



STRONG RELIABLE MACHINES • STRONG RELIABLE SUPPORT

2017

BELL EQUIPMENT LIMITED • INTEGRATED ANNUAL REPORT



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# ABOUT THIS REPORT

This integrated annual report, which is the group's primary communication to shareholders and other Bell Equipment stakeholders, covers the financial year 1 January 2017 to 31 December 2017.

The report should be read in conjunction with the full audited consolidated financial statements. The full audited consolidated financial statements, which are available on request from the company secretary at the group's registered office and online, provide a comprehensive insight into the financial position of the group for the year under review.

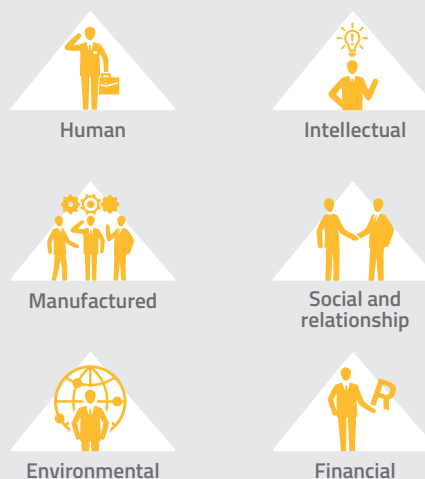
The financial information in this report follows IFRS and is examined by independent auditors in conformity with International Standards on Auditing. The following main codes and standards were considered in providing information in the report:

- the Companies Act
- the JSE Listings Requirements
- King III and King IV
- The IIRC's International Framework

The scope of this report includes all of Bell Equipment's subsidiaries and operating regions. Bell Equipment continues to embed management, sustainability and governance-related reporting systems and processes in the operations. The six capitals are reported on and the content focuses on the material issues that have occurred during the financial reporting period and in certain instances up to the date of finalisation of this report.

Matters which could substantively impact on Bell Equipment's ability to generate and sustain stakeholder value and contribute to future sustainability for the group are considered material. These form the anchor of the report.

## The six capitals



The process to identify, define, prioritise and approve material matters for disclosure is depicted in the diagram below.



The material issues, identified by the board, affecting the group are:

- the enhancement of Bell Equipment's sales and returns in global markets;
- maximising the cost efficiency of Bell Equipment's products to market;
- leveraging of strategic alliances;
- positioning the Southern African business for the long-term;
- optimising the Bell corporate structures, capital structure, shareholder dynamics and governance for business sustainability and growth;
- minimising currency risk;
- leveraging of Bell Equipment's people;
- transformation;
- niche product dependence;
- health and safety; and
- investment in IT solutions in order to facilitate the group's strategic objectives.

In order to achieve the group's strategic objectives and manage its risks, these material issues are continuously monitored by Bell Equipment and its board, as the governing body.

Assurance in relation to its financial statements continues to be provided by the independent external auditors, Deloitte & Touche. Bell Equipment applies the combined assurance model which seeks to optimise the assurance obtained from management and internal and external assurance providers.

The group continues to maintain 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 report may contain certain forward-looking statements other than the statements of historical fact which cannot be construed as reported financial results. Investors are cautioned not to place undue reliance on any forward-looking statements contained herein, as they have not been reviewed or reported on by the group's external auditors. Whereas the group has made every effort to accurately and reasonably ensure the accuracy and completeness of the information contained within this integrated annual report, any forward-looking statements speak only as at the date that they are made; the actual results may vary materially from those expressed or implied; and the group undertakes no obligation to publically update or alter these or to release revisions after the date of publication of this integrated annual report.

## Responsibility statement

The board acknowledges its responsibility to ensure the integrity of information contained in the integrated annual report and the annual financial statements of the group and both the audit committee and the board have applied their collective minds in the preparation of this report.

The board is of the opinion that this integrated annual report addresses all material issues, and presents fairly the integrated performance of the group. The integrated annual report and the full audited consolidated financial statements were approved by the audit committee and the board on 14 March 2018.



**JR Barton**  
*Independent non-executive chairman*

14 March 2018

We welcome stakeholders' feedback on our reporting, which can be sent to [Diana.McIlrath@za.bellequipment.com](mailto:Diana.McIlrath@za.bellequipment.com).



**GW Bell**  
*Chief executive*



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# OVERVIEW

## About Us

Bell Equipment is South Africa's only major designer, manufacturer and distributor of heavy equipment. With over sixty years of experience, the group provides equipment solutions to the construction, mining, quarrying, agriculture, forestry and waste handling industries, and delivers to stakeholders through living its motto of 'Strong Reliable Machines, Strong Reliable Support'.

The articulated dump truck (ADT) is the group's core product and Bell is acknowledged globally as an ADT specialist for its ongoing innovation and the class-leading performance of its ADTs. Bell ADTs are exported worldwide from the group's two manufacturing plants in South Africa and Germany.

In Southern Africa, along with its own designed and manufactured products, the group holds strategic dealerships with several leading global manufacturers to achieve the group's objective of being a full range material handling distributor to the region. Bell is able to offer over 120 products well suited to all applications by complementing its ADT product with a range of wheeled loaders, haulage tractors, excavators, motor graders, dozers, tractor loader backhoes, tri-wheeler rough terrain handling equipment, tipper trucks as well as a complete range of compaction, crushing and screening machinery.

Additionally the group is well established in key markets as a supplier of low-cost-per-tonne equipment solutions to agriculture and forestry where it again provides a blend of own and partner products to meet the varying levels of mechanisation and machine complexity of these industries in the different markets.

A driving force that impacts on, and supports, the aforementioned business areas is Bell Equipment's customer support and aftermarket services. The group has a proud reputation for listening to its customers and delivering on their needs. This is achieved through a professional network of branches and independent dealers, which provide strategically placed support close to the major customer bases.

This network is supported by a robust OEM structure, with two large logistics centres servicing the Northern and Southern Hemispheres, to ensure quick and efficient lines of communication globally between end-users of the product and the group.

Together these business areas play an important role in driving the group's objectives of growth and long term sustainability.

## Our Timeline and Key Milestones

1954

**Founder Irvine Bell establishes the group.**  
A self-loading sugar cane trailer is amongst his early inventions.

2001

Launch of the **D-series ADT sets a new standard of excellence.**

2002

**World's largest ADT**, the Bell B50D, is unveiled.

2014

**Bell celebrates 60 years in business** along with the **50th** anniversary of its **tri-wheeler product** and **30 years of ADT** design and manufacture.

2015

Bell concludes a **two-year investment into new, upgraded CSCs** in Middelburg, Nelspruit and Rustenburg in South Africa as well as Kitwe, Zambia.

1964

**Irvine Bell** invents the revolutionary **tri-wheeler** loading machine.

1977

Bell Equipment introduces the **world's first heavy duty haulage tractor**.

1982

Applying the hauler's strong, simple design philosophy, **Bell enters the wheeled loader market**.

1998

Bell **C-series ADT and wheeled loader** range launched.

1989

**Launch of the B40 ADT**, targeting heavy duty mining applications.

1984

From the **new production facility in Richards Bay**, South Africa, the first ADT enters service.

2003

**Truck assembly operations** commence in **Europe**.

2008

**Global Logistics Centre** commissioned in **Jet Park, Johannesburg**.

2009

Bell Equipment takes over the **Bomag dealership with the German-based OEM**.

2013

Bell Equipment **launches the new E-series small ADT** and is **granted distributorship rights for the Terex Finlay** range of mobile crushing, screening and recycling equipment.

2012

Bell Equipment **re-enters the Americas** and commences the **appointment of distributors and dealers** in the region.

2011

Bell Equipment **establishes beachhead in Russian market**.

2016

**Launch of the E-series large truck programme** ranging from the B35E to the B60E.

2017

In Southern Africa Bell adds **Kobelco excavators** to its range and enters the **tipper truck market with Kamaz trucks**.

# Our Business and Product Profile

With a common thread of providing solutions for customers who require materials handling machinery, the Bell business and products can be clearly defined within four groupings:

- as a global ADT specialist
- as Southern Africa's full range materials handling distributor
- as a cost effective agriculture and forestry solutions provider
- as a provider of aftermarket services

## Bell as a global ADT specialist

The decrease in commodity prices and increased pressure on the mining industry in recent times has resulted in greater emphasis being placed on the efficiency of operations. Mines and mining contractors are becoming more circumspect in their choice of capital equipment and choosing the right tool for the job is one way of getting the best possible results.

Although traditional rigid trucks have a long pedigree in the mining environment, the ADT - first introduced in the 1960s - has been gaining popularity in the mining environment since the 1980s and has also become a common feature on medium to large construction sites due to its versatility.

The ADT market can be divided into three main industries – construction, mining and quarrying. While there are exceptions, there is also an approximate geographical split with most ADTs seeing service in construction and quarrying in the Northern Hemisphere while the use of ADTs in the Southern Hemisphere is more concentrated on mining activities.

Generally speaking an ADT is an all-wheel-drive haulage vehicle. Most have three axles and are six-wheel drive, however, a smaller number are sold with two axles and a four-wheel drive configuration and Bell Equipment also provides three axle, four-wheel drive ADTs for customers not needing all-wheel-drive capability.

The front and rear chassis can rotate independently about the longitudinal axis using an oscillation joint, which effectively keeps the wheels on the ground at all times. In addition the walking beam rear suspension for the middle and rear axles provides additional capability in this regard. This machine configuration, in combination with large earthmoving tyres with low ground pressure, provides all-terrain capability that enables these trucks to effectively haul without having to spend time and money on infrastructure development. In addition, ADTs are able to continue working in adverse weather where conventional rigid and road trucks would need to be parked.

ADT customers enjoy the flexibility of the machine. One day it can be operating on good quality mine roads as part of the mining production and the next it can be breaking new ground in another part of the mine where there are no roads whatsoever.



Another benefit is an ADT's ability to be easily adapted to various roles such as a water or fuel tanker, or a service truck. This is very popular in the Australian mining industry and is a growing trend in South Africa.

Bell Equipment has been manufacturing ADTs for the global market since the mid-1980s when the first imported machines arrived in South Africa and the group saw the opportunity to improve the product to better suit the harsh African operating conditions. Trucks are now produced from either the Richards Bay factory in South Africa or the Eisenach-Kindel factory in Germany depending on the vehicle emission requirement of the final destination.

Today Bell ADTs are widely accepted in the world's largest ADT markets – North America, Southern Africa and the United Kingdom as well as in France, Germany and Australia. This has been achieved by focusing on delivering the lowest-cost-per-tonne to customers in these markets.

As a global ADT specialist Bell has the largest range on the market and is recognised as a world leader and innovator for the ground breaking technological advancements that it has pioneered over the past three decades.

Innovations are designed to improve safety and productivity on job sites and include Hill Stop, Bin Tip Prevention, Turbo Spin Protection, On Board Weighing and an Auto Park Application, all of which are standard on Bell trucks. Linked to productivity is Bell Fleetm@tic®, a satellite fleet management system that provides productivity, utilisation and machine condition data.

Bell is now on its E-series generation of trucks having first introduced this significant upgrade to the smaller B18E, B20E, B25E and B30E ADTs in 2013. This was completed across the range in 2016 with the launch of the large truck update, which comprises of the B35E, B40E, B45E, B50E and the 4x4 crossover concept, the B60E.

The group's evolutionary approach to design for this upgrade relied heavily on concepts proven over the 15 years that the D-series product had been operating on some of the harshest job sites. The E-series models have also been characterised by

an increase in payload. The introduction of the new Mercedes Benz HDEP engine platform, renowned for efficiency and reliability, has brought about a useful increase in power while the seven gear ratios of the large trucks deliver better grade ability with reduced fuel consumption.

Bell Equipment's 60-ton truck is a unique concept in response to a need among mining contractors making use of rigid trucks in the 60-ton range. The B60E is a 4x4 with full articulation steering and oscillation joint that has the ability to keep all four driving wheels on the ground, and fully utilise the traction that is available to deliver more off-road capability than a conventional rigid truck.

While the Bell B60E is able to run alongside rigid trucks within the 60- to 80-ton class, the concept is ideally targeted at mines, quarries and bulk earthworks which experience conditions that rigid dump trucks cannot cope with, such as rainy periods which compromise underfoot conditions. When traditional 4x2 rigids can no longer operate, the superior 4x4-traction, oscillation tube and retardation characteristics of the Bell B60E pay off by keeping production going, which is a huge opportunity for many customers. In addition to delivering cost efficiencies related to economies of scale, the economical drive train of the B60E delivers significantly lower fuel consumption than a traditional rigid truck, as established during six years of product testing on sites around the world.

Across the range the ADT product's versatility is further enhanced through the Bell Versatruck programme that uses the ADT platform as a base for tailor-made solutions. The range is extensive and includes ejector trucks, water tankers, lube trucks, hooklift trucks, flat deck trucks, timber trucks, waste handlers, container trucks and even an underground concrete mixer.

With a long history in and a renewed focus on underground mining, Bell also has a range of dedicated low profile underground ADTs. Recent upgrades have concentrated on replicating some of the class leading technologies that have been developed for the surface trucks, into this highly specialised market segment.



## OUR BUSINESS AND PRODUCT PROFILE CONTINUED

### Bell as Southern Africa's full range materials handling distributor

Business is easier for customers when they only have one supplier and one point of contact for their equipment needs, particularly if that supplier is able to deliver strong, reliable support.

One of the group's key strategies has therefore been to complement its ADTs by expanding its product offering to provide a full line solution to customers in the Southern African region. This decision has provided a win-win scenario with customers enjoying Bell Equipment's strong support network across the region. Similarly the group's high level of customer focus has seen support by customers for the business.

To grow the product offering Bell has continually looked at forging relationships with like-minded global OEMs. A family heritage coupled with innovative products that deliver high performance and reliability have been major considerations when selecting partners.

Deere & Company, founded in 1837 by John Deere, a blacksmith and inventor, is one of the world's most respected businesses. The company had a similar beginning to Bell Equipment having started out serving the agricultural sector. The Construction & Forestry Division was established in the mid-1950s and follows the founder's original core values by providing advanced products and services and remaining committed to the success of customers whose work is linked to the land.

The strong relationship between Bell Equipment and John Deere Construction dates back to 1996 when Bell Equipment was awarded distribution rights for the Deere range of construction equipment in Southern Africa. Bell continues to be amongst the largest Deere dealers globally, with a competitive and comprehensive range that comprises motor graders and dozers for site preparation along with wheeled loaders for the initial bulk earthworks and a tractor loader backhoe, which offers versatility for the laying of services and intricate site work.

The range of seven wheeled loaders offer operating weights from 9 to 30 tons and GP bucket capacity ranging from 1,9 to 4,7 cubic metres. The G-series motor graders are available in tandem or six-wheel drive configurations with features like cross-slope control, automatic differential lock and a rear-view camera while the J-series dozers have dual path hydrostatic drive trains providing full power turns, counter rotation and infinitely variable track speeds. The TLB, which was upgraded to the new L-series generation towards the end of 2016, has been manufactured locally in Richards Bay for over 10 years by Bell under licence.



In 2009 Bell Equipment added compaction equipment and road building equipment to its offering when the group became a proud partner to Bomag in Southern Africa. Founded in 1957, Bomag has 500 dealers in over 120 countries worldwide, and as part of the Fayat Group of Companies it also shares the same strong family-business values as Bell.

Bomag is a world leader in the highly specialised area of compaction and delivers the best in German engineering. Products include a full range of single drum rollers for soil compaction, tandem drum rollers for asphalt and rubber-wheeled machines for final finishing.

Road rehabilitation through in-situ recycling as well as soil stabilisation with additives have become popular options for both maintenance and new projects in Southern Africa and the range of recyclers, and cold milling machines that were introduced in 2017, provide Bell with solutions to this niche. Bomag finishers are available for asphalt application before final compaction.

For smaller construction projects and repair work a full range of walk-behind compaction equipment is also distributed.

In line with the growing global focus to improve management of the environment and the handling of solid waste, the Bomag range of refuse compactors allows Bell to offer purpose-built machines to the industry. This ensures customers the best possible compaction and highest uptime in the harsh environment of landfill sites.

An agreement signed in 2017 with global excavator specialist, Kobelco Construction Machinery Co. Ltd, to exclusively distribute and support their range of excavators in Southern Africa, has been well received by the market.

A division of Japanese-based Kobe Steel, Kobelco is a leader in excavator innovation having developed Japan's first construction machine in 1930, followed in 1963 with Japan's first wheel mounted hydraulic excavator. In 1967 the company launched the first crawler type hydraulic excavator to be produced using Kobelco's proprietary technology, and in 2006 introduced the world's first hybrid excavator. With an equally proud history in





manufacturing, the company has 10 production centres located in Japan, China, Southeast Asia, the United States and India.

Key to the Kobelco value proposition is the company's philosophy of pursuing the enhancement of performance capacity and improved cost efficiency with due care for the environment. For this reason all Kobelco excavators have two digging modes – H mode for heavy duty and higher performance and S mode for normal operations with lower fuel consumption. Real life situations show that the S mode can deliver around 20% reduction in fuel when performing the same tasks as like-sized machines while engagement of the H mode delivers 8% more productivity at the same fuel burn as competitor machines.

By developing the full range of Kobelco excavators, from the small 5,5 ton mini excavators through to the largest 85 ton units, Bell customers have options for the smallest applications as well as competitively priced and perfectly matched loading tools for Bell ADTs in the construction, quarrying and mining industries. In addition the partnership offers dedicated models for waste and scrap handling, as well as forestry.

On the crushing and screening side of the business, Bell has partnered with Finlay since 2013. Based in Northern Ireland, and with roots dating back to 1958, Finlay is a global pioneer in mobile crushing, screening and recycling solutions and offers a comprehensive range of equipment to the quarrying, mining, construction, demolition and recycling industries. The company's range of innovative machines is manufactured to provide efficient production, low operational costs and ease of maintenance.

Finlay machines are distributed across the globe by an expansive dealer network and securing the Southern African dealership enables Bell to offer quarry and mining customers a complete range of Finlay mobile crushers and screens. Bringing innovative concepts to market, for example Dual Power units and Spaleck screens, ensures Finlay continues to set the benchmark in power, quality and efficiency when producing all sizes of aggregates for the industry.

At the end of 2017 Bell entered the Southern African tipper truck market for the first time through a partnership with Kamaz, a Russian-based industry leader in this market segment globally. Many Bell customers have fleets of tipper trucks and an ability to supply and service this product segment is in line with the group's strategy to cover more of its customers' equipment needs.

Established in 1969, Kamaz manufactures out of Naberezhnye Chelny in Russia and today accounts for half the trucks sold in that country, as well as being represented in 80 countries across the world.

Importantly Kamaz shares Bell Equipment's values and focuses on understanding applications and customer expectations, and designs products that speak to these. The company's standing as a 15 time winner of the Dakar, the world's toughest off-road endurance race, demonstrates the tough and reliable nature of Kamaz trucks and ties in with the Bell ethos of providing strong reliable machines.

Across the range, well-matched engines and drive trains bolster performance and the ability to deliver results while stronger fabricated structures promote durability. The trucks also feature air-suspended seats and cabs to create industry-leading comfort that drives productivity, safety and ensures driver satisfaction.

The first phase of the Kamaz introduction consists of four models, which will be available as left hand or right hand drive vehicles. The models will include two 6x4 trucks with payloads of 15 and 20 tonnes, a 6x6 truck with a payload of 19,5 tonnes and a 8x4 truck with a payload of 25,5 tonnes. The initial Kamaz trucks will be shipped RORO (roll on roll off) while the Richards Bay factory gears up for complete knockdown assembly.

Combined these five partnerships enable Bell to meaningfully augment its own manufactured products, thereby providing the full spectrum of equipment for mining, quarrying, construction, roads and rehabilitation as well as waste management.

### Bell as a cost effective agriculture and forestry solutions provider

Bell is a pioneer in the field of mechanisation having started out in the sugar industry where the unique tri-wheeler, the purpose-built rigid hauler and trailers were some of the group's founding products. They have proven to be durable and reliable with many of the earlier machines still in operation today.

Bell Equipment's presence in the forestry sector dates back to the 1960s when the group's range of tri-wheelers, rigid haulers and trailers was extended from sugar cane handling to cope with the more arduous forestry environment.

Today the group's agricultural and forestry equipment provides solutions that meet customers' needs as they move from manual to fully mechanised operations. This is achieved through a carefully selected combination of own and partner products.

Different markets require different levels of mechanisation and machinery complexity based on a number of factors such as access to labour, skills and production. Low levels of mechanisation have found acceptance in South America, Central America and Southeast Asia where conditions and the environment are similar to Southern Africa. Labour is still abundant in these regions but low cost mechanisation solutions have found a niche for the safety and productivity benefits they bring to an operation.

Whether it is sugar or forestry, Bell Equipment always focuses on giving customers what they require. Driven by providing lowest-cost-per-tonne solutions, the group looks at the whole mechanised system and not only specific parts, with a keen view to improve operational safety and reduce costs.

The Bell product range caters for low to high levels of mechanisation with the tri-wheeler sugar cane and timber handling machines providing the lowest cost solutions in rough terrain. Variations of this versatile workhorse include forklift models for industrial and agricultural applications and the all-round versalift handler with quick changing implements.

During 2016 Bell introduced its Series IV generation of rigid haulers, fitted with Mercedes Benz water-cooled engines to deliver key performance and productivity benefits. The range, which includes 4x4 variations, comprises of tractors suited to single trailers and short hauls through to larger tractors designed for longer hauls and multi rigs.

Innovation from Matriarch Equipment has added a slew loader to Bell Equipment's product offering to provide a solution to those sugar cane farmers wishing to embark on controlled traffic practices.

In addition, and based on the group's mainstream ADT products, Bell provides versatile alternatives for transport, including infield self-loading forwarders for forestry and articulated tractors geared for large sugar estates. While these products fulfill a niche to handle differing haul distances as well as poor underfoot conditions, the articulated tractors are also used in large-scale land preparation throughout developing African countries.

Complementing the rigid and articulated haulage vehicles is a range of well-matched, robust timber and cane trailers.

For forestry operations that are trending towards more mechanisation Bell has again teamed up with innovative, like-minded partners to broaden the scope of its range and offer greater levels of mechanisation.

John Deere forestry equipment provides purpose-built fully-mechanised systems, which are seen as the global benchmark in terms of safety, productivity, lowest daily operating costs and uptime. The range includes feller bunchers, forwarders, harvesters and skidders.

Waratah provides harvesting and processing heads for the John Deere range and as stand-alone units. Their 'Built to Work' tagline complements Bell Equipment's 'Strong Reliable Machines' philosophy, with their products designed to meet the harshest conditions while delivering excellent power-to-weight ratios.

The Matriarch agreement was broadened in 2017 to include the Skogger, a timber extraction and loading machine, as well as the FASTfell, a felling and bunching machine. These machines complement the existing range of purpose-built forestry equipment by enabling Bell to provide forestry solutions that meet customers' needs for different levels of mechanisation and machine complexity.

Through the Kobelco partnership, Bell is able to offer excavator carriers to the forestry industry. Kobelco is regarded globally as the benchmark in this regard and has over time perfected models to operate in this specific environment. The ability to offer and support a Kobelco carrier with a perfectly matched Waratah head allows Bell to provide full solutions to customers using these types of hybrid machines.

With an in-depth knowledge of the agriculture and forestry industries, and products well suited to meet customers' requirements, Bell remains a key player in these industries.





## Bell as a provider of aftermarket services

Bell understands that business is about more than just supplying strong, reliable machines and that providing strong reliable support is equally important. With this in mind Bell is determined to provide customers with the good, old fashioned assurance that all their aftermarket requirements are covered.

Global customers are supported by an expansive dealer network, which is in turn bolstered by strategically placed, locally staffed Bell-owned operations. A culture of treating dealers as partners ensures a commitment to direct customer communication, which ensures that the group can understand the key focus areas that promote long standing customer relations.

The Global Logistics Centre close to OR Tambo International Airport in Johannesburg, coupled with the strategically placed European Logistics Centre (ELC) - the company's Northern Hemisphere parts hub - are ideally positioned to provide quick and efficient parts supply to anywhere in the world.

During 2017 Bell completed a significant investment into the German and Central European sales and distribution departments along with the ELC. The property has a built up area triple the size of the previous facility with the new ELC warehouse equipped with state-of-the-art commissioning and handling solutions. The introduction of SAP also allows for optimisation in terms of inventory and providing the customer with the shortest possible order-to-fill rate.

The complex has also been installed with a Bell ReMan Centre where specially trained technicians repair and rebuild original Bell components. Basing this facility at the ELC improves both the reaction and lead times as well as allowing for the rebuilt items to be stored and available for worldwide needs.

Bell distributors also carry parts closer to their markets, in their own logistics centres, most notably in the USA, Singapore and Australia.

The distribution and coverage offered by Bell in Southern Africa is unrivalled in the industry largely due to the group's local knowledge and proven ability to 'grow its own timber' through a well established apprenticeship programme.

The Bell Assure programme includes a number of unique and diverse products with which the group strives to meet every customer's unique needs. These range from financing, extended warranty, maintenance contracts through to tailor-made lubricants and remanufactured components.

Machines are available with the advanced onboard satellite communication software, Bell Fleetm@tic®, designed by Bell Equipment to keep customers up-to-date on both machine status and production through real-time internet-based reporting.

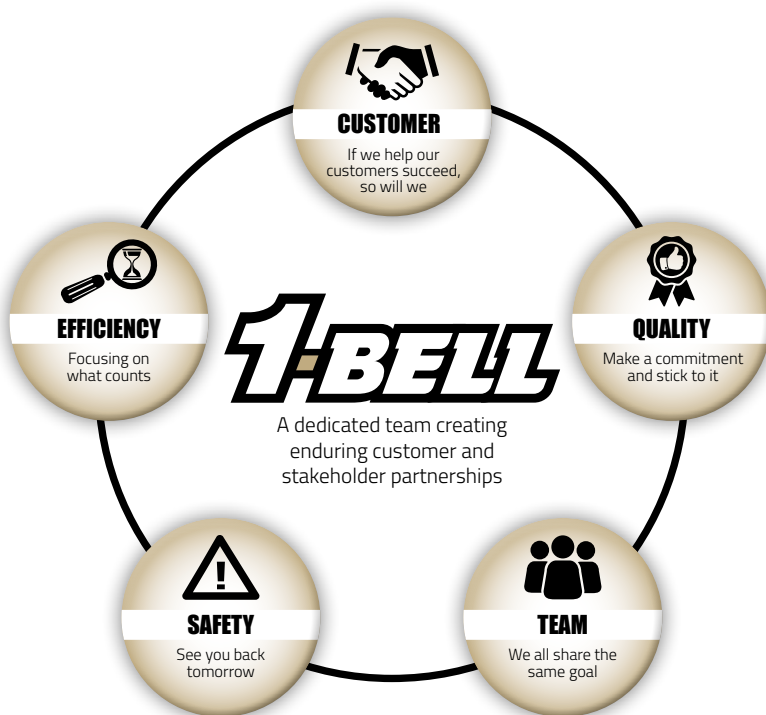
Underpinning the support to our customers with the simple mantra 'if we help our customers succeed so will we' ensures that we continue to be closely aligned to what our customers need.



