles in Germany and Mozambique R134 985 (2003: R45 980)
Leasehold buildings in France R1 913 755 (2003: R1 918 187)
Plant and equipment in South Africa R6 515 735 (2003: R6 276 700)
Freehold land and buildings in Chile R4 214 178 (2003: R4 644 546)
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.

	GROUP 2004 R000	GROUP 2003 R000	COMPANY 2004 R000	COMPANY 2003 R000
11.2 Non-interest-bearing				
Repurchase obligations and deferred leasing income	**49 048**	–	**–**	–
Less: current portion	**(14 617)**	–	**–**	–
Long-term portion	**34 431**	–	**–**	–
Long-term provisions (note 12)	**6 937**	20 681	**–**	–
Total non-current liabilities	**48 037**	29 293	**–**	–

Repurchase obligations and deferred leasing income are in respect of the rental assets reflected in note 3.

	GROUP		
	Warranty provision R000	Provision for residual value risk R000	Total R000
12. PROVISIONS			
Balance at 31 December 2002	38 794	–	38 794
Raised during the year	118 813	–	118 813
Utilised during the year	(80 077)	–	(80 077)
Balance at 31 December 2003	77 530	–	77 530
Less: current portion	(56 849)	–	(56 849)
Long-term provisions at 31 December 2003	20 681	–	20 681
Balance at 31 December 2003	77 530	–	77 530
Raised during the year	**60 626**	**4 669**	**65 295**
Utilised during the year	**(87 154)**	**–**	**(87 154)**
Balance at 31 December 2004	**51 002**	**4 669**	**55 671**
Less: current portion	**(44 065)**	**(4 669)**	**(48 734)**
Long-term provisions at 31 December 2004	**6 937**	**–**	**6 937**

	GROUP		COMPANY	
	2004 R000	2003 R000	**2004 R000**	2003 R000
13. REVENUE				
Revenue represents:				
Sale of				
– Machines	**2 043 757**	2 316 431	**–**	–
– Parts	**364 569**	360 611	**–**	–
– Other	**118 162**	101 237	**–**	5 245
Total revenue	**2 526 488**	2 778 279	**–**	5 245
Related party sales are disclosed in note 24.				
14. FINANCE COSTS				
Interest paid	**32 646**	29 540	**42**	–
Currency exchange losses:				
Borrowings	**2 320**	10 725	**–**	–
Operations	**122 428**	246 302	**–**	454
Total finance costs	**157 394**	286 567	**42**	454
15. FINANCE INCOME				
Interest received	**8 643**	8 307	**–**	111
Currency exchange gains:				
Operations	**117 323**	202 259	**–**	756
Total finance income	**125 966**	210 566	**–**	867

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R000	R000	**R000**	R000
16. (LOSS) PROFIT BEFORE TAXATION				
(Loss) profit before taxation is arrived at after taking into account:				
Income				
Import duty rebates	**38 197**	26 872	**–**	–
Surplus on disposal of property, plant and equipment	**454**	–	**–**	–
Income from subsidiaries				
– dividends	**–**	–	**–**	5 245
Expenditure				
Auditors' remuneration				
– audit fees – current	**2 938**	2 557	**129**	150
– prior	**291**	57	**–**	–
– other services	**521**	426	**–**	–
– expenses	**45**	40	**–**	–
Depreciation				
– freehold buildings	**2 769**	2 673	**–**	–
– leasehold buildings	**127**	185	**–**	–
– plant and equipment	**20 506**	18 984	**–**	–
– rental assets	**1 418**	–	**–**	–
– aircraft	**99**	176	**–**	–
– vehicles	**1 445**	2 144	**–**	–
Loss on disposal of property, plant and equipment	**–**	54	**–**	–
Operating lease charges				
– equipment and motor vehicles	**11 497**	10 313	**–**	–
– properties	**16 188**	12 935	**–**	–
Research and development expenses	**27 548**	53 069	**–**	–
(Decrease) increase in warranty provision	**(30 042)**	38 736	**–**	–
Staff costs	**337 856**	351 007	**–**	–
Number of employees at the end of the year	**2 462**	2 370	**–**	–
Directors' emoluments				
Paid by company:				
– non-executive directors' fees			**401**	323
Paid by subsidiaries:				
Executive directors				
– salaries			**5 324**	4 426
– benefits			**1 833**	2 224
Non-executive directors				
– other services			**–**	587
Total directors' emoluments			**7 558**	7 560
Details of directors' emoluments paid to directors of the company are set out on page 63.				

