2005

ABRIDGED AUDITED RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2005

Consolidated Balance Sheet

R'000	At 31 December 2005	Restated At 31 December 2004
ASSETS		
Non-current assets	**295 765**	276 796
Property, plant and equipment	**237 394**	219 200
Investments and long-term receivables	**50 885**	57 553
Deferred taxation	**7 486**	43
Current assets	**1 345 842**	1 322 650
Inventory	**928 838**	1 056 828
Trade and other receivables	**361 812**	213 139
Current portion of long-term receivables	**12 128**	11 264
Prepayments	**7 732**	6 881
Taxation	**2 194**	21 457
Cash resources	**33 138**	13 081
Total assets	**1 641 607**	1 599 446
EQUITY AND LIABILITIES		
Capital and reserves	**699 259**	701 462
Stated capital (Note 5)	**225 946**	224 414
Non-distributable reserves	**36 921**	33 147
Retained earnings	**436 392**	443 901
Non-current liabilities	**89 401**	53 289
Interest-bearing	**4 754**	6 669
Repurchase obligations and deferred leasing income	**69 176**	34 431
Long-term provisions	**15 471**	12 189
Current liabilities	**852 947**	844 695
Trade and other payables	**391 670**	392 111
Current portion of interest-bearing liabilities	**2 731**	3 684
Current portion of repurchase obligations and deferred leasing income	**8 639**	14 617
Current portion of provisions	**64 637**	48 734
Short-term interest bearing debt	**385 270**	385 549
Total equity and liabilities	**1 641 607**	1 599 446
Number of shares in issue ('000)	**94 763**	94 246
Net asset value per share (cents)	**738**	744

Consolidated Income Statement

R'000	For year ended 31 December 2005	Restated For year ended 31 December 2004
Revenue	**3 209 233**	2 526 488
Cost of sales	**2 701 658**	2 053 943
Gross profit	**507 575**	472 545
Other operating income	**92 615**	84 228
Distribution costs	**(441 523)**	(429 821)
Administration expenses	**(62 615)**	(57 135)
Other operating expenses	**(48 773)**	(44 466)
Profit from operating activities	**47 279**	25 351
Net finance costs (Note 2)	**43 459**	31 833
Profit (loss) before taxation (Note 3)	**3 820**	(6 482)
Taxation	**12 017**	6 169
Loss for the year	**(8 197)**	(12 651)
Loss per share (basic) (cents) (Note 4)	**(9)**	(13)
Loss per share (diluted) (cents) (Note 4)	**(9)**	(13)
Headline loss per share (basic) (cents) (Note 4)	**(11)**	(14)
Headline loss per share (diluted) (cents) (Note 4)	**(11)**	(14)
Proposed dividend per share (cents)	**–**	–

Abbreviated Cash Flow Statement

R'000	For year ended 31 December 2005	Restated For year ended 31 December 2004
Cash operating profit before working capital changes	**100 679**	16 705
Cash invested in working capital	**(23 146)**	(89 712)
Cash generated from (applied to) operations	**77 533**	(73 007)
Net finance costs paid	**(43 459)**	(31 833)
Taxation refunded (paid)	**501**	(28 984)
Net cash generated from (applied to) operating activities	**34 575**	(133 824)
Invested in property, plant, equipment, investments and long-term receivables	**(41 670)**	(46 692)
Increase in interest-bearing liabilities, repurchase obligations and deferred leasing income	**25 899**	46 251
Proceeds from shares issued	**1 532**	62
Net cash inflow (outflow)	**20 336**	(134 203)