# Strategic Overview

Bell Equipment's vision is to be the global off-highway truck specialist and a leader in the capital equipment and industrial goods sector, supplying leading, quality brands into the construction, mining, forestry, agriculture and industrial sectors in a number of chosen markets.

Across all aspects of the organisation the group is guided by the 1-BELL initiative.



In working towards our vision we are committed to the following four strategic objectives and eight key focus areas that are tracked to measure our performance in this regard.

**STRONG RELIABLE MACHINES • STRONG RELIABLE SUPPORT**























## STRATEGIC OBJECTIVES

Capture global ADT volumes by leading product innovation globally

Be the preferred full range material handling equipment provider in Southern Africa

Maintain our heritage by continuing to provide innovative solutions for emerging market sugar and forestry sectors.

Enhance all aspects of aftermarket support throughout the product lifecycle

STRATEGIC FOCUS AREAS	MEASUREMENT	RISKS	CAPITALS
Sustainable financial returns	<ul style="list-style-type: none"> <li>Revenue growth</li> <li>Market share</li> <li>Aftermarket contribution</li> <li>NPAT</li> <li>OROA</li> </ul>	<ul style="list-style-type: none"> <li>Competitor risk</li> <li>Currency risk</li> <li>Supply chain risk</li> <li>Regulatory risk</li> <li>Political risk</li> <li>Cyclical nature of construction and mining equipment industry</li> </ul>	 Financial  Manufactured  Intellectual  Environmental  Social and relationship
Diversification	<ul style="list-style-type: none"> <li>Entry into Southern African tipper truck market (Kamaz partnership)</li> <li>Excavator distribution agreement enhances our range to provide excavator carriers for forestry industry solutions (Kobelco partnership)</li> </ul>	<ul style="list-style-type: none"> <li>Non-performance in new markets</li> <li>Products do not meet market expectations</li> </ul>	 Manufactured  Financial  Human
Innovation and development	<ul style="list-style-type: none"> <li>Research and development spend maintained</li> <li>New F-series tri-wheeler, tractor and other product developments</li> </ul>	<ul style="list-style-type: none"> <li>Loss of key skills</li> <li>Regulatory risk</li> <li>IT risks</li> </ul>	 Intellectual  Manufactured  Environmental
Empowerment and transformation	<ul style="list-style-type: none"> <li>Completion of BESSA ownership transaction</li> <li>SED spend</li> <li>ESD spend</li> </ul>	<ul style="list-style-type: none"> <li>Skill pool</li> <li>Staff turnover</li> </ul>	 Social and relationship  Human
Customer satisfaction	<ul style="list-style-type: none"> <li>Eye Contact customer experience programme</li> <li>Customer retention</li> </ul>	<ul style="list-style-type: none"> <li>Product quality</li> <li>Product performance</li> <li>Loss of skills</li> <li>Supply chain risk</li> </ul>	 Intellectual  Manufactured  Social and relationship
People development and retention	<ul style="list-style-type: none"> <li>Apprenticeships</li> <li>Study assistance</li> <li>Staff turnover</li> <li>Internal promotions</li> </ul>	<ul style="list-style-type: none"> <li>Loss of key skills</li> <li>Health and safety risks</li> </ul>	 Social and relationship  Human
Full product and service line	<ul style="list-style-type: none"> <li>Kobelco excavators</li> <li>Kamaz tipper trucks</li> <li>Matriarch Skogger and FASTfell machines for forestry</li> </ul>	<ul style="list-style-type: none"> <li>Products do not meet market expectations</li> <li>Currency risk</li> </ul>	 Social and relationship  Intellectual
Strategic alliances	<ul style="list-style-type: none"> <li>Regular evaluation of all strategic alliance partners</li> </ul>	<ul style="list-style-type: none"> <li>Alliance partner product risks</li> <li>Currency risks</li> <li>Competitor risks</li> </ul>	 Manufactured  Social and relationship

## Our Global Footprint

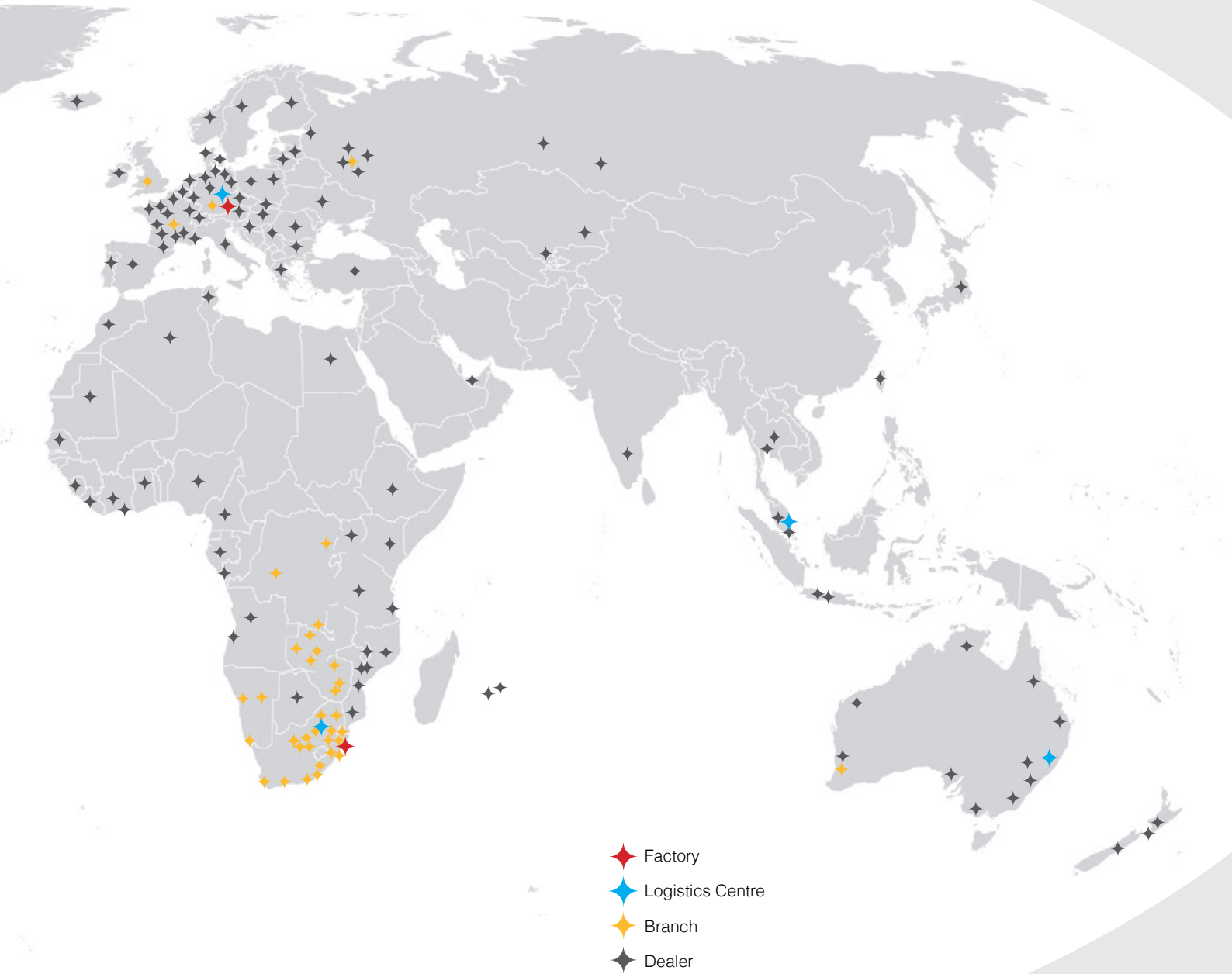
Over the years Bell has systematically developed a professional network of branches and independent dealers, which provides strategically placed support close to the major customer bases.

This comprehensive network supplies equipment solutions, ancillary products and after-sales services to the agriculture, forestry, waste handling, construction and mining industries worldwide.

This network is, in turn, supported by a robust OEM structure to ensure quick and efficient lines of communication between end-users of the product and the group globally.



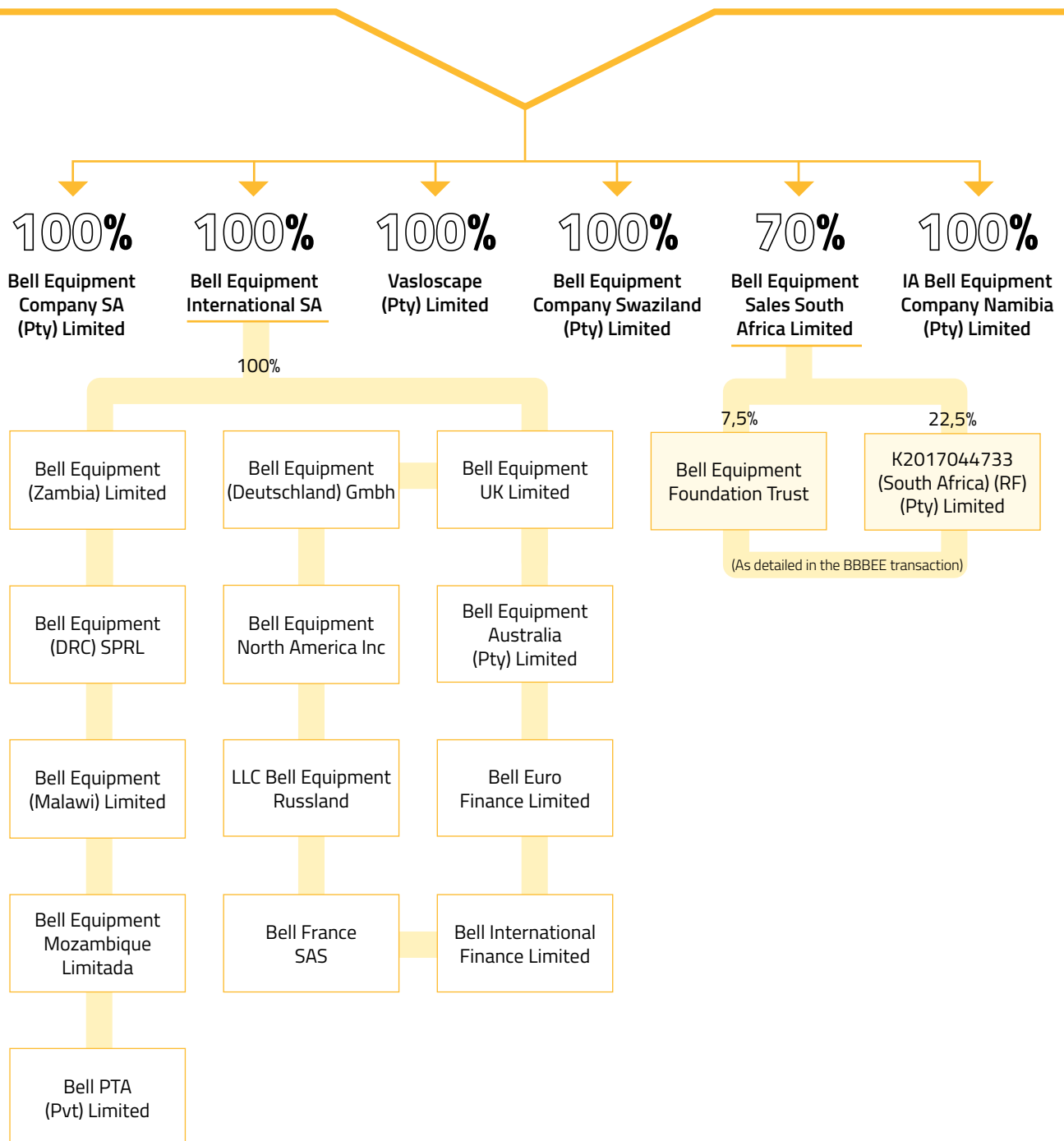




# Global Corporate Structure



## BELL EQUIPMENT LIMITED









# Board of Directors



**JOHN  
BARTON**  
(70)

**Independent non-executive chairman**

FCMA (UK), AMP (Harvard), GCMA  
Appointed to the board: 2009  
Chairman of the nominations committee;  
Risk and sustainability committee member;  
Remuneration committee member



**ASHLEY  
BELL**  
(35)

**Non-executive director**

BCom (Marketing) (UNISA)  
Appointed to the board: 2015  
Risk and sustainability committee member;  
Remuneration committee member;  
Social, ethics and transformation committee member



**GARY  
BELL**  
(65)

**Group chief executive**

Mech Eng Diploma (Natal Technikon)  
Appointed as an employee: 1971  
Social, ethics and transformation committee member;  
Risk and sustainability committee member



**DEREK  
LAWRANCE**  
(71)

**Independent non-executive director**

BCom (Economics) (Wits), CA (SA)  
Appointed to the board: 2016  
Chairman of the audit committee;  
Chairman of the remuneration committee;  
Risk and sustainability committee member



**LEON  
GOOSEN**  
(45)

**Chief executive designate**

BAcc (Stellenbosch), BCompt (Hons), CTA (UOFS), CA (SA)  
Appointed as an employee: 2007  
Risk and sustainability committee member



**HENNIE  
VAN DER  
MERWE**  
(70)

**Independent non-executive director**

BA (Law) LLB (Stellenbosch), LLM (Tax) (Wits)  
Appointed to the board: 2016  
Chairman of the risk and sustainability committee;  
Nominations committee member



**MAMOKETE  
RAMATHE**  
(38)

***Independent non-executive director***

BCom (Financial accounting); Business finance (Wits); BCom Honours (Business management) (UNISA); Masters (Development finance) (Stellenbosch); Masters (Leading innovation and change) (York St John)  
Appointed to the board: 2017  
Chairman of the social, ethics and transformation committee;  
Audit committee member



**RAJENDRAN  
NAIDU**  
(45)

***Independent non-executive director***

BCom (Cape Town), CA (SA)  
Appointed to the board: 2017  
Audit committee member;  
Nominations committee member;  
Social, ethics and transformation committee member



**KAREN  
VAN  
HAGHT**  
(51)

***Group finance director***

BCompt (Hons) (UNISA), CA (SA)  
Appointed as an employee: 2000  
Risk and sustainability committee member



**AVISHKAR  
GOORDEEN**  
(38)

***Alternate executive director to Leon Goosen***

BCompt (Hons) (UNISA), CA (SA)  
Appointed as an employee: 2006

# Group Executive Committee

The GEC is empowered and responsible for implementing the strategies approved by the board and for managing the affairs of the group. The committee is chaired by the chief executive designate and comprises the chief executive, the group finance director, the managing directors of each of the regions and the executives listed alongside. The committee meets regularly and deliberates, takes decisions and/or makes recommendations on all matters relating to the group's strategy and day-to-day operations within its mandate. The mandate is set by the board and where appropriate, decisions and/or recommendations are referred to the board or relevant board committees for final approval.



**GARY BELL (65)**  
*GROUP CHIEF EXECUTIVE*  
 Mech Eng Diploma  
 (Natal Technikon)  
 Appointed as an employee in 1971



**KAREN VAN HAGT (51)**  
*GROUP FINANCE DIRECTOR*  
 BCompt (Hons) (UNISA)  
 CA (SA)  
 Appointed as an employee in 2000



**LEON GOOSEN (45)**  
*GROUP CHIEF EXECUTIVE DESIGNATE*  
*MANAGING DIRECTOR: BELL EQUIPMENT COMPANY SA*  
 BAcc (Stellenbosch); BCompt (Hons)  
 CTA (UOFS); CA (SA)  
 Appointed as an employee in 2007



**NEVILLE PAYNTER (53)**  
*MANAGING DIRECTOR: BELL EQUIPMENT NORTH AMERICA*  
 NTC 3 & 4 Aircraft Technology  
 (Germiston Technical College)  
 Diploma in Business Management (Damelin)  
 Diploma in Business Enterprise Studies  
 (Institute of Commercial Management,  
 Bournemouth, UK)  
 Appointed as an employee in 2002





**AVISHKAR GOORDEEN (38)**  
*CHIEF STRATEGY OFFICER*  
 BCompt (Hons) (UNISA)  
 CA (SA)  
 Appointed as an employee in 2006



**HENNIE VAN DER WALT (43)**  
*DIRECTOR: GROUP AFTERMARKET  
 AND CUSTOMER SUPPORT*  
 B Eng (Mech) (NWU)  
 Masters in Business Administration (UNISA)  
 Appointed as an employee in 2016



**DOMINIC CHINNAPPEN (49)**  
*DIRECTOR: GROUP SUPPLY CHAIN AND SOP*  
 BCom (Hons) (Logistics) (UNISA)  
 CPIM (APICS)  
 Appointed as an employee in 1987



**MARC SCHÜRMANN (49)**  
*MANAGING DIRECTOR: BELL EQUIPMENT  
 EUROPEAN OPERATIONS*  
 B Eng (Mech)  
 Prof Eng (Pretoria)  
 Appointed as an employee in 1994



**ALDO MAYER (45)**  
*DIRECTOR: GLOBAL MANUFACTURING  
 AND ENGINEERING*  
 National Higher Diploma - Mech Eng  
 (Natal Technikon)  
 B Tech (Business Management)  
 (Natal Technikon)  
 Appointed as an employee in 1996



**STEPHEN JONES (47)**  
*DIRECTOR: GROUP MARKETING,  
 ALLIANCES AND DEALERS*  
 National Higher Diploma - Mech Eng  
 (Natal Technikon)  
 B Tech (Business Management)  
 (Natal Technikon)  
 Appointed as an employee in 2006



**MENZI DUMISA (44)**  
*MANAGING DIRECTOR: AFRICA SALES  
 AND DISTRIBUTION*  
 BCom (Hons) (UKZN); ACMA, CGMA (UK)  
 Appointed as an employee in 2007  
 Resigned on 28 February 2018



**DIANA MCILRATH (44)**  
*GROUP COMPANY SECRETARY*  
 BCom (UKZN)  
 LLB (UKZN)  
 Appointed as an employee in 2016



**JOHAN VAN WYNGAARDT (49)**  
*DIRECTOR: GROUP HUMAN RESOURCES*  
 DMS Dip HRM (Damelin); DMS Dip IR (Damelin)  
 B Tech (Advanced Business Management) (Natal Technikon)  
 Appointed as an employee in 2005

# PERFORMANCE REVIEW

## Joint Report by the Chairman and Chief Executive



### Overview

We are pleased to share the 2017 integrated annual report with our various stakeholders and to report that Bell Equipment has delivered a solid result for the year by continuing to build on its strategy for long-term value creation and sustainable growth. The year has delivered significantly better results than 2016.

Bell Equipment is exposed to a number of economies that performed differently during the year under review. Our African operations continued to perform poorly because of relatively low mining activity. Our South African distribution business had a better year as did the European and North American operations despite extensive movement in the Euro to US Dollar exchange rate which subdued profitability particularly for our North American operations.

Further steps towards restructuring our underperforming operations in the DRC, Mozambique and Zambia and reducing the significant losses encountered here over the last few years are beginning to bear fruit and to contribute to better results.

A decade after the world went through a major economic crisis a mark of revival has now been achieved with every major economy expanding, and this will positively impact our business. According to the International Monetary Fund the world economy is expected to grow by between 3% and 4% this year, up from 2,7% in 2017.

Many milestones have been achieved in the past financial year and these have allowed Bell to confirm its position as the global specialist in ADTs.

### Financial

Revenue for 2017 was up 13% to R6,8 billion. Profit after tax increased to R272,1 million, up from the 2016 result of R38,6 million when Bell recorded substantial operating losses of R185,8 million in the Rest of Africa segment. Headline earnings per share is up from 48 cents per share to a more respectable 270 cents per share.

On average the Rand was stronger in 2017 compared with the 2016 financial year and this impacted sales and margins negatively and partially offset the benefit of higher sales volumes. The stronger Rand also contributed to a reduction in foreign expenses when reported in Rand.

With more buoyant global conditions the board took a strategic decision to increase finished product inventories to respond more rapidly to higher demand across our spectrum of client industries. Current manufacturing locations and philosophies have inherently longer supply chains than some of our global competitors, and we had to counter this.

The board has declared a final dividend of 25 cents per share which added to the interim dividend of 20 cents amounts to a total dividend of 45 cents for the year compared to 15 cents in 2016.

### Operations

With a greater portion of our core products now being sold in the Northern Hemisphere, plans have been confirmed and construction work has begun on expanding our Eisenach-Kindel factory in Germany. This follows on from the completion of our new ELC which came into operation in June 2017.

Bell continues to invest in critical research and development to ensure that our products remain at the forefront of innovative design and engineering.

Growth in our South African operations is assured with the global growth in acceptance of the ADT concept and product, coupled with the addition of new products for our South African distribution business. A full line of excavator machines from Kobelco has been launched and Bell expects to gain a significant share of this business in the local market.

The launch and introduction of the range of Kamaz heavy-duty trucks to the construction and mining industry in South Africa is a diversification which will allow Bell to compete in the lower cost sector of this market. Localisation and production of these trucks are likely to begin early in 2019 at the plant in Richards Bay, bringing with it additional jobs.

Bell continues to be a sizeable employer with approximately 3 200 employees worldwide of which approximately 2 500 are located in South Africa. The multiplier effect of our operations in South Africa with related businesses providing us with both goods and services is significant, with over 1 000 South African companies working together with Bell to produce, service and distribute our products across the world.

## Sustainability

Risks associated with the sustainability of the group are managed through our strategic planning process, directly involving the board. We are currently focused on growing our global volumes and capturing a greater volume of the annuity income associated with our machinery life cycle.

With increased currency volatility and the impact it has on our competitiveness we are also aggressively driving initiatives to reduce both operational and product costs.

The expansion of our European manufacturing capacity will allow better flexibility, quicker responsiveness to improve our customer experience and support our penetration in the Northern Hemisphere.

We recognise the importance of a sustainable business and along with our geographic product and industry diversity we have built sustainability into the different facets of our operations.

## Corporate governance

Our commitment to being a good corporate citizen pervades our total approach to the business and we endeavour to act in a responsible, balanced and commercially sensible manner.

We are ever conscious of the impact on the environment and we continue to measure and mitigate these risks.

Bell is committed to the highest standards of corporate governance. Details of governance structures and the extent to which we apply relevant principles of corporate governance, including King IV and regulatory requirements, are provided in the integrated annual report.

## Transformation

Without a sense of purpose Bell would not be able to achieve its full potential which has to include a role and involvement within our local community and its environment, developing a well-trained and diverse workforce as well as providing the retraining and opportunities that our employees and our business need to adjust to an increasingly automated world within an emerging and new South African economy.

Following the conclusion of the BBBEE ownership transaction in BESSA, our South African distribution business, in 2017, our customers in South Africa now benefit from procuring from a 30% black women owned entity.

Furthermore, the South African entities are committed to continued focus on the other elements of the BBBEE scorecard.

## Outlook

The political changes which took place in South Africa towards the end of 2017 have improved local sentiment and along with improved macroeconomic conditions we believe that all our African operations should deliver significantly better results in 2018.

Improved business sentiment in the South African market will hopefully drive the many infrastructure projects proposed by government.

Most major equipment markets are expected to see growth this year with global construction and mining machinery markets expected to increase by between 10% and 15%.

The North American market for ADTs disappointed over the last two to three years with a decline in volumes. A turning point seems to have been reached in the fourth quarter of 2017 and the order book at this time suggests a somewhat stronger year for this very important market for Bell.

## Board changes

The Board has appointed Leon Goosen, the current chief executive designate, as the chief executive and Gary Bell will step down from his role as chief executive with effect from 1 June 2018. Gary will remain with the group, having been appointed as the non-executive chairman of the board effective 1 June 2018.

In compliance with the King IV requirements, John Barton will assume the role of lead independent non-executive director to ensure adherence to good governance principles. The board acknowledges his valuable chairmanship during the three years of his tenure.

On behalf of the board, I would like to thank Gary for his exemplary service, dedication and commitment to the group since 1971. The board looks forward to Gary's continued contribution as the non-executive chairman. The group will continue to benefit from his industry experience and intimate knowledge of Bell.

We congratulate Leon on his appointment as chief executive and are confident that he, together with senior management, will continue to grow and build the Bell core business and deliver the right outcomes for the group and its stakeholders.

## Appreciation

On behalf of the board we thank our executive management and our 1-BELL team for their considerable efforts and for steering the business through the past year. We also thank our stakeholders for their support and our fellow board members for their guidance and ongoing commitment.

The past year has seen us reach a number of new milestones to propel the group into the next stage of growth with increased contributions from new products and new markets in 2018. We would like to thank everyone for their hard work and dedication and congratulate them on what has been a significantly better year for Bell Equipment.

# Finance Director's Report



**REVENUE**  
**R6,8 billion**  
**+12,7%**  
(2016: R6,0 billion)

**EXPENSES**  
**R1,226 billion**  
**-13,5%**  
(2016: R1,418 billion)

**NPAT**  
**R272,1 million**  
**+604%**  
(2016: R38,6 million)

**HEPS**  
**270 cents**  
**+463%**  
(2016: 48 cents)

**TOTAL DIVIDEND**  
**45 cents**  
**+200%**  
(2016: 15 cents)

## Financial performance

2017 marked a significant improvement in the financial performance of the Bell group compared with recent years. The group reported a profit after tax for the year of R272,1 million for 2017, compared with R38,6 million for 2016, and headline earnings per share of 270 cents (2016: 48 cents). The operating profit margin increased from 2,5% in 2016 to 6,4% in 2017.

The profit attributable to the new BBBEE partner in BESSA for the period since the transaction was concluded in May 2017 was R11,8 million.

Although sales in most mining dependent markets remained constrained, increased ADT sales volumes in North America and Australasia, higher production volumes through the factory facilities and a reduction in expenses, particularly relating to the group's operation in the DRC where significant losses were incurred in 2016, contributed to 2017 being a more profitable year for the group. The second half of 2017 reflected an improvement on the first half of the year as the effects of further right-sizing steps taken in the DRC and ramped up production volumes yielded positive results. The Rand was also weaker, on average, against the Euro in the second half of the year than in the first half of 2017 and this had a favourable impact on the second half result.

Although the Rest of Africa operating segment reported a substantially lower loss in 2017, especially in the second half of 2017, than in 2016, this segment is still not generating an

acceptable financial return and further steps will be taken during 2018 to address this. The group's operation in the DRC is still experiencing low sales, partly due to subdued mining activity but also due to the group's tighter credit management in this market. The group's operation in Mozambique was taken over by an independent dealer during 2017.

