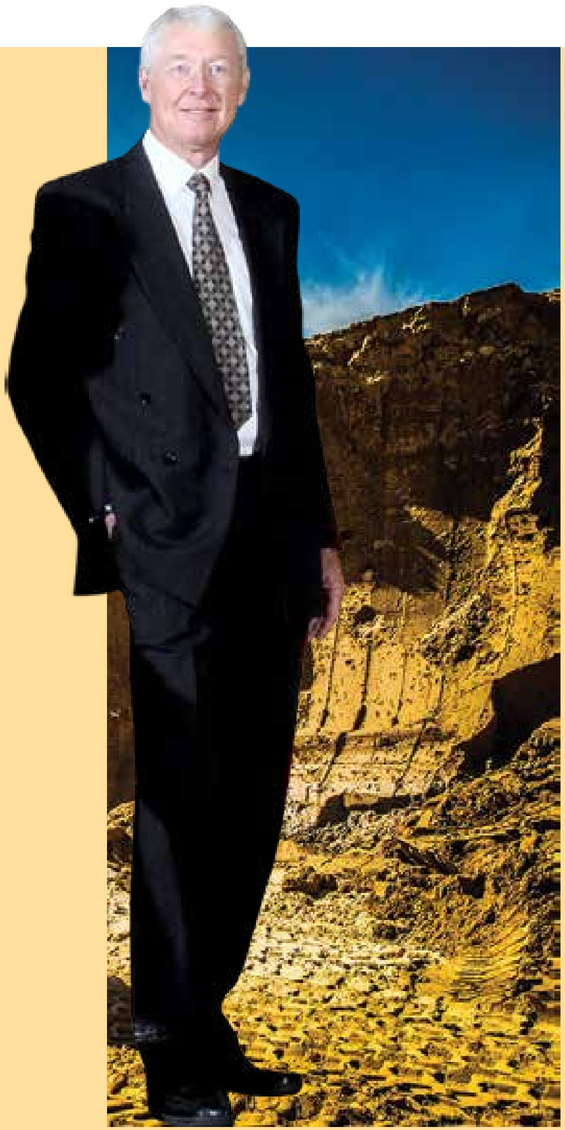
BELL

BELL EQUIPMENT LIMITED | **INTEGRATED ANNUAL REPORT**

TWO THOUSAND & FOURTEEN

STRONG RELIABLE MACHINES, STRONG RELIABLE SUPPORT

BUILT BY PEOPLE, FOR PEOPLE



TRIBUTE to Michael Anthony Mun-Gavin

After serving on the Bell Equipment board of directors for the past decade, the last five years of which have been as the Independent Non-executive Group Chairman, Michael Mun-Gavin will retire at the company's annual general meeting on 4 May 2015.

Michael was appointed to the board on 28 October 2005 as a Non-executive Director. His greatest learning curve during his directorship at Bell Equipment came soon afterwards when he was afforded valuable insight into the company's operations in southern Africa by accompanying the then Chairman, Howard Buttery, on a memorable trip to meet customers in Mozambique, Tanzania, Zambia, Zimbabwe and the Democratic Republic of Congo.

Since his appointment, Bell Equipment has benefited from and appreciated the collective years of experience and skills that Michael has brought to the board. His objectivity and professional manner, always calm and dignified, have provided stability to the board and the Bell group as a whole, particularly during the cyclical troughs that characterise the heavy equipment industry.

Troughs have included the global financial crash of 2008/2009 when the group faced significant liquidity pressures with stockholdings "going through the roof" and borrowings at the limit. Under Michael's leadership the board made contact every second week with conference calls to monitor developments.

The enormous volatility of this industry was perhaps best illustrated during the following financial year when Bell enjoyed a strong recovery in cash flow and earnings.

The prolonged strikes of 2014 in the mining sector and then the metals and engineering sector resulted in another difficult, costly and stressful time for the board and Bell management, when the group was forced to significantly reduce production and ultimately lay off staff.

In spite of the troughs, Michael has enjoyed his time on the board and his interactions with Bell management and is sad to be leaving. He admires Bell people for their resilience and resourcefulness and feels fortunate and blessed to have had the experience of working in the heavy industrial engineering sector and for the exposure to business on a global scale.

Michael remains a director of a variety of unlisted companies. He is also a member of the South African Institute of Chartered Accountants.

Bell Equipment thanks Michael for his commitment and dedicated service to the group and wishes him well in his future endeavours.

SCOPE AND BOUNDARY OF REPORT

THIS INTEGRATED ANNUAL REPORT, COMPILED FOR BELL EQUIPMENT LIMITED (BELL EQUIPMENT) AND ITS SUBSIDIARIES, PROVIDES INFORMATION RELATING TO GOVERNANCE PRACTICES, STAKEHOLDER ENGAGEMENT AS WELL AS FINANCIAL AND SUSTAINABILITY PERFORMANCE FOR THE YEAR 1 JANUARY 2014 TO 31 DECEMBER 2014.

This is Bell's fourth integrated annual report, a style of reporting that seeks to provide a concise and balanced account of performance over the reporting period and to detail the approach taken by the group to identify and address the financial, social, economic, environmental and governance issues and risks that could have a material impact on the long-term success of the business and the strategy going forward.

This report has been prepared in accordance with International Financial Reporting Standards (IFRS), requirements of the South African Companies Act, regulations of the JSE Limited (JSE) and recommendations of the South African Code of Corporate Practice and Conduct (King III).

The consolidated data incorporates the company and all entities controlled by Bell Equipment as if they are a single economic entity. Both financial and non-financial data is aligned to the same financial reporting period, allowing for comparison of performance data including any material matters affecting the various stakeholder groups.