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R000	R000	**R000**	R000
17. TAXATION				
South African normal taxation				
Current taxation				
– current year	**6 578**	30 623	**113**	1 432
– prior year	**(12 825)**	10 252	**68**	(725)
Deferred taxation				
– current year	**(4 417)**	(5 595)	**–**	–
– prior year	**12 209**	(1 182)	**–**	–
Secondary tax on companies				
– current year	**–**	1 766	**–**	1 766
Foreign taxation				
Current taxation				
– current year	**2 431**	3 484	**–**	–
– prior year	**2 516**	(11)	**–**	–
Deferred taxation				
– current year	**(1 136)**	432	**–**	–
Withholding tax on dividends	**–**	285	**–**	–
Total taxation	**5 356**	40 054	**181**	2 473
Reconciliation of rate of taxation (%)				
Standard rate of taxation	**30**	30	**30**	30
Adjustment for:				
Disallowable expenditure	**(11)**	6	**(6)**	2
Non-taxable income	**19**	(3)	**–**	2
Income attributed from controlled foreign company	**(16)**	–	**(63)**	–
Prior year taxation	**10**	12	**(4)**	(17)
Secondary tax on companies	**–**	2	**–**	42
Rebates for foreign tax paid	**8**	–	**31**	–
Different tax rates of subsidiaries operating in other jurisdictions and the utilisation of tax losses by these subsidiaries	**(128)**	5	**–**	–
Effective rate of taxation	**(88)**	52	**(12)**	59

Estimated tax losses attributable to foreign subsidiaries amount to approximately R82 million (2003: R70 million) The utilisation of these losses is dependent on there being future taxable income of sufficient amount.

	GROUP	
	2004	2003
18. (LOSS) EARNINGS PER SHARE		
18.1 (Loss) earnings per share (basic)		
(Loss) profit attributable to shareholders (R000)	**(11 433)**	36 654
The weighted average number of shares in issue	**94 236 555**	94 219 203
(Loss) earnings per share (basic) (cents)	**(12)**	39
18.2 (Loss) earnings per share (diluted)		
(Loss) profit attributable to shareholders (R000)	**(11 433)**	36 654
Fully converted weighted average number of shares	**94 616 206**	94 631 949
(Loss) earnings per share (diluted) (cents)	**(12)**	39
The number of shares in issue for this calculation has been adjusted for the effects of all dilutive potential ordinary shares.		
18.3 Headline (loss) earnings per share (basic)		
(Loss) profit attributable to shareholders (R000)	**(11 433)**	36 654
(Surplus) loss on disposal of property, plant and equipment	**(454)**	54
Headline (loss) earnings (R000)	**(11 887)**	36 708
The weighted average number of shares in issue	**94 236 555**	94 219 203
Headline (loss) earnings per share (basic) (cents)	**(13)**	39
18.4 Headline (loss) earnings per share (diluted)		
(Loss) earnings as calculated in 18.3 above (R000)	**(11 887)**	36 708
Fully converted weighted average number of shares per 18.2 above	**94 616 206**	94 631 949
Headline (loss) earnings per share (diluted) (cents)	**(13)**	39

	GROUP		COMPANY	
	2004 R000	2003 R000	**2004 R000**	2003 R000
19. DIVIDEND				
Final dividend paid on 14 April 2003 15 cents per share	**–**	14 131	**–**	14 131
20. CONTINGENT LIABILITIES				
20.1 The repurchase of units sold to customers and financial institutions has been guaranteed by the group for an amount of	**248 713**	277 056	**–**	–
In the event of repurchase, it is estimated that these units would presently realise	**242 699**	280 814	**–**	–
	6 014	(3 758)	**–**	–
Less: provision for residual value risk	**(4 669)**	–	**–**	–
Net contingent liability (asset)	**1 345**	(3 758)	**–**	–

The provision for residual value risk is based on the assessment of the probability of return of units.

