BELL EQUIPMENT

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UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2004

Consolidated Balance Sheet

R'000	Unaudited at 30 June 2004	Unaudited at 30 June 2003	Audited at 31 December 2003
ASSETS			
Non-current assets	**231 963**	217 120	227 768
Property, plant and equipment	**147 375**	154 180	154 819
Investments and long-term receivables	**67 454**	48 681	56 389
Deferred taxation	**17 134**	14 259	16 560
Current assets	**1 111 106**	1 268 839	1 170 959
Inventory	**810 032**	914 904	855 791
Trade and other receivables	**258 460**	306 009	191 518
Current portion of long-term receivables	**21 579**	20 062	20 167
Prepayments	**6 684**	23 362	39 724
Taxation	**4 960**	1 518	15
Cash resources	**9 391**	2 984	63 744
TOTAL ASSETS	**1 343 069**	1 485 959	1 398 727
EQUITY AND LIABILITIES			
Capital and reserves	**696 257**	722 264	711 257
Stated capital (Note 5)	**224 380**	224 336	224 352
Non-distributable reserves	**25 600**	47 002	34 883
Retained earnings	**446 277**	450 926	452 022
Non-current liabilities	**20 030**	28 461	29 293
Long-term borrowings	**8 540**	8 840	8 612
Long-term warranty provision	**11 490**	19 621	20 681
Current liabilities	**626 782**	735 234	658 177
Trade and other payables	**348 363**	383 185	291 291
Current portion of long-term borrowings	**3 803**	2 792	4 538
Current portion of warranty provision	**40 277**	47 724	56 849
Taxation	**–**	–	3 490
Short-term interest bearing debt	**234 339**	301 533	302 009
TOTAL EQUITY AND LIABILITIES	**1 343 069**	1 485 959	1 398 727
Number of shares in issue ('000)	**94 234**	94 219	94 224
Net asset value per share (cents)	**739**	767	755

Consolidated Income Statement

R'000	Unaudited 6 months ended 30 June 2004	Unaudited 6 months ended 30 June 2003	Audited 12 months ended 31 December 2003
Revenue	**1 356 616**	1 457 672	2 778 279
Cost of sales	**1 091 216**	1 144 815	2 173 237
Gross profit	**265 400**	312 857	605 042
Other operating income	**24 366**	37 261	66 940
Distribution costs	**(212 052)**	(197 582)	(411 995)
Administration expenses	**(27 322)**	(32 884)	(59 847)
Other operating expenses	**(24 732)**	(23 950)	(47 431)
Profit from operating activities	**25 660**	95 702	152 709
Net finance costs (Note 2)	**30 035**	42 298	76 001
(Loss) profit before taxation (Note 3)	**(4 375)**	53 404	76 708
Taxation	**1 491**	12 488	40 054
Net (loss) profit for the period	**(5 866)**	40 916	36 654
(Loss) earnings per share (basic) (cents) (Note 4)	**(6)**	43	39
(Loss) earnings per share (diluted) (cents) (Note 4)	**(6)**	43	39
Headline (loss) earnings per share (basic) (cents) (Note 4)	**(6)**	43	39
Headline (loss) earnings per share (diluted) (cents) (Note 4)	**(6)**	43	39
Proposed dividend per share (cents)	**–**	–	–

Abbreviated Cash Flow Statement

R'000	Unaudited 6 months ended 30 June 2004	Unaudited 6 months ended 30 June 2003	Audited 12 months ended 31 December 2003
Cash operating profit before working capital changes	**3 221**	114 104	187 237
Cash generated from (invested in) working capital	**68 929**	(160 704)	(95 356)
Cash generated from (applied to) operations	**72 150**	(46 600)	91 881
Net finance costs paid	**(30 035)**	(42 298)	(80 492)
Taxation paid	**(10 500)**	(42 637)	(62 599)
Net cash generated from (applied to) operating activities	**31 615**	(131 535)	(51 210)
Dividend paid	**–**	(14 131)	(14 131)
Invested in property, plant, equipment, investments and long-term receivables	**(17 519)**	(54 037)	(75 612)
Net cash inflow (outflow)	**14 096**	(199 703)	(140 953)
Proceeds from shares issued	**28**	28	44
Net (repayment of) increase in borrowings	**(14 124)**	199 675	140 909
(Cash surplus applied) funding requirement	**(14 096)**	199 703	140 953