It is the responsibility of the independent auditors to report on the fair presentation of the financial statements.

In addition, information is provided on the group's strategy. The process for identifying the issues regarded as being most material to Bell in 2015 is described on pages 4 to 5.

The board accepts responsibility for the integrity of the group's integrated annual report. In accordance with King III, the board has delegated the responsibility to evaluate sustainability disclosure to the Audit Committee, which recommended that the board approve this report.

FEEDBACK

Bell Equipment welcomes feedback to ensure that the things which matter to you are included in the future.
Go to http://www.bellir.co.za, or email investor@bell.co.za for the feedback form, or scan the code below with your Smartphone.

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This integrated annual report, including the Bell Equipment annual financial statements, sustainability report and corporate governance report, is available through a mobile application available for either the Apple or Android platform.

Available on the App Store

Available on Android

BELL EQUIPMENT IS A PROUDLY SOUTH AFRICAN COMPANY WITH 60 YEARS OF EXPERIENCE IN THE MANUFACTURE, DISTRIBUTION AND SUPPORT OF MATERIALS HANDLING EQUIPMENT.

Bell Equipment's comprehensive network of branches and independent dealers supplies equipment solutions, ancillary products and after-sales services to the agriculture, forestry, waste handling, construction and mining industries worldwide.

INTERNATIONAL FOOTPRINT

Strategically placed Bell operations manage an extensive and carefully selected dealer network throughout the globe, thereby allowing the group maximum reach and support for both developing and developed countries.

1. EUROPE
Andorra – Dealer 1
Belgium – Dealer 1
France – Branch 1/Dealer 22
Greece – Dealer 1
Italy – Dealer 1
Netherlands – Dealer 1
Tunisia – Dealer 1
Turkey – Dealer 1
Armenia – Dealer 1
Austria – Dealer 1
Bulgaria – Dealer 1
Croatia – Dealer 1
Czech Republic – Dealer 1
Denmark – Dealer 2
Finland – Dealer 2
Georgia – Dealer 1
Germany – Branch 2/Dealer 18
Hungary – Dealer 1
Iceland – Dealer 1
Kosovo – Dealer 1
Monaco – Dealer 1
Latvia – Dealer 1
Lithuania – Dealer 1
North Ireland – Dealer 1
Norway – Dealer 1
Poland – Dealer 3
Romania – Dealer 1
Slovenia – Dealer 1
Portugal – Dealer 1
Spain – Branch 1/Dealer 11
Sweden – Dealer 1
Switzerland – Dealer 1
United Kingdom – Branch 1

2. AFRICA
Botswana – Dealer 1
DRC – Branch 2/Dealer 1
Egypt – Dealer 1
Ethiopia – Dealer 1
Gabon – Dealer 1
Ghana – Dealer 1
Ivory Coast – Dealer 1
Kenya – Dealer 1
Liberia – Dealer 1
Malawi – Branch 1
Mauritius – Dealer 1
Mozambique – Branch 4
Nigeria – Dealer 1
Republic of Congo – Dealer 2
Sierra Leone – Dealer 1
Tanzania – Dealer 1
Uganda – Dealer 1
Zambia – Branch 4
Zimbabwe – Branch 3

3. SOUTH EAST ASIA AND OCEANIA
Australia – Branch 1/Dealer 2
India – Dealer 1
Indonesia – Dealer 2
Japan – Dealer 1
Malaysia – Dealer 4
New Zealand – Dealer 2
Singapore –Dealer 2
Taiwan – Dealer 1
Thailand – Dealer 2

4. SOUTH AMERICA
Argentina – Dealer 2
Barbados – Dealer 1
Bolivia – Dealer 1
Brazil – Dealer 2
Chile – Dealer 3
Colombia – Dealer 2
Costa Rica – Dealer 1
Dominican Republic – Dealer 1
Ecuador – Dealer 1
El Salvador – Dealer 1
French Antilles – Dealer 1
Guatemala – Dealer 1
Guyana – Dealer 1
Honduras – Dealer 1
Jamaica – Dealer 1
Nicaragua – Dealer 1
Trinidad and Tobago – Dealer 1
Panama – Dealer 3
Peru – Dealer 1
Uruguay – Dealer 2
Venezuela – Dealer 1

5. RUSSIA
Azerbaijan – Dealer 1
Kyrgyzstan – Dealer 1
Kazakhstan – Dealer 1
Russian Federation – Branch 1/Dealer 7
Serbia – Dealer 1
Tajikistan – Dealer 1
Turkmenistan – Dealer 1
Ukraine – Dealer 1

6. SOUTHERN AFRICA
South Africa – Branch 22
Namibia – Branch 3
Swaziland – Branch 1

7. MIDDLE EAST
Bahrain – Branch 1

8. NORTH AMERICA
USA – Branch 1/Dealer 17
Canada – Dealer 1

GROUP VISION

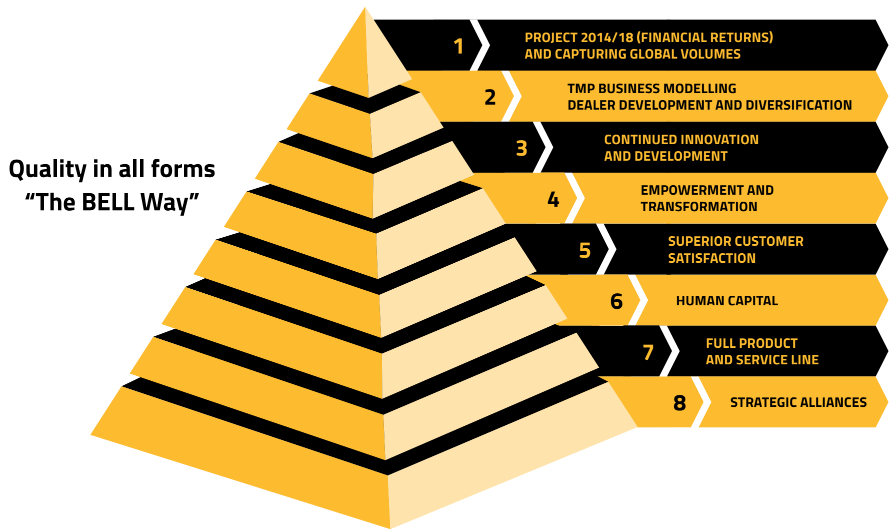
The vision of Bell Equipment is to be a growing, sustainable capital equipment solution provider of choice.