	GROUP		COMPANY	
	2004 **R000**	2003 R000	**2004** **R000**	2003 R000
20. CONTINGENT LIABILITIES (continued)				
20.2 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	**133 202**	142 942	**–**	–
In the event of default, the units financed would be recovered and it is estimated that they would presently realise	**(94 645)**	(148 898)	**–**	–
	38 557	(5 956)	**–**	–
Less: provision for non-recovery	**(18 248)**	–	**–**	–
Net contingent liability (asset)	**20 309**	(5 956)	**–**	–
To the extent that both customers are 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.				
20.3 The residual values of certain equipment sold to financial institutions has been guaranteed by the group. In the event of a residual value shortfall, the group would be exposed to an amount of	**8 564**	3 800	**–**	–
20.4 Certain trade receivables have been discounted with financial institutions for an amount of	**1 467**	20 028	**–**	–
These transactions are with recourse to the group. In the event of default, certain units could be recovered and it is estimated that these units would presently realise	**1 467**	21 091	**–**	–
20.5 The company provided unlimited suretyship for the overdrafts and short-term borrowings made to subsidiaries	**–**	–	**430 793**	423 517

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R000	R000	**R000**	R000
21. COMMITMENTS				
21.1 Capital expenditure				
Contracted	**488**	497	**–**	–
Authorised, but not contracted	**18 286**	24 197	**–**	–
Total capital expenditure commitments	**18 774**	24 694	**–**	–
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	**13 475**	11 484	**–**	–
Two to five years	**34 268**	34 767	**–**	–
More than five years	**22 613**	30 898	**–**	–
Equipment and vehicles:				
Less than one year	**11 060**	13 158	**–**	–
Two to five years	**8 845**	23 036	**–**	–
More than five years	**9**	20	**–**	–
Total operating lease commitments	**90 270**	113 363	**–**	–

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 R21,4 million during the current year (2003: R20,9 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 Board. The committee operates within group policies approved by the Board.

23.2 Liquidity risk

The group manages liquidity risk by management of working capital and cash flows. Adequate banking facilities are maintained. The general banking facility utilisation at 31 December 2004 is as follows:

	Facilities R000	Utilisation R000
General banking facilities	430 793	372 468

In terms of the facilities granted by certain banks the group's gearing level, as defined by these institutions, is required to be maintained at below 50% and the banks concerned are made aware of the current gearing levels on a monthly basis. At year-end this gearing level was at 57%.

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 2004, 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 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 2004 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
Import contracts			
Euro	7 438	7,71	57 309
Japanese Yen	619 724	17,96	34 505
United States Dollar	21 893	5,68	124 403
Export contracts			
Euro	838	7,71	6 454
United States Dollar	11 082	5,65	62 657

23.5 Interest 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 2004, is as follows:

	Call	Long-term borrowings	Total borrowings
Borrowings (R000)	385 549	10 353	395 902
Rate	Floating	Fixed	
% of total borrowings	97	3	

	GROUP		COMPANY	
	2004	2003	**2004**	2003
	R000	R000	**R000**	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 arm's 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	**337 725**	343 175	**–**	–
– purchases	**172 243**	125 115	**–**	–
– amounts owing to	**50 251**	27 378	**–**	–
– amounts owing by	**5 713**	8 680	**–**	–
Enterprises over which directors are able to exercise significant influence and/or in which directors have an indirect beneficial interest				
Loinette Company Leasing Limited				
– leasing costs	**3 425**	1 533	**–**	–
– interest paid	**10**	23	**–**	–
– amounts owing to	**7 623**	–	**–**	–
Triumph International Madagascar SARL				
– sales	**124**	187	**–**	–
– amounts owing by	**45**	11	**–**	–
Triumph International Trading Limited				
– sales	**8 235**	5 230	**–**	–
– amounts owing by	**23**	6	**–**	–
– amounts owing to	**–**	134	**–**	–
Tractor and Equipment (Mauritius) Limited				
– sales	**11 862**	6 256	**–**	–
– amounts owing by	**1 604**	–	**–**	–