## Revenue

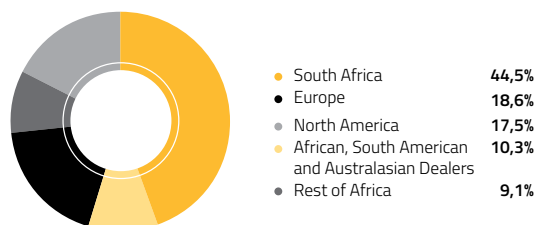
Total group revenue in Rand terms increased by 13% compared with 2016 from R6 billion in 2016 to R6,8 billion in 2017. ADT sales volumes were relatively flat in all markets in 2017 other than in North America and Australasia which showed good volume increases.

Revenue from sales in South Africa increased by a modest 9,6% compared with 2016 and contributed 44,5% of group sales in 2017, slightly down on 45,8% in 2016. Sales in Africa outside South Africa contracted by a further 23,1% in 2017 and contributed 9,1% of group sales in 2017.

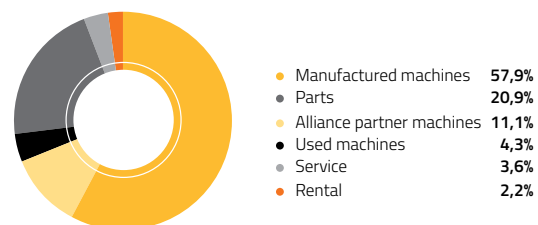
Total group sales in Europe increased by 7,8%, with the contribution by the European market to total group sales decreasing from 22,7% in 2016 to 18,6% in 2017. Sales in the increasingly important North American market increased by a pleasing 73,5% and contributed 17,5% to group sales, compared with 11,4% in the prior year. Sales to dealers in Africa, South America and Australasia increased by 71,1%, due to increased sales to the group's independent dealer in Australasia, and these sales comprised 10,3% of group sales.

## Revenue analysis

### Geographic



### Product



## Gross margin

The gross margin is dependent on the product and geographic mix of sales, market conditions and exchange rates. The average gross margin reduced to 21,3% for 2017 compared with 23,3% for 2016. The Rand was stronger on average against the Euro and the US Dollar during 2017 than in 2016 and this was not favourable for Bell for sales in any of the group's markets. Weak economic conditions and strong competition also added pressure on margins.

## Other operating income

Other operating income increased by 31% in 2017 due to higher sales of extended warranty products and due to increased production based incentives in the form of import duty rebates on higher production volumes in 2017.

Deferred revenue on extended warranty contracts sold reflected in the statement of financial position and which will be recognised in other operating income in future periods amounts to R141 million.

## Expenses

Group overheads reduced by 13,5% in 2017. Excluding foreign currency losses, overheads decreased by 11,2% compared with 2016. The reduction resulted mainly from higher production volumes and greater capitalisation of operating costs to inventory, lower cost structures in the Rest of Africa region,

especially in the DRC, and effective cost management across the group. Overheads also included the once off impact of the recovery of a customer account of approximately R19 million which had been written off in a prior period.

The group has continued its investment in research and development and development costs totalling R38 million were capitalised during 2017. These costs are amortised over the life of new machines once projects have been completed. The total cumulative carrying value of capitalised development costs at year end amounted to R201 million and total amortisation of development costs for the year amounted to R30 million.

## Interest paid

Net interest paid was similar in 2017 compared to 2016 due to similar average borrowings levels, which remained at stable, low levels throughout 2017.

## Taxation

The effective tax rate reduced to 32,6% in 2017 from the exceptionally high level of 66,6% in 2016, when significant losses were incurred in group operations, especially in the DRC, on which deferred tax assets were not raised. The rate of 32,6% is still too high and with further improvement in the results of the Rest of Africa region, this rate is expected to reduce further.



### Financial position

The improved profitability in 2017 meant that the net asset value per share increased by 8,4% from 2 894 cents in 2016 to 3 136 cents in 2017.

### Return on net assets

The group made progress towards its objective of delivering sustainable financial returns to shareholders through the business cycle during 2017, but did not fully meet its targets in this regard. Return on total assets increased from 3,4% to 8,5% year-on-year. The effect of the higher operating profit on the return on assets ratio was partially offset by an increase in total assets, mainly inventory, in 2017.

### Working capital

Inventory days increased from 193 days at the end of 2016 to 209 days at the end of 2017. This followed a strategic decision to increase production and inventory levels to position the group to respond more swiftly to sales opportunities in key markets. The group commenced 2018 with more complete machines in inventory than usual and this should give the sales operations a head start for the new year.

The working capital cycle for the group is long due to long lead times into the factory in South Africa and a number of owned distribution operations. Optimisation of inventory levels remains a focus area for the group and systems are in place to monitor levels and respond on a timely basis when necessary.

Receivables days improved further in 2017 to 42 days from 46 days at the end of 2016. We are very pleased with the improvement in the ageing of receivables, as detailed in note 35.3 of the annual financial statements. This was largely the result of tighter credit management and a lower appetite for credit risk in the Rest of Africa segment.

### Borrowings

The increase in inventory consumed cash and there was a net cash inflow for the year of only R7 million. Borrowings remain at acceptable levels at the date of this report and there is adequate headroom on banking facilities.

### Exchange rates

Continuing the trend from 2016, the Rand strengthened further against major currencies during 2017. This increased pressure on both local and export sales margins.

The group's approach to managing foreign currency exposures remains the same as in past years. A substantial portion of the group's purchases and sales transactions are in foreign currency and as such the group has a strong natural currency hedge. Forward cover contracts are utilised to manage the residual trade exposure to the Rand.

The group is further exposed to currency fluctuations with respect to the translation of profits into Rand, as a substantial portion of the group's operating profit is derived from operations outside South Africa.

### Looking ahead

The positive impact of higher production and sales volumes on the financial results of the group in 2017 was significant and we will seek to build on this growth in 2018. LTRS sales, which did not fully meet targets in 2017, is a key focus area in 2018. The stronger Rand at the start of 2018 presents a challenge and we will have to work even more diligently, especially on product and operating costs, to counter the impact of this on the bottom line.

It was reported last year that the losses in the African operations would continue into the first half of 2017 while costs were further reduced to align them with market conditions and low sales levels. Progress was made during 2017 and losses were substantially lower in the second half of 2017, but further attention to these operations is required during 2018 as this region is still not delivering sustainable financial results. This region will again be a key focus area in 2018.

The group is well placed to take on the challenges of 2018 and we look forward to the year ahead.







# Corporate Governance Report

Bell Equipment is committed to sound standards of corporate governance, integrity and ethics, as defined in King IV. The group strives to make all reasonable endeavours to implement the best processes and principles of good corporate governance to assist its directors in discharging their duties and responsibilities, aligning its strategy and risk management with its performance to ensure that the group is able to be sustainable in the long-term and add value to its stakeholders. The board of directors embrace the principles of King IV, underscored by sound and visible leadership characterised by the ethical values of responsibility, accountability, fairness and transparency.

The directors are ultimately responsible for ensuring compliance with all relevant laws, regulations and codes throughout the group. The board and its committees continue to monitor closely the implementation of Bell Equipment's legal compliance processes and improve upon them to mitigate the risk of non-compliance with the laws in the various jurisdictions in which it does business. The group has an established and comprehensive group approvals framework that is reviewed annually and is aimed at clarifying the various limits of authority in place within the group. The overall responsibility of management rests with the chief executive who gives regular reports about the achievement of the group objectives to the board. By delegating these powers to the chief executive, the board has imposed certain restrictions, conditions and limits that they believe to be appropriate for the effective exercise of such delegated powers.

## Assessment of and application of King IV principles

In the past, Bell Equipment undertook regular assessments on the application and implementation of King III. Post the coming into effect of King IV during April 2017 and the mandatory requirements of certain King IV governance practices by the JSE, in the form of amendments to the JSE Listings Requirements, Bell Equipment conducted and considered its application and adherence to the King IV principles. The outcome of the assessment revealed that the group materially complies with the principles of King IV and continues to identify areas where the recommended practices can be enhanced and entrenched in its governance structures, systems, processes and procedures. Bell Equipment's report on the application of the King IV principles is available on its website [www.bellir.co.za](http://www.bellir.co.za).

## Ethics management

The board is committed to providing effective and ethical leadership characterised by accountability, fairness and transparency. The board accepts responsibility for ensuring that management nurtures a culture of ethical conduct and establishes the correct tone at the top in respect of the group's culture and values. Corruption is a risk that is managed on an ongoing basis, particularly in the diverse areas in which the group operates.

The code of ethics, business conduct policy and the group fraud and commercial crimes policy continue to be entrenched into the culture of the group. These policies amongst others set stringent standards relating to fraud and the prosecution of offenders, the acceptance of gifts from third parties and



declarations of potential conflicts of interest. Bell Equipment has established a fraud working group that meets quarterly or more regularly when required. The fraud working group monitors and oversees the investigation of all fraud-related matters and reassesses the adequacy of the internal control environment (particularly those controls directly impacting on the incident) and assesses whether there is a need for modification or additional training. All matters reported through the tip-off anonymous line are also assessed by the fraud working group and meetings are set up with the internal auditors and investigators to ensure matters are effectively investigated in terms of the group fraud and commercial crime policy.

Should investigations uncover evidence of economic crime, including fraud and corruption, the group risk manager in conjunction with the fraud working group will review the facts at hand and in all instances where the allegations of fraud, corruption and/or economic crime have been confirmed the matter will be reported to the applicable law enforcement agency.

One of the best defences against fraud is a workforce that is trained in prevention and detection. The fraud working group provides strategic guidance to different departments on fraud detection and preventative actions. This is done through management briefs, presentations and training initiatives. Fraud awareness training is ongoing and the staff are encouraged to report suspected fraudulent or unethical behaviour on a confidential basis via a toll-free telephone or email service managed by an external service provider. Awareness of this facility is created through presentations, newsletters and encouragement of staff to report such incidents before significant losses are incurred. Comprehensive processes continue to be embedded into the group to ensure accountability and corporate responsibility.

## Financial statements and external review

As part of Bell Equipment's corporate governance policy, standards and systems of internal controls are designed and implemented by management to provide reasonable assurance on the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for shareholder investments and group assets.

The board is of the opinion that the internal financial controls are adequate and that the financial records can reliably be used for preparing the financial statements in accordance with IFRS and to maintain accountability for the group's assets and liabilities.

During the year under review no matters came to the attention of the directors to indicate that a breakdown in the functioning of controls, resulting in material loss to the group, had occurred during the year and up to the date of this report.

For more information on the group's financial strength and sustainability, please refer to the finance director's report on page 22 and the summarised consolidated financial statements from page 63.

## Going concern

The board is appraised of the group's going concern status at the board meetings coinciding with the interim and final results. The board is satisfied that the group has adequate resources to continue operating for the next 12 months and into the foreseeable future and the financial statements have been prepared on a going concern basis.

## Directors and composition of board and committees

As at year-end the board of directors comprised a unitary board of nine directors, three of whom are executive directors (and one alternate executive director) and six are non-executive directors. Five of the non-executive directors are independent. Rajendran Naidu and Mamokete Ramathe were appointed as independent non-executive directors on 20 March 2017. Tiisetso Tsukudu, an independent non-executive director, retired on 21 August 2017 after being on the board for 13 years. Bharti Harie, a non-executive director, resigned from the group's board on 27 November 2017 following the BBBEE transaction that took place in the group's subsidiary, BESSA, where she acquired an interest in a 22,5% shareholding in BESSA through a special purpose vehicle. Avishkar Goordeen, the group's chief strategy officer, was appointed as an alternate executive director to Leon Goosen on 27 November 2017.

Newly appointed directors are formally informed of their fiduciary duties by the company secretary. Upon their appointment, directors receive an induction pack consisting of *inter alia*, agendas and minutes of the previous two board and committee meetings (if applicable), latest annual financial statements, the MOI, the integrated annual report, the directors' code of conduct, the group global structure, board and committee charters and information on the JSE Listings Requirements and the obligations therein imposed upon directors.

The composition of the board reflects a balance of executive and non-executive directors, of whom the majority are independent, in order to ensure that there is a clear balance of authority so that no one individual has unfettered decision-making powers. The independence of independent non-executive

## CORPORATE GOVERNANCE REPORT CONTINUED

### ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CHIEF EXECUTIVE DURING THE REPORTING PERIOD

Chief executive: full time executive director	Chairman: independent non-executive director
<p>The role of the chief executive, as determined by the board, is to:</p> <ul style="list-style-type: none"> <li>own the vision and build the culture of the group;</li> <li>oversee and deliver the group's performance;</li> <li>lead the group and the management team;</li> <li>be ultimately responsible for all day-to-day management decisions and operations of the group in order to implement the strategic goals set by the board through the GEC;</li> <li>be the group's principal spokesperson; and</li> <li>act as direct liaison between the board and management and communicate to the board on behalf of management.</li> </ul>	<p>The role of the chairman is to:</p> <ul style="list-style-type: none"> <li>provide leadership and firm guidance to the board, while encouraging proper deliberation;</li> <li>lead the board and not the group;</li> <li>be the link between the board and management; and</li> <li>be the main link between the board and shareholders.</li> </ul>

directors is reviewed annually. During the year under review the nominations committee evaluated the independence of the non-executive directors and confirmed that five of the non-executive directors are independent as defined by King IV and the JSE Listings Requirements. The nominations committee is also mindful of its responsibility to preserve an appropriate balance of skills and experience on the board, and it is therefore of the view that the retention of certain members beyond nine years may be beneficial in certain circumstances to ensure this balance and that orderly succession can take place.

The group has a policy in place detailing the procedures for appointments to the board of directors. The appointments are formal and transparent and a matter for the board as a whole, duly assisted by the nominations committee.

The roles of the non-executive chairman and the chief executive are formalised, separate and clearly defined. The chief executive and other executive directors are employed on service contracts. Mrs Karen van Haght is a full-time executive finance director of the group. In June 2017, and following an extensive search process where the board considered both local and international candidates, Leon Goosen, the chief operating officer and executive director was appointed by the board as chief executive designate to succeed Gary Bell, the current chief executive, once he steps down. By announcing the chief executive's successor in June 2017 it provided the benefit of a smooth handover in the chief executive's office during the transition period.

All non-executive directors have unrestricted access to management at any time. When required, non-executive directors are entitled to access the external auditors and, at Bell Equipment's expense, are able to seek independent professional or expert advice on any matters pertaining to the group.

A lead independent non-executive director will be appointed to assume the responsibilities of the chairman when the latter is unable to attend relevant board and committee meetings, where there is a conflict of interest, or when the chairman's performance is being appraised or term of office is being reviewed.

In accordance with Bell Equipment's MOI, at least one-third of the non-executive directors must retire by rotation each year but may offer themselves for re-election. The non-executive directors retiring by rotation and standing for re-election by the shareholders are Ashley Bell, Derek Lawrance and Hennie van der Merwe.

The board recognises the benefits of gender diversity at board level and a policy on the promotion of gender diversity was approved by the board on 28 November 2016. The voluntary measurable objectives for achieving gender diversity on the Bell board is to ensure that at least 20% of the board was comprised of women by the end of 2016 and for that position to have exceeded 25% by the end of 2018.

The board's objective to ensure that at least 20% of the board was comprised of women by the end of 2016 was attained. On 7 June 2017 the board approved the amendment of the gender diversity policy to incorporate race diversity and the policy is now referred to as the policy for the promotion of diversity on the board of directors of Bell Equipment Limited to incorporate both race and gender. The measurable target for achieving race diversity on the board is 30% by end of 2018, and 35% by 2020, taking into account that the percentages must align to the number of directors and that a director could contribute to both gender and race targets. The nominations committee shall continue to monitor the progress made against those agreed voluntary targets and shall continue to consider and apply the policy on gender and race diversity in the nomination and appointment of directors.

## Board charter

The board is responsible for approving the strategic direction of the group and assisting management in achieving its strategic goals.

The board conducts its business in the best interest of the group and fulfils its fiduciary duty to act in good faith, with due care and diligence, and by ensuring that the group performs in the interests of its broader stakeholder group, including investors in the group, its customers, its alliance partners, employees and the communities in which it operates.

The scope of authority, responsibility, composition and functioning of the board is contained in a formal charter. The board charter and each of the committees' charters are reviewed annually. The board and committee charters are available on request from the company secretary.

The directors retain overall responsibility and accountability for:

- monitoring corporate governance, setting objectives, monitoring implementation of board plans and strategies, effective leadership on an ethical foundation;
- approving the strategic direction of the group and the budget necessary for the implementation of the strategy;
- being the guardian of the ethics and values of the group;
- exercising leadership, enterprise, integrity and judgement in directing the group so as to achieve continuing prosperity for the group, retaining full and effective control of the group;
- appointing the chief executive and ensuring proper succession planning for its executive directors and senior management;
- assuming overall responsibility for risk management;
- safeguarding the integrity of corporate governance processes;
- ensuring that technology and systems used in the group are adequate to run the business properly and evaluating and monitoring IT governance within the group;
- implementing best practice disclosure and reporting practices that facilitate transparent and open communication with key stakeholders throughout the year;
- ensuring that procedures and practices are in place, including systems of internal control, that protect the group's assets and reputation; and
- approving the annual financial statements and the integrity of the integrated annual report.

Following the strategy workshop held with the GEC over a two-day period in November 2016 where the proposed strategy was agreed; the progress made against the approved strategic initiatives continues to be reviewed.

## Committees' mandate and charters

The board applies responsible governance in managing the business within the approved risk appetite through various board committees. Delegation is formal and involves:

- approved and documented charters for each committee, which are reviewed annually; and
- ensuring that members of each committee have the appropriate skills and expertise.

In line with King IV, the group has a separate audit committee, a remuneration committee and a social, ethics and transformation committee as well as a nominations committee and a risk and sustainability committee. They are all established committees of the board which assist the board in performing its duties and each committee comprises at least three members. They play an important role in enhancing good corporate governance and improving internal controls, thus assisting in the sustainable performance of the group.

The board is satisfied that the committees are aligned with the principles set out in King IV and are appropriately structured and competent to deal with the group's existing and emerging issues and that they have effectively carried out their responsibilities according to their charters and terms of reference, and the annual work plans that are approved at the commencement of the year.





## CORPORATE GOVERNANCE REPORT CONTINUED

### NOMINATIONS COMMITTEE

Composition	Summary of roles and responsibilities
<p>In line with the JSE Listings Requirements and King III, the chairman of the board is also the chairman of the nominations committee. The committee consists of John Barton, as chairman, and two independent non-executive directors. Brief particulars of the committee members can be found on pages 16 and 17.</p> <p>Three meetings were held during the year.</p>	<p>The roles and responsibilities of the nominations committee are:</p> <ul style="list-style-type: none"> <li>to ensure appropriate board composition in order to achieve the appropriate balance of skills, experience and diversity required to lead, control and best represent the group;</li> <li>considering the performance of directors and overseeing the development and implementation of continuing development programmes for directors;</li> <li>to review the policy which details the procedures for appointments to the board, and which ensures a balance of power and authority at board of directors' level so that no one director has unfettered powers of decision-making; and</li> <li>to review succession planning arrangements for the board and the executive management of the group.</li> </ul>

### SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

Composition	Summary of roles and responsibilities
<p>Tiisetso Tsukudu, an independent non-executive director was the chairman until his retirement on 21 August 2017. Mamokete Ramathe, an independent non-executive director, was appointed as chairman in his stead.</p> <p>The committee consists of the chairman, one independent non-executive director, one non-executive director and one executive director. Brief particulars of the committee members can be found on pages 16 and 17.</p> <p>During the year under review, the committee met three times.</p>	<p>The responsibilities of the social, ethics and transformation committee, which are aligned with the statutory functions as set out in the Companies Act and the Regulations to the Companies Act, include:</p> <ul style="list-style-type: none"> <li>monitoring group activities on social, transformation and economic development, good corporate citizenship, environment, environmental risks, health and safety, consumer relationships, labour and employment;</li> <li>compliance with the Employment Equity Act and BBBEE legislation; and</li> <li>educational development of its employees.</li> </ul> <p>The full report by the chairman of the social, ethics and transformation committee can be found on page 38.</p>



## AUDIT COMMITTEE

Composition	Summary of roles and responsibilities
<p>Derek Lawrance, an independent non-executive director, is the chairman of the committee. The members include two other independent non-executive directors, who were elected as members of the committee by the shareholders at the AGM on 3 May 2017.</p> <p>The committee met four times during the reporting period.</p>	<p>The roles and responsibilities of the audit committee are aligned with the statutory functions as set out in the Companies Act and include:</p> <ul style="list-style-type: none"> <li>oversight of the group's financial reporting;</li> <li>ensuring continued independence of external auditors;</li> <li>overseeing the external audit process;</li> <li>overseeing the integrated reporting;</li> <li>applying, as practical, the combined assurance model to ensure a coordinated approach to all assurance activities;</li> <li>reviewing the expertise, resources and experience of the finance function;</li> <li>considering the appropriateness of the expertise and experience of the finance director; and</li> <li>overseeing the internal audit function.</li> </ul> <p>The full mandate of the audit committee can be found in the detailed audit committee report included in the audited 2017 annual financial statements on the group's website at <a href="http://www.bellir.co.za">www.bellir.co.za</a>.</p>

## RISK AND SUSTAINABILITY COMMITTEE

Composition	Summary of roles and responsibilities
<p>Hennie van der Merwe, an independent non-executive director, is the duly appointed chairman.</p> <p>The members include two other independent non-executive directors, one non-executive director and all three executive directors. Brief particulars of the committee members can be found on pages 16 and 17.</p> <p>During the year under review, the committee met three times.</p>	<p>The risk and sustainability committee is responsible for:</p> <ul style="list-style-type: none"> <li>the review and monitoring of the implementation of the group's risk management policy and plan;</li> <li>the review of the Bell Equipment group risk appetite and risk tolerances and the review of the risk appetite and risk tolerance matrices, the Bell Equipment group strategic risk register and the group risk indicators that are reported on at the risk and sustainability committee meetings;</li> <li>the review and assessment of the risk philosophy, strategy and policies recommended by the GEC and the consideration of the reports by the GEC on these issues;</li> <li>reporting to the audit committee on its findings in respect of material legal and compliance risks and in respect of the company's policies on risk assessment and risk management which may have an impact on the group's financial statements;</li> <li>reviewing the adequacy of insurance coverage;</li> <li>focusing on the development, progressive implementation and monitoring of the policies and plans to deal with the sustainability issues which relate to the long-term sustainability of the group;</li> <li>reviewing the integrated annual report to shareholders with regard to the relevant sustainability considerations as set out in the stakeholder relations report; and</li> <li>considering whether and to what extent external assurance is required on integrated reporting to shareholders with regards to the relevant sustainability considerations.</li> </ul>

## CORPORATE GOVERNANCE REPORT CONTINUED

REMUNERATION COMMITTEE	
Composition	Summary of roles and responsibilities
<p>The committee is chaired by Derek Lawrance, an independent non-executive director. The balance of the members consist of one independent non-executive director and one non-executive director. The chief executive attends all remuneration committee meetings by invitation.</p> <p>Two meetings were held during the year. Going forward the committee will meet three times a year.</p>	<p>The roles and responsibilities of the remuneration committee are to:</p> <ul style="list-style-type: none"> <li>oversee the establishment of and regularly review the group remuneration policy;</li> <li>ensure that the remuneration policy and the implementation report are put to separate non-binding advisory votes at the AGM of shareholders and that the process of engagement with shareholders in the event of a 25% or more vote against such reports is described;</li> <li>oversee the preparation of the remuneration report for inclusion in the integrated annual report;</li> <li>advise on non-executive directors' remuneration;</li> <li>advise and monitor executive remuneration and ensure that the group's executive directors and management are rewarded fairly in accordance with their individual contribution to the group's overall performance objectives;</li> <li>approve and review incentive bonus or share schemes; and</li> <li>evaluate the chief executive's performance.</li> </ul> <p>The detailed responsibilities of the remuneration committee can be found under the remuneration committee report on page 40.</p>

### Company secretary

Diana McIlrath, the current company secretary ensures that board procedures, regulations and governance codes are observed, and also provides guidance to the directors on governance, compliance and their fiduciary responsibilities. Directors have unrestricted access to the advice and services of the company secretary.

The company secretary coordinates the induction programme for newly appointed directors, as well as the annual board and committee evaluation process. The company secretary provides advice and updates to the board at all meetings by reporting on new and amended legislation and regulations relevant to the group's business.

In terms of the JSE Listings Requirements the board is required to consider and satisfy itself on an annual basis on the competence, qualifications and experience of the company secretary.

The board conducted a formal evaluation of the company secretary in November 2017 and satisfied itself that the company secretary had the requisite competence, qualifications and experience to carry out the required responsibilities and is independent of the board.

The board is satisfied that the company secretary is the gatekeeper of good governance, that an arms-length relationship exists between the company secretary and the board, and that the directors are able to look to the company secretary for guidance on their responsibilities and duties. The company secretary is not a director of the company.

### Board and committee evaluations

An annual questionnaire-based evaluation was undertaken by the directors in November 2017 which included an assessment of the board and all of the board committees, the company secretary, the chairman and the internal and the external audit functions. The feedback from the evaluations and the overall process was discussed by the board at a special board session held to review the report prepared on the outcome of the evaluation process and the action items flowing out of such evaluation report will be implemented by the board during 2018.



## Attendance at board and committee meetings

The board meets at least once every quarter. Additional meetings can be convened to consider specific business issues that may arise between scheduled meetings.

### ATTENDANCE REGISTER: 1 JANUARY 2017 TO 31 DECEMBER 2017

	Board	Audit	Risk and sustainability	Nominations	Remuneration	Social, ethics and transformation
<b>Number of meetings held</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>3</b>
John Barton <sup>1</sup>	4	2	3	3	2	
Gary Bell	4		3			3
Karen van Haght	4		3			
Leon Goosen	4		2			
Ashley Bell	4		3		2	3
Hennie van der Merwe	4		3	3		
Derek Lawrance	4	4	2		2	
Mamokete Ramathe <sup>2</sup>	3	3				1
Rajendran Naidu <sup>3</sup>	3	3		1		
Bharti Harie <sup>4</sup>	3	1				3
Tiisetso Tsukudu <sup>5</sup>	2			2	1	2

1. Stepped down from the audit committee on 3 May 2017.

2. Appointed to the board on 20 March 2017, elected to the audit committee on 3 May 2017, appointed as chairman of the social, ethics and transformation committee on 10 October 2017.

3. Appointed to the board on 20 March 2017, elected to the audit committee on 3 May 2017, appointed to the nominations committee on 10 October 2017, and the social, ethics and transformation committee on 27 November 2017.

4. Stepped down from the audit committee on 3 May 2017; resigned from the board on 27 November 2017.

5. Retired from the board on 21 August 2017.

## Legislative and regulatory compliance

An analysis of the current and pending legislation and regulations relevant to the group is presented to the board and to the relevant committees during the year. Board members are committed to complying with the disclosure, transparency and listing rules of the JSE and King IV. The implementation of the regulatory compliance framework continues to be progressed throughout the operating groups. During the year under review, the board monitored compliance with the Companies Act, JSE Listings Requirements in line with the advice of the group's sponsor, King IV and other material legislation affecting the group.