- The fundamentals of a sustainable business constitute a growing business that strives to continuously meet or exceed all stakeholder expectations, whilst subscribing to the principles that are defined as "the Bell Way" and delivering on the Bell Equipment value proposition.
- Bell Equipment strives to be the preferred capital equipment solution provider by positioning itself as an integrated Original Equipment Designer and Manufacturer (OEM), distributor and dealer of "yellow metal" and associated products.
- Bell Equipment will leverage existing core competencies to facilitate organic as well as inorganic growth.

THE BELL WAY

Mutual respect, honesty and integrity, commitment, quality and teamwork.

Bell Equipment is a global, modern company and brand that competes against formidable industry OEMs across the world. Yet, the way the group conducts its business, treats its people, interacts with suppliers, customers, government, all other stakeholders, and cares for the environment is still with the same family values as set by the group's founders, those being mutual respect, honesty and integrity, commitment, quality and teamwork.



THE BELL EQUIPMENT VALUE PROPOSITION

Bell Equipment seeks to create enduring partnerships with its customers. This starts with world-class equipment co-developed to deliver performance in rugged environments. Value is embedded by maximising customer uptime, thereby optimising return on their capital, productivity and operating costs. This is the goal of the dedicated relationship teams who will deliver the appropriate mix of spares, service and performance solutions. The value proposition is encapsulated by the motto "Strong Reliable Machines, Strong Reliable Support".

STRATEGIC OBJECTIVES

In accordance with the group's vision, Bell Equipment continues to invest significantly in research and development, engineering expertise and manufacturing capabilities, thus ensuring Bell Equipment continues to design and build world-class products.

Bell Equipment delivers through an integrated OEM/dealer business model, which focuses additional investment in sales and distribution divisions to provide customers world-class aftersales support, which is a critical and often decisive factor in the group's customers' buying decision.

It is through this philosophy that Bell Equipment is well positioned to capture global volumes, particularly in regions that were previously restricted through distribution agreements. The renegotiation of these agreements has provided Bell Equipment with the opportunity to grow the brand in some of the biggest ADT markets in the world. To this end, global ADT volumes are defined as the backbone of its strategic thrust, and in support of this objective, "dealer development" has been identified as one of the key strategic objectives.

To effectively capture the opportunity in the new markets, strategic partnerships are being formed to distribute and support the group's products. A dealer development programme will allow Bell Equipment to share its philosophy and methodologies in the aftermarket and support areas of the business to ensure that its customers continue to receive strong reliable machines, strong reliable support. The executive leadership of the group has been tasked with ensuring the required attention and resources are committed to these strategic objectives.

Bell Equipment is developing and executing a responsible Corporate Development Strategy which will leverage the existing core competencies of manufacturing, distribution and engineering design to further its inorganic growth and diversification ambitions.