Statement of Changes in Equity

R'000	Unaudited 6 months ended 30 June 2004	Unaudited 6 months ended 30 June 2003	Audited 12 months ended 31 December 2003
Equity at the beginning of the period	**711 257**	717 688	717 688
Changes in share capital	**28**	28	44
Issue of share capital	**28**	28	44
Changes in non-distributable reserves	**(9 283)**	(18 308)	(30 427)
Realisation of revaluation reserve on depreciation of buildings	**(121)**	(121)	(240)
Increase in legal reserves of foreign subsidiaries	**–**	319	687
Decrease in foreign currency translation reserve of foreign subsidiaries	**(8 571)**	(18 191)	(31 082)
Exchange differences on foreign reserves	**(591)**	(315)	208
Changes in retained earnings	**(5 745)**	22 856	23 952
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	–	(3 731)	829
Net (loss) profit for the period	**(5 866)**	40 916	36 654
Transfer from foreign currency translation reserve on liquidation of foreign subsidiary	**–**	–	1 047
Transfer from revaluation reserve on depreciation of buildings	**121**	121	240
Transfer to legal reserve of foreign subsidiary	**–**	(319)	(687)
Dividend	**–**	(14 131)	(14 131)
Equity at the end of the period	**696 257**	722 264	711 257

Notes to Interim Results

R'000	Unaudited 6 months ended 30 June 2004	Unaudited 6 months ended 30 June 2003	Audited 12 months ended 31 December 2003

1. ACCOUNTING POLICIES

The accounting policies of the group comply with South African Statements of Generally Accepted Accounting Practice applicable to Interim Financial Reporting, and are consistent with those applied for the previous year.

2. NET FINANCE COSTS

R'000	30 June 2004	30 June 2003	31 December 2003
Net interest paid	**13 688**	8 243	21 233
Net currency exchange losses	**16 347**	34 055	59 259
Net finance costs paid	**30 035**	42 298	80 492
Effect of adoption of AC133:			
Transitional provision – currency exchange gains	**–**	–	(4 491)
Net finance costs	**30 035**	42 298	76 001

3. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation is arrived at after taking into account:

R'000	30 June 2004	30 June 2003	31 December 2003
Income			
Import duty rebates	**11 125**	17 452	30 267
Decrease in warranty provision	**25 763**	–	–
Net surplus on disposal of property, plant and equipment	**49**	30	–
Expenditure			
Auditors' remuneration	**2 301**	1 868	3 080
Depreciation of property, plant and equipment	**12 535**	12 118	24 162
Net loss on disposal of property, plant and equipment	**–**	–	54
Operating lease charges			
– equipment and motor vehicles	**1 668**	2 119	10 313
– properties	**7 943**	5 747	12 935
Research and development expenses	**11 215**	21 537	53 069
Staff costs	**167 344**	175 257	351 007
Increase in warranty provision	**–**	28 551	38 736

4. (LOSS) EARNINGS PER SHARE

The calculation of (loss) earnings per share is based on (loss) profit after taxation and the weighted average number of ordinary shares in issue during the period. The weighted average number of shares in issue for the period under review was 94 228 800 (June 2003: 94 214 225). On a diluted basis,the fully converted weighted average number of shares is 94 674 328 (June 2003: 94 976 175). Headline (loss) earnings is arrived at after excluding the net surplus on disposal of property, plant and equipment as reflected in note 3.

5. STATED CAPITAL

R'000	30 June 2004	30 June 2003	31 December 2003
Authorised			
100 000 000 (June 2003: 100 000 000) ordinary shares of no par value			
Issued			
94 233 500 (June 2003: 94 218 800) ordinary shares of no par value	**224 380**	224 336	224 352

6. CAPITAL EXPENDITURE COMMITMENTS

R'000	30 June 2004	30 June 2003	31 December 2003
Contracted	**1 005**	4 875	497
Authorised, but not contracted	**5 353**	10 171	24 197
Total capital expenditure commitments	**6 358**	15 046	24 694

7. SEGMENTAL ANALYSIS

Geographical segments

The group operates in two principal geographical areas.

R'000	Revenue	Operating profit	Assets	Liabilities
June 2004				
South Africa	**664 796**	8 820	1 024 239	556 935
Rest of world	**691 820**	16 840	318 830	89 877
Total	**1 356 616**	25 660	1 343 069	646 812
June 2003				
South Africa	**680 406**	46 079	1 100 870	679 873
Rest of world	**777 266**	49 623	385 089	83 822
Total	**1 457 672**	95 702	1 485 959	763 695

8. CONTINGENT LIABILITIES

8.1 An action has been instituted against a subsidiary of the company for a substantial amount. As previously reported, the action is being defended and the continuing view of the company's legal advisers is that the company has good grounds for successfully opposing the claim. After consideration and based on this legal advice, the Board is satisfied that the company will not suffer any material loss.