Statement of Changes in Equity

R'000	For year ended 31 December 2005	Restated For year ended 31 December 2004
Equity at the beginning of the year	**701 462**	711 257
Changes in share capital	**1 532**	62
Issue of share capital	**1 532**	62
Changes in non-distributable reserves	**3 774**	(1 736)
Surplus on revaluation of properties	**–**	16 820
Deferred taxation on revaluation of properties	**–**	(5 046)
Effect of change in tax rate on surplus on revaluation of properties	**265**	–
Realisation of revaluation reserve on depreciation of buildings	**(688)**	(241)
Increase (decrease) in foreign currency translation reserve of foreign subsidiaries	**2 666**	(11 934)
Exchange differences on foreign reserves	**1 531**	(1 335)
Changes in retained earnings	**(7 509)**	(8 121)
Effect of adoption of IFRS:		
Adjustment to opening retained earnings in respect of depreciation on property, plant and equipment previously taken into account	**–**	13 443
Prior year adjustments:		
Adjustment in respect of amortised lease escalation	**–**	(4 057)
Correction to income tax treatment of profits earned by a controlled foreign company of the group	–	(5 097)
Net loss for the year	**(8 197)**	(12 651)
Transfer from revaluation reserve on depreciation of buildings	**688**	241
Equity at the end of the year	**699 259**	701 462

Commentary

For the second year in succession the group has recorded a small net loss after taxation. The profitability recorded in the first six months of R12,63 million was reduced to a loss of R8,20 million for the year as a result of a loss after tax of R20,83 million in the second half of the year. The group was profitable before tax but not so after tax due to the South African subsidiaries having taxable profits whilst most of the foreign operations incurred losses with no tax relief. We also decided to write-off foreign deferred tax assets at a cost of R3,29 million. Our offshore operations incurred a total after tax loss of R18,26 million for the year. We have taken the necessary action to turn this result around.

Due to strong demand in South Africa, Europe and North America our revenues increased by 27%. Exports were up R555,03 million and now represents 57,2% of our worldwide turnover. Parts sales increased by 45% and as their contribution to group turnover increased from 14,4% to 16,5%, nevertheless whilst both sales and volumes were substantially up on 2004, our gross profit dropped by 3 percentage points to 16%. This was as a result of increased competition, the continuing strength of the Rand and the loss-making contract to supply Articulated Dump Trucks (ADTs) to North America. Operating profit for the year increased by R21,93 million to R47,28 million as a result of increased gross profit, albeit a lower percentage, and other operating income.

Overheads were well contained with a total increase of 4%, this despite a large increase in warranty costs which was made up of actual warranties incurred during the year to which any increase or decrease in the provision for future warranties must be added or deducted.

Warranty costs aside, our overheads dropped by 10,11% year-on-year, which is a great tribute to our cost containment exercise driven through our Project 100 Plus programme. We are confident we will be able to obtain more than the targeted R100 million in sustainable savings of cost from this project.

Cash flow for the first time in some years was positive with the better performance in the first six months of the year. Capital expenditure of R41,67 million, being R10,1 million more than depreciation added to the cash flow challenge. R37,62 million of our capex relates to our investment in rental assets as a result of the accounting rules relating to revenue recognition. Net asset value dropped by 6 cents per share whilst capital and reserves was

Abbreviated Notes to Audited Results

for the year ended 31 December 2005

1. **ACCOUNTING POLICIES**

In the current year, the group has adopted International Financial Reporting Standards ("IFRS") for the first time. The adoption of IFRS has resulted in changes to the group's accounting policies in the following area that has affected the amounts reported for the current or previous years:

Property, Plant and Equipment (IAS 16)

The impact of this change in accounting policy is disclosed in Note 10.

This abridged report complies with Interim Financial Reporting (IAS 34).

R'000	For year ended 31 December 2005	Restated For year ended 31 December 2004
2. **NET FINANCE COSTS**		
Net interest paid	**22 404**	24 408
Net currency exchange losses	**21 055**	7 425
Net finance costs	**43 459**	31 833
3. **PROFIT (LOSS) BEFORE TAXATION**		
Profit (loss) before taxation is arrived at after taking into account:		
Income		
Import duty rebates	**42 116**	38 197
Decrease in warranty provision	**–**	30 042
Net surplus on disposal of property, plant and equipment	**2 372**	454
Expenditure		
Auditors' remuneration – audit and other services	**10 811**	3 795
Depreciation of property, plant and equipment	**31 566**	26 364
Increase in warranty provision	**16 212**	–
Operating lease charges		
– equipment and motor vehicles	**16 320**	11 497
– properties	**15 946**	16 188
Research and development expenses – excluding staff costs	**14 175**	9 718
Staff costs	**409 018**	337 856