STRATEGIC PRIORITIES

FOCUS AREA	STRATEGIC OBJECTIVES
Project 2014/18 (financial returns) and capturing global volumes	Project 2014/18 is a business improvement project aimed at ensuring that the group is Shareholder Value-Add (SVA)-positive or at least neutral during trough business cycle conditions. The group has adopted the Operating Return on Assets (OROA) model as the group's measure of shareholder returns and has set minimum OROA targets throughout the business cycle to ensure shareholder value is maintained. These financial targets are referred to as SVA targets. By analysing and understanding the drivers of OROA, the group has identified seven initiatives embarked upon, all with the aim of improving the business and, ultimately, financial returns to shareholders. The project has the full and unwavering commitment of all employees, management and the board of directors. It is continuously monitored by the executive management and the board of directors, with corrective actions identified and implemented as and when required. The renegotiation of certain distribution agreements has opened up the global market to Bell Equipment to distribute its ADTs. This has provided Bell Equipment with an exciting opportunity to grow its global market share and brand, where it was previously represented by other parties.
TMP business modelling, dealer development and diversification	Recognising the cyclical nature of the group's markets, being a trough, mid- and peak (TMP) cycle, together with the SVA principle as explained above, the business is being modelled in such a way as to ensure that it is able to sustainably create value as it migrates between the different business cycles. The key attributes of this model are: to grow the business responsibly and sustainably; and to react quickly and decisively during migration periods, particularly downturns. Although the business model to date has been primarily one of an integrated OEM/dealer, the strategic plan is to capture global market volumes through the development of a distributor and dealer network, which will to some extent mitigate the effects of the cyclical nature of the business. A corporate development strategy is being developed to further mitigate the exposure to the deep commodity cycles. Key themes of the strategy are inorganic growth and diversification. The identity of the Bell Equipment group will be maintained through the execution of the strategy which will leverage the existing core competencies.
Continued innovation and development	The group is proud of its ability to innovate and develop products that provide solutions for its customers. Products are continuously being improved and evolved to meet the ever-changing needs of customers. The group specialises in evolutionary design and development of products suited to the customers' specific conditions. This passion for innovation and pride in the brand as laid down by the group's founders is a legacy that remains strong within the group and its employees. The ability and passion to innovate ensures that the group's competitive edge is maintained and allows us to maximise growth opportunities, through responsiveness to customers' needs.
Empowerment and transformation	Bell Equipment is uniquely positioned in the South African market as an Original Equipment Designer and Manufacturer (OEM) of yellow metal products. The group is a proud enabler of infrastructure development and consequent economic growth in South Africa as well as the rest of Africa. The group continues to work closely with the Department of Trade and Industry, the Economic Development Department and the Industrial Development Corporation on a number of projects. The group is committed to achieving sustainable transformation and supporting the "Buy South African" initiative as prioritised by government.
Superior customer satisfaction	Customers are the reason for Bell Equipment's continued existence. Being financially sustainable gives the customer peace of mind that the group will continue to support its products and invest in innovation and product development, which in turn allows customers to make a value-proposition investment in class-leading products. The group's relationship teams are committed to providing service excellence to its customers. The group's strategic alliances and full product and service line will also ensure that it retains the ability to meet customers' needs.
Human capital	Although the group will restructure the business from time to time in the long-term sustainability interests of the group, employees are considered the most important asset of the group. Bell Equipment will continue to focus on developing and harnessing the skills and knowledge of employees to deliver world-class products and services, facilitating sustainable growth. It will also continue to reward and incentivise employees appropriately and at market-related rates for their contributions towards the group's successes.
Full product and service line	By offering customers fully integrated yellow metal solutions, the company is able to maintain a competitive advantage in the market. These solutions include: ▪ a comprehensive range of earth-moving, construction, mining and materials handling, road building and compaction, forestry and agricultural equipment; ▪ a pre-owned equipment and parts offering; ▪ repair and maintenance contracts; ▪ financing solutions; ▪ remote equipment monitoring and tracking (Fleetm@tic); ▪ parts and maintenance services; ▪ remanufacturing of equipment; and ▪ in keeping with the group's ability to innovate, it offers customised solutions to customers through the group's "application equipment" business unit, offering tailor-made equipment for customers with specialised requirements.
Strategic alliances	The group's strategic alliance partners, including John Deere, Hitachi, Liebherr, Finlay and Bomag, are some of the most respected brands in the industry. These organisations share the group's vision and together the group is able to provide world-class product offerings and services to customers globally. The group will continue to focus on building/improving relationships with strategic alliance partners, supporting mutually beneficial relations.

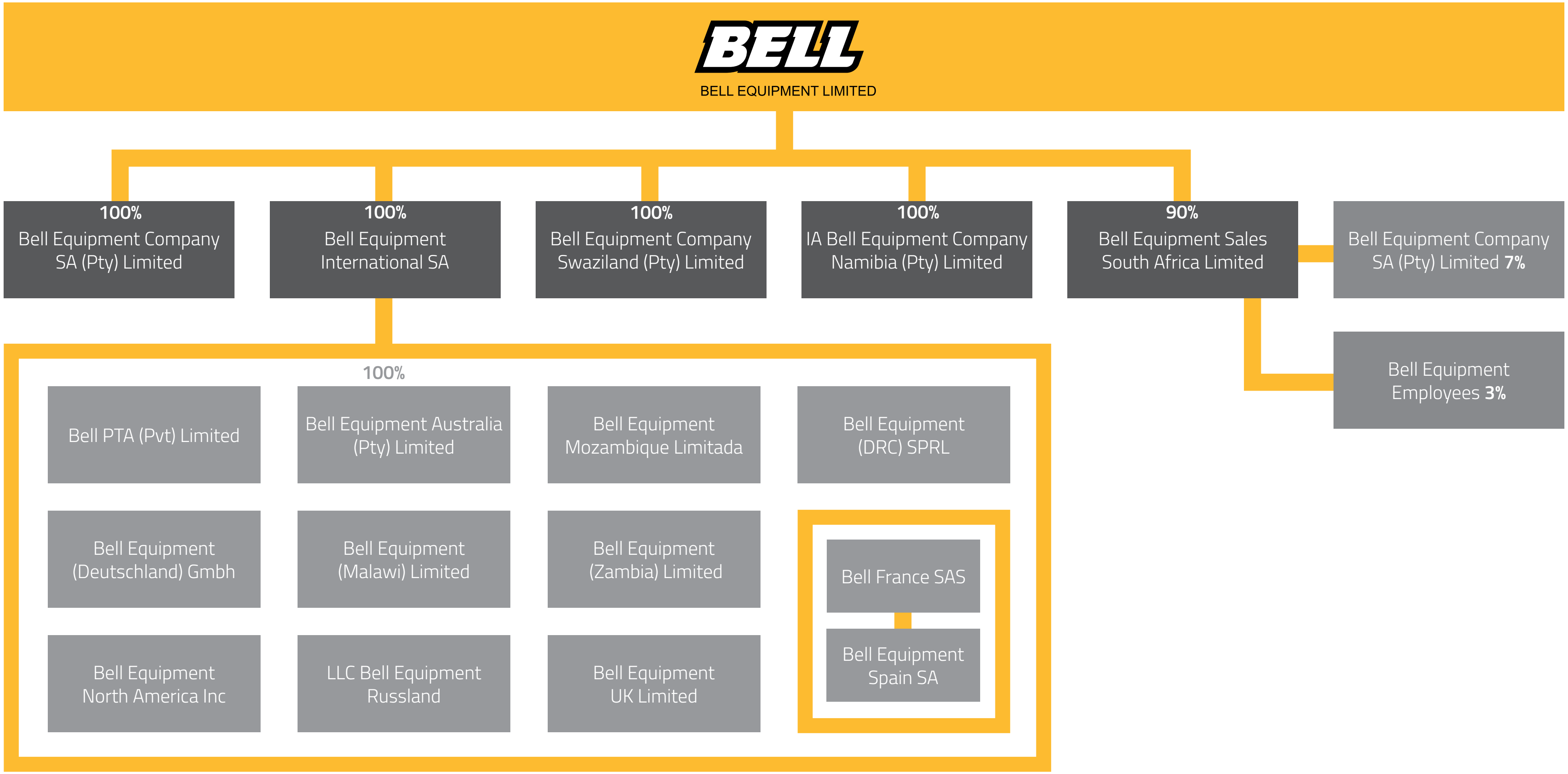
In addition to manufacturing locally to world-class quality standards, in southern Africa Bell Equipment holds strategic dealerships for equipment manufactured by key global manufacturing leaders, thereby strengthening its position as an equipment supplier of choice.