R'000	Unaudited at 30 June 2004	Unaudited at 30 June 2003	Audited at 31 December 2003
8.2 The repurchase of units sold to customers and financial institutions has been guaranteed by the group for an amount of	**275 673**	231 188	277 056
In the event of repurchase, it is estimated that these units would presently realise	**274 548**	235 386	280 814
8.3 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 period end the amount due by customers to Wesbank in respect of these transactions totalled	**160 483**	69 618	142 942
In the event of default, the units financed would be recovered and it is estimated that they would presently realise	**(153 627)**	(89 600)	(148 898)
Net contingent liability (asset)	**6 856**	(19 982)	(5 956)
8.4 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	**11 974**	–	3 800
8.5 Certain trade receivables have been discounted with financial institutions for an amount of	**21 088**	12 160	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	**17 489**	9 776	21 091

9. EXCHANGE RATES

The following major rates of exchange were used:	30 June 2004 Weighted average	30 June 2004 Closing	30 June 2003 Weighted average	30 June 2003 Closing	31 December 2003 Weighted average	31 December 2003 Closing
Euro: United States $	1,22	1,22	1,12	1,15	1,14	1,26
SA Rand: United States $	6,60	6,21	7,88	7,48	7,40	6,62
British £: United States $	1,82	1,81	1,62	1,65	1,65	1,78

10. INDEPENDENT AUDITORS' REPORT

The financial information set out in the interim report has been reviewed, but not audited, by the company's auditors, Deloitte & Touche. Their unqualified report is available for inspection at the company's registered office.

Chairman's Statement

Much as expected, the results for the six months ended 30 June 2004 are disappointing but are consistent with the 17% strengthening of the Rand against the US dollar over the past twelve months. Revenue for the six months was down 7% but at the same time, volume was up 3% on the comparative period. Exports as a percentage of sales were 51%, down from the comparative period, but export volumes were up 12%. During the six months ended June 2003 we obtained an average rate of R7,88 for each US dollar earned from export proceeds whilst we only earned R6,60 for converting each US dollar in this six month period. 56% of our exports are sold in Euros and 44% in US dollars, fortunately the strengthening of the Euro against the dollar by 9% in the comparative period assisted sales greatly. Bell has now converted all its export sales to Euros except sales directly to the United States.

Net operating profit was R25,7 million as compared to R95,7 million and there was a R47,5 million drop in gross profit from the comparable period, both caused predominantly by the strengthening of the Rand. If management actions had not been taken the drop would have been larger. Net asset value has decreased by 16 cents per share since the beginning of the year. The strengthening Rand also reduced the currency translation reserves, and thereby equity, by R9,2 million equating to 10 cents per share of the above reduction.

One pleasing aspect of these results was the R14,1 million positive cash flow achieved through the improvement in working capital (trade cycle) days down from 122 to 111 days. With an increase in volumes coupled with capital expenditure and increase in investments and long term receivables of R17,5 million and losses, this achievement is a tribute to management's continued commitment to reduce working capital. The increase in volumes through our German assembly plant has played a large role in driving down inventory days. With the increase in production that we expect through this plant in the next six month period, we believe that even further working capital reductions can be obtained.

Total overheads of R264,1 million are only 4% higher than the comparative period despite the increase in volumes.

As a consequence of the continued and seemingly sustainable strong Rand, the strategic focus of Bell is changing. We are now committed to managing our company with an ever-present strong Rand and the executive team has been re-structured so as to manage the company and to return it to profitability under these conditions. We are increasing imports of third party products into South Africa and we are looking at increasing the sourcing of European manufactured components for our German assembly plant. Our focus on exports needs to be Euro driven and the next six months trading results are dependent upon the speed at which we can implement the changes in our strategic focus and are also once again dependent on the Rand exchange rates.

Management continues to aggressively reduce product and operating costs, improve quality and reduce working capital. By far the most pleasing aspect of the past six months has been the implementation of a profit improvement programme known as the 'Vital Few' that is expected to add significantly to profitability over the next 12 - 18 months. These plans will also help us leverage the strong supply management capabilities of Deere and Company to gain the benefits of our combined purchasing power.

HOWARD J BUTTERY
GROUP CHAIRMAN

26 August 2004

Bell Equipment Ltd

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

Directors: *CD Anderson (USA), GW Bell (*Group Chief Executive*), PC Bell, MA Campbell, HJ Buttery (*Group Chairman*), GP Harris, *PJC Horne, *DJJ Vlok, *PE Leroy (USA), *JW Kloet (USA), *SCM Nyembezi, *TO Tsukudu (**Non Executive Directors*)

Alternate Directors: PA Bell, *DM Gage (USA), *MA Guinn (USA), DI Campbell, DB Rhind, *MO Rysa (Finnish).

Company Secretary: D P Mahony

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