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 2004

SUBSIDIARIES	Business type	Issued share capital 2004 R	Effective holding 2004 %	Interest of Bell Equipment Limited Book value of shares 2004 R000	2003 R000	Amounts owing by 2004 R000	2003 R000
Southern Africa							
Bell Equipment Co S.A. (Pty) Limited	O	**2**	**100**	**12 063**	12 063	**156 835**	160 497
Bell Equipment Group Insurance Brokers (Pty) Limited	O	**360**	**100**				
I A Bell Equipment Co Namibia (Pty) Limited	O	**4**	**100**				
Bell Equipment Co Swaziland (Pty) Limited	O	**2**	**100**				
Bell Equipment Finance Company (Pty) Limited	D	**100**	**100**				
Other Africa							
Bell Equipment (Zambia) Limited	O	**704 006**	**100**				
Bell PTA (Pvt) Limited	O	**2 622 250**	**100**				
Bell Equipment (Malawi) Limited	O	**2**	**100**				
Bell Equipment Mozambique Limitada	O	**606 534**	**100**				
Europe							
Bellinter Holdings SA	H	**104 755 200**	**100**	**94 974**	94 974		
Bell France SARL	O	**20 072 975**	**100**				
Bell Equipment UK Limited	O	**21 142 658**	**100**				
Heathfield Haulamatic Limited	D	**66 292**	**100**				
Bell Equipment Switzerland S.A.	O	**800 080**	**100**	**1 494**	1 494		
Bell Equipment (Deutschland) GmbH	O	**6 484 623**	**100**				
United States of America							
Bell Equipment North America Inc	O	**28 160 000**	**100**				
South America							
Bell Properties Chile S.A.	O	**30 976**	**91**				
Asia							
Bell Equipment (SEA) Pte Limited	O	**8 460 455**	**100**				
Australasia							
Bell Equipment (NZ) Limited	O	**1 682 661**	**100**				
Bell Equipment Australia (Pty) Limited	O	**1 626 313**	**100**				
Interest in subsidiary companies				**108 531**	108 531	**156 835**	160 497

D Dormant companies

H Holding companies

O Operating companies

Group Services

Secretary

DP Mahony FCIS FCIBM

Business address

13-19 Carbonode Cell
Alton, Richards Bay, 3900

Telephone: 035 907 9111
Facsimile: 035 797 4336

Postal address

Private Bag X20046
Empangeni, 3880
South Africa

Attorneys

Chapman Dyer Inc.

Auditors

Deloitte & Touche

Share transfer secretaries

Computershare Investor Services 2004 (Pty) Limited
70 Marshall Street, Marshalltown, 2001
PO Box 61051, Marshalltown, 2107

Telephone: +27 (11) 370 5101
Facsimile: +27 (11) 370 5272

Bankers to the group

Absa Asia Limited
Absa Bank Limited
African Banking Corporation – Zimbabwe
Barclays Bank plc
Commerzbank AG
FNB Corporate, a division of
FirstRand Bank Limited
Investec Bank
Nedcor Bank Limited – London
Uniao Commercial de Bancos
– Maputo, Mozambique
Banque Cantonale de Fribourg – Switzerland

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

Shareholders' Diary

Financial year-end	December
Interim report	September
Annual report	March
Annual general meeting	May

Directors' Emoluments

for the year ended 31 December 2004

	Salary R	Bonus R	Pension/ Provident Fund R	Other benefits and allowances R	**2004 Total R**	2003 Total R
Paid to directors of the company by the company and its subsidiaries						
Executive directors						
GW Bell	1 326 424	1 000	112 494	161 082	**1 601 000**	1 379 667
PC Bell	912 756	1 000	112 494	174 750	**1 201 000**	1 160 000
HJ Buttery	1 227 034	–	112 494	160 472	**1 500 000**	1 322 500
MA Campbell	305 555	38 584	40 271	126 014	**510 424**	643 820
D B Rhind	598 799	–	86 790	124 411	**810 000**	879 715
PA Bell	324 239	1 000	112 494	130 027	**567 760**	612 077
DI Campbell (resigned 21 December 2004)	290 223	36 454	37 988	122 329	**486 994**	612 554
GP Harris	338 569	–	51 431	90 000	**480 000**	40 000
DL Smythe (appointed 21 December 2004)	–	–	–	–	**–**	–
JP du Toit (appointed 21 December 2004)	–	–	–	–	**–**	–
	5 323 599	78 038	666 456	1 089 085	**7 157 178**	6 650 333
				Fees R		
Non-executive directors						
PJC Horne				144 500	**144 500**	104 000
DJJ Vlok				124 500	**124 500**	118 500
TD Kgobe				–	**–**	25 500
GP Harris				–	**–**	646 400
SCM Nyembezi				66 000	**66 000**	7 500
TO Tsukudu				66 000	**66 000**	7 500
				401 000	**401 000**	909 400
Total					**7 558 178**	7 559 733