## Conflicts of interest and share dealings

The board recognises the importance of acting in the best interest of the group and protecting the legitimate interests and expectations of its stakeholders. The board consistently applies the provisions of the Companies Act on disclosing or avoiding conflicts of interest. Directors are required to declare

their personal financial interests, in contracts or other matters in which Bell Equipment has a material interest or where such interests are to be considered at a board meeting, annually as well as specifically at each meeting of the board and at each committee meeting, in accordance with the requirements of the Companies Act. Where a potential conflict of interest exists, directors are expected to recuse themselves from relevant discussions and decisions.

All directors are required to comply with Bell Equipment's code of ethics, the provisions of the Financial Markets Act, 2012 and the JSE Listings Requirements regarding inside information, dealings in securities and the disclosure of such dealings. As required by the JSE Listings Requirements, a closed period is implemented at both half-year and at year-end until the release of the interim and year-end results respectively. During closed periods, directors and designated senior executives may not deal in the shares or in any other instrument linked to the shares of the group. Directors and senior designated employees are required to instruct their portfolio or investment managers not to trade in Bell Equipment securities without their written consent. Details of all dealings by directors during the reporting period are contained in the directors' report in the audited annual financial statements on the website.

### External audit

The external auditors are responsible for reporting on whether the financial statements are fairly presented and whether they are prepared in all material respects in compliance with IFRS. Their audit also includes an assessment of selected internal controls. The preparation of the annual financial statements and the adequacy of the systems of internal control remain the responsibility of the directors.

Where permissible, the external auditors are appointed to provide non-audit services. The group's policy is to use its external auditors for non-audit services such as tax and accounting where the use of other consultants would not make sound commercial sense and where their independence and good corporate governance is not compromised by the engagement. The nature and extent of the non-audit services have been disclosed in the audit committee report in accordance with King IV principles.

### Internal control systems

Management is responsible for systems of internal control. Such systems are designed to assist in achieving business goals and to safeguard assets. They also play a key role in preventing and detecting fraud and error. An effective internal control system provides reasonable assurance with respect to financial statement preparation and asset safeguarding. The effectiveness of internal control systems can change with circumstances and, for this reason, these are reviewed and updated regularly. The systems presently in place are suitably aligned with the monitoring requirements and nothing has come to the attention of the directors, or internal auditors, to indicate that any material breakdown in the functioning of Bell Equipment's key internal controls and systems occurred during 2017.

### Internal audit

Bell Equipment's outsourced internal audit service provider is Ernst & Young Advisory Services. The group's internal audit function continues to use a risk-based methodology. The annual internal audit plan is developed giving due consideration to the risks identified as well as business requirements, and is approved by the audit committee. The GEC and the Bell audit services committee are kept fully up to date with the internal audit function's activities through comprehensive reports that include the internal audit findings and recommendations, management comments and regular status updates. During the year in review, the Bell Equipment group internal audit function fulfilled its duties with the support and cooperation of the board of directors, management and staff.

### IT governance and compliance

IT is an integral part of Bell's business operations, and acts as an enabler to the group's strategic and operational goals. The board has appointed a chief information officer and an IT steering committee to manage IT governance across the group. This committee meets on a quarterly basis and reviews adherence to the IT controls framework. The IT controls framework is aligned to COBIT and includes controls that ensure strategic alignment, deliver value and manage performance, provide information security, manage IT risk and compliance, and ensure business continuity management. The committee ensures that matters such as ever increasing regulatory and governance compliance, cybersecurity and digital transformation are adequately addressed, whilst continuously focusing on innovative and business centric solutions.

During the reporting period the IT strategy was reviewed to ensure alignment with business strategic goals, IT delivery and IT risks were reviewed and the group's network infrastructure was upgraded. The risk of cyber-attacks and legislative requirements around data protection have driven a focus on the implementation of various security policies and procedures. An external party has been tasked to evaluate the group's current compliance to GDPR in the United Kingdom, to serve as a baseline for implementing action plans across the group to ensure compliance.

Deloitte & Touche continue to conduct a general computer controls review to evaluate the IT general control environment at BECSA.

### Investor relations and shareholder communication

The board acknowledges the importance of keeping shareholders and the investor community informed of developments in Bell Equipment's business by providing timely, balanced, clear and transparent information. The board continues to improve on its stakeholder communication. The most recent and historic financial and other information is published on the group's website including the results presentation. Further information regarding the group's communication with all of its stakeholders is provided in the stakeholder relations report on pages 48.

### Access to information

Bell Equipment continues to comply with the requirements of the Promotion of Access to Information Act of 2000. The corporate manuals are available on the website at [www.bellir.co.za](http://www.bellir.co.za).

## Sponsor

Investec Bank Limited is Bell Equipment's corporate sponsor in compliance with the JSE Listings Requirements.

## Risk management

The board is responsible for the governance of risk management within the Bell Equipment group and has approved a policy and framework to identify, analyse, report and mitigate risks, and thereby govern the group risk management process. Oversight is delegated to the risk and sustainability committee, which is a committee of the board. The board sets the Bell

Equipment group risk appetite and risk tolerances annually on the recommendation from the risk and sustainability committee. The risk appetite and risk tolerance matrices, the Bell Equipment group strategic risk register and the group risk indicators are reported on at the risk and sustainability committee meetings.

Management assesses risk in accordance with international best practice based on probability, impact and quality of the existing control environment. These measures produce residual risk scores that indicate the significance of the risk and allow for prioritisation of risk mitigation measures.

INHERENT RISKS	RISK MITIGATION FACTORS
<p><b>Competitor risk</b></p> <p>The risk that the Bell Equipment group's competitors' actions have a significant negative influence on the group's business and shareholders' value.</p>	<ul style="list-style-type: none"> <li>▪ Live and demonstrate the Bell Equipment group motto of 'Strong Reliable Machines, Strong Reliable Support'.</li> <li>▪ Constantly exceed customer expectations through superior, innovative products and aftermarket support.</li> <li>▪ Maintain research and development spend through the trough and mid cycles, and accelerate spend in the peak cycles, thus ensuring that the Bell Equipment ADT continues to be an advanced premium product.</li> <li>▪ Adopt and practice the 1-BELL philosophy in all activities.</li> <li>▪ A focused ADT global volume growth strategy is being deployed together with dealer migration and development objectives to broaden market footprint and capture additional volumes.</li> <li>▪ Continue the ongoing process to investigate the viability of an offshore manufacturing facility closer to major ADT markets to enhance flexibility and pursue efficiency improvements. The first phase of the process has been completed resulting in Bell Equipment committing to manufacture certain components at the Eisenach-Kindel factory for the Northern Hemisphere markets.</li> </ul>
<p><b>Currency risk</b></p> <p>Currency volatility, not only in the Rand but also in other major currencies that the group is exposed to, is a significant risk because the group trades in different currencies and has operations in many countries.</p> <p>The group is also exposed to operational and financial currency exposures due to changes in the value of trading accounts and loans, especially intra-group accounts, denominated in foreign currencies. This has a direct impact on the group's trading results, statement of financial position, cash flows and competitiveness.</p>	<ul style="list-style-type: none"> <li>▪ A group treasury policy is in place and a review of this policy by management and the board has been undertaken to ensure continued relevance.</li> <li>▪ Projections of import and export cash flows are maintained. The principle of matching South African import and export cash flows is followed wherever possible.</li> <li>▪ The majority of any remaining net foreign currency receipt and payment flows are covered forward. Foreign subsidiaries do not hedge their intra-group purchases.</li> <li>▪ The timely application of pricing policies on selling prices facilitate hedging against movements of major currencies to the Rand and other volatile currencies to which the group is exposed.</li> <li>▪ Cost containment and consideration of alternative suppliers, markets and manufacturing locations.</li> <li>▪ The size of equity and loans in foreign subsidiaries is monitored to ensure these are appropriate considering commercial requirements.</li> </ul>



## CORPORATE GOVERNANCE REPORT CONTINUED

INHERENT RISKS	RISK MITIGATION FACTORS
<b>Strategic alliance partners and key supplier relations risk</b>	
<p>The brands represented by Bell Equipment form an integral component of the Bell Equipment group's strategic goal of being an integrated OEM. These international brands become synonymous with Bell Equipment in relevant distribution territories therefore careful thought and effort goes into selecting strategic alliance partners and suppliers. Revenue derived from these products contributes materially to the Bell Equipment group revenue. Therefore, risks associated with a breakdown in relations and/or material non-performance by either party poses significant risks.</p>	<ul style="list-style-type: none"> <li>Continually build/improve the group's relationships with strategic alliance partners and suppliers at all levels within the organisation, supporting mutually beneficial objectives.</li> <li>Formal process of setting, monitoring and evaluating key performance matrices to meet strategic objectives.</li> <li>Add value by enforcing effective communication to all partners and suppliers on market movements and our strategy.</li> <li>Maintain the Quest for Gold programme which acknowledges key suppliers for outstanding service.</li> <li>Adopt the 1-BELL philosophy in dealing with strategic alliance partners and suppliers.</li> </ul>
<b>Political risks in the countries in which the group operates</b>	
<p>The group is exposed to the varying political landscapes and the associated political risks in the regions in which it operates due to the global nature of the group's business and new markets.</p>	<ul style="list-style-type: none"> <li>As a responsible corporate citizen that contributes to the well-being of the regions in which it operates, the group endeavours to cooperate with the local authorities in those regions while remaining apolitical.</li> <li>The group strives to minimise exposure in perceived high-risk countries through effective risk management practices.</li> <li>Maintain business continuity plans catering for all eventualities the group may be susceptible to in the higher political risk regions to which it is exposed.</li> </ul>
<b>Cyclical nature of the construction and mining equipment industry</b>	
<p>The business model is highly dependent on achieving sales volumes of the core manufactured products. This is due to the upfront and substantial investment in research and development, production capabilities as well as inventory which is required to maintain a competitive advantage.</p> <p>The inherent cyclicity of the industry is affected by the continued uncertainty in the commodity and emerging markets which has resulted in fluctuations in demand for the group's products in these key sectors. Accordingly, the financial performance and achievement of strategic goals of Bell Equipment is directly dependent on its ability to react to the changes in the business environment.</p>	<ul style="list-style-type: none"> <li>Perform regular evaluations of the order book and forecasts to ensure the validity thereof.</li> <li>Secure adequate committed funding lines and actively manage cash flows.</li> <li>Actively manage working capital, reduce expenses and increase efficiencies within the group.</li> <li>Deliver exceptional customer service to capture the available business.</li> <li>Diversify geographically, away from dependence on traditional mining territories.</li> <li>Grow diversified revenue streams leveraging the Bell Equipment distribution network and manufacturing capabilities.</li> <li>Robust capital planning and budgeting processes.</li> <li>Monitor impact of the business environment on key customers' access to and ability to service credit.</li> </ul>
<b>Regulatory risk</b>	
<p>It is recognised that there is an increased probability of risk of regulatory non-compliance to laws and rules due to the geographic spread of the operations and therefore the size of the regulatory environment as well as the different languages and cultures.</p> <p>This inherent risk is further increased due to a disconnect between first and third world regulatory environments.</p>	<ul style="list-style-type: none"> <li>A group-wide compliance programme continues to mature in relation to the unique regulatory requirements, and product and operational restrictions are assessed on a periodic basis.</li> <li>Local management is tasked with keeping abreast of regulatory changes within their respective jurisdictions and do so by making use of internal resources and external experts where required.</li> <li>A review of the contract management system, employee contracts and tender guidelines have been undertaken on a high-level to ensure compliance with existing and new regulatory requirements.</li> <li>Governance, ethics and compliance training has been undertaken throughout the operations. An annual training programme is being developed to procure that appropriate and topical legislative and governance training takes place across the group.</li> </ul>

INHERENT RISKS	RISK MITIGATION FACTORS
<p><b>Human capital</b></p> <p>Bell Equipment group recognises that human capital is vital to its success. Human capital risks manifest under the following themes:</p> <p><b>Skills retention</b> Due to the locations it operates in and the fact that the world is becoming a so-called global village, Bell Equipment's ability to retain key skills is constantly under threat.</p> <p>To deliver a world class product and service, world class people is a must. Key scarce skills, particularly engineering/technological skills in the South African environment remains a challenge.</p> <p><b>Health and safety</b> This risk refers to the possibility of human capital being exposed to an unsafe work environment and/or practices which result in injury whilst on duty. This is an inherent risk due to the operating environment.</p>	<ul style="list-style-type: none"> <li>▪ Significant training and investment in employees assists in creating an increasing and enhanced skills base. The Bell Equipment apprentice programme serves as a good foundation for technical skills required for both Bell Equipment and the industry.</li> <li>▪ Implementation of performance management systems.</li> <li>▪ Retention strategy for critical skilled employees.</li> <li>▪ A risk-based health and safety management system that clearly establishes the group's expectations of employees in terms of health and safety performance. The system is aligned with OHSAS 18001:2007, a leading international standard for occupational health and safety management systems.</li> <li>▪ A comprehensive behaviour-based health and safety training programme was implemented across the group to promote safe behaviour and awareness.</li> <li>▪ The 1-BELL philosophy is actively practised on all levels through leadership, teamwork, personal accountability and effective communication. This, together with the safety management system, ensures the creation of a safe working environment and culture, reducing the likelihood of workplace injuries.</li> </ul>
<p><b>Global competitiveness</b></p> <p>As primarily a South African-based manufacturer supplying the global market, the increased cost of doing business in South Africa directly impacts the product cost and therefore influences Bell Equipment's competitiveness. Pressure from organised labour for above inflation wage increases, disruptions to business across the value chain due to strikes, declining productivity, escalating fuel and electricity prices, compounded with the necessity of private back-up power generation due to prior power outages and increasing compliance costs are some of the expenses that contribute to the increased costs of doing business in South Africa. This hinders the marketability and profitability of South African manufactured products.</p>	<ul style="list-style-type: none"> <li>▪ Continuously evaluate component country sourcing for suitable price advantages.</li> <li>▪ Continuously monitor the effect of cost pressures and strategically evaluate offshore manufacturing opportunities.</li> <li>▪ Monitor productivity and critically evaluate the case for mechanisation, where possible.</li> <li>▪ Continuously evolve the group's design philosophy to incorporate new technology, safety and best practices.</li> </ul>
<p><b>Niche product dependence</b></p> <p>Whilst Bell Equipment has carved out a niche in the global earthmoving equipment industry and continues to strive to be the leading global ADT OEM, the group is cognisant of its dependence on this product, which is exposed to the commodity cycles.</p>	<ul style="list-style-type: none"> <li>▪ Grow diversified revenue streams that leverage the Bell Equipment distribution network and manufacturing capabilities.</li> </ul>
<p><b>Lack of transformation</b></p> <p>There is pressure on corporate South Africa to transform in accordance with government's transformation objectives. Government business and incentives are often aligned to the BBBEE codes thereby making the transformation decision an economic decision.</p>	<ul style="list-style-type: none"> <li>▪ Pursuit of interventions in management control, skills development and procurement to improve BBBEE points for both BESSA and BECSA.</li> <li>▪ Evaluate black ownership options for BECSA.</li> </ul>
<p><b>Information technology</b></p> <p>The speed of information technology development is driving companies to invest in the latest technology to remain competitive, while at the same time protecting themselves against cyber-attacks.</p>	<ul style="list-style-type: none"> <li>▪ Various actions plans are in place to improve cyber-security and adherence to data protection legislation.</li> <li>▪ Redesign of enterprise architecture to provide an agile, integrated system landscape.</li> <li>▪ Replace and upgrade legacy systems.</li> </ul>

# Social, Ethics and Transformation Committee Report

The social, ethics and transformation committee ("the committee") is a statutory committee which assists the board in monitoring the group's corporate citizenship, sustainability, transformation and ethical conduct.

This report by the committee is prepared in accordance with the requirements of the JSE Listings Requirements and the Companies Act read with the regulations promulgated thereunder and describes how the committee has discharged its statutory duties and its additional duties assigned to it by the board in respect of the financial year ended 31 December 2017. The committee has considered the principles and practices advocated by King IV and is committed to ensuring the desired governance outcomes including ethical leadership. This report should be read together with the stakeholder relations report on pages 48 to 61.

## Committee members and meeting attendance

The committee comprises four suitably skilled and experienced members appointed by the board, as set out in the following table.

In accordance with its charter, the committee meets at least twice a year. During the year under review, the committee met three times.

The chairman of this committee is Mamokete Ramathe, an independent non-executive director, who was appointed on 10 October 2017 and attended one meeting during the reporting period. Tiisetso Tsukudu retired as chairman of the committee on 21 August 2017 having attended two meetings during the reporting period.

Rajendran Naidu was appointed to the committee on 27 November 2017 following the resignation of Bharti Harie as a director and member of the committee on 27 November 2017. No meetings were held during the reporting period following Rajendran Naidu's appointment. Ashley Bell, Bharti Harie and Gary Bell all attended three meetings during the reporting period.

Committee members*	Composition
Mamokete Ramathe (chairman)	Independent non-executive director
Ashley Bell	Non-executive director
Gary Bell	Chief executive
Rajendran Naidu	Independent non-executive director
Bharti Harie	Non-executive director (resigned 27 November 2017)
Tiisetso Tsukudu	Independent non-executive director (retired 21 August 2017)

\* Abridged curriculum vitae of all the directors of the group are set out on pages 16 and 17.

## Role and responsibilities

The committee's roles and responsibilities are governed by a formal charter as approved by the board. This charter is subject to an annual review by the board.

The role of the committee is to assist the board with the oversight of social, ethical and transformation matters relating to the group and with the oversight of the attendant risks attached to the matters within the committee's mandate.

The responsibilities of the committee include:

- monitoring group activities in respect of its social, transformation and economic development, good corporate citizenship and ethical leadership;
- monitoring the group's activities in relation to the environment, environmental risks and employees' health and public safety;
- reviewing and monitoring the group's broad-based black economic empowerment and compliance with the Employment Equity Act and BBBEE legislation;
- oversight of the educational and skills development of its employees; labour relations and working conditions of the group's employees; and
- monitoring the group's relationships with all its stakeholders including but not limited to its consumers; and oversight in relation to its corporate social investment.

## Activities of the committee

During the year under review, the committee carried out the following activities:

- evaluated the group's CSI policy and the SED policy and considered the CSI and SED annual budget in line with the group's social and economic development;
- received assurance on the review by management of the group's policies including the code of ethics, the employment equity policy, the environmental policy, the CSI and SED policies and the health (dread disease) policy;
- monitored the development of a separate ESD policy;
- received reports on sponsorships, donations and charitable giving and monitored the group's activities relating to good corporate citizenship;
- reviewed the committee's charter and annual work plan to ensure that the correct focus was being undertaken by the committee;
- received reports from management on the South African operations' BBBEE status, considered management's various initiatives including revised procurement strategies, BBBEE ownership and supplier and enterprise development initiatives aimed at addressing the South African operations' BBBEE status during the course of the 2017 financial period and ensured that the group continues to comply with the reporting duties required of it in terms of the regulations to the BBBEE Act;
- received proposed and new relevant legislation updates or other legal requirements or prevailing codes of best practice specifically relating to matters affecting the committee's mandate as and when applicable;
- monitored development in employment practices locally and internationally and monitored progress against transformation targets and the group's employment equity plan and noted the submission of the group's annual employment equity plan; a summary of such plan can be found on page 51;
- reviewed the succession planning report reflecting the progress of the company towards transformation and the employment equity goals of the South African operations;
- reviewed the report on education and training of employees and monitored the legislation relating to ensuring equal pay for work of equal value;
- reviewed compliance with the group's code of ethics and received reports on all breaches of Bell Equipment's policies, including any reports on material disclosures received through, amongst other avenues, the group's tip-offs anonymous reporting line and any resultant investigations;

- assessed the group's actions in relation to the 10 principles of the United Nations Global Compact and reviewed international protocols and guidelines;
- reviewed and monitored HIV/AIDS and other dread disease statistics and prevalence with the aim of promoting a healthy workforce and working environment;
- reviewed labour relations reports including reports on adversarial incidents and dismissals;
- monitored the reports on the environment, health and public safety, including the impacts of the group's activities and products on the environment and society; and
- reviewed the group's consumer relationships reports; with a greater emphasis on material stakeholder relations and the group's engagement with such stakeholders; and reviewed the content of the stakeholder relations report for inclusion in the integrated annual report; and recommended it for approval by the board.

## Evaluation of committee performance

The effectiveness of the committee is assessed as part of the annual board and committee self-evaluation process. The self-assessment of the committee was undertaken in November 2017.

In February 2018 the results of the self-evaluation of the committee were discussed by the board. It was evidenced by the results of the evaluation of the committee's performance during the reporting period that the committee was generally performing effectively. The committee confirmed that its members continued to have sufficient qualifications and experience to fulfil their duties.

The activities outlined in this report reflect the group's initiatives in relation to its responsibility to the society and environment in which it operates, while remaining accountable to shareholders in terms of financial performance and with continued emphasis on improved mechanisms for the group's meaningful communication with stakeholders and ongoing ethics awareness and compliance training throughout the group.

The committee is satisfied that it has discharged its responsibilities in accordance with its charter for the current reporting period.



**ME Ramathe**

*Chairman of the social, ethics and transformation committee*

14 March 2018

# Remuneration Committee Report

The Bell Equipment remuneration committee ('the committee') report for the year ended 31 December 2017 is set out below.

The report aligns to the reporting structure recommended in King IV and is set out in three parts, namely the background statement, Bell Equipment's remuneration policy and the implementation of the policy in the 2017 financial year. Bell Equipment has considered the impact of the King IV principles in relation to the remuneration policy and disclosure and has adopted, where appropriate, certain of the recommended practices in this year's report.

## Background statement

The committee is a standing committee of the board of directors of Bell Equipment Limited and has been mandated to satisfy itself that the group's remuneration policy remains fair and relevant in a dynamic environment in order to ensure that the businesses of the group are optimally resourced and that staff are properly accountable and equitably rewarded both from an internal and external perspective; internally in terms of fairness, which necessitates a demonstrable equivalence between similar levels of responsibility and performance across the group, and externally in terms of market place competitiveness.

The committee is pleased with the previous voting results achieved at the AGM held on 3 May 2017 when 88,58% of shareholders voted in favour of the tabled remuneration policy. At the AGM to be held in May 2018 Bell Equipment will put both its remuneration policy and the remuneration implementation report to separate non-binding advisory shareholder votes (see resolution numbers 6 and 7 in the Notice of AGM on page 78) and the committee looks forward to a positive outcome in this regard. The committee will engage with its shareholders regarding the remuneration policy to the extent required.

During the 2017 financial year, the committee received advice and guidance from Deloitte & Touche, as independent advisers, in respect of executive salary benchmarking and job grading, and from Investec Bank Limited, as independent advisers, in respect of proposals for the appropriate LTIS for Bell Equipment.

The structure, content and layout of this remuneration report continues to evolve taking into account the feedback received from stakeholders on the remuneration policy and the disclosure items required by the JSE. As part of the committee's variable remuneration review process that is underway, the LTIS was reviewed and a new LTIS approved to ensure alignment with the group's strategic focus areas and the enhancement of the remuneration approach.

The committee intends to continue to provide stakeholders with improved clarity on how Bell Equipment's remuneration policy informs the actual pay and awards received by its executive directors, senior executives and prescribed officers as defined in the Companies Act.

## Remuneration policy

### OVERVIEW

The remuneration policy provides an overview of Bell Equipment's remuneration principles for the organisation as a whole. The information provided in this policy has been approved by the board on recommendation by the committee.

Bell Equipment's remuneration philosophy emphasises the fundamental value of all its employees and their role in attaining sustainable growth through fair and balanced remuneration practice. Bell's employees are pivotal in meeting its strategic objectives and the group is committed to paying fair, competitive and market-related remuneration to ensure that the company can attract, retain and motivate top-quality and talented employees, while recognising affordability constraints.

The group's remuneration policy therefore seeks to position the remuneration levels appropriately and competitively in comparison with the labour market; and acknowledge the contribution of individual employees by rewarding them for the successful achievement of company goals and objectives.

Apart from fixed remuneration, an element of variable remuneration that is aligned to value creation in the form of short and longer-term incentive schemes is also catered for and linked to the achievement and performance of specified targets and objectives. Payment is made out of increased returns, with a new LTIS approved to ensure alignment with the group's strategic focus areas and the enhancement of the company's remuneration approach. The group takes cognisance of its external environment through an understanding of national remuneration trends and by regular benchmarking against comparable companies, independent salary surveys and compliance with all applicable laws and regulatory codes.



## GOVERNANCE

### Board responsibility

The committee operates in accordance with a board-approved mandate but the board carries ultimate responsibility for the remuneration policy and may, when required, refer matters for shareholder approval, for example new and amended share-based incentive schemes and non-executive board and committee fees. During the year, the board accepted the recommendations made by the committee.

The committee's terms of reference continue to be subject to the provisions of the Companies Act, the MOI and any other applicable law or regulatory provision. The committee also continues to comply with King III recommendations insofar as reporting to the board and attendance at the AGM is concerned and has reviewed and implemented the King IV principles.

### The remuneration committee

The members of the committee for the year under review are:

Derek Lawrance (chairman)

John Barton

Ashley Bell.

The chairman of the committee is an independent non-executive director and in line with King IV, the majority of the members of the committee are independent non-executive directors. The chief executive attends meetings by invitation, but is not present when his own remuneration is reviewed. Other members of executive management are invited when appropriate. Invitees to the committee meetings have no vote and no individual, irrespective of position, is present when their performance is evaluated and their remuneration is discussed. Diana McIlrath, the company secretary, acts as secretary to the committee.

The committee formally met twice during the year. The details of the attendance of the formal meetings are set out in the corporate governance report on page 33.

The committee performed the following duties and responsibilities during the reporting period:

- reviewed the committee's terms of reference in line with King IV;
- reviewed and approved its annual work plan for 2017;
- reviewed the company's remuneration policy for approval by the board, which will be put to a non-binding vote by shareholders at its AGM in May 2018;
- reviewed and approved the remuneration of the executive directors of the group;
- approved the salary mandate to be implemented for the group's employees;
- reviewed and approved the short-term performance bonus scheme for the forthcoming year;

- considered and approved the proposals for the LTIS presented by Investec Bank Limited;
- agreed the principles for senior management increases in both South African and offshore operations were fair and responsible;
- advised on the fees of non-executive directors, for approval by shareholders at the AGM;
- oversaw the establishment and monitoring of the remuneration policy;
- reviewed the company's implementation of the remuneration policy which will be put to a non-binding vote by shareholders at its AGM in May 2018;
- oversaw the preparation and recommended to the board that the remuneration report be included in the integrated annual report.

