BELL EQUIPMENT

2005 INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2005

Consolidated Balance Sheet

R'000	Unaudited at 30 June 2005	Restated Unaudited at 30 June 2004	Restated Audited at 31 December 2004
ASSETS			
Non-current assets	**284 532**	245 406	276 753
Property, plant and equipment	**231 211**	166 579	219 200
Investments and long-term receivables	**53 321**	67 454	57 553
Deferred taxation	**–**	11 373	–
Current assets	**1 343 099**	1 111 106	1 328 002
Inventory	**940 653**	810 032	1 056 828
Trade and other receivables	**360 203**	258 460	213 139
Current portion of long-term receivables	**7 112**	21 579	11 264
Prepayments	**3 367**	6 684	6 881
Taxation	**25 346**	4 960	26 809
Cash resources	**6 418**	9 391	13 081
TOTAL ASSETS	**1 627 631**	1 356 512	1 604 755
EQUITY AND LIABILITIES			
Capital and reserves	**738 654**	709 700	711 834
Stated capital (Note 5)	**225 776**	224 380	224 414
Non-distributable reserves	**45 627**	25 600	33 147
Retained earnings	**467 251**	459 720	454 273
Non-current liabilities	**61 444**	20 030	49 348
Interest-bearing	**6 248**	8 540	6 669
Repurchase obligations and deferred leasing income	**43 386**	–	34 431
Long-term warranty provision	**10 224**	11 490	6 937
Deferred taxation	**1 586**	–	1 311
Current liabilities	**827 533**	626 782	843 573
Trade and other payables	**495 057**	348 363	390 989
Current portion of interest-bearing liabilities	**3 411**	3 803	3 684
Current portion of repurchase obligations and deferred leasing income	**8 130**	–	14 617
Current portion of provisions	**51 889**	40 277	48 734
Short-term interest bearing debt	**269 046**	234 339	385 549
TOTAL EQUITY AND LIABILITIES	**1 627 631**	1 356 512	1 604 755
Number of shares in issue ('000)	**94 713**	94 234	94 246
Net asset value per share(cents)	**780**	753	755

Consolidated Income Statement

R'000	Unaudited 6 months ended 30 June 2005	Unaudited 6 months ended 30 June 2004	Audited 12 months ended 31 December 2004
Revenue	**1 668 402**	1 356 616	2 526 488
Cost of sales	**1 418 553**	1 091 216	2 053 943
Gross profit	**249 849**	265 400	472 545
Other operating income	**44 987**	24 366	84 228
Distribution costs	**(209 279)**	(212 052)	(429 821)
Administration expenses	**(29 679)**	(27 322)	(57 135)
Other operating expenses	**(23 118)**	(24 732)	(44 466)
Profit from operating activities	**32 760**	25 660	25 351
Net finance costs (Note 2)	**13 835**	30 035	31 428
Profit (loss) before taxation (Note 3)	**18 925**	(4 375)	(6 077)
Taxation	**6 291**	1 491	5 356
Profit (loss) for the period	**12 634**	(5 866)	(11 433)
Earnings (loss) per share (basic) (cents) (Note 4)	**13**	(6)	(12)
Earnings (loss) per share (diluted) (cents) (Note 4)	**13**	(6)	(12)
Headline earnings (loss) per share (basic) (cents) (Note 4)	**11**	(6)	(13)
Headline earnings (loss) per share (diluted) (cents) (Note 4)	**11**	(6)	(13)
Proposed dividend per share (cents)	**–**	–	–

Abbreviated Cash Flow Statement

R'000	Unaudited 6 months ended 30 June 2005	Unaudited 6 months ended 30 June 2004	Audited 12 months ended 31 December 2004
Cash operating profit before working capital changes	**63 009**	3 221	11 622
Cash generated from (invested in) working capital	**76 693**	68 929	(85 034)
Cash generated from (applied to) operations	**139 702**	72 150	(73 412)
Net finance costs paid	**(13 835)**	(30 035)	(31 428)
Taxation paid	**(4 070)**	(10 500)	(28 984)
Net cash generated from (applied to) operating activities	**121 797**	31 615	(133 824)
Invested in property, plant, equipment, investments and long-term receivables	**(15 093)**	(17 519)	(46 692)
Net cash inflow (outflow)	**106 704**	14 096	(180 516)
Proceeds from shares issued	**1 362**	28	62
Net (repayment of) increase in borrowings	**(108 066)**	(14 124)	180 454
(Cash surplus applied) funding requirement	**(106 704)**	(14 096)	180 516