4. **LOSS PER SHARE**

The calculation of loss per share is based on loss after taxation and the weighted average number of ordinary shares in issue during the year. The weighted average number of shares in issue for the year under review was 94 566 938 (December 2004: 94 236 555). On a diluted basis, the fully converted weighted average number of shares is 94 633 599 (December 2004: 94 616 206). Headline loss is arrived at after excluding the net surplus on disposal of property, plant and equipment as reflected in Note 3.

5. **STATED CAPITAL**		
Authorised		
100 000 000 (December 2004: 100 000 000) ordinary shares of no par value	**–**	–
Issued		
94 763 400 (December 2004: 94 246 400) ordinary shares of no par value	**225 946**	224 414
6. **CAPITAL EXPENDITURE COMMITMENTS**		
Contracted	**475**	488
Authorised, but not contracted	**44 591**	18 286
Total capital expenditure commitments	**45 066**	18 774

7. **ABBREVIATED SEGMENTAL ANALYSIS**

Geographical segments

The group operates in two principal geographical areas:

R'000	Revenue	Operating profit	Assets	Liabilities
December 2005				
South Africa	**1 372 508**	**55 271**	**1 193 701**	**712 307**
Rest of world	**1 836 725**	**(7 992)**	**447 906**	**230 041**
Total	**3 209 233**	**47 279**	**1 641 607**	**942 348**
December 2004 – Restated				
South Africa	1 244 794	22 049	1 087 711	657 614
Rest of world	1 281 694	3 302	511 735	240 370
Total	2 526 488	25 351	1 599 446	897 984

R'000	For year ended 31 December 2005	Restated For year ended 31 December 2004
8. **CONTINGENT LIABILITIES**		
8.1 The repurchase of units sold to customers and financial institutions has been guaranteed by the group for an amount of	**134 900**	248 713
In the event of repurchase, it is estimated that these units would presently realise	**151 078**	242 699
	(16 178)	6 014
Less: Provision for residual value risk	**(8 127)**	(4 669)
Net contingent liability	**–**	1 345
The provision for residual value risk is based on the assessment of the probability of return of the units.		
8.2 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	**90 758**	133 202
In the event of default, the units financed would be recovered and it is estimated that they would presently realise	**(76 957)**	(94 645)
	13 801	38 557
Less: Provision for non-recovery	**(9 795)**	(18 248)
Net contingent liability	**4 006**	20 309
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 balance due by the customers to WesBank, a provision for the full shortfall is made.		
8.3 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	**8 496**	8 564
8.4 Certain trade receivables have been discounted with financial institutions for an amount of	**5 943**	1 467
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	**5 943**	1 467

9. **EXCHANGE RATES**

The following major rates of exchange were used:	2005 Weighted average	2005 Year end	2004 Weighted average	2004 Year end
Euro: United States $	1.24	1.18	1.25	1.36
SA Rand: United States $	6.36	6.33	6.37	5.63
British £: United States $	1.81	1.72	1.84	1.93

10. **COMPARATIVE INFORMATION**

Comparative information has been restated for the effects of adopting International Financial Reporting Standards and the prior year adjustments referred to in note 11 below. The aggregate effect of the restatements is as follows:

	Previously stated	IFRS adjustment	Prior year adjustment – taxation	Prior year adjustment – lease escalation	Restated
Retained earnings – 1 January 2004	452 022	13 443	(5 097)	(4 057)	456 311
For the year ended 31 December 2004					
Property, plant and equipment	202 464	16 736	–	–	219 200
Trade and other payables	390 989	–	963	159	392 111
Long term provisions	6 937	–	–	5 252	12 189
Deferred taxation asset	3 709	(5 020)	–	1 354	43
Taxation asset	26 809	-	(5 352)	–	21 457
Non-distributable reserves	34 874	(1 727)	-	–	33 147
Opening retained earnings – 1 January 2004	452 022	13 443	(5 097)	(4 057)	456 311
Net finance costs	31 428	–	405	–	31 833
Loss before taxation	(6 077)	–	(405)	–	(6 482)
Taxation	5 356	–	813	–	6 169
Net loss for the year	(11 433)	–	(1 218)	–	(12 651)

There has been no restatement to net loss for the year ended 31 December 2004 as a result of the adoption of IFRS as the effect on net loss for that year is immaterial.