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 2005

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

1 Douglas Gage ◆† BSc Mech Eng, MBA
Alternate Director Years Service: 1 Age: 48

2 Guy Harris BCom Hons, CA(SA)
Director Years Service: 11 Age: 52

3 Jeremy Horne ◆• FCA, ACMA, CA(SA)
Director Chair of Risk Management and Audit Committee Years Service: 8 Age: 67

4 Clive Barrett
Executive Manager – Group Parts
Years Service: 28 Age: 60

5 Gary Bell Dip Mech Eng
Chief Executive Years Service: 34 Age: 52

6 Michael Campbell
Alternate Director Years Service: 28 Age: 47

7 Peter Bell
Alternate Director Years Service: 37 Age: 55

8 André Mc Duling Dip Mech Eng
Executive Manager – Safety, Health and Quality
Years Service: 17 Age: 37

9 John du Toit BSc Mech Eng
Director Years Service: 10 Age: 34

10 Tiisetso Tsukudu ◆‡ BA, MBA
Director Years Service: 1 Age: 51

11 Pierre Leroy ◆† BA, MBA
Director Years Service: 2 Age: 56

12 John Kloet ◆•† BSc Acctg, CPA
Director Years Service: 3 Age: 51

13 Marc Schurmann BEng Mech, PrEng
Executive Manager – Group Manufacturing Operations Years Service: 10 Age: 36

14 Peter Purchase
Executive Manager – Logistics
Years Service: 18 Age: 46

Key:
Non-executive ◆
Risk Management and Audit Committee •
Nominations and Remuneration Committee ‡
USA †

<table>
<tr><td>1</td><td>2</td><td>3</td></tr>
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<tr><td>7</td><td>8</td></tr>
<tr><td>9</td><td>10</td><td>11</td></tr>
<tr><td>12</td><td>13</td><td></td></tr>
</table>