The Bell Articulated Dump Truck (ADT) is the group's core product and globally Bell Equipment is acknowledged as an ADT specialist for its ongoing product innovation and class-leading performance. Bell Equipment's diverse and complementary product range also includes Wheeled Loaders, Rigid and Articulated Haulers, Excavators, Motor Graders, Dozers, Tractor Loader Backhoes, Tri-Wheeler rough terrain material handling equipment and a complete range of compaction, crushing and screening machinery. As such Bell Equipment is strategically placed as a one-stop shop with over 100 products well suited to all applications.

TIMELINE 1954-2014

1954	Founder Irvine Bell establishes the group. A self-loading sugar cane trailer is amongst his early inventions.
1964	Irvine Bell invents the revolutionary Tri-Wheeled 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
1984	From the new production facility in Richards Bay, South Africa, the first Articulated Truck enters service
1989	Launch of the B40 Articulated Dump Truck, targeting heavy duty mining applications
1998	Bell C-series ADT and Wheeled Loader range launched
2001	Launch of the D-series Articulated Truck sets a new standard of excellence
2002	World's largest Articulated Dump Truck the Bell B50D, is unveiled
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
2011	Bell Equipment establishes beachhead in Russian market and secures distribution rights for Liebherr excavator in Africa
2012	Bell Equipment re-enters the Americas, appointing Wajax Equipment as its distributor and dealer of Bell ADTs for Canada
2013	**LAUNCH OF THE E-SERIES** Bell Equipment launches the new E-series ADT. Bell Equipment is granted distributorship rights for Terex Finlay range of mobile crushing, screening and recycling equipment
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

GLOBAL CORPORATE STRUCTURE



PRODUCT RANGE

MINING AND CONSTRUCTION

- B18E Articulated Dump Truck
- B20E Articulated Dump Truck
- B25E Articulated Dump Truck
- B30E Articulated Dump Truck
- B35D Articulated Dump Truck
- B40D Articulated Dump Truck
- B45D Articulated Dump Truck
- B50D Articulated Dump Truck
- B60D Articulated Dump Truck
- B30L Articulated Dump Truck
- B35L Articulated Dump Truck
- B32L Articulated Dump Truck
- 11m³ Dumper Trailer
- 12m³ Bottom Dumper Trailer
- L1206E Wheeled Loader
- L1606E Wheeled Loader
- L1706E Wheeled Loader
- L1806E Wheeled Loader
- L2106E Wheeled Loader
- L2606E Wheeled Loader
- L2106E Wheeled Loader
- 315SL Backhoe Loader
- 315SL Work Pro Backhoe Loader
- [illegible] Loader
- [illegible] Tug Tractor
- [illegible] Dozer
- [illegible] Dozer
- PR 744 Dozer
- PR 754 Dozer
- PR 764 Dozer
- 670G Motor Grader
- 672G Motor Grader
- 770G Motor Grader
- 772G Motor Grader
- 870G Motor Grader
- 872G Motor Grader
- [illegible] Excavator
- [illegible] Excavator
- [illegible] Excavator
- [illegible] Excavator
- [illegible] Excavator
- [illegible] Excavator
- [illegible] Excavator
- [illegible] Excavator
- [illegible] Excavator
- [illegible] Excavator
- [illegible] Articulated Tractor
- [illegible] Articulated Tractor
- [illegible] Articulated Tractor

SCREENS AND CRUSHERS

- J-1160 Jaw Crusher
- J-1170 Jaw Crusher
- J-1175 Jaw Crusher
- J-1480 Jaw Crusher
- C-1540 Cone Crusher
- C-1550S Cone Crusher
- C-1550 Cone Crusher
- I-130 Impact Crusher
- I-110 Impact Crusher
- I-110RS Impact Crusher
- I-130 Impact Crusher
- I-130RS Impact Crusher
- [illegible] Hydrosink
- [illegible] Inclined Screener
- [illegible] Inclined Screener
- [illegible] Inclined Screener
- [illegible] Inclined Screener
- [illegible] Inclined Screener
- [illegible] Heavy Duty Screener
- [illegible] Heavy Duty Screener
- [illegible] Horizontal Screener

ROADS AND REHABILITATION

- BT 60/4 Tamper
- BVP 18/45 Plate
- BPR 25/40 Plate
- BW 55 H Pedestrian Roller
- BW 75 H Pedestrian Roller
- BW 65 E Single Drum Roller
- BW 80 AD-5 & BW 120 AD-5 Tandem Drum Roller
- BW 138 AD-5 Tandem Drum Roller
- BW 161 AD-4 & BW 161 Tandem Drum Roller
- BW 24 RH Pneumatic Tyred Roller
- BW 27 RH Pneumatic Tyred Roller
- BW 211 & 212 Single Drum Roller
- BW 213 Single Drum Roller
- BW 219 Single Drum Roller
- BW 226 Single Drum Roller
- BF 300 P & BF 600 P Paver
- BF 800 P Paver
- BC 462 Refuse Compactor
- BC 472 Refuse Compactor
- BC 672 Refuse Compactor
- BC 672 Refuse Compactor
- BC 772 Refuse Compactor
- MPH 122-2 Stabiliser/Recycler
- MPH 125 Stabiliser/Recycler
- MPH 600 Stabiliser/Recycler