Statement of Changes in Equity

R'000	Unaudited 6 months ended 30 June 2005	Restated Unaudited 6 months ended 30 June 2004	Restated Audited 12 months ended 31 December 2004
Equity at the beginning of the period	**711 834**	711 257	711 257
Changes in share capital	**1 362**	28	62
Issue of share capital	**1 362**	28	62
Changes in non-distributable reserves	**12 480**	(9 283)	(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	**(344)**	(121)	(241)
Increase (decrease) in foreign currency translation reserve of foreign subsidiaries	**12 239**	(8 571)	(11 934)
Exchange differences on foreign reserves	**320**	(591)	(1 335)
Changes in retained earnings	**12 978**	7 698	2 251
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	13 443
Net profit (loss) for the period	**12 634**	(5 866)	(11 433)
Transfer from revaluation reserve on depreciation of buildings	**344**	121	241
Equity at the end of the period	**738 654**	709 700	711 834

Notes to Interim Report

R'000	Unaudited 6 months ended 30 June 2005	Unaudited 6 months ended 30 June 2004	Audited 12 months ended 31 December 2004

1. **ACCOUNTING POLICIES**

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current or previous periods:

Property, Plant and Equipment (IAS 16)

2. **NET FINANCE COSTS**

	2005	2004	31 December 2004
Net interest paid	12,769	13,688	24,003
Net currency exchange losses	1,066	16,347	7,425
Net finance costs	13,835	30,035	31,428

3. **PROFIT (LOSS) BEFORE TAXATION**

Profit (loss) before taxation is arrived at after taking into account:

	2005	2004	31 December 2004
Income			
Import duty rebates	20,428	11,125	38,197
Decrease in warranty provision	-	25,763	30,042
Net surplus on disposal of property, plant and equipment	3,403	49	454
Expenditure			
Auditors' remuneration - audit and other services	6,995	2,301	3,795
Depreciation of property,plant and equipment	14,869	12,535	26,364
Increase in warranty provision	1,340	-	-
Operating lease charges			
– equipment and motor vehicles	3,256	1,668	11,497
– properties	8,143	7,943	16,188
Research and development expenses	12,735	11,215	27,548
Staff costs	193,548	167,344	337,856

4. **EARNINGS (LOSS) PER SHARE**

The calculation of earnings (loss) per share is based on profit (loss) 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 94,399,542 (June 2004: 94,228,800). On a diluted basis,the fully converted weighted average number of shares is 94,481,028 (June 2004: 94,674,328).

Headline earnings (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 (June 2004:100 000 000) ordinary shares of no par value

	2005	2004	31 December 2004
Issued			
94 712 900 (June 2004:94 233 500) ordinary shares of no par value	225,776	224,380	224,414

6. **CAPITAL EXPENDITURE COMMITMENTS**

	2005	2004	31 December 2004
Contracted	304	1,005	488
Authorised, but not contracted	10,405	5,353	18,286
Total capital expenditure commitments	10,709	6,358	18,774

7. **SEGMENTAL ANALYSIS**

Geographical segments

The group operates in two principal geographical areas

R'000	Revenue	Operating (loss) profit	Assets	Liabilities
June 2005				
South Africa	731 021	(3 767)	1 095 926	636 032
Rest of world	937 381	36 527	531 705	252 945
Total	1 668 402	32 760	1 627 631	888 977
June 2004 (Restated)				
South Africa	664 796	8 820	1 037 682	556 935
Rest of world	691 820	16 840	318 830	89 877
Total	1 356 616	25 660	1 356 512	646 812

8. **CONTINGENT LIABILITIES**

R'000	Unaudited at 30 June 2005	Unaudited at 30 June 2004	Audited at 31 December 2004
8.1 The repurchase of units sold to customers and financial institutions has been guaranteed by the group for an amount of	172 405	275 673	248 713
In the event of repurchase, it is estimated that these units would presently realise	172 596	274 548	242 699
	(191)	1 125	6 014
Less: provision for residual value risk	(6 016)	–	(4 669)
Net contingent liability	–	1 125	1 345

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

Notes to Interim Report (continued)

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.

	30 June 2005	30 June 2004	31 December 2004
At period end the amount due by customers to Wesbank in respect of these transactions totalled	151 978	160 483	133 202
In the event of default, the units financed would be recovered and it is estimated that they would presently realise	(115 778)	(153 627)	(94 645)
	36 200	6 856	38 557
Less: provision for non-recovery	(20 929)	–	(18 248)
Net contingent liability	15 271	6 856	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.