The committee is satisfied that it has carried out its responsibilities for the year in compliance with its mandate.

### REMUNERATION POLICY

The committee continues to consider the alignment of the remuneration policy with the group's approach of rewarding all employees fairly, responsibly and competitively, according to their capabilities, skills, responsibilities and level of performance. The committee oversees the establishment and implementation of the company's remuneration policy and ensures that it promotes strategic objectives and encourages individual performance.

The committee recognises the importance of the following key remuneration principles and continues to entrench these principles in the remuneration policy of the group:

- alignment with the overall business strategy of Bell Equipment;
- remuneration design which supports the interest of shareholders;
- mechanisms to ensure that executive remuneration is fair and responsible in the context of overall company remuneration;
- remuneration design which supports the retention and attraction of key talent and supports succession planning;
- compliance with prevailing labour law legislation;
- protecting the group's rights by means of standard contracts of employment;
- mechanisms for remuneration structures to be consistent with the group's long-term requirements and decision-making.

## REMUNERATION COMMITTEE REPORT CONTINUED

### Components of remuneration

Bell Equipment has two components of remuneration, namely fixed remuneration (which includes benefits) and variable remuneration consisting of a STIS and a LTIS. The details of these components are outlined below:

Fixed remuneration	Variable remuneration	
	STIS	LTIS
<p>Referred to as a cost-to-company package, it includes components such as cash salary, travel allowance and the group's contributions towards retirement funding and the medical scheme. All guaranteed benefits are funded from total cost to company package.</p> <p>The minimum terms and conditions applied to South African executive directors are governed by legislation. The notice period for these directors is one month.</p> <p>Retirement funding contributions range between 14,4% and 20,5% of pensionable emoluments and the key features of the retirement fund are as follows:</p> <ul style="list-style-type: none"> <li>life cover</li> <li>permanent disability cover</li> <li>temporary disability cover</li> <li>dreaded disease cover</li> <li>spousal cover (voluntary)</li> <li>additional life cover (voluntary).</li> </ul> <p>Membership to a medical scheme is compulsory for all scheduled and voluntary for all non-scheduled employees and contributions are funded from their total cost-to-company package.</p> <p>Only employees who are required to travel for business purposes receive travel allowances, which are funded from their total cost to company packages.</p>	<p>A STIS was approved by the board at the end of 2016, taking into account the current trading conditions and challenges faced by the group, and incorporating a meaningful stretch to motivate and retain senior employees.</p> <p>The STIS is based on an incentive pool of 50% of the excess NPAT above the budgeted NPAT for the relevant financial year. 70% of the incentive is based on audited Bell group NPAT exceeding budgeted NPAT and 30% of the incentive is based on the divisions within the group exceeding budgeted NPAT.</p> <p>All permanent staff who do not already receive a guaranteed thirteenth cheque participate in the scheme in terms of the rules of the scheme and incentive payments will be proportionate to employees' cost-to-company salary packages and limited to only one salary cheque.</p>	<p>A long-term share option scheme was approved by the shareholders at the AGM in 2009.</p> <p>Following the above approval, management (with the necessary approval from the nominations and remuneration committees and the board) allocated share options to senior employees of the company.</p> <p>Five million authorised unissued ordinary no par value shares were reserved for the scheme. The purpose of this scheme was to retain key employees and to attract new, skilled and competent personnel; promote an identity of interest between the company and its subsidiaries and their respective employees and act as an incentive to employees to promote the continued growth of the company by giving them an opportunity to acquire shares therein.</p> <p>Options were granted at the option price which was the 30 (thirty) day volume weighted average of the closing market price of the ordinary share immediately preceding the option date.</p> <p>The last allocation was done in May 2012.</p> <p>A new, cash-settled LTIS was approved by the board in March 2018 as detailed on page 43.</p>



Fixed remuneration	Variable remuneration	
	STIS	LTIS
<p><b>How is the total cost-to-company package benchmarked?</b></p> <p>Pay ranges represent the level of compensation paid in respect of similar positions in the market. The group aims at paying basic salaries between the lower quartile median of the market for similar positions, with the minimum and maximum of the range informed by the lower and upper market quartiles, utilising independent salary surveys.</p> <p>Bell Equipment currently makes use of the Deloitte's ExecEval executive survey for the executive directors and senior executives. For the rest of the organisation Deloitte's National Remuneration and Willis Towers Watson surveys are used.</p> <p><b>Annual review process</b></p> <p>The committee conducts an annual review of total cost-to-company packages for executives and approves the increase percentage for employees below executive level.</p> <p>The chief executive, who attends all committee meetings by invitation, can propose increases to the cost-to-company remuneration packages, excluding his own, during such review meetings.</p> <p>Annual increases are granted on 1 July of each calendar year and are based on external factors, such as the prevailing rate of inflation and market forces, as well as on individual performance, skills, experience and effort.</p> <p><b>Fair and responsible remuneration across the group</b></p> <p>Bell Equipment is committed to the principle of fair and responsible remuneration for the whole group.</p> <p>Investing in its people initiatives are being considered and include: talent management, development opportunities for all employees, various training courses based on identified needs, the assessment of the appropriateness of the task grading of non-scheduled positions and the equity of remuneration internally and external to the market.</p>	<p>The scheme makes provision for a bonus for group executive management at the discretion of the board, provided that the executives have met their personal performance targets.</p>	<p>The company has approved a replacement scheme in order to continue with long-term incentivisation and has approved the structure of the scheme as a share appreciation rights scheme. The scheme will be implemented within the 2018 financial year.</p> <p>The objective and purpose of the LTIS is to grant forfeitable phantom share awards to its key executives to enable them to benefit if the share price improves and if the specified HEPS performance condition is achieved, so as to retain and motivate such employees and increase the profitability of the group, as employees will be exposed to the benefit in any increased market value in the shares upon realisation of their awards. The awards comprise a mixture of zero-strike and strike based awards, with the zero-strike portion subject to a HEPS performance condition. In respect of the portion of the incentive related to the share price, such employees will acquire the cash equivalent of the growth in the shares. In respect of the portion of the incentive which is related to the HEPS performance condition, such employees will acquire the cash equivalent of the market value of the shares without any reduction by the strike price. The total benefit paid to such employees in any financial year shall not exceed 6% of the NPAT as reflected in the audited results of the group.</p>

## REMUNERATION COMMITTEE REPORT CONTINUED

### NON-EXECUTIVE DIRECTORS

#### Non-executive directors' remuneration

Group policy is to pay competitively for the non-executive director's role while recognising the required time commitment. Bell Equipment also pays for travelling expenses reasonably and properly incurred in order to attend meetings. Fees are benchmarked against a comparator group of JSE-listed companies. No contractual arrangements are entered into to compensate for loss of office. Non-executive directors do not participate in any incentive schemes. Tiisetso Tsukudu was granted a retirement grant after a qualifying service period of 10 years as agreed to by the committee in 2006; further details are set out in the Notice of AGM on page 80. The practice of extending such retirement grants to non-executive directors has since ceased.

The committee reviews and approves the non-executive directors' fees annually and recommendations are made to the board, which in turn proposes fees for approval by shareholders at the AGM.

A special resolution by the shareholders of Bell Equipment is required to approve the basis of remuneration payable to non-executive directors in order to comply with the requirements of the Companies Act.

At the Bell Equipment AGM held on 3 May 2017, the basis for the remuneration payable to non-executive directors for the 2018 period was approved by way of a special resolution of the shareholders as presented in the table below.

At the company's AGM on 15 May 2018 the basis of determining the remuneration payable to non-executive directors for their services as such will be determined for the 2019 period. The proposed fee structure is also presented in the table below.

During the annual review of the fees of the non-executive directors during this reporting period, following a benchmarking exercise, and considering factors such as the increased responsibilities of the committee in light of King IV responsibilities, market trends and the alignment of the remuneration of the committees it became evident that the fees for certain of the committee members and committee chairmen were lagging the market. Therefore, the proposed increases for these chairmen and members were higher than the average percentage increase in order to provide greater alignment with the market.

	2019 Rand	2018 Rand
<b>Retainer fees to be paid annually:</b>		
Non-executive chairman	353 050	326 900
Lead independent non-executive director	271 635	–
Non-executive directors	190 220	178 610
<b>Fees per meeting payable to the chairman of the board and the chairmen of board committees:</b>		
Board	32 170	29 790
Audit committee	19 340	17 910
Risk and sustainability committee	19 340	17 910
Nominations committee	15 200	9 010
Remuneration committee	15 200	9 010
Social, ethics and transformation committee	19 070	17 910
<b>Fees to be paid to lead independent non-executive director per board meeting</b>	31 950	–
<b>Fees to be paid to non-executive directors per meeting:</b>		
Board	31 730	29 790
Audit committee	25 400	23 850
Risk and sustainability committee	19 340	17 910
Nominations committee	12 990	7 470
Remuneration committee	12 990	7 470
Social, ethics and transformation committee	19 070	17 910
Bell audit services committee	12 640	11 870



## SHAREHOLDER ENGAGEMENT AND NON-BINDING ADVISORY VOTE

The remuneration policy and implementation report are respectively tabled for separate non-binding advisory votes by the shareholders at the AGM on 15 May 2018.

The committee will engage with shareholders in the event of a 25% or more dissenting vote on the remuneration policy or the implementation report (or both). In that event, the company will, in its voting results announcement provide for (1) an invitation to dissenting shareholders to engage with Bell Equipment, and (2) the manner and timing of such engagement. In this regard Bell Equipment intends to (1) invite the dissenting shareholders to provide the company with their written submissions as to why they voted against the remuneration policy or the implementation report, (2) to address the legitimate and reasonable objections of dissenting shareholders, and (3) report back to the dissenting shareholders. If appropriate and practical, Bell Equipment may engage with dissenting shareholders or any one or more of them at meetings called for that purpose. Other methods of shareholder engagement may include conference calls, emails and investor presentations.

## The remuneration implementation report

(the information on pages 45 and 46 was audited)

### DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

	Salary R000	Pension/ provident fund R000	Other benefits and allowances R000	2017 Total R000	2016 Total R000
Paid to executive directors of the company by the company's subsidiary:					
<b>Executive directors</b>					
GW Bell	3 255	–	128	3 383	3 180
A Goordeen (appointed as an alternate director 27 November 2017)	1 814	231	275	2 320	–
L Goosen	2 647	334	123	3 104	2 967
KJ van Haght	2 277	280	47	2 604	2 403
<b>Total</b>	<b>9 993</b>	<b>845</b>	<b>573</b>	<b>11 411</b>	<b>8 550</b>
Paid to prescribed officers of the company's subsidiaries by the company's subsidiaries:					
<b>Prescribed officers</b>					
Executive A (expatriate salary)	3 944	107	174	4 225	4 218
Executive C (retired 31 December 2016)	–	–	–	–	2 515
Executive D (expatriate salary)	3 868	290	811	4 969	5 391
Executive E (appointed 1 January 2017)	2 250	281	89	2 620	–
<b>Total</b>	<b>10 062</b>	<b>678</b>	<b>1 074</b>	<b>11 814</b>	<b>12 124</b>

Other benefits and allowances comprise vehicle allowances, travel allowances and reimbursive allowances, annual leave encashments, relocation allowances and the group's contributions to medical aid and life insurance.

	2017 Retirement grant R'000	2017 Fees R'000	2016 Fees R'000
Paid to non-executive directors of the company by the company:			
<b>Non-executive directors</b>			
JR Barton	–	762	869
AJ Bell	–	396	397
DB Crandon (resigned 29 September 2016)	–	27	–
B Harie (resigned 27 November 2017)	–	328	480
DH Lawrance	–	537	488
R Naidu (appointed 20 March 2017)	–	285	–
ME Ramathe (appointed 20 March 2017)	–	312	–
TO Tsukudu (retired 21 August 2017)	–	313	446
HR van der Merwe	–	410	408
DJJ Vlok (retired 5 May 2016)	1 484	–	293
<b>Total</b>	<b>1 484</b>	<b>3 370</b>	<b>3 381</b>

## REMUNERATION COMMITTEE REPORT CONTINUED

The following reconciles the number of unexercised share options held by directors and prescribed officers at the end of the year:

Executive directors and prescribed officers	Exercise price	Balance at 31 December 2015 Number of options	Exercised Number of options	Forfeited Number of options	Balance at 31 December 2016 Number of options	Exercised Number of options	Forfeited Number of options	Balance at 31 December 2017 Number of options
A Goordeen*	10,48	100 000	–	–	100 000	–	–	100 000
	13,06	50 000	–	–	50 000	–	–	50 000
	21,35	30 000	–	–	30 000	–	–	30 000
<b>Total</b>		180 000	–	–	180 000	–	–	180 000
L Goosen	10,48	100 000	–	–	100 000	–	–	100 000
	13,06	50 000	–	–	50 000	–	–	50 000
	21,35	30 000	–	–	30 000	–	–	30 000
<b>Total</b>		180 000	–	–	180 000	–	–	180 000
KJ van Haght	10,48	100 000	–	–	100 000	–	–	100 000
	13,06	50 000	–	–	50 000	–	–	50 000
	21,35	30 000	–	–	30 000	–	–	30 000
<b>Total</b>		180 000	–	–	180 000	–	–	180 000
Executive A	10,48	100 000	–	–	100 000	–	–	100 000
	13,06	50 000	–	–	50 000	–	–	50 000
	21,35	30 000	–	–	30 000	–	–	30 000
<b>Total</b>		180 000	–	–	180 000	–	–	180 000
Executive D	10,48	60 000	–	–	60 000	–	–	60 000
	13,06	30 000	–	–	30 000	–	–	30 000
	21,35	15 000	–	–	15 000	–	–	15 000
<b>Total</b>		105 000	–	–	105 000	–	–	105 000
Executive E**	10,48	25 000	–	–	25 000	–	–	25 000
	13,06	30 000	–	–	30 000	–	–	30 000
	21,35	30 000	–	–	30 000	–	–	30 000
<b>Total</b>		85 000	–	–	85 000	–	–	85 000
<b>Grand total</b>		910 000	–	–	910 000	–	–	910 000

\* appointed as an alternate director 27 November 2017.

\*\* appointed 1 January 2017.

The committee believes that the group has complied with its remuneration policy and continues to strive to improve on its remuneration strategy.



**DH Lawrance**

Chairman of the remuneration committee

14 March 2018





# Stakeholder Relations Report incorporating Sustainability Performance

Bell Equipment values its stakeholder relationships and appreciates the need and responsibility to create mutual value through nurturing enduring and sustainable partnerships with its stakeholders. The board retains oversight of stakeholder management, while implementation and monitoring of stakeholder engagement is devolved to the various management teams within the group. Each of the group's operations engage with their diverse range of stakeholders based on the group's core values of respect, honesty and integrity.

The Bell Equipment brand is the essence of who it is in the market place. Bell Equipment uses its brand to differentiate itself through its people-centric approach to business and by promoting the 1-BELL philosophy internally and nurturing it externally, thereby adding value to all of its stakeholders.

Effective stakeholder engagement is the core element of a sustainable enterprise and as such this report incorporates key sustainability elements. Bell Equipment has identified its material stakeholder groups and prioritised their concerns as part of its risk management activities. The group's stakeholder engagement strategies, systems and processes continue to be enhanced to enable Bell Equipment to better understand and respond to its stakeholders' legitimate concerns and to form collaborative partnerships to find solutions to collective challenges. By delivering products that provide long term affordability, performance, efficiency and reliability to customers, whilst decreasing negative environmental impacts and increasing economic sustainability for the group, Bell Equipment is ensuring the sustainability of its business and the success of its stakeholders.

Bell Equipment's approach to corporate sustainability has been enhanced by focusing on the six capitals and understanding the value created by the group through the use of these six capitals. Through carefully identifying the interests and expectations of each stakeholder group Bell is able to create value through the use of the relevant capital/s, thereby striving to ensure sustainability of its business.

The use of six capitals in respect of stakeholder engagement is further illustrated in the following tables and information.



## The six capitals



Human



Intellectual



Manufactured



Social and  
relationship



Environmental



Financial



## EMPLOYEES



Reason for engagement	Stakeholder interests and expectations	Methods of engagement and value creation
Bell Equipment's people are the heart and soul of its business. Their skills and commitment determine the group's ability to realise its strategy.	<ul style="list-style-type: none"> <li>▪ Healthy working conditions.</li> <li>▪ Fairly remunerated for their service.</li> <li>▪ Recognition.</li> <li>▪ Health and safety.</li> <li>▪ Career advancement.</li> <li>▪ Employment equity.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employee forums (e.g. health and safety, employment equity committees).</li> <li>▪ Training and skills development.</li> <li>▪ Learning programmes for disabled black employees.</li> <li>▪ Information road shows about employee benefits (e.g. medical aid and pension funds).</li> <li>▪ Fraud awareness road shows.</li> <li>▪ Fraud management briefs.</li> <li>▪ Induction programmes.</li> <li>▪ Quarterly GEC feedback sessions.</li> <li>▪ Internal newsletter and intranet.</li> <li>▪ Health and safety 'toolbox talks'.</li> <li>▪ Employee wellness days.</li> <li>▪ Long service awards.</li> <li>▪ Anonymous employee hotline.</li> <li>▪ Regular engagement with trade union representatives on key issues.</li> </ul>



Human

Bell Equipment values its human capital, the group's employees, as its most important resource and key differentiator; striving to create and nurture positive relationships and provide the necessary support structures to care for their overall mental, emotional and physical well-being.

The skills, knowledge, attitude, innovativeness, experience, diversity, efficiency and productivity of its employees enable the group to operate its facilities safely, reliably and sustainably. This, in turn, allows Bell Equipment to deliver on its growth objectives of delivering world class products and services, and on its vision to be an employer of choice.

Employee engagement through every day strengthening of its employee and union representative relationships and communication provides opportunity for increased efficiency, productivity, quality and mitigates any risks of labour action.

This is achieved by:

- building positive employee and union relationships through mutual respect;
- upholding the right to collective bargaining and freedom of association;

- driving a diversity and transformation plan and strategy that covers recruitment, development and retention of candidates from previously disadvantaged and underrepresented employment equity groups, thereby enabling gender equity and equality.

Bell Equipment continued to focus on driving the 1-BELL philosophy by improving on its communication through team feedback sessions. During the year Bell Equipment enhanced its organisational operating structures, aligning them to the group's strategy. Change management remains a key priority as Bell Equipment continues to integrate new staff into the group.

In 2017 the group employed 200 new permanent employees and promoted 100 employees internally to higher positions in the context of the total workforce of 2 744 South Africans. Of these new employments 171 were appointments that improved the group's transformation requirements. Bell Equipment had 117 employees leave during 2017 due to natural attrition.

## STAKEHOLDER RELATIONS REPORT INCORPORATING SUSTAINABILITY PERFORMANCE CONTINUED

Succession planning remains a key priority going forward as one of the group's main risks in the industry is skills shortages. During 2017 Bell Equipment took further steps towards refining employees' key performance areas in order to accurately assess each employee's performance and training needs.

In 2017 Bell Equipment provided 53 employees with education assistance, accommodated four graduates in training and had three university of technology students on in-service training programmes and another 14 in-service trainees on stipends from Merseta (Manufacturing, Engineering and Related Services Sector Education and Training Authority) and EWSETA (Energy and Water Sector Education and Training Authority) completing the Practical 1 and Practical 2 requirements to obtain their engineering diplomas.

A further 13 students were assisted with vocational work opportunities. Bell Equipment also placed 28 employees on internal employment development programmes, sent 637 employees on short courses and technical training courses, and a further 801 employees attended safety training. Bell Equipment also granted bursaries to one previously disadvantaged school child and six bursaries to previously disadvantaged university students.

During 2017 twenty trainee production supervisors were placed on an aligned OMD programme (Operations Management Development) at PMI (Production Management Institution) and all twenty employees passed the NQF4 aligned OMD programme.

Bell Equipment continues to put great emphasis on apprenticeships and learnerships as it believes that the success of its business lies in its foundation of customer support and the quality of its products/services. The apprenticeship programme is a structured four year training programme, with the main focus on practical skills and theory gained at an institutional training centre and a technical college to prepare candidates for trade testing for an artisan qualification. The apprenticeship programme in 2017 consisted of 122 earthmoving apprentices, 37 factory apprentices, and 90 employees on various learnerships.

The importance of the role of the technical services team and specifically the team of factory technical analysts (FTAs) is acknowledged by the group at the annual FTA seminar hosted by Bell.

On 3 November 2017 Bell Equipment recognised 174 dedicated employees group-wide by awarding them with long service awards. 80 of the employees were from the factory in Richards Bay, 70 were from the South African CSCs and 27 were from the international operations. Of these 174 long service recipients, 127 employees received 10 year service awards, 36 received 20 year service awards, nine received 30 year service awards and two received 40 year service awards.

Bell Equipment is committed to conducting business with honesty and integrity to ensure a stable employment environment for employees as well as the continued success of the group. The group recognises that fraud, abuse of power and the acceptance of bribes is an increasing problem in many countries. Too often, it is undetected and goes unreported, resulting in financial losses to companies, eventually to the detriment of all its stakeholders.

For this reason, Bell Equipment subscribes to a service that enables its employees, customers and suppliers, to report anonymously on unlawful activities and/or otherwise unacceptable conduct within the Bell Equipment operations. This facility involves the professional services of an audit firm and is therefore a totally independent, anonymous ethics line that is overseen by the audit committee and controlled by the board. Bell Equipment has a code of ethics and a code of business conduct which continue to be updated and communicated to staff and strategic suppliers across all business units. A fraud working committee meets on a quarterly basis to discuss reports of fraud, theft and dishonest behaviour within Bell Equipment and determine ways to combat such activities. Fraud awareness training is conducted throughout the group with all employees at all the relevant operations in South Africa, Africa and Europe. Fraud reporting and 'Tone at the Top' education is incorporated into this training to assist in the development of an ethical culture within the group.

Management of health and safety at Bell Equipment is centralised and is a function of line management to ensure adherence to the applicable health and safety legislation and specifically the Occupational Health and Safety Act in the South African operations for both the permanent and temporary employees. The group's operations continue to improve their incident frequency trend having revitalised the audit system in the operations with centralised reporting. This is supported by regular safety induction sessions to increase safety awareness. Bell Equipment encourages a safety-conscious workforce that adheres to rigorous safety standards through constant education and training throughout all of its operations.

Bell Equipment has been a loyal Technilaw client for 17 years. Technilaw is an accredited service provider that monitors and audits BESSA's compliance with the legislated safety standards and requirements. The Bell Empangeni branch was the first of its 33 branches to join Technilaw in 2000. Bell received a 5-star rating for 16 consecutive years, and has won nine Africa Awards for safety.

A wellness week was held from 5 to 12 July 2017 at the Richards Bay factory to encourage employees to take cognisance of their state of wellness and the importance of taking care of their health. At this wellness week voluntary testing for health related conditions such as HIV/AIDS, cancer, cholesterol, diabetes and other health related conditions were

## BECSA AND BESSA EMPLOYMENT EQUITY SUMMARY

Occupational levels	Male				Female				Foreign nationals		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top management	0	0	0	1	0	0	0	0	0	0	1
Senior management	2	0	2	9	1	0	0	3	0	0	17
Professionally qualified and experienced specialists and mid-management	19	3	27	117	4	2	2	20	0	0	194
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	150	23	126	208	22	7	18	37	0	0	591
Semi-skilled and discretionary decision making	524	34	146	61	160	21	40	63	0	0	1 049
Unskilled and defined decision making	20	1	2	4	8	1	1	2	0	0	39
<b>Total permanent</b>	<b>715</b>	<b>61</b>	<b>303</b>	<b>400</b>	<b>195</b>	<b>31</b>	<b>61</b>	<b>125</b>	<b>0</b>	<b>0</b>	<b>1 891</b>
<b>Temporary employees</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>
<b>Grand total</b>	<b>716</b>	<b>62</b>	<b>303</b>	<b>401</b>	<b>197</b>	<b>31</b>	<b>61</b>	<b>125</b>	<b>0</b>	<b>0</b>	<b>1 896</b>

## BECSA AND BESSA EMPLOYMENT EQUITY SUMMARY

Employees with disabilities only Occupational levels	Male				Female				Foreign nationals		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top management	0	0	0	0	0	0	0	0	0	0	0
Senior management	0	0	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management	0	0	1	1	0	0	0	1	0	0	3
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	1	0	1	9	0	0	0	1	0	0	12
Semi-skilled and discretionary decision making	9	1	3	0	1	0	0	1	0	0	15
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	0
<b>Total permanent</b>	<b>10</b>	<b>1</b>	<b>5</b>	<b>10</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>30</b>
<b>Temporary employees</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand total</b>	<b>10</b>	<b>1</b>	<b>5</b>	<b>10</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>30</b>

undertaken. Health experts were on site to give free advice and counselling to employees who were interested in, or needed these services. Over this week a total of 1 288 employees who work on site in Richards Bay attended the wellness week, and 1 005 volunteered to be tested for HIV. There were also 4 400 condoms distributed as part of the Bell HIV/AIDS prevention campaign. This was the best ever supported wellness day and the group aims to improve on this in 2018.

Bell Equipment believes in prioritising and planning for the future and has identified the following priorities for 2018 and beyond:

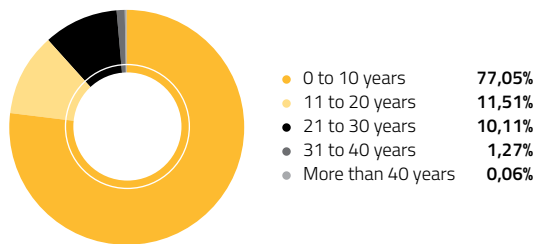
- ongoing improvement of its employee engagement practices

- further refining key performance areas in order to accurately assess employee performance
- continuing leadership development through formal and informal programmes
- focusing on strengthening the 1-BELL philosophy throughout the group
- ongoing efforts to reinforce Bell Equipment's brand as an employer of choice
- continuing with change management to drive and reach Bell Equipment's employment equity and transformation objectives
- focusing on fraud awareness and driving ethical values throughout all operations.