FORESTRY

- [illegible] Logger
- [illegible] Logger
- 220G Telelogger
- [illegible] Logger
- [illegible] Delimber
- TH[illegible] Hauler 2 Bunk 6x6
- TH[illegible] Hauler 2 Bunk 6x6
- TH300 Hauler 3 Bunk 4x4
- TF[illegible] Long Range Forwarder 6x6
- TF[illegible] Long Range Forwarder 6x6
- Bell Tandem Timber Trailer
- TF[illegible] Long Range Forwarder 4x4
- Bell Timber Trailer Rear Tip/Non Tip/Dolly
- AFM Tractor 90s, 1216, 1116 2wd or 4wd Haulage Tractors
- HX220G Excavator with Waratah Head
- [illegible] - JD Wheeled Feller Buncher
- [illegible] - JD Wheeled Feller Buncher
- [illegible] - JD Tracked Feller Buncher
- [illegible] - JD Tracked Feller Buncher
- [illegible] & [illegible] - JD Forwarder
- [illegible] - JD Wheeled Harvester
- [illegible] - JD Tracked Harvester
- [illegible] - JD Tracked Harvester
- [illegible] - JD Tracked Harvester
- 848G III - JD Cable Skidder
- 848G III - JD Grapple Skidder
- 648H - JD Cable Skidder
- 648H - JD Grapple Skidder

AGRICULTURE

- [illegible] Articulated Tractor
- [illegible] Articulated Tractor
- [illegible] Articulated Tractor
- [illegible] & [illegible] Rigid Tractor
- 1216A & 1216AF Rigid Tractor
- 906A & 906AF Rigid Tractor
- [illegible] Cane Loader
- [illegible] Cane Loader
- 220A Cane Loader
- 220A Versalift
- 220A [illegible] Rough Terrain Forklift
- 220A [illegible] Rough Terrain Forklift
- Std Tandem Spillerbar Rig
- Wide Tandem Spillerbar Rig
- High Roll Bin Tandem Rig
- Non-spill/bundle Tandem Rig

VERSATRUCK

- Standard Bin (Standard Chassis)
- Coal Bin (Standard Chassis)
- Low Profile Bin (Standard Chassis)
- Fire Truck (Standard Chassis)
- Water Tanker (Standard Chassis)
- Ejector Bin (Standard Chassis)
- Lube Truck (Standard Chassis)
- Concrete Truck (Standard Chassis)
- Container Truck (Standard Chassis)
- Flat Deck (Standard Chassis)
- Timber Truck (Standard Chassis)
- Waste Compactor (Standard Chassis)
- Wood Chipper (Standard Chassis)
- Coal Bin (Extended Chassis)
- Timber Truck (Extended Chassis)
- Hooklift (Extended Chassis)
- Flat Deck (Extended Chassis)
- Jinker Trailer (Extended Chassis)
- Forestry Truck with Pup Trailer (Extended Chassis)
- Lube Truck (Extended Chassis)
- Tractor (Hauler Chassis-4x4)
- Scraper Tractor (Hauler Chassis-4x4)
- Hauler with 5th Wheel (Hauler Chassis-4x4)
- Bottom Dumper Trailer (Hauler Chassis-4x4)
- Low Bed (Hauler Chassis-4x4)
- Land Train-6 Trailers (Hauler Chassis-4x4)
- Hauler with 5th Wheel (Short Chassis-4x4)
- Short Dumper (Short Chassis-4x4)
- Jinker Trailer (Short Chassis-4x4)
- Underground Concrete Mixer (Short Chassis-4x4)
- Timber Hauler (Std Chassis-Crane mounting)
- Waste Handler (Std Chassis-Crane mounting)
- Timber Hauler (Extended Chassis-Crane mounting)
- Waste Handler (Extended Chassis-Crane mounting)

MINING

With a presence in major markets in mineral-rich countries throughout Africa, Russia, Australia, Indonesia and Canada, a comprehensive range of mining equipment is key to providing customer-focused solutions.

Bell Equipment provides machines ideally suited to small and medium-sized operations. An extensive range of both Excavators and Front End Loaders provides equipment for loading while the hauling cycle is covered by the comprehensive and well-matched range of above-ground articulated trucks and low-profile machines operating underground.

The flagship B50 continues to perform well and still remains the largest ADT worldwide, having been developed specifically for mining operations. Bell Equipment's ability to match an Excavator to this truck was achieved through its partnership with Liebherr, further strengthening the group's product offering and support to this sector.

Graders, Rollers and Stabilisers provide solutions for haul road maintenance and site development. A range of tracked dozers are used at the tip area and for both mine development and rehabilitation.

The Bell Equipment range of mobile crushing and screening plants includes jaw, impact and cone crushers that are internationally renowned for their versatility and flexibility in the reduction and sizing of aggregates for mining and quarrying.

Tri-wheeler Forklifts and Tractor Loader Backhoes are also popular around mine sites being suited to a variety of day-to-day tasks.

The mining industry remains Bell Equipment's largest contributor and further research and development into this strategic market remains a priority. The smaller E-series range of Articulated Dump Trucks was released in 2013, with the new large E-series range of Articulated Dump Trucks due to be released in 2016. Larger truck concepts like the B60 will continue to be trialed and tested in an effort to enlarge the footprint into the mining markets.