	30 June 2005	30 June 2004	31 December 2004
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	10 512	11 974	8 564
8.4 Certain trade receivables have been discounted with financial institutions for an amount of	3 498	21 088	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	3 498	17 489	1 467

9. **EXCHANGE RATES**

The following major rates of exchange were used:	30 June 2005 Weighted average	30 June 2005 Closing	30 June 2004 Weighted average	30 June 2004 Closing	31 December 2004 Weighted average	31 December 2004 Closing
Euro: United States $	1.28	1.21	1.22	1.22	1.25	1.36
SA Rand: United States $	6.24	6.66	6.60	6.21	6.37	5.63
British £: United States $	1.87	1.79	1.82	1.81	1.84	1.93

10. **COMPARATIVE INFORMATION**

Comparative information has been restated for the effects of adopting International Financial Reporting Standards. The aggregate effect of the restatements is as follows:

	Previously stated	Adjustment	Restated
Retained earnings – 31 December 2003	452 022	13 443	465 465
For the six months ended 30 June 2004			
Property, plant and equipment	147 375	19 204	166 579
Deferred taxation asset	17 134	(5 761)	11 373
Retained earnings	446 277	13 443	459 720
For the year ended 31 December 2004			
Property, plant and equipment	202 464	16 736	219 200
Deferred taxation asset (liability)	3 709	(5 020)	(1 311)
Non-distributable reserves	34 874	(1 727)	33 147
Retained earnings	440 830	13 443	454 273

11. **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

The results for the six months ended 30 June 2005 are acceptable given the trading conditions and exchange rates in which the group operated. Revenue for the six months was up 23% on the comparative period in 2004. Gross profit however dropped from 20% to 15% of revenue, which is as a result of continuing losses on the contracted export of product to the United States and discounting in the face of fierce competition in our domestic and U.K. markets. Exports as a percentage of sales were 56%, up 5% from the comparative period, as were export volumes up by 9%. Margins were also affected by the strengthening of the Rand, earning on average R6,24 for each U.S. Dollar of exports as compared with June 2004's average rate of R6,60. Fortunately we benefited from a strengthening Rand against the Euro in this period otherwise gross profit would have been lower. Net operating profit was R32,8 million as compared to R25,7 million this despite a R15,6 million drop in gross profit. Net asset value per share has increased by 25 cents since the beginning of the year.

The most pleasing aspect of these results is the positive cash flow of R106,7 million that was generated in the six months despite capital expenditure of R15,1 million in the period. The working capital was reduced and as a result trade cycle days were down from 133 days to 83 days at the end of June. The inventory reduction of R116,2 million, was the single most important factor in the improvement in the working capital cycle. On the contrary debtors did increase but this was largely due to exceptionally high revenue of R427,8 million in June. Subsequent to half year the cash flow has continued to improve with further reductions in borrowings. We have still not enjoyed the full working capital benefits of our German assembly plant as high volumes stress the supply chain and increased competition erodes the margin expectation. During the next six months we expect a further reduction in borrowings of over R100 million. Total overheads of R262,1 million are 1% lower than the comparative period despite the substantial increase in volumes and sales. We have seen some small cost reduction benefits from the Project 100 Plus cost reduction programme in this period but expect increased savings in overheads and product costs to flow from this project in the next 12 to 18 months as the various initiatives are implemented.

Another noteworthy feature of these results is the excellent work done by our Treasury team in managing foreign exchange losses down from R16,3 million last June to R1,1 million in this period.

During the last two months we have been able to see the implementation of the new arrangements with our strategic alliance partner, John Deere Construction and Forestry Company (Deere). Manufacturing part of the range of our Articulated Dump Trucks (ADTs) has commenced in Davenport U.S. and the first batch of Tractor Loader Backhoes (TLBs) being assembled and partially manufactured have come off our Richards Bay production line. The first consignment of Front End Loaders (FELs) kits imported from Deere is now being assembled in Richards Bay. This production in Richards Bay will substantially reduce our overall manufactured cost of these products and will improve our gross margin. The setting up of the ADT plant in the U.S. allows us to make a margin on the kits manufactured in Richards Bay and exported to this facility and at the same time reduces losses that we are making on the sales of completed units to the U.S. We expect these three manufacturing processes to be completely bedded down by 31 December 2005. The migration of manufacturing between South Africa, the U.S. and our German facility should improve profitability, reduce manufacturing costs and currency dependency as well as improving our responsiveness to customers. Management's efforts to reduce product and operating costs continue unabated.

Our Southern African Sales and Distribution operation which forms the backbone of the Group, continues to be profitable and at the forefront of the industry.

I am pleased to report that the entire Bell team see the progress being made and have a combined clear resolve to achieve the stated targets set for cost reduction, efficiency and quality improvements. The sustainable benefits of our Project 100 Plus programme and more importantly our strategic alliance with Deere we expect to flow substantially to the bottom line during 2006.

HJ Buttery
Group Chairman

5 August 2005

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

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

Company Secretary: DP Mahony

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