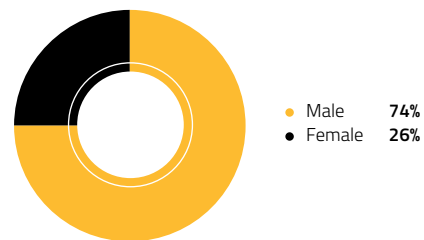
## STAKEHOLDER RELATIONS REPORT INCORPORATING SUSTAINABILITY PERFORMANCE CONTINUED

### BECSA

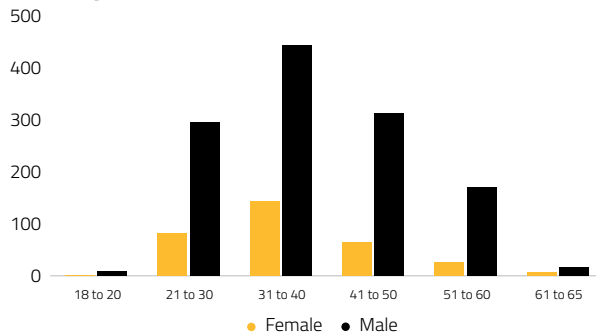
BECSA length of service



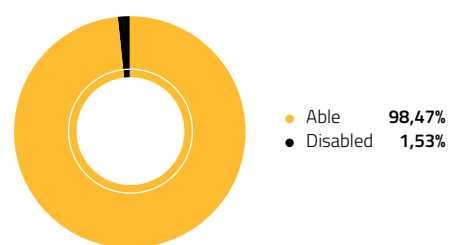
BECSA gender split



BECSA age analysis

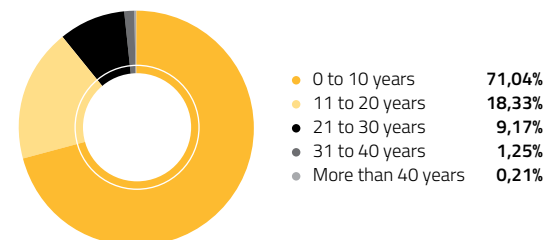


BECSA disabled employees

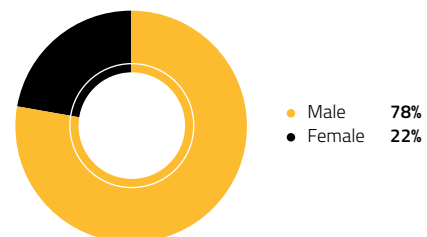


### BESSA

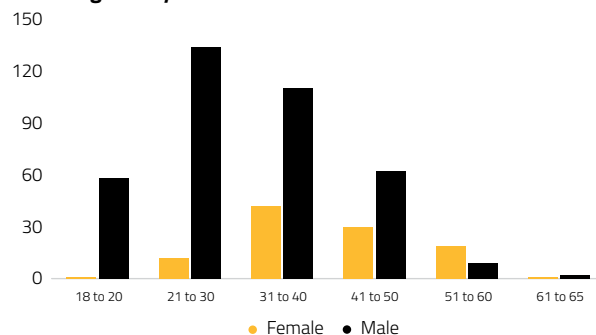
BESSA length of service



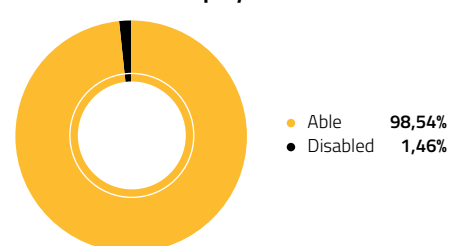
BESSA gender split



BESSA age analysis



BESSA disabled employees





## CUSTOMERS

Reason for engagement	Stakeholder interests and expectations	Methods of engagement and value creation
<ul style="list-style-type: none"> <li>▪ To meet the group's customers' needs and build long-term loyalty.</li> <li>▪ To enhance Bell Equipment's brand and grow market share.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Innovative products that meet operational needs.</li> <li>▪ World class after-sales support.</li> <li>▪ Overall value proposition.</li> <li>▪ Personally committed and trusted advisor.</li> </ul>	<ul style="list-style-type: none"> <li>▪ 'EYE' external customer service monitoring service.</li> <li>▪ Face-to-face engagement with sales and customer service teams.</li> <li>▪ Trade exhibitions.</li> <li>▪ Product launches and demonstrations.</li> <li>▪ Ongoing research and development.</li> <li>▪ Factory tours.</li> <li>▪ Advertising.</li> <li>▪ Traditional and social media including Bell Bulletin magazine and Facebook.</li> <li>▪ Website.</li> <li>▪ Ongoing product testing.</li> </ul>

Bell Equipment utilises the 'EYE' customer service, an external monitoring service. On a regular basis customers are contacted on a random basis on behalf of Bell Equipment in order to rate their perception of Bell Equipment's service. Calls are made by an external consultant randomly from a list of recent parts transactions. The group's service rating remains firmly in the world class range.

During 2017 Bell Equipment exhibited at the international Conexpo Show in Las Vegas, USA in March followed by Steinexpo in Germany in August 2017. These shows provided an opportunity to strengthen the Bell brand as an ADT specialist and showcase the group's latest E-series large trucks to the global market.

In addition, Bell Equipment was represented locally at various shows including the NAMPO Harvest Day in May, a renowned four-day agricultural exhibition in South Africa, where it displayed a wide variety of own and partner products that are available to Southern African customers.

In general, trade shows are an excellent means of building brand image and engaging with a large number of customers and potential customers in a short space of time in a more relaxed environment.

The conclusion of a deal in March 2017 with leading global financial solutions partner, De Lage Landen provides funding solutions to Bell Equipment customers and further builds on the competitive advantage of owning and operating Bell Equipment machinery.



## STAKEHOLDER RELATIONS REPORT INCORPORATING SUSTAINABILITY PERFORMANCE CONTINUED



Manufactured

The group's manufactured capital is the investment in its people, property, infrastructure, buildings, plant, production-oriented equipment, machines and tools that Bell relies on to efficiently enable the group to be flexible and responsive to customer demand in getting Bell products to market while utilising production processes that adhere to environmental regulatory requirements.

The group's manufacturing operation in South Africa is reliant on infrastructure stability in so far as power, water, port facilities and roads are concerned. Infrastructure reliability in South Africa is becoming more uncertain and the group continues to monitor this to mitigate any risks that could develop. Product costs and manufacturing reliability are continually benchmarked to other economies in order to guide manufacturing strategy.

Bell continues to invest in and grow its people and assets, improving skills, knowledge, know-how, productivity, efficiency and lowering the impact on the environment.

Bell is focused on continuing to strengthen its quality management as delivering on customer expectations is essential to how products are accepted in the market.

Adequate investment has been allocated to production-oriented equipment replacement and maintenance ensuring that manufacturing operations in both South Africa and Germany continue to operate sustainably. As part of continuous improvement Bell is further strengthening its quality management.

Bell Equipment Germany's new headquarters at Alsfeld, Germany was officially opened at the end of August 2017. This significant investment signals the group's continuity and commitment to its customers in the Northern Hemisphere and encompasses the German and Central European sales and distribution departments along with Bell Equipment's international parts hub, the ELC.

The property has a new facility triple the size of the previous facility and comprises modern sales, parts and administration offices, workshop and ReMan facilities and the ELC warehouse, which provides state-of-the-art commissioning and handling solutions. The new ELC plays a critical role in supplying parts to all regional logistics warehouses throughout Europe and other Northern Hemisphere markets enabling the group to improve its reaction and lead times. This is achieved through close cooperation with the company's factories and other logistics centres.



Intellectual

Bell Equipment's intellectual capital consists of its brand, know-how and the technical acumen of its research and development staff, the company culture and world class systems and processes.

Innovation has played a key role in Bell Equipment's legacy and remains critical in shaping its future. The group's strategy continues to command investment in the research and development of new technologies and products that will create value for Bell customers and uphold the reputation of the Bell brand as an innovation pioneer.

In addition to developing machines, Bell has also made headway in the field of telematics and machine management systems, enabling the group to offer customers valuable insights that improve fleet management and maximise the profitability of their operations.

Product development within the group is based on the needs and requirements of its customers, legislation, product and job site safety as well as opportunities created by new technology. In the past year the group has completed its introduction of the E-series range of ADTs into all markets. This upgrade introduced a number of innovative solutions improving energy efficiency, safety, driver comfort, productivity and performance. Additionally two new model classes, the B20E low ground pressure truck at the smaller end of the scale and the B60 heavy duty mass earthmoving truck at the higher end of the range, have received positive market response.

Bell together with its customers finds itself in a competitive landscape and global economy that presents a number of key challenges. These range from changing health and environmental legislation and growing emphasis on product and job site safety to the progressive introduction of increasingly stringent exhaust emissions standards, advancing vehicle management technology and control driving expectations in collision detection/avoidance and machine automation. Market driven operator comfort and machine noise exposure reduction are specific challenges in the African forestry and agriculture industry.





## STAKEHOLDER RELATIONS REPORT INCORPORATING SUSTAINABILITY PERFORMANCE CONTINUED



Bell Equipment is committed to the responsible use and protection of the natural environment through sustainable practices. Bell Equipment has its own operations in 12 different countries, each with its own environmental laws and regulations. Although most of these operations are low risk in terms of environmental exposure, compliance must still be ensured. The group's focus is primarily on the Richards Bay facility due to the size and nature of the operation. Other operations are monitored and managed by the individual appointed managers, and when necessary, reports are filed in terms of the applicable legislation.

Bell Equipment has a dedicated used division that offers used refurbished parts or completely refurbished machines to customers, thereby decreasing the environmental footprint of manufacturing. These parts and equipment are sold with a conditional warranty as agreed between the company and the customer.

A large portion of product development is focused on meeting the global trend of reducing engine emissions. Bell Equipment ensures that it either meets or exceeds these stringent limits in all the markets in which it operates. The current focus is on reducing NOx hydrocarbons and particulates but future trends will be focused on CO<sub>2</sub> emissions. Bell ADTs are the market leader in low fuel consumption, enabling the product to offer the lowest environmental footprint.

Bell Equipment also has full ReMan facilities in South Africa, UK and Germany that offer remanufactured machines and major components that are economical to remanufacture. Bell Equipment ReMan components are rebuilt to Bell Equipment specifications using Bell Equipment approved parts and carry the same warranty as new genuine parts.

By refurbishing parts and remanufacturing components, Bell Equipment reduces the need for additional raw materials and ultimately reduces the waste footprint.

On-site recycling is another critical aspect of its waste management process, with separation into three categories taking place at source as far as possible. Elsewhere, both hazardous and non-hazardous waste streams are monitored by type, volume and disposal method and disposed of at certified waste disposal facilities. This ensures consistency, compliance and comparability.

External audits are undertaken annually and during 2017 there was only one incident reported to the Department of Environmental Affairs (DOE) South Africa in terms of reportable incidents.

A third party compliance audit is scheduled for 2018 to monitor compliance with regards to:

- air quality
- water and waste management
- NEMA: EIA regulations
- general
- fauna and flora
- fire protection
- hazardous substance/flammable liquids/dangerous goods
- energy management
- international laws

Environmental compliance at the Eisenach-Kindel factory in Germany is controlled by the facility's quality representative in conjunction with the respective authorised organisations for environmental control and waste disposal. The environmental requirements are spelt out in the labour law and quality management system namely ISO 9001:2008. No significant incidents were reported during 2017 and the next internal audit will be conducted during 2018.

At Richards Bay a new storm water management plan has been drafted in terms of municipal by-law requirements and will be implemented during 2018. The main hydrocarbon spillage containment area at the Richards Bay factory was also upgraded to further reduce risk of spillages and contamination into the adjacent storm water stream.

Bell Equipment has initiated a programme to classify waste as per the current Waste Act Regulations. A programme on the classification of all hazardous waste has been completed during 2017. The waste management site is continuously monitored to ensure compliance and to eliminate cross contamination risks. A new service provider was appointed in 2017 and as part of their scope includes the upgrade of the waste separation and waste storage facility in line with national norms and standard guidelines.

Bell Equipment is also represented on the uMhlathuze Crisis Committee in Richards Bay. The purpose of this committee is for stakeholders to be involved in the water and environmental management plan of the local municipality and to make recommendations towards water saving initiatives and a cleaner environment.

Initial calculations, based on the proposed legislation, indicate that the Richards Bay factory will only have to report on carbon emissions but will be below the threshold for paying carbon tax. The carbon tax regulations have not yet been promulgated and further review will only commence once the draft regulations are in effect.



## LOCAL COMMUNITIES



Reason for engagement	Stakeholder interests and expectations	Methods of engagement and value creation
<ul style="list-style-type: none"> <li>Empowering local economies builds trust in Bell Equipment while communities benefit from social and environmental initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>Socio economic empowerment.</li> <li>Community involvement on key issues.</li> <li>Employment creation.</li> <li>Environmentally responsible.</li> </ul>	<ul style="list-style-type: none"> <li>Social development through sports development: sponsorship of local sports events.</li> <li>Providing air assistance for crime fighting initiatives.</li> <li>Earthmoving equipment apprenticeship programmes.</li> <li>Trade-ins and the Bell Backed Loan Scheme for qualifying small black-owned businesses.</li> <li>Welfare projects within the communities in which the company operates.</li> <li>Support of CANSA events.</li> </ul>



### Social and relationship

The group recognises its responsibility as a global corporate citizen to provide meaningful CSI and SED programmes and initiatives to uplift and empower its stakeholders and the communities within which it operates. In this regard the group is guided by its group CSI and SED policies, which identify priority areas, outline implementation strategies and enable the group to monitor CSI and SED expenditure and measure the impact of projects, ensuring that they are aligned to the group strategy and contribute to the group's overall mission, vision and adhere to its core values. The establishment of the Bell Foundation Trust by the group aims to assist black women with their education in the engineering and allied fields.

In addition to the societal value created through its business activities, Bell Equipment undertakes targeted community and enterprise development initiatives, creating an enabling environment for investment while developing and enhancing markets for its products. Recognising that its business activities impact on many people and communities, Bell Equipment has strategies, systems and processes in place aimed at developing positive relationships with all stakeholders and communities in which the group operates.

As part of its socio economic development BECSA made a contribution towards education in the local uMhlathuze municipal community where the Bell factory is a valuable member. Four high schools each received grants of R100 000 for projects of their choice. Three schools namely, Khula Senior School, iKhandlela Senior Secondary and Dlamvuzo High School from the Esikhaleni district and Gwejobomvu Senior Secondary from the Enseleni district were the recipients of the grants totalling R400 000. This initiative speaks to Bell Equipment's commitment to the community and its appreciation of the right to a decent education enshrined in the South African constitution. Bell Equipment employees globally are encouraged to be actively involved in community-based programmes by giving of their time and talent to assist organisations and initiatives in order to make a difference in the lives of community stakeholders.

CSI, SED and skills development spend in 2017 amounted to R12,6 million which included loans, donations, bursaries and grants, as highlighted on the following page.

## STAKEHOLDER RELATIONS REPORT INCORPORATING SUSTAINABILITY PERFORMANCE CONTINUED

### UnlockD

UnlockD is a 51% broad-based black owned company with a QSE affidavit providing level 2 BBBEE recognition in the Amended BBBEE Codes.

UnlockD is a social impact business that offers integrated impact solutions focused on delivering talent development, compliance solutions and business process outsourcing services to support client business impact imperatives. UnlockD connects employable, unskilled youth to meaningful employment while offering clients simple, cost effective solutions for their everyday back-office needs ranging from basic data entry to more complex data processing and call centre work.

Bell Equipment has partnered with UnlockD in an effort to fund and assist in training, upskilling and assisting young talent to become employable and economically self-reliable so that they are able to contribute to the country's greater economy and to their families and communities.

### Thuthukani Special School

Thuthukani Special School in Empangeni is a school for learners from multi-cultural and multi-language backgrounds, of which more than 97% are black learners, aged from six to 18 years, with severe to profound intellectual disability. The school programme aims to build learners' self-esteem and functional ability by equipping them with life skills and functional academic skills through a specially adapted curriculum, based on the National Statement (NCS) and CAPS. The objective is to ensure learners leave the school as independent as possible and equipped with skills they can use to contribute to their own, their families and their communities' well-being. In 2017 BECSA assisted Thuthukani Special School with a donation to renovate the schools bathrooms and ablutions to ensure the staff and children function in clean, hygienic and healthy school facilities.

### Tiso Foundation

Established in 2009, the Tiso Foundation Artisan Development Programme offers artisanal training to disadvantaged, talented young people, to prepare them for jobs critically required in South Africa's growing economy. The Foundation partners with the Artisan Training Institute (ATI), which provides high quality technical training for electricians, diesel mechanics, boilermakers and millwrights. Beneficiaries of the programme are black youths between the ages of 18 and 34 years. Integral to the success of the programme is partnerships with leading South African companies and Bell Equipment has been a proud partner of Tiso Foundation since 2013 and in 2017 Bell contributed R1,1 million to the Tiso Foundation.

### Enterprise and supplier development

BECSA invested R6,8 million during 2017 on ESD initiatives in the form of grants and developmental loans for the benefit of 51% black-owned EME's and/or QSE's. R4,2 million of the total spend was for suppliers.

BESSA invested R7,7 million on ESD initiatives in the form of grants and developmental loans for the benefit of 51% black-owned EME's and/or QSE's.

### Amangwe Village

BECSA is a founder member of Amangwe Village, which was established in 2002. Amangwe Village caters for early childhood development, home-based care, women empowerment, food security as well as care to orphans and vulnerable children. In 2017 BECSA assisted Amangwe Village with a donation in support of their early childhood development programme.



## GOVERNMENT

Reason for engagement	Stakeholder interests and expectations	Methods of engagement and value creation
<ul style="list-style-type: none"> <li>The group's relationship with government's impacts on its ability to contribute towards job creation, broader economic, social and environmental objectives.</li> </ul>	<ul style="list-style-type: none"> <li>Socio economic growth.</li> <li>Skills development.</li> <li>Employment creation.</li> <li>Transformation.</li> <li>BBBEE.</li> </ul>	<ul style="list-style-type: none"> <li>Local design and manufacture of equipment and the use of locally produced materials.</li> <li>Employer of 2 744 South Africans.</li> <li>Senior executive meetings with officials at various levels of government.</li> <li>Participation in industry consultative bodies and public forums including: <ul style="list-style-type: none"> <li>National Economic Development and Labour Council;</li> <li>Business Unity South Africa;</li> <li>South African Capital Equipment Export Council;</li> <li>Steel and Engineering Industries;</li> <li>Federation of South Africa.</li> </ul> </li> <li>Economic empowerment leading to social upliftment programmes and initiatives including: <ul style="list-style-type: none"> <li>trade-ins and the Bell Backed Loan Scheme for qualifying small black-owned businesses;</li> <li>earthmoving equipment apprenticeship programmes.</li> </ul> </li> </ul>

In April 2017 the Bell Equipment Limited board approved a BBBEE ownership transaction for BESSA, at the time the group's wholly-owned subsidiary. BESSA provides sales and aftermarket support for Bell designed and manufactured products as well as strategic alliance partner products in South Africa. SIBI Capital Proprietary Limited represented by Bharti Harie and Sindiswe Ntombenhle Mabaso-Koyana, acquired 22,5% of the issued share capital of BESSA through a subscription by a newly incorporated private ring-fenced

company; and Bell Equipment Foundation Trust, a broad-based trust; the beneficiaries of which will be black women, acquired 7,5% respectively of the issued share capital of BESSA. Following the BBBEE transaction BESSA qualified as a 30% black women-owned entity. The transactions have been specifically structured to pursue transformation through the economic empowerment of black women and also align the BESSA business strategy with government's economic transformation policies.



## STAKEHOLDER RELATIONS REPORT INCORPORATING SUSTAINABILITY PERFORMANCE CONTINUED

### SHAREHOLDERS, INVESTORS, FINANCIERS AND INSURERS



Reason for engagement	Stakeholder interests and expectations	Methods of engagement and value creation
<ul style="list-style-type: none"> <li>To create an informed perception of the group and its activities.</li> </ul>	<ul style="list-style-type: none"> <li>Group strategy implementation.</li> <li>Group performance and sustained returns on investment.</li> <li>Leadership strength and management depth.</li> <li>Risk management.</li> <li>Transparent executive remuneration.</li> </ul>	<ul style="list-style-type: none"> <li>AGM.</li> <li>Integrated annual report and interim results.</li> <li>Board and executive management strategy sessions.</li> <li>SENS announcements.</li> <li>Media.</li> <li>Group website including a dedicated investor relations page.</li> <li>Employee share schemes.</li> <li>Dividend policy.</li> <li>Sound corporate governance.</li> </ul>

The Bell group strives to create value for all its stakeholders and to manage its financial capital to support the group's growth and diversification objectives in a sustainable and profitable manner.

Bell engages with its shareholders through its integrated annual report and its AGM held in May of every year. Bell Equipment continues to improve on its engagement with its shareholders, in line with King IV, by providing more and better information to its shareholders thereby ensuring good governance. This included making available an online investor presentation on Bell's investor relations website for use by shareholders, analysts, investors and employees following the release of its interim results in August of 2017. The group will continue to strive for improved interaction with these important stakeholders on an ongoing basis including interactive presentations for shareholders, investors and employees alike going forward.

In June 2017 Leon Goosen, the chief operating officer of the group and an executive director of the Bell Equipment Limited board since January 2009 was appointed as chief executive designate to succeed Gary Bell, the chief executive, once he steps down. The appointment followed extensive internal, local and international search process by an external service provider to identify candidates, who were assessed by a sub-committee of the Bell Equipment Limited board.

In order to ensure business continuity and provide the group with the benefit of a smooth handover in the chief executive's office during the transition period, it was agreed to announce Gary Bell's successor at that stage. Leon Goosen will be appointed as chief executive on 1 June 2018 and Gary Bell will step into the position of non-executive chairman with John Barton fulfilling the position of lead independent non-executive director in line with King IV, effective 1 June 2018.



## SUPPLIERS AND ALLIANCE PARTNERS



Reason for engagement	Stakeholder interests and expectations	Methods of engagement and value creation
<ul style="list-style-type: none"> <li>Suppliers and alliance partners are key to the group's performance and core to the group's strategic positioning.</li> </ul>	<ul style="list-style-type: none"> <li>Timely payment and fair terms.</li> <li>Future growth of the group and understanding the expectations of the group.</li> <li>Reputational consistency.</li> <li>Responsible and positive brand management.</li> </ul>	<ul style="list-style-type: none"> <li>Product launches and demonstrations.</li> <li>Trade exhibitions.</li> <li>Quest for Gold supplier improvement initiative.</li> <li>975 South African suppliers form part of Bell Equipment's supplier network.</li> <li>Ongoing regular direct engagements.</li> <li>Service level agreements and audits.</li> <li>Suppliers conference.</li> <li>Factory and site visits.</li> </ul>

Bell has a Quest for Gold Supplier Improvement programme, the objectives of which are to develop mutually beneficial and profitable relationships with Bell's suppliers, implementing quality and cost controls as well as measuring and rewarding outstanding performance. The programme is also designed to strengthen communications between Bell Equipment and its valued suppliers in order to maximise its technological offering by utilising suppliers' technical support, innovation and expertise.

Suppliers are evaluated on a quarterly basis in five key areas: quality, delivery, cost, flexibility and technical support.

As customers expect Bell to reduce or contain overall costs by decreasing its cost of quality; improving productivity and ensuring an overall competitive and responsive supply chain, Bell recognises that it must continue to work together with its suppliers to meet these ever-increasing expectations of its customers.

In June 2017 the group concluded an agreement with global excavator specialist, Kobelco Construction Machinery Co. Ltd (Kobelco), for the exclusive distribution and support of the Kobelco range of excavators in the Southern African region. With an equally proud history in manufacturing, Kobelco has 10 production centres located in Japan, China, Southeast Asia, the United States and India.

Bell will be complementing its extensive product range by developing the full range of Kobelco excavators, from the small 5,5 ton mini excavators through to the largest 85 ton units. This will offer customers options for the smallest applications as well as competitively priced and perfectly matched loading tools for Bell ADTs in the construction, quarrying and mining industries. In addition to dedicated models for waste and scrap handling, Kobelco is the benchmark with regards to excavator carriers for the forestry industry, creating opportunities for the group in this industry.

In September 2017 Bell Equipment announced its entrance into the Southern African tipper truck market through a partnership with Kamaz, a Russian-based industry leader in this market segment globally. By expanding its one-stop-shop offering to its Southern African customers, the group is able to satisfy more of the customers' needs and further its goal of being partners rather than suppliers. As a 15 time winner of the Dakar, the world's toughest off-road endurance race, there is confidence that these products have the reliability and strength required in terms of the Bell ethos of providing strong reliable machines.

# SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

## Independent Auditor's Report on the Summarised Consolidated Financial Statements

to the shareholders of Bell Equipment Limited

### Opinion

The summarised consolidated financial statements of Bell Equipment Limited as set out on pages 63 to 73, which comprise the summarised consolidated statement of financial position as at 31 December 2017, the summarised consolidated statement of profit or loss, the summarised consolidated statement of profit or loss and other comprehensive income, summarised consolidated statement of changes in equity and summarised consolidated statement of cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Bell Equipment Limited for the year ended 31 December 2017.

In our opinion, the summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of Bell Equipment Limited, in accordance with the requirements of *IAS 34: Interim financial reporting*, and the requirements of the Companies Act as applicable to summary financial statements.

### Summarised consolidated financial statements

The summarised consolidated financial statements do not contain all the disclosures required by IFRS and the requirements of the Companies Act as applicable to annual financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of Bell Equipment Limited and the auditor's report thereon.

### The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 14 March 2018. That report also includes:

- The communication of other key audit matters as reported in the auditor's report of the audited financial statements.

### Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of *IAS 34: Interim financial reporting* and the requirements of the Companies Act as applicable to summarised financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

*Deloitte & Touche*

**Deloitte & Touche**

*Registered Auditor*

**Per: C Howard-Browne**

*Partner*

14 March 2018

**National Executive:** \*LL Bam *Chief Executive Officer* \*TMM Jordan *Deputy Chief Executive Officer; Clients & Industries*

\*MJ Jarvis *Chief Operating Officer* \*AF Mackie *Audit & Assurance* \*N Sing *Risk Advisory*

\*NB Kader *Africa Tax & Legal* TP Pillay *Consulting* S Gwala *BPS* \*JK Mazzocco *Talent & Transformation*

\*MG Dicks *Risk Independence & Legal* \*TJ Brown *Chairman of the Board*

**Regional Leader:** \*R Redfearn

A full list of partners and directors is available on request

\*Partner and Registered Auditor

**BBBEE rating: Level 1 contributor in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice**

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

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# Summarised Consolidated Statement of Financial Position

as at 31 December 2017

	2017 R'000	2016 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>1 111 406</b>	<b>1 029 444</b>
Property, plant and equipment	691 429	704 295
Intangible assets	224 766	216 419
Investments	574	568
Interest-bearing long-term receivables	92 774	16 964
Deferred taxation	101 863	91 198
<b>Current assets</b>	<b>4 246 208</b>	<b>3 477 504</b>
Inventory	3 047 119	2 427 921
Trade and other receivables	778 555	751 672
Current portion of interest-bearing long-term receivables	96 053	56 546
Prepayments	51 912	21 828
Other financial assets	13 139	5 641
Current taxation assets	9 179	29 601
Cash and bank balances	250 251	184 295
<b>TOTAL ASSETS</b>	<b>5 357 614</b>	<b>4 506 948</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>	<b>2 988 602</b>	<b>2 758 247</b>
Stated capital (note 5)	232 244	232 139
Non-distributable reserves	530 281	553 298
Retained earnings	2 214 236	1 972 810
Attributable to owners of Bell Equipment Limited	2 976 761	2 758 247
Non-controlling interest	11 841	–
<b>Non-current liabilities</b>	<b>351 819</b>	<b>321 787</b>
Interest-bearing liabilities	113 183	103 175
Repurchase obligations and deferred leasing income	1 243	2 034
Deferred income	106 568	84 083
Long-term provisions and lease escalation	42 074	47 781
Deferred taxation	88 751	84 714
<b>Current liabilities</b>	<b>2 017 193</b>	<b>1 426 914</b>
Trade and other payables	1 094 742	759 463
Current portion of interest-bearing liabilities	215 414	51 268
Current portion of repurchase obligations and deferred leasing income	746	763
Current portion of deferred income	94 171	82 903
Current portion of provisions and lease escalation	60 825	69 562
Other financial liabilities	20 272	952
Current taxation liabilities	25 675	15 615
Bank overdrafts and borrowings on call	505 348	446 388
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5 357 614</b>	<b>4 506 948</b>

# Summarised Consolidated Statement of Profit or Loss

for the year ended 31 December 2017

	2017 R'000	2016 R'000
<b>Revenue</b>	<b>6 766 586</b>	6 002 341
Cost of sales	(5 328 636)	(4 604 486)
<b>Gross profit</b>	<b>1 437 950</b>	1 397 855
Other operating income	221 431	168 448
Expenses	(1 226 135)	(1 418 055)
<b>Profit from operating activities (note 2)</b>	<b>433 246</b>	148 248
Net interest expense (note 3)	(29 888)	(32 557)
<b>Profit before taxation</b>	<b>403 358</b>	115 691
Taxation	(131 308)	(77 072)
<b>Profit for the year</b>	<b>272 050</b>	38 619
<b>Profit for the year attributable to:</b>		
– Owners of Bell Equipment Limited	260 209	37 472
– Non-controlling interest	11 841	1 147
<b>Earnings per share (basic) (note 4)</b>	(cents) <b>273</b>	39
<b>Earnings per share (diluted) (note 4)</b>	(cents) <b>273</b>	39



# Summarised Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017

	2017 R'000	2016 R'000
<b>Profit for the year</b>	<b>272 050</b>	38 619
<b>Other comprehensive loss</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising during the year	(22 311)	(221 639)
Exchange differences on translating foreign operations	(23 744)	(210 970)
Exchange differences on foreign reserves	1 433	(10 669)
<i>Items that may not be reclassified subsequently to profit or loss:</i>		
Surplus arising on revaluation of properties	258	24 300
Taxation relating to revaluation of properties	(3 382)	(6 960)
<b>Other comprehensive loss for the year, net of taxation</b>	<b>(25 435)</b>	(204 299)
<b>Total comprehensive income (loss) for the year</b>	<b>246 615</b>	(165 680)
<b>Total comprehensive income (loss) attributable to:</b>		
– Owners of Bell Equipment Limited	234 774	(166 827)
– Non-controlling interest	11 841	1 147

# Summarised Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

## Attributable to owners of Bell Equipment Limited

	Stated capital R'000	Non- distributable reserves R'000	Retained earnings R'000	Total R'000	Non- controlling interest R'000	Total capital and reserves R'000
<b>Balance at 31 December 2015</b>	230 567	752 269	1 957 219	2 940 055	7 361	2 947 416
Total comprehensive (loss) income for the year	–	(204 299)	37 472	(166 827)	1 147	(165 680)
Transfer to retained earnings relating to expired share options	–	(3 220)	3 220	–	–	–
Decrease in equity-settled employee benefits reserve relating to forfeited share options	–	(702)	–	(702)	–	(702)
Share options exercised	1 572	–	–	1 572	–	1 572
Increase in statutory reserves of foreign subsidiaries	–	9 250	(9 250)	–	–	–
Dividends paid	–	–	(14 273)	(14 273)	–	(14 273)
Transactions with non-controlling interest	–	–	(1 578)	(1 578)	(8 508)	(10 086)
<b>Balance at 31 December 2016</b>	232 139	553 298	1 972 810	2 758 247	–	2 758 247
Total comprehensive (loss) income for the year	–	(25 435)	260 209	234 774	11 841	246 615
Transfer between reserves	–	(172)	172	–	–	–
Transfer to retained earnings relating to expired share options	–	(107)	107	–	–	–
Increase in equity-settled employee benefits reserve	–	498	–	498	–	498
Share-based payment relating to BBBEE ownership transaction	–	2 199	–	2 199	–	2 199
Share options exercised	105	–	–	105	–	105
Dividends paid	–	–	(19 062)	(19 062)	–	(19 062)
<b>Balance at 31 December 2017</b>	232 244	530 281	2 214 236	2 976 761	11 841	2 988 602

# Summarised Consolidated Statement of Cash Flows

for the year ended 31 December 2017

	2017 R'000	2016 R'000
Cash generated from operations before working capital changes	665 069	406 005
Cash utilised in working capital	(533 369)	(208 338)
Cash generated from operations	131 700	197 667
Net interest paid	(29 635)	(32 377)
Taxation paid	(112 262)	(76 951)
<b>Net cash (utilised in) generated from operating activities</b>	<b>(10 197)</b>	<b>88 339</b>
Purchase of property, plant and equipment and intangible assets	(135 842)	(135 453)
Proceeds on disposal of property, plant and equipment and intangible assets	7 975	908
(Increase) decrease in interest-bearing long-term receivables	(9 303)	17 155
<b>Net cash utilised in investing activities</b>	<b>(137 170)</b>	<b>(117 390)</b>
Interest-bearing liabilities raised	247 316	45 959
Interest-bearing liabilities repaid	(73 996)	(56 642)
Proceeds from share options exercised	105	1 572
Payments to non-controlling interest	–	(10 086)
Dividends paid	(19 062)	(14 273)
<b>Net cash generated from (utilised in) financing activities</b>	<b>154 363</b>	<b>(33 470)</b>
<b>Net cash inflow (outflow)</b>	<b>6 996</b>	<b>(62 521)</b>
<b>Net bank overdrafts and borrowings on call at beginning of the year</b>	<b>(262 093)</b>	<b>(199 572)</b>
<b>Net bank overdrafts and borrowings on call at end of the year</b>	<b>(255 097)</b>	<b>(262 093)</b>
<b>Comprising:</b>		
Bank overdrafts and borrowings on call	(505 348)	(446 388)
Cash and bank balances	250 251	184 295
<b>Net bank overdrafts and borrowings on call at end of the year</b>	<b>(255 097)</b>	<b>(262 093)</b>

# Notes to the Summarised Consolidated Results

for the year ended 31 December 2017

## 1. ACCOUNTING POLICIES

The consolidated financial statements, from which these summarised consolidated financial statements have been derived, have been prepared in accordance with International Financial Reporting Standards (IFRS) and the policies and methods of computation are consistent with those applied to the previous year, except for the adoption of amended standards and the changes as described below. The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of properties and financial instruments.

The group has adopted all of the amended standards relevant to its operations and effective for annual reporting periods beginning 1 January 2017. The adoption of these amended standards has not had any significant impact on the amounts reported in the financial statements and in these summarised consolidated financial statements.

In the current period the group corrected a calculation error in the group's December 2016 headline earnings per share. Details of this prior period correction are disclosed in note 11.

These summarised consolidated financial statements are prepared in accordance with the requirements of the Companies Act in South Africa and the measurement and recognition requirements of IFRS, and contain the information required by IAS 34: *Interim Financial Reporting*. The preparation of these summarised consolidated financial statements and consolidated financial statements from which these results are summarised were supervised by the Group Finance Director, KJ van Haght CA(SA).

	2017 R'000	2016 R'000
<b>2. PROFIT FROM OPERATING ACTIVITIES</b>		
Profit from operating activities is arrived at after taking into account:		
<b>Income</b>		
Currency exchange gains	156 361	388 753
Deferred warranty income	81 423	50 764
Decrease in warranty provision	9 087	–
Import duty rebates	84 612	65 020
Net surplus on disposal of property, plant and equipment and intangible assets	3 038	26
Reversal of impairment loss recognised on rental assets	1 942	–
<b>Expenditure</b>		
Amortisation of intangible assets	33 240	33 229
Amounts written off as uncollectible	13 618	33 898
Auditors' remuneration – audit and other services	9 739	10 772
BBBEE share-based payment charge	2 199	–
Consulting fees	27 844	33 270
Currency exchange losses	157 426	419 694
Depreciation of property, plant and equipment	152 902	110 985
Impairment loss recognised on revaluation of buildings	2 597	–
Impairment loss recognised on rental assets	–	8 262
Increase in warranty provision	–	14 060
Operating lease charges	116 456	127 370
Research expenses (excluding staff costs)	46 298	35 501
Severance pay	8 684	9 739
Staff costs (including directors' remuneration)	1 272 171	1 203 963
<b>3. NET INTEREST EXPENSE</b>		
Interest expense	43 350	48 174
Interest income	(13 462)	(15 617)
<b>Net interest expense</b>	<b>29 888</b>	<b>32 557</b>



		2017	2016
<b>4. EARNINGS AND NET ASSET VALUE PER SHARE</b>			
Basic earnings per share is arrived at as follows:			
Profit for the year attributable to owners of Bell Equipment Limited	(R'000)	260 209	37 472
Weighted average number of ordinary shares in issue	('000)	95 307	95 159
<b>Earnings per share (basic) (cents)</b>		<b>273</b>	<b>39</b>
Diluted earnings per share is arrived at as follows:			
Profit for the year attributable to owners of Bell Equipment Limited	(R'000)	260 209	37 472
Fully converted weighted average number of shares*	('000)	95 454	95 289
<b>Earnings per share (diluted) (cents)</b>		<b>273</b>	<b>39</b>
* The number of shares has been adjusted for the effect of the dilutive potential ordinary shares relating to the unexercised options in the group's share option scheme.			
Headline earnings per share is arrived at as follows:			
Profit for the year attributable to owners of Bell Equipment Limited	(R'000)	260 209	37 472
Net surplus on disposal of property, plant and equipment and intangible assets	(R'000)	(3 038)	(26)
Taxation effect of net surplus on disposal of property, plant and equipment and intangible assets	(R'000)	237	7
Impairment loss recognised on revaluation of buildings	(R'000)	2 597	–
Taxation effect of impairment loss recognised on revaluation of buildings	(R'000)	(909)	–
Impairment loss in respect of property, plant and equipment rental assets (restated**)	(R'000)	–	8 262
Reversal of impairment loss in respect of property, plant and equipment rental assets	(R'000)	(1 942)	–
Headline earnings	(R'000)	257 154	45 715
Weighted average number of ordinary shares in issue	('000)	95 307	95 159
<b>Headline earnings per share (basic) (cents) (restated**)</b>		<b>270</b>	<b>48</b>
Diluted headline earnings per share is arrived at as follows:			
Headline earnings calculated above (restated**)	(R'000)	257 154	45 715
Fully converted weighted average number of shares	('000)	95 454	95 289
<b>Headline earnings per share (diluted) (cents) (restated**)</b>		<b>269</b>	<b>48</b>
** Refer to restatement of December 2016 headline earnings per share in note 11.			
Net asset value per share is arrived at as follows:			
Total capital and reserves	(R'000)	2 988 602	2 758 247
Number of shares in issue	('000)	95 307	95 297
<b>Net asset value per share (cents)</b>		<b>3 136</b>	<b>2 894</b>

## NOTES TO THE SUMMARISED CONSOLIDATED RESULTS CONTINUED

for the year ended 31 December 2017

	2017 R'000	2016 R'000
<b>5. STATED CAPITAL</b>		
<b>Authorised</b>		
100 000 000 (2016: 100 000 000) ordinary shares of no par value		
<b>Issued</b>		
95 306 885 (2016: 95 296 885) ordinary shares of no par value	232 244	232 139
The increase in issued share capital relates to 10 000 (2016: 150 000) share options exercised at an average share price of R10,48 per share.		
<b>6. CAPITAL EXPENDITURE COMMITMENTS</b>		
Contracted	60 089	13 228
Authorised, but not contracted	282 774	88 508
<b>Total capital expenditure commitments</b>	<b>342 863</b>	<b>101 736</b>

## 7. SUMMARISED SEGMENTAL ANALYSIS

	Revenue R'000	Operating profit (loss) R'000	Assets R'000	Liabilities R'000
<b>December 2017</b>				
South African sales operation	2 991 387	159 513	1 516 718	1 369 180
South African manufacturing and logistics operation	4 376 792	223 581	3 408 012	1 795 870
European operation	2 324 683	84 913	1 010 515	587 383
Rest of Africa operation	618 845	(70 000)	421 968	405 072
North American operation	1 151 199	49 980	233 896	170 066
All other operations	–	(83 267)	2 040 945	113 310
Inter-segmental eliminations*	(4 696 320)	68 526	(3 274 440)	(2 071 869)
<b>Total</b>	<b>6 766 586</b>	<b>433 246</b>	<b>5 357 614</b>	<b>2 369 012</b>
<b>December 2016</b>				
South African sales operation	2 731 470	115 347	1 093 956	699 513
South African manufacturing and logistics operation	3 334 624	80 506	2 858 072	1 278 889
European operation	2 180 950	60 801	1 074 298	694 993
Rest of Africa operation	799 706	(185 805)	624 312	511 340
North American operation	665 612	49 810	266 720	198 098
All other operations	–	(163 390)	1 117 089	239 591
Inter-segmental eliminations*	(3 710 021)	190 979	(2 527 499)	(1 873 723)
<b>Total</b>	<b>6 002 341</b>	<b>148 248</b>	<b>4 506 948</b>	<b>1 748 701</b>

\* Inter-segmental eliminations above relate to the following:

- Revenue – the elimination of intra-group sales transactions, mainly sales from the South African manufacturing and logistics operation, to the distribution operations.
- Operating profit (loss) – the elimination of profit (loss) on intra-group transactions, mainly sales transactions from the South African manufacturing and logistics operation to the distribution operations, where the inventory has not yet been on-sold by the distribution operations to a third party at year-end.
- Assets and liabilities – the intra-group transactions result in intra-group receivables and payables balances and furthermore intra-group loans are in place between certain group operations. These are eliminated on consolidation.

	2017 R'000	2016 R'000
<b>8. CONTINGENT LIABILITIES</b>		
<b>8.1</b> 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 the different categories of financing provided by WesBank, the group carries certain credit risks. These are considered to be financial guarantee contracts.		
The group is liable for all credit risks and therefore the full balance due to WesBank by default customers with regard to Bell-backed deals and a portion of the credit risk and a portion of the balance due to WesBank by default customers with regard to Bell-shared risk deals. In terms of the Bell-shared risk deals the group's exposure is calculated as a percentage of the net selling price of the equipment.		
At year-end the group's credit risk exposure to WesBank under Bell-backed deals for which the group carries all the credit risk totalled	176 091	144 688
At year-end the group's credit risk exposure to WesBank under Bell-shared risk deals for which the group carries a portion of the credit risk totalled	1 872	2 682
In the event of default, the equipment financed would be recovered and it is estimated that on re-sale the equipment would presently realise the following towards the above liabilities	228 782	249 936
	(50 819)	(102 566)
Less: impairment of cash collateral	(1 549)	–
<b>Net contingent liability</b>	–	–
The group has entered into similar shared risk arrangements with various other institutions. These arrangements are first-loss undertakings and the group's exposure remains fixed until the capital is repaid. These are considered to be financial guarantee contracts.		
At year-end the group's credit risk exposure to these financial institutions totalled	6 123	3 146
In the event of default, the equipment financed would be recovered and it is estimated that on re-sale the equipment would presently realise the following towards the above liability	7 935	1 413
	(1 812)	1 733
Less: provision for non-recovery	–	(1 797)
<b>Net contingent liability</b>	–	–
Where customers are in arrears with these financial institutions and there is a shortfall between the estimated realisation values of equipment and the balances due by the customers to these financial institutions, an assessment of any additional security is done and a provision for any residual credit risk is made on a deal-by-deal basis.		
<b>8.2</b> The residual values of certain equipment sold to financial institutions have been guaranteed by the group. The group's exposure is limited to the difference between the group's guaranteed amount and the financial institution's predetermined estimate.		
In the event of a residual value shortfall on this equipment, the group would be exposed to a maximum amount of	41 952	8 469
<b>Net contingent liability</b>	41 952	8 469
The transactions described in note 8.2 above relate to sales transactions to financial institutions which lease the equipment to customers for an agreed lease term. In certain cases, the group has a remarketing agreement with the institution for the disposal of the equipment returned after the lease term, but in all instances the group's risk is limited to the residual value risk described above.		

## NOTES TO THE SUMMARISED CONSOLIDATED RESULTS CONTINUED

for the year ended 31 December 2017

	2017 R'000	2016 R'000
<b>9. RELATED PARTY TRANSACTIONS</b>		
Information regarding significant transactions with related parties is presented below. Transactions are carried out on an arms length basis.		
<b>Shareholders</b>		
John Deere Construction and Forestry Company		
– sales	22 101	17 302
– purchases	594 738	392 769
– amounts owing to	136 858	57 020
– amounts owing by	5 144	3 664
<b>Enterprises over which directors and shareholders are able to exercise significant influence and/or in which directors and shareholders have a beneficial interest</b>		
Ario Properties Limited		
– property purchase commitment	51 537	–

## 10. FINANCIAL INSTRUMENTS

Categories of financial instruments included in the statement of financial position:

- Loans and receivables at amortised cost comprising interest-bearing long-term receivables, trade and other receivables and cash and bank balances. The directors consider that the carrying amount of loans and receivables at amortised cost approximates their fair value.
- Financial liabilities at amortised cost comprising interest-bearing liabilities, trade and other payables and bank overdrafts and borrowings on call. The directors consider that the carrying amount of financial liabilities at amortised cost approximates their fair value.
- Financial assets and liabilities carried at fair value through profit or loss include forward foreign exchange contracts and fair value is determined based on a Level 2 fair value measurement. Level 2 fair value measurements are those derived from inputs other than quoted prices. The fair value of these contracts is based on observable forward exchange rates at year-end from an independent provider of financial market data.
- Available for sale financial asset comprising an unlisted equity investment at cost for which a reliable fair value could not be determined.



## 11. PRIOR PERIOD RESTATEMENTS

### Restatements relating to the calculation of the December 2016 headline earnings per share

During the JSE proactive monitoring process it was identified that the impairment loss recognised in respect of the group's property, plant and equipment rental assets had not been added back in the calculation of headline earnings per share in the December 2016 results.

This calculation error has been corrected and the impact on the group's December 2016 headline earnings per share is as follows:

		As previously reported	Adjustment	Restated
<b>Headline earnings per share (basic) (cents)</b>				
Headline earnings per share is arrived at as follows:				
Profit for the year attributable to owners of Bell Equipment Limited	(R'000)	37 472	–	37 472
Net surplus on disposal of property, plant and equipment and intangible assets	(R'000)	(26)	–	(26)
Taxation effect of net surplus on disposal of property, plant and equipment and intangible assets	(R'000)	7	–	7
Impairment loss in respect of property, plant and equipment rental assets	(R'000)	–	8 262	8 262
Headline earnings	(R'000)	37 453	8 262	45 715
Weighted average number of ordinary shares in issue during the period	('000)	95 159	95 159	95 159
<b>Headline earnings per share (basic) (cents)</b>		<b>39</b>	<b>9</b>	<b>48</b>
<b>Headline earnings per share (diluted) (cents)</b>				
Headline earnings as recalculated above	(R'000)	37 453	8 262	45 715
Fully converted weighted average number of shares	('000)	95 289	95 289	95 289
<b>Headline earnings per share (diluted) (cents)</b>		<b>39</b>	<b>9</b>	<b>48</b>

## 12. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

The information in respect of directors' and prescribed officers' remuneration is included in the Remuneration Committee Report on page 45.

The details of the number of unexercised share options held by directors and prescribed officers at the end of the year is included in the Remuneration Committee Report on page 46.

## 13. SUBSEQUENT EVENTS

No fact or circumstance material to the appreciation of this report has occurred between 31 December 2017 and the date of this report.

# SHAREHOLDER INFORMATION

## Shareholder Analysis

Company: Bell Equipment Limited  
Register date: 29 December 2017  
Issued share capital: 95 306 885

	Number of shareholdings	%	Number of shares	%
<b>SHAREHOLDER SPREAD</b>				
1 - 1 000 shares	562	51,75	202 350	0,21
1 001 - 10 000 shares	361	33,24	1 365 114	1,43
10 001 - 100 000 shares	120	11,05	3 543 160	3,72
100 001 - 1 000 000 shares	34	3,13	10 210 408	10,71
1 000 001 shares and over	9	0,83	79 985 853	83,93
<b>Totals</b>	<b>1 086</b>	<b>100,00</b>	<b>95 306 885</b>	<b>100,00</b>
<b>DISTRIBUTION OF SHAREHOLDERS</b>				
Banks/Brokers	21	1,93	6 924 079	7,27
Close Corporations	16	1,47	2 859 607	3,00
Endowment Funds	4	0,37	19 664	0,02
Individuals	862	79,37	3 689 407	3,87
Insurance Companies	8	0,74	5 176 783	5,43
Medical Schemes	1	0,09	70 000	0,07
Mutual Funds	29	2,67	7 796 369	8,18
Other Corporations	6	0,55	22 946	0,02
Private Companies	25	2,30	35 829 798	37,60
Public Companies	2	0,19	30 000 001	31,48
Retirement Funds	50	4,61	2 461 437	2,58
Trusts	62	5,71	456 794	0,48
<b>Totals</b>	<b>1 086</b>	<b>100,00</b>	<b>95 306 885</b>	<b>100,00</b>
<b>PUBLIC/NON-PUBLIC SHAREHOLDERS</b>				
<b>Non-public shareholders</b>	<b>8</b>	<b>0,74</b>	<b>65 987 807</b>	<b>69,24</b>
Directors of the Company	4	0,38	262 238	0,28
Associates of the Company	2	0,18	2 000	0,00
Strategic holders of more than 10%	2	0,18	65 723 569	68,96
<b>Public shareholders</b>	<b>1 078</b>	<b>99,26</b>	<b>29 319 078</b>	<b>30,76</b>
<b>Totals</b>	<b>1 086</b>	<b>100,00</b>	<b>95 306 885</b>	<b>100,00</b>
<b>RESIDENT/NON-RESIDENT</b>				
Resident	1 048	96,50	58 663 783	61,55
Non-resident	38	3,50	36 643 102	38,45
<b>Totals</b>	<b>1 086</b>	<b>100,00</b>	<b>95 306 885</b>	<b>100,00</b>
<b>TOP 10 BENEFICIAL SHAREHOLDERS</b>				
I A Bell And Company (Pty) Ltd			35 723 569	37,48
John Deere			30 000 000	31,48
Sanlam			6 584 795	6,91
Allan Gray			3 102 743	3,26
Clark, IAJ			2 710 000	2,84
UBS (Custodian)			2 478 131	2,60
Pershing LLC			1 874 823	1,97
Investec			1 578 643	1,66
Alexander Forbes Investments			776 630	0,81
Peregrine Equities			648 210	0,68
<b>Totals</b>			<b>85 477 544</b>	<b>89,69</b>
<b>TOP 10 INSTITUTIONAL SHAREHOLDERS</b>				
Sanlam Investment Management			6 585 377	6,91
Allan Gray Asset Management			6 138 048	6,44
UBS (Custodian)			2 478 131	2,60
Investec Asset Management			2 134 410	2,24
Pershing Llc			1 874 823	1,97
Peregrine Equities			648 210	0,68
Citibank (Custodian)			491 249	0,51
SIX SIS (Custodian)			420 000	0,44
Melville Douglas Investment Management			318 000	0,33
Clearstream Banking SA Luxembourg			272 879	0,29
<b>Totals</b>			<b>21 361 127</b>	<b>22,41</b>

		Number of shareholdings	%	Number of shares	%
<b>BREAKDOWN OF NON-PUBLIC HOLDINGS</b>					
<b>Directors</b>					
Bell, GW	CEO			253 600	0,27
Goosen, L	Executive director			4 040	0,01
Bell, AJ	Non-executive director			2 598	0,00
Mayer, A	Subsidiary director			2 000	0,00
<b>Totals</b>				<b>262 238</b>	<b>0,28</b>
<b>ASSOCIATE OF THE COMPANY</b>					
Harie, B	Shareholder in subsidiary			1 000	0,00
Mabaso-Koyana, SN	Shareholder in subsidiary			1 000	0,00
<b>Totals</b>				<b>2 000</b>	<b>0,00</b>
<b>STRATEGIC HOLDERS OF MORE THAN 10%</b>					
I A Bell & Company (Pty) Ltd				35 723 569	37,48
John Deere				30 000 000	31,48
<b>Totals</b>				<b>65 723 569</b>	<b>68,96</b>
<b>RESIDENT/NON-RESIDENT SPLIT</b>					
South Africa		1 048	96,50	58 663 783	61,55
United Kingdom		7	0,64	32 487 153	34,09
United States		8	0,74	2 621 772	2,75
Switzerland		1	0,09	420 000	0,44
Germany		3	0,28	358 400	0,38
Luxembourg		1	0,09	272 879	0,29
Namibia		4	0,37	185 068	0,20
Swaziland		3	0,28	146 960	0,15
France		1	0,09	86 000	0,09
Netherlands		1	0,09	45 500	0,05
New Zealand		5	0,46	13 600	0,01
Mauritius		1	0,09	3 000	0,00
Zambia		1	0,09	1 500	0,00
Botswana		2	0,19	1 270	0,00
<b>Totals</b>		<b>1 086</b>	<b>100,00</b>	<b>95 306 885</b>	<b>100,00</b>

## Shareholder Diary

Financial year-end	31 December
Integrated annual report	March 2018
Annual general meeting	15 May 2018
Interim results announcement	August 2018

# Glossary

ADT	Articulated Dump Truck
AGM	Annual General Meeting
APDP	Automotive Production and Development Programme
Bell Equipment or Bell or the group	Bell Equipment Limited and its subsidiaries
BEE or BBBEE	Black Economic Empowerment or Broad-Based Black Economic Empowerment
BECSA	Bell Equipment Company SA Proprietary Limited
BEE0	Bell Equipment European Operations comprising the Bell operations in Germany, UK, France and Russia
BENA	Bell Equipment North America Inc
BESA	Bell Equipment Sales Africa comprising BESSA and the Bell operations in Zambia, DRC, Zimbabwe, Namibia and Swaziland
BESSA	Bell Equipment Sales South Africa Limited
COBIT	Control Objectives for Information and Related Technology
Companies Act	Companies Act of South Africa No 71 of 2008 (as amended)
CRM	Customer Relations Management
CSC	Customer Service Centre
CSDP	Central Securities Depository Participant
CSI	Corporate Social Investment
DRC	Democratic Republic of the Congo
ELC	European Logistics Centre
ESD	Enterprise and Supplier Development
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GEC	Group Executive Committee
GLC	Global Logistics Centre
IDC	Industrial Development Corporation
IFRS	International Financial Reporting Standards
ISO	International Standards Organisation
IT	Information Technology
John Deere	John Deere Construction and Forestry Company, a Delaware corporation
JSE	Johannesburg Stock Exchange Limited
King III	King Code of Governance Principles and the King Report on Governance
King IV	King IV Report on Corporate Governance in South Africa 2016
KPI	Key Performance Indicators
LTIFR	Lost Time Injury Frequency Rate
LTIS	Long Term Incentive Scheme
LTRS	Lifetime Revenue Stream
Matriarch	Matriarch Equipment Close Corporation
MOI	Memorandum of Incorporation
NPAT	Net Profit after Tax
NUMSA	National Union of Metalworkers of South Africa
OEM	Original Equipment Manufacturer
OROA	Operating Return on Assets
SED	Social Economic Development
SENS	Stock Exchange News Service
STIS	Short Term Incentive Scheme
SVA	Shareholder Value-Add
TLB	Tractor Loader Backhoe
TMP cycle	Trough, mid and peak cycle
1-BELL	Bell initiative used to unite the greater Bell organisation through the adoption of a number of common areas of focus and key values associated therewith



# Notice of Annual General Meeting

## Bell Equipment Limited

(Incorporated in the Republic of South Africa)

(Registration number: 1968/013656/06)

ISIN code: ZAE000028304

Share code: BEL

('Bell Equipment' or 'the company' or 'the group')

Notice is hereby given that the 50th AGM of shareholders of Bell Equipment will be held at the company's registered office, 13 – 19 Carbonode Cell Road, Alton, Richards Bay, KwaZulu-Natal on Tuesday, 15 May 2018 at 11:00 to attend to the following matters, with or without modification.