CONSTRUCTION

Over a period of time Bell Equipment has been strategically focused on building its product range to cater for needs of the construction industry. Today, a wide variety of equipment is available as a result of both strategic partnerships and local manufacture.

Bell Equipment's Articulated Truck models have proved to be a popular choice, particularly the B20D for its ability to travel on-road, adding an even higher level of convenience.

A complete range of heavy earthmoving solutions include Tracked Dozers for site preparation and a variety of loading tools from Excavators to Wheeled Loaders, well matched to the ADT product. Motorised Graders provide for final finishing and detailed site preparation.

Complementing the range are Tractor Loader Backhoes, smaller Loaders and Excavators, providing versatility for the laying of services and intricate site work. This, together with a variety of compaction equipment, ensures that Bell Equipment caters for the entire construction spectrum.

In response to market needs, a package solution, comprising a small Loader matched to the smaller model of Bell Equipment's popular Haulage Tractor and a Dump Trailer, provides another locally manufactured option for start-up operations or material batching plants.

FORESTRY

Bell Equipment's presence in the forestry sector dates back to the 1960s when the group's range of Tri-Wheelers, Haulers and Trailers were adapted from sugar cane handling to cope with the more arduous forestry environment.

Today, Bell-manufactured forestry equipment continues to be indispensable in many forestry operations. The Bell Tri-Wheeler units continue to provide loading solutions with the lowest cost per ton, while the Haulers and robust Trailers provide reliable haulage.

Newly developed products, based on Bell Equipment's mainstream ADT products, provide versatile alternatives for transport, including infield self-loading forwarders. These products fulfil a niche to handle differing haul distances as well as poor underfoot conditions.

Alternative felling and processing systems are available to customers through the group's close relationship with Waratah, a global leader in the design and manufacture of forestry heads. Demonstrated ability to fit the head system to either a Bell Excavator or Tri-Wheeler base has allowed the group to extend its forestry product offering. By offering a lower capital cost and less complexity, these hybrid units are important in the progression of the forestry operation from manual to full mechanisation.

As the dealer for the full range of John Deere forestry equipment, the group is also able to offer dedicated forestry equipment to customers employing highly mechanised systems. The purpose-built John Deere fully mechanised systems are seen as a global benchmark in terms of productivity, lowest daily operating costs and uptime.

Associated products like tracked Dozers and Graders are also used in the forestry industry for infrastructure and road maintenance.

AGRICULTURE

Bell Equipment was born into the sugar industry and the focus on providing innovative solutions for agricultural markets remains an important part of the group's business.

Effective handling of cut cane continues to rely on the Bell Tri-Wheeler Cane Loaders for loading infield and at loading zones, while Bell Equipment's range of reliable Rigid Haulage Tractors and robust Trailers provide cost-effective transport solutions directly from infield to the mill.

The agricultural market continues to find value in Bell Equipment's purpose-built Haulage Tractors, with the current generation of machines maintaining the design principles of having a rigid chassis, automatic transmission and unmatched durability to continue the strong legacy of this product.

Expanding on the range of Articulated Trucks, the Bell range of Articulated Tractors is finding a niche in large-scale land preparation throughout developing African countries. These Bell Articulated Tractors are also popular for the haulage of 'land trains' where conditions allow.

Bell Forklifts and Versalifts, part of the versatile Tri-Wheeler concept, are widely used in farming applications for the handling of palletised produce and harvesting bins. The innovative manoeuvrability of these machines as well as their exceptional performance over rough terrain, ensure that they are indispensable between the field and haulage equipment.

Tractor Loader Backhoes fulfil a key position in most farming operations providing a versatile solution for many on-farm tasks.

ROADS AND REHABILITATION

Bell Equipment's construction range has for many years been employed in the construction and maintenance of Africa's road network. The awarding of the Bomag dealership to Bell Equipment in 2009 significantly increased the group's offering and penetration into this sector.

Bomag is seen globally as the leader in respect of technology and development of products supporting the complete road construction process, whether it be a gravel road or blacktop.

Soil Compactors are used in the preparation of the sub-surface while pavers apply the asphalt. Tandem drum and pneumatic tyred Rollers provide the finishing touches. The durability of a roadway is directly dependent on how well these functions are performed, with the Bomag units receiving the highest praise from site engineers for their precise operations.

Recently, Bell Equipment added a range of mobile crushing and screening plants to its range, which includes jaw, impact and cone crushers. This range of crushers is internationally renowned for its versatility and flexibility in the reduction and sizing of aggregates for quarrying, construction materials and also recycling construction waste.

For road rehabilitation, as well as a higher level of sub-surface preparation, the newly introduced Stabilisers and Recyclers have proved to perform above expectation. As an industry leader, the Bomag units also incorporate the facility for the introduction of foamed bitumen, a new technology currently gaining favour with road builders.

For smaller repair work, a full range of walk behind compaction equipment is distributed through Bell Equipment operations in Africa.

The additional range of Bell construction equipment like Dozers, Graders, ADTs (including water tankers) and Excavators, ensure that the company is well positioned to provide a complete solution for this important infrastructure development.

NICHE MARKETS

Not everyone's needs are identical. This understanding prompted Bell Equipment to develop a unique Versatruck programme to give customers the flexibility and opportunity of choosing from a number of Bell Equipment ADT permutations to best suit their application requirements.

Built from the specialised machinery concept, Bell Equipment has expanded its equipment offering to include tailor-made solutions such as low-profile ADTs, ejector trucks, fire trucks, water tankers, lube trucks, flat deck trucks, hooklift trucks, container trucks, concrete trucks, timber trucks, waste handlers, waste compactors, and even an underground concrete mixer.