11. **PRIOR YEAR ADJUSTMENTS**

11.1 Correction recognised in respect of leases previously accounted for incorrectly on the contractual basis. Prior year figures have been appropriately restated to account for leases on the straight line basis in terms of IAS 17.

11.2 Correction recognised in respect of the income tax treatment of profits earned by a controlled foreign company of the group. Prior year figures have been appropriately restated.

The effect of these adjustments is reflected in Note 10.

12. **INDEPENDENT AUDITORS' REPORT**

The annual financial statements of the group have been audited by the company's auditors, Deloitte & Touche.
Their unqualified report is available for inspection at the registered office of the company.

maintained at R700 million due to a small increase in share capital and an increase in foreign reserves during the year. Of significant interest to all shareholders, John Deere Construction & Forestry Company (Deere) gave notice that they were not going to exercise their option to acquire the shares owned by I.A. Bell & Company (Pty) Ltd in our company.

Along with the success in reducing overheads the Project 100 Plus was able to provide considerable assistance in seeing inventory being reduced by R127,99 million year-on-year due to management's unrelenting efforts to drive down our working capital. Unfortunately our debtors increased by R148,67 million as compared to December 2004 due primarily to very high revenue of R335,78 million in December 2005. Cash flow for the first two months of 2006 has continued to be positive and our focus on working capital reduction continues. Gearing for the year dropped by 4% to 51% as we continue to strive to reach our target of 40% gearing. Trade cycle (working capital) days improved from 133 days to 95 days as a direct result of improved inventory levels.

The initial contract to supply Deere with ADTs ceased on 31 December 2005 and during the last six months we have been able to supply ADT kits to the new Deere ADT plant in Davenport (USA). The kits are supplied on a total factory warehouse cost basis plus an agreed profit margin and we also now earn royalties from Deere on their sale of US manufactured ADTs. The assembly and partial manufacture of Tractor Loader Backhoes (TLBs) in South Africa commenced during the year under review. The product has been extremely well received in the market place with the best sales month ever being recorded in February 2006. Front-End Loader (FEL) kits are being imported from Deere and assembled in our Richards Bay plant. The cost of manufacture of both the TLBs and the FELs has been substantially reduced and we are seeing a great improvement in the gross profit margins earned on both these products.

Until the group returns to profitability and positive cash flow, the Board has suspended the payment of any dividend; therefore there will be no dividend in respect of the year ended 31 December 2005.

The current outlook for Bell is more positive and we are already seeing the benefits of our cost and working capital initiatives. The improvement in our margin on our sales to North America and a firm handle on our warranty expenses should see us return to profitability. As mentioned previously the roll out of our Project 100 Plus programme will help reduce both overhead and component costs in 2006.

Howard J Buttery
Group Chairman

10 March 2006

Bell Equipment Ltd

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

Directors: HJ Buttery *(Group Chairman)*, GW Bell *(Group Chief Executive)*, DL Smythe, JP du Toit, GP Harris, BW Schaffter*#, JW Kloet*#, RL Bridges*#, DJJ Vlok*, PJC Horne*, TO Tsukudu*, MA Mun-Gavin*

Alternate Directors: PA Bell, PC Bell, MA Campbell, DM Gage*#

*(*Non Executive Directors) (#USA)*

Company Secretary: DP Mahony **Sponsor:** Investec Bank Limited

Registered Office: 13 – 19 Carbonode Cell, Alton, Richards Bay

Transfer Secretaries: Computershare Investor Services 2004 (Pty) Limited
70 Marshall Street, Johannesburg

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