## Record dates

Shareholders are reminded to take note of the following dates:

- last day to trade in order to be eligible to attend, participate and vote at the AGM will be Monday, 30 April 2018;
- the record date in order to be eligible to attend, participate and vote at the AGM will be Friday, 4 May 2018.

## Ordinary business

### 1. ORDINARY RESOLUTION 1: FINANCIAL STATEMENTS

To consider the annual financial statements of the group for the financial year ended 31 December 2017, including the directors' report, the independent auditor's report, the social, ethics and transformation committee's report and the audit committee's report.

#### Additional information in respect of ordinary resolution number 1

The audited annual financial statements, including the director's report, the independent auditor's report and the audit committee report, of the group for the financial year ended 31 December 2017 are available online on [www.bellir.co.za](http://www.bellir.co.za). The independent auditor's report and the summarised consolidated financial statements are included in the integrated annual report on pages 62 and 63 respectively.

### 2. ORDINARY RESOLUTION 2: RE-ELECTION OF DIRECTORS BY ROTATION

Re-election of directors in terms of clause 5.1.10 of the MOI by way of separate resolutions. The nominations committee has assessed each of the retiring directors and the board unanimously recommends:

- 2.1 to re-elect A Bell as a non-executive director who retires by rotation in terms of the MOI at this AGM and, being eligible, makes himself available for re-election. Brief particulars of the qualifications and experience of the abovementioned director are available on page 16 of the integrated annual report of which this notice forms part;
- 2.2 to re-elect D Lawrance as an independent non-executive director who retires by rotation in terms of the MOI at this AGM and, being eligible, makes himself available for re-election. Brief particulars of the qualifications and experience of the abovementioned director are available on page 16 of the integrated annual report of which this notice forms part; and
- 2.3 to re-elect H van der Merwe as an independent non-executive director who retires by rotation in terms of the MOI at this AGM and, being eligible, makes himself available for re-election. Brief particulars of the qualifications and experience of the abovementioned director are available on page 16 of the integrated annual report of which this notice forms part.

### 3. ORDINARY RESOLUTION 3: APPOINTMENT OF THE MEMBERS OF THE AUDIT COMMITTEE

Pursuant to the requirements of Section 94 of the Companies Act to elect the following independent non-executive directors of the company as members of the audit committee until the conclusion of the AGM to be held in 2019 each by separate resolution:

3.1 D Lawrance (chairman of the audit committee)

3.2 R Naidu

3.3 M Ramathe

3.4 J Barton (in his position as the lead independent non-executive director with effect from 1 June 2018)

Brief particulars of the qualifications and experience of the abovementioned directors are available on pages 16 and 17 of the integrated annual report of which this notice forms part.

## NOTICE OF ANNUAL GENERAL MEETING CONTINUED

### 4. ORDINARY RESOLUTION 4: APPOINTMENT OF AUDITORS

To appoint Deloitte & Touche, upon the recommendation of the current audit committee, as the independent auditors of the company; and to note Mrs C Howard-Browne as the individual designated auditor for the financial year ended 31 December 2018.

### 5. ORDINARY RESOLUTION 5: PLACEMENT OF AUTHORISED BUT UNISSUED SHARES UNDER THE CONTROL OF THE DIRECTORS

To resolve that the directors be authorised and empowered to allot and issue out of the authorised but unissued shares in the capital of the company up to 5% of the number of shares in issue immediately prior to that issue to such person or persons upon such terms and conditions and at such times as they may determine and deem fit, subject to the provisions of the Companies Act, the JSE Listings Requirements and the MOI and provided that this authority shall not extend beyond the AGM to be held in 2019 or 15 (fifteen) months from 15 May 2018, whichever date is earlier.

The directors of the company have no specific intention to effect a general issue of shares as contemplated in this resolution number 5 but will, however, continually review the company's position, having regard to the prevailing circumstances and market conditions, in considering whether to effect such an issue.

### 6. NON-BINDING ADVISORY VOTE ON THE COMPANY'S REMUNERATION POLICY

To endorse through a non-binding advisory vote, the company's remuneration policy as set out in the remuneration committee report contained on page 40 of the integrated annual report of which this notice forms part.

### 7. NON-BINDING ADVISORY VOTE ON THE COMPANY'S REMUNERATION IMPLEMENTATION REPORT

To endorse through a non-binding advisory vote, the company's implementation report in regards to its remuneration policy, as set out in the remuneration committee report contained on page 45 of the integrated annual report of which this notice forms part.

## Special business

As special business, to consider, and if deemed fit, to pass, with or without modification, the following special resolutions:

### 8. SPECIAL RESOLUTION 1: GENERAL AUTHORITY FOR THE PROVISION OF FINANCIAL ASSISTANCE IN TERMS OF SECTION 45

To resolve that to the extent required by Section 45 of the Companies Act, the board may, subject to compliance with the provisions of the MOI, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, by way of a general authority, authorise the company to provide at any time and from time to time any direct or indirect financial assistance to any one or more related or inter-related companies or corporations of the company but not to a director and/or a prescribed officer of the company, for a period of one year from 1 January 2019 to 31 December 2019.

#### Reasons and effect

The reason for and effect of this special resolution number 1 is to obtain the necessary approvals from shareholders to allow the company to provide financial assistance to the company's related and/or inter-related companies in accordance with the provisions of Section 45 of the Companies Act, as and when required in the normal course of its business. This special resolution does not authorise the provision of financial assistance to a director and/or a prescribed officer of the company or of any related and/or inter-related companies.

## 9. SPECIAL RESOLUTIONS 2.1 TO 2.17: BASIS OF REMUNERATION PAYABLE TO NON-EXECUTIVE DIRECTORS FROM 1 JANUARY 2019

To resolve as separate special resolutions that the directors' fees plus VAT that may be attributable to the fees, payable to the non-executive directors of the company, from 1 January 2019, be approved as follows:

Special resolution number		Rand (excluding VAT)
	<b>Retainer fees to be paid annually</b>	
2.1	Non-executive chairman	353 050
2.2	Lead independent non-executive director	271 635
2.3	Non-executive directors	190 220
	<b>Fees per meeting payable to the Chairman of the Board and the Chairmen of Board Committees</b>	
2.4	Board	32 170
2.5	Audit committee	19 340
2.6	Risk and sustainability committee	19 340
2.7	Nominations committee	15 200
2.8	Remuneration committee	15 200
2.9	Social, ethics and transformation committee	19 070
2.10	<b>Fees to be paid to lead independent non-executive director per board meeting</b>	31 950
	<b>Fees to be paid to non-executive directors per meeting</b>	
2.11	Board	31 730
2.12	Audit committee	25 400
2.13	Risk and sustainability committee	19 340
2.14	Nominations committee	12 990
2.15	Remuneration committee	12 990
2.16	Social, ethics and transformation committee	19 070
2.17	Bell audit services committee	12 640

The proposed fees for 2019 set out above are exclusive of VAT.

### Reasons and effect

These special resolutions are required in order to comply with the requirements of the Companies Act. In this respect, Section 65 (11) (h) provides that a special resolution is required to authorise the basis for compensation to directors of a profit company, as required by Section 66 (9). Section 66 (9) provides that remuneration may be paid to its directors for their services as directors only in accordance with a special resolution approved by the shareholders within the previous 2 (two) years.

Section 66 (9) applies only to the remuneration paid to directors for their services as such. Unlike the non-executive directors of the company, the executive directors do not receive any fees/remuneration for their services as directors. Their remuneration is for their services as employees of the company.

The company's AGM is held in May of each year and it is the intention that the basis of determining the remuneration payable to directors for their services as such is determined annually in advance for the then forthcoming period that commences at the beginning of January.

The effect of these special resolutions, if passed, will be the authorisation of the abovementioned fees.

## 10. SPECIAL RESOLUTION 3: BASIS OF REMUNERATION PAYABLE TO LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR J BARTON FOR THE PERIOD 1 JUNE 2018 TO 31 DECEMBER 2018

To resolve that the director's fees payable to J Barton as lead independent non-executive director of the board for the period 1 June 2018 to 31 December 2018, exclusive of VAT, be determined by reference to the following:

Annual retainer fee: R252 755 (to be pro-rated);

Fees per board meeting attended: R14 900.

### Reasons and effect

J Barton will be appointed as lead independent non-executive director with effect from 1 June 2018, following the appointment of G Bell as non-executive chairman of the board and L Goosen as chief executive of the board with effect from 1 June 2018.

## NOTICE OF ANNUAL GENERAL MEETING CONTINUED

This special resolution is required in order to comply with the requirements of the Companies Act. In this respect, Section 65(11) (h) provides that a special resolution is required to authorise the basis for compensation to directors of a profit company, as required by Section 66 (9). Section 66 (9) provides that remuneration may be paid to its directors for their services as directors only in accordance with a special resolution approved by the shareholders within the previous 2 (two) years.

Although the company's annual general meeting is held in May of each year and it is the intention that the basis of determining the remuneration payable to directors for their services as such is determined annually in advance for the then forthcoming period that commences at the beginning of January, this resolution is required to authorise the payment of fees in the current period.

The effect of this special resolution, if passed, will be the authorisation of the abovementioned fees.

### 11. SPECIAL RESOLUTION 4: BASIS OF REMUNERATION PAYABLE TO EX-NON-EXECUTIVE DIRECTOR T TSUKUDU FOR PAST SERVICES AS A DIRECTOR OF THE COMPANY

To resolve, as a special resolution, that the board is authorised to pay T Tsukudu (or should he die prior to the full amount determined by the board having been paid to him, an amount determined by the board, to his widow, but not to her estate) further remuneration for his services as a director in an amount of not more than R1 628 833 (one million six hundred and twenty eight thousand eight hundred and thirty three Rand) excluding VAT as a once-off lump sum payment in the aggregate payable in such manner as the directors may determine.

#### Reasons and effect

The reason for this special resolution is to authorise the board to pay T Tsukudu remuneration for his past services as a director of the company not more than R1 628 833 (one million six hundred and twenty eight thousand eight hundred and thirty three Rand) excluding VAT, but to allow the board to determine the exact amount to be paid to T Tsukudu or should he die, his widow and the other terms applicable to such payment. T Tsukudu was a non-executive director of the company until 21 August 2017 when he retired from such position after having served as such for 13 (thirteen) years. The effect of this special resolution is to enable the board to adhere to an undertaking which the board gave to T Tsukudu in 2006.

The retirement grant has since been discontinued for all non-executive directors.

### 12. SPECIAL RESOLUTION 5: GENERAL AUTHORITY TO REPURCHASE SHARES

To resolve that the board be authorised, by way of a general authority, to approve the purchase of its own ordinary shares by the company, or to approve the purchase of the ordinary shares in the company by any subsidiary of the company, subject to the applicable requirements of the MOI, the Companies Act, and subject further to the restriction that the repurchase or purchase, as the case may be, by the company and/or any of its subsidiaries of shares in the company under this authority will not, considered alone or together with other transactions in an integrated series of transactions, in aggregate exceed 5% of the ordinary shares of the company in issue at the time this authority is granted and provided that, in terms of the JSE Listings Requirements:

- the general repurchase of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty percent) of the company's issued ordinary share capital as at the beginning of the financial year;
- the general repurchase of shares will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);
- authorisation thereto has been given by the company's MOI;
- this general authority shall only be valid until the company's next AGM, provided that it shall not extend beyond 15 (fifteen) months from the date of the passing of this special resolution;
- general repurchases may not be made at a price greater than 10% (ten percent) above the weighted average of the market value for the shares for the 5 (five) business days immediately preceding the date on which the transaction is effected;
- at any point in time, a company may only appoint one agent to effect any repurchases on the company's behalf;
- a resolution has been passed by the board confirming that the board has authorised the general repurchase, that the company passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the group, or in the case of a purchase by a subsidiary, a resolution of the board of such subsidiary confirming that such board has authorised the general repurchase, that such subsidiary passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the group;

- any such general repurchases are subject to exchange control regulations and approval at that point in time;
- the company or its subsidiaries may not repurchase shares during a prohibited period as defined in the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of shares to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed to the JSE in writing prior to the commencement of the prohibited period; and
- when the company has cumulatively repurchased 3% (three percent) of the initial number of the relevant class of shares, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made.

The board will not effect a general repurchase of shares as contemplated above unless, in addition to complying with the requirements of the Companies Act, the following conditions as contemplated by the JSE Listings Requirements are met:

- the company and the group will be able to repay its debts in the ordinary course of business for a period of 12 months following the date of the general repurchase;
- the company and the group's assets will be in excess of the liabilities of the company and the group for a period of 12 months after the date of the general repurchase. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements which comply with the Companies Act;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the general repurchase; and
- the working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months following the date of the repurchase.

#### **Reason and effect**

The reason and effect for this special resolution number 5 is to authorise the company and/or its subsidiaries by way of a general authority to acquire the company's issued shares on such terms, conditions and in such amounts as determined from time to time by the directors of the company, subject to the limitations set out above.

#### **Statement of board's intention**

The directors of the company have no specific intention to effect the provisions of special resolution number 5 but will, however, continually review the company's position, having regard to the prevailing circumstances and market conditions, in considering whether to effect the provisions of special resolution number 5.

#### **Other disclosures in terms of Section 11.26 of the JSE Listings Requirements**

The JSE Listings Requirements require certain disclosures for purposes of the general authority to repurchase the company's shares as contemplated by special resolution 5, some of which appear elsewhere in the integrated annual report of which this notice forms part:

Major shareholders of the company	page 74
Stated capital of the company	page 70

#### **Directors' responsibility statement**

The directors, whose names are given on pages 16 and 17 of the integrated annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 5 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution and additional disclosure in terms of Section 11.26 of the JSE Listings Requirements pertaining thereto contain all information required by the JSE Listings Requirements.

#### **No material changes**

Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the financial or trading position of the company and its subsidiaries since the date of signature of the audit report and the date of this notice.

### **13. OTHER BUSINESS**

To transact such other business as may be transacted at an annual general meeting of shareholders.



## NOTICE OF ANNUAL GENERAL MEETING CONTINUED

### Information schedule

#### QUORUM

The quorum requirement for the ordinary and special resolutions set out above is sufficient persons being present to exercise, in aggregate, at least 25% of all voting rights that are entitled to be exercised on the resolutions, provided that at least three shareholders of the company are present at the AGM.

#### Proxies/representation at the meeting

Shareholders who have not dematerialised their shares or who have dematerialised their shares with 'own name' registration who are unable to attend the meeting, are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a shareholder. Forms of proxy must be received for administrative purposes by the company secretary at the registered office of the company at 13 – 19 Carbonode Cell Road, Alton, Richards Bay or at Private Bag X20046, Empangeni, 3880 or by the company's share transfer secretaries, Link Market Services SA Proprietary Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein or at PO Box 4844, Johannesburg, 2000 by 11:00 on Friday, 11 May 2018. Forms of proxy must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with 'own name' registration. Any forms of proxy not received by this time must be handed to the chairman of the AGM immediately prior to the meeting.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company shall have one vote for every share held in the company by such shareholder.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with 'own name' registration, must contact their CSDP or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

#### IDENTIFICATION

Pursuant to the requirements of Section 62 (3) of the Companies Act, notice is hereby given that in terms of Section 63 (1) of the Companies Act, shareholders and proxies who attend the AGM will be required to provide satisfactory identification (for example: valid drivers' licences, identity documents or passports).

#### VOTING RIGHTS

The percentage of voting rights that will be required for the adoption of each special resolution is the support of at least 75% of the voting rights exercised on the resolution. The percentage of voting rights that will be required for the adoption of each ordinary resolution is the support of more than 50% of the voting rights exercised on the resolution.


#### SHARES HELD BY SHARE TRUST OR SCHEME

Shares held by a share trust or scheme, and unlisted securities, will not have their votes taken into account for purposes of any JSE-regulated resolutions.

#### ELECTRONIC COMMUNICATION

With regard to Section 61 (10) of the Companies Act, any shareholder or proxy eligible to attend the AGM but unable to do so, may make arrangements with the company to be connected to the meeting via a teleconference facility.

By order of the board



**D McIlrath**  
*Company Secretary*

14 March 2018

#### Registered office

13–19 Carbonode Cell Road  
Alton  
Richards Bay  
3900

# Form of Proxy

## Bell Equipment Limited

Company registration number: 1968/013656/06

Share code: BEL

ISIN code: ZAE000028304

("Bell" or "the company" or "the group")

If you are a dematerialised shareholder, other than with 'own name' registration, do not use this form. Dematerialised shareholders (other than with 'own name' registration) should provide instructions to their appointed CSDP or broker in the form stipulated in the custody agreement entered into between the shareholder and their CSDP or broker.

An ordinary shareholder entitled to attend and vote at the AGM to be held in the visitors' centre of Bell Equipment Limited, 13 – 19 Carbonode Cell Road, Alton, Richards Bay, KwaZulu-Natal on Tuesday, 15 May 2018 at 11:00, is entitled to appoint a proxy/ies to attend, speak or vote thereat in his/her stead. A proxy/ies need not be a shareholder of the company.

The completed forms of proxy are requested to be provided to the company secretary for administrative purposes at the registered office of the company at 13 – 19 Carbonode Cell Road, Alton, Richards Bay or at Private Bag X20046, Empangeni, 3880 or to the company's share transfer secretaries, Link Market Services SA Proprietary Limited, Rennie House, 13th Floor, 19 Ameshoff Street, Braamfontein or at PO Box 4844, Johannesburg, 2000 by no later than 11:00 on Friday, 11 May 2018.

I/We \_\_\_\_\_ (please print full names)

of \_\_\_\_\_ (address)

Being an ordinary shareholder(s) of the company holding \_\_\_\_\_ (ordinary shares) ordinary shares in the company, do hereby appoint:

1. \_\_\_\_\_ or failing him/her

2. \_\_\_\_\_ or failing him/her

3. the chairman of the AGM as my/our proxy/ies to attend, speak and on a poll to vote or abstain from voting on my/our behalf at the AGM or at any adjournment thereof for the purpose of considering and, if deemed fit, passing with or without modification, the following resolutions to be considered at the AGM in accordance with the following instructions:

ORDINARY RESOLUTIONS		FOR	AGAINST	ABSTAIN
1.	Consideration of annual financial statements			
2.	To re-elect directors who retire in terms of clause 5.1.10 of the company's MOI			
2.1	A Bell			
2.2	D Lawrance			
2.3	H van der Merwe			
3.	Appointment of the following independent non-executive directors as members of the audit committee until the conclusion of the AGM to be held in 2019:			
3.1	D Lawrance (chairman of the audit committee)			
3.2	R Naidu			
3.3	M Ramathe			
3.4	J Barton			
4.	Appointment of Deloitte & Touche as auditors of the company; and to note the appointment of Mrs C Howard-Browne as the individual designated auditor			
5.	Placement of authorised but unissued shares under the control of the directors			
6.	Non-binding advisory vote on the company's remuneration policy			
7.	Non-binding advisory vote on the company's remuneration implementation report			
SPECIAL RESOLUTIONS		FOR	AGAINST	ABSTAIN
1.	Approval for the granting of financial assistance in terms of Section 45 of the Companies Act			
2.	Approval of fees for non-executive directors			
	Annual retainer fees			
2.1	Non-executive chairman			
2.2	Non-executive directors			
2.3	Lead independent non-executive director			
	Fees paid per meeting to the chairman of the board and the chairmen of the board committees			
2.4	Board			
2.5	Audit committee			
2.6	Risk and sustainability committee			
2.7	Nominations committee			
2.8	Remuneration committee			
2.9	Social, ethics and transformation committee			
2.10	Fees paid to lead independent non-executive director per board meeting			
	Fees paid to non-executive directors per meeting			
2.11	Board			
2.12	Audit committee			
2.13	Risk and sustainability committee			
2.14	Nominations committee			
2.15	Remuneration committee			
2.16	Social, ethics and transformation committee			
2.17	Bell audit services committee			
3.	Basis of remuneration payable to lead independent non-executive director J Barton for the period 1 June 2018 to 31 December 2018			
4.	Basis of remuneration payable to ex-non-executive director T Tsukudu for past services as a director of the company			
5.	General authority to repurchase shares			

On a show of hands a person entitled to vote is only entitled to one vote, irrespective of the number of the ordinary shares in the company he/she/it holds or represents. On a poll a person entitled to vote at the AGM present in person or by proxy/proxies is entitled to that proportion of the total votes in the company that the aggregate amount of the nominal value of the ordinary shares issued by the company and carrying the right to vote. Please read the notes following this form of proxy.

Signed at \_\_\_\_\_ (place) on \_\_\_\_\_ 2018

Shareholder's signature/s \_\_\_\_\_ Assisted by \_\_\_\_\_ (if applicable)

## NOTES TO THE FORM OF PROXY

Summary of the rights of a certificated holder or "own-name" registered dematerialised holder to be represented by proxy as contained in section 58 of the Companies Act and notes to the form of proxy:

In accordance with Section 58 of the Companies Act, a person who holds ordinary shares in Bell Equipment is entitled to attend and vote at the AGM and to appoint one or more proxies to attend, participate in, speak and vote or abstain from voting in his/her stead.

A proxy need not be a shareholder of the company. A shareholder may make a proxy appointment in writing, dated and signed by the shareholder; and said appointment will remain valid for one year after the date on which it was signed or any longer or shorter period expressly set out in the appointment, unless it is revoked in a manner contemplated in subsection (4) (c), or expires earlier as contemplated in subsection (8) (d).

A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided overleaf, with or without deleting "the chairperson of the AGM", but any such deletion must be initialled by the shareholder. Should this space be left blank, the proxy will be exercised by the chairperson of the AGM. The person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow. Further, a shareholder may appoint more than one proxy to exercise voting rights attached to different securities held by that shareholder.

A proxy may delegate the proxy's authority to act on behalf of the shareholder to another person and a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders' meeting.

Irrespective of the form of instrument used to appoint a proxy, the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder or if the appointment is revocable unless the proxy appointment expressly states otherwise and if the appointment is revocable, a shareholder may revoke the proxy appointment by:

- cancelling it in writing, or making a later inconsistent appointment of a proxy; and
- delivering a copy of the revocation instrument to the proxy, and to the company.

The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered as required in subsection (4) (c) (ii) of the Companies Act.

If the instrument appointing a proxy or proxies has been delivered to a company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the company's MOI to be delivered by the company to the shareholder must be delivered by the company to:

- the shareholder; or
- the proxy or proxies, if the shareholder has directed the company to do so, in writing, and paid any reasonable fee charged by the company for doing so.

A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the MOI, or the instrument appointing the proxy, provides otherwise.

A shareholder's voting instructions to the proxy must be indicated by the insertion of an "X", or the number of votes exercisable by that shareholder, in the appropriate spaces provided overleaf. Failure to do so will be deemed to authorise the proxy to vote or to abstain from voting at the AGM, as he/she thinks fit in respect of all the shareholder's exercisable votes. A shareholder or his/her proxy is not obliged to use all the votes exercisable by him/her or by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder or by his/her proxy.

A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/ her legal capacity are produced or have been registered by the transfer secretaries.

Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairman of the AGM. Examples of satisfactory identification include a valid identity document, a valid driving licence or a valid passport.

The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so in which case this proxy will be suspended accordingly.

The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies. The chairman of the AGM shall be entitled to decline or accept the authority of a person signing the proxy form:

- under a power of attorney; or
- on behalf of a company,

unless his power of attorney or authority is deposited at the offices of the company secretary or that of the transfer secretaries no later than 48 hours before the meeting.

Note: This form must be completed and returned to the company secretary or the company's share transfer secretaries:

D McIlrath	Link Market Services SA Proprietary Limited
Private Bag X20046	PO Box 4844
Empangeni	Johannesburg
3880	2000

by no later than 11:00 on Friday, 11 May 2018.

Any forms of proxy not received by this time must be handed to the chairman of the AGM immediately prior to the meeting.

# Corporate Information

## Bell Equipment Limited

### COMPANY REGISTRATION NUMBER

1968/013656/06

### SHARE CODE

BEL

### ISIN CODE

ZAE000028304

### GROUP COMPANY SECRETARY

Diana McIlrath

Tel: +27 (0)35 907 9111

Diana.McIlrath@za.bellequipment.com

### POSTAL ADDRESS

Private Bag X20046

Empangeni, 3880

South Africa

### BUSINESS AND REGISTERED ADDRESS

13 – 19 Carbonode Cell Road

Alton

Richards Bay, 3900

### AUDITORS

Deloitte & Touche

Tel: +27 (0)35 753 2127

### SHARE TRANSFER SECRETARIES

Link Market Services South Africa Proprietary Limited

Rennie House

13th Floor, 19 Ameshoff Street

Braamfontein

PO Box 4844

Johannesburg, 2000

Tel: +27 (0)11 713 0800

Fax: +27 (0)86 674 3260

### ATTORNEYS

Edward Nathan Sonnenberg Inc.

### JSE SPONSORS

Investec Bank Limited

### WEB ADDRESS

[www.bellequipment.com](http://www.bellequipment.com)

### INVESTOR RELATIONS WEB ADDRESS

[www.bellir.co.za](http://www.bellir.co.za)