Managing this programme is the Bell Application Equipment (BAE) division in Richards Bay, a substantial team with years of experience, which is dedicated to the design, fabrication and assembly of these Bell Equipment niche products.

Importantly, the Versatrucks are able to offer the best in performance, safety, fuel efficiency and ease of operation of the standard Bell Equipment ADT range. Similarly, they also have all the latest innovations and features.

Versatruck products are built according to the group's uncompromising design philosophy and quality standards and therefore carry an OEM warranty and are guaranteed Bell Equipment's technical support.

WASTE MANAGEMENT

In line with the current global focus to improve management of the environment and the handling of solid waste, Bell Equipment has taken steps to establish itself in this sector.

As part of the Bell Equipment Versatruck programme, various options have been developed for the waste-handling industry, including low-density bins, hooklift trucks and dedicated hauler-trailer configurations. Bell Equipment's range of Excavators and Front End Loaders can be fitted with custom-built attachments to facilitate loading of waste material.

The addition of the Bomag range of refuse compactors allows Bell Equipment to offer purpose-built machines to the industry, ensuring the best possible compaction and least downtime in the harsh environment of landfill sites.

BELL ASSURE

In line with the group's understanding that world-class products are only effective when backed by world-class support, Bell Equipment has developed a comprehensive range of supplementary products specifically tailored to enhance a customer's ownership experience and relationship with Bell Equipment.

Even before a customer makes their first purchase, the Bell Assure programme is at work to provide advice on site requirements and machinery selection, as well as the ability to offer a range of financing.

Before machine installation, both operator and maintenance training can be provided and the opportunity also exists to enter into repair and maintenance contracts.

The programme is geared to provide valuable solutions throughout the machine's complete lifecycle by providing on-site maintenance, supported by an efficient parts supply infrastructure. Advanced onboard satellite communication software, designed by Bell Equipment, keeps the customer up to date on both machine status and production through real-time internet-based reporting.

To promote product longevity, programmes incorporating complete machine or component rebuilds give the customer cost-effective alternatives to extend the productive life of their units.

The Bell Assure programme has relevance across all industries and types of operations.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BELL
ADT 072

A **MICHAEL MUN-GAVIN** (65) + # ~
Independent Non-executive Chairman
Chairman of the Nominations Committee
BCom (Natal)
CA(SA)
Appointed to the board in 2005

B **JOHN BARTON** (67) * + # ~
Independent Non-executive Director
Chairman of the Audit Committee
FCMA (UK), AMP (Harvard), GCMA
Appointed to the board in 2009

C **DANIE VLOK** (69) * + # ~
Independent Non-executive Director
Chairman of the Remuneration Committee
Chairman of the Risk and Sustainability Committee
BCom, MBA
Appointed to the board in 1995

D **TIISETSO TSUKUDU** (61) ^ # ~
Independent Non-executive Director
Chairman of the Social, Ethics and Transformation Committee
BA (University of the North)
MBA (Strathclyde Graduate Business School, Glasgow)
Appointed to the board in 2004

E **BHARTI HARIE** (44) * ^
Independent Non-executive Director
BA LLB (Natal), LLM (Wits)
Attorney, Notary and Conveyancer
Appointed to the board in 2010

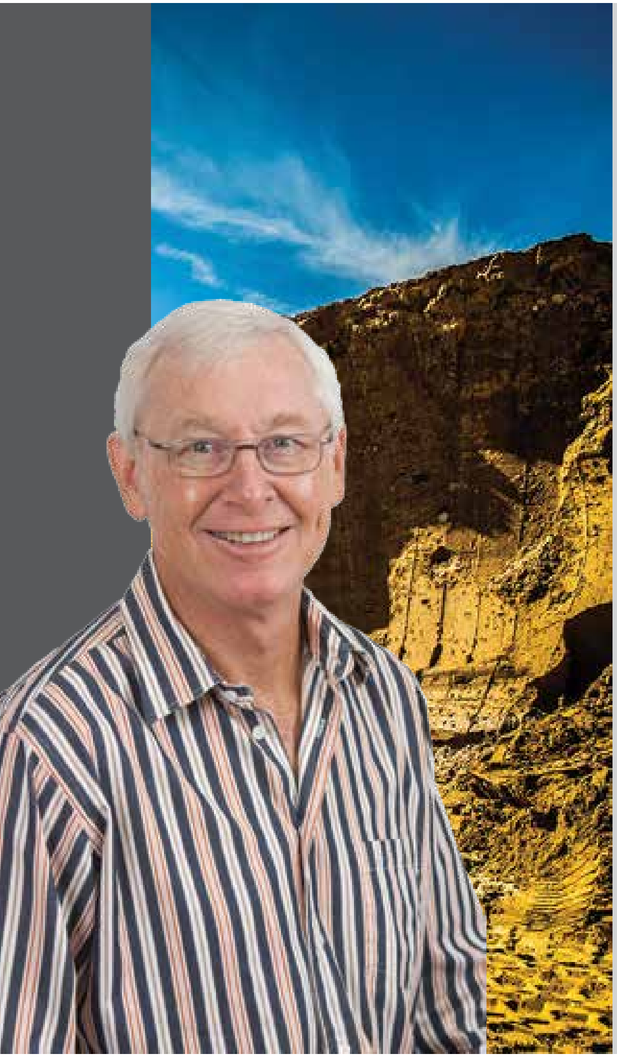
F **ASHLEY BELL** (32)
Non-executive Director
BCom Marketing (UNISA)
Appointed to the board in 2015

G **GARY BELL** (62) ^
Group Chief Executive
Mechanical Eng Diploma (Natal Technikon)
Appointed as an employee in 1971

H **KAREN VAN HAGHT** (48