1 Paul Bell
Alternate Director Years Service: 28 Age: 47

2 Doug Rhind BCompt Hons
Alternate Director Years Service: 22 Age: 55

3 Rino D' Alessandro CPIM
Executive Manager – Group Information Technology
Years Service: 8 Age: 41

4 Howard Buttery CTA
Group Chairman Years Service: 34 Age: 58

5 Mike Dutton
Executive Manager – Group Technical Services
Years Service: 17 Age: 39

6 Doug Anderson ◆‡† BS
Director Years Service: 4 Age: 57

7 Eric Lerche
Regional Director: Europe Years Service: 20
Age: 60

8 Richard Machanick BA
Executive Manager – Group Human Resources
Years Service: 16 Age: 49

9 Derek Smythe BCompt
Director Years Service: 18 Age: 47

10 Pat Mahony FCIS, FCIBM
Group Company Secretary Years Service: 9
Age: 61

11 Danie Vlok ◆•‡ BCom, MBA
Director Chair of Nominations and Remuneration Committee Years Service: 10 Age: 60

12 Sipho Nyembezi ◆•‡ LLM
Director Years Service: 1 Age: 49

13 Bokkie Coertze
Managing Director: Southern Africa – Sales and Distribution Years Service: 19 Age: 54

General Information
as at 31 December 2004

Beneficial shareholder spread

Shareholder type	Number of beneficial shareholders in South Africa				Number of beneficial shareholders other than in South Africa				Total beneficial shareholders			
	2004		2003		**2004**		2003		**2004**		2003	
	No	**%**	No	%	**No**	**%**	No	%	**No**	**%**	No	%
Public	**703**	**18,14**	859	19,56	**31**	**33,77**	30	32,26	**734**	**51,91**	889	51,82
Directors	**8**	**48,09**	8	48,18	**–**	**–**	–	–	**8**	**48,09**	8	48,18
TOTAL	**711**	**66,23**	867	67,74	**31**	**33,77**	30	32,26	**742**	**100,00**	897	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 2004	Year ended 31 December 2003
Market price of shares		
– Year-end	**620 cents**	780 cents
– Highest	**925 cents**	959 cents
– Lowest	**548 cents**	451 cents
Net asset value per share	**743 cents**	755 cents
Number of shares traded ('000)	**9 188**	3 889
Value of shares traded (Rm)	**R65,76**	R28,40
Market capitalisation to net asset value	**0,83**	1,03
Year-end		
- earnings yield %	**(2,00)**	5,00
- price earnings ratio	**(51,67)**	20,00

Exchange rates

The following rates of exchange were used in the preparation of the financial statements:	**31 December 2004**		31 December 2003	
	Weighted average	**Year-end**	Weighted average	Year-end
Australian $: United States $	**0,74**	**0,78**	0,66	0,75
British £: United States $	**1,84**	**1,93**	1,65	1,78
Chilean Peso: United States $	**611,20**	**558,50**	686,94	592,90
Euro: United States $	**1,25**	**1,36**	1,14	1,26
Japanese Yen: United States $	**107,59**	**103,00**	115,87	106,93
Malawi Kwacha: United States $	**110,01**	**110,00**	97,87	108,5
Mozambique MZM: United States $	**22 022**	**18 697**	23 471	23 400
New Zealand $: United States $	**0,67**	**0,72**	0,59	0,66
SA Rand: United States $	**6,37**	**5,63**	7,40	6,62
Singapore $: United States $	**1,69**	**1,63**	1,74	1,70
Swiss Franc: United States $	**1,24**	**1,13**	1,34	1,24
Zambia Kwacha: United States $	**4 810**	**4 800**	4 830	4 650
Zimbabwe $: United States $	**5 513,5**	**5 730**	3 232,5	5 925

Notice to Members

Notice is hereby given that the 37th 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, 5 May 2005 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 2004 together with the auditors' and directors' reports thereon.

2. To note that in terms of the company's articles of association Messrs PJC Horne, CD Anderson, DL Smythe and JP du Toit 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 as specified in the share option scheme rules and at such time or times as they may determine.
   The company has unissued share capital totalling 5 758 500 shares of no par value. Of this 758 500 shares are committed to the employee share option scheme number one as reported in the Directors' Report (with 723 450 having been awarded and 35 050 not awarded) 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.

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, 3 May 2005.

By order of the Board

DP Mahony
FCIS. FCIBM
Group Company Secretary
11 March 2005

Notes

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Proxy Form

For the annual general meeting to be held on Thursday 5, May 2005 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, 3 May 2005

To be completed by certificated shareholders only

For use at the annual general meeting to be held on Thursday, 5 May 2005 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, 5 May 2005 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 To adopt the annual financial statements for the year ended 31 December 2004			
Ordinary Resolution Number 2			
a) To elect PJC Horne as a director			
b) To elect CD Anderson as a director			
c) To elect DL Smythe as a director			
d) To elect JP du Toit as a director			
Ordinary Resolution Number 3 To place control over the unissued shares of the company in the hands of the directors subject to terms as specified in the notice.			
Ordinary Resolution Number 4 To grant the directors a general authority to repurchase shares in the company subject to terms as specified in the notice.			

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, 3 May 2005.

Proxy Form

For the annual general meeting to be held on Thursday, 5 May 2005 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, 5 May 2005 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

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, 5 May 2005 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 To adopt the annual financial statements for the year ended 31 December 2004			
Ordinary Resolution Number 2			
a) To elect PJC Horne as a director			
b) To elect CD Anderson as a director			
c) To elect DL Smythe as a director			
d) To elect JP du Toit as a director			
Ordinary Resolution Number 3 To place control over the unissued shares of the company in the hands of the directors subject to terms as specified in the notice.			
Ordinary Resolution Number 4 To grant the directors a general authority to repurchase shares in the company subject to terms as specified in the notice.			

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, 3 May 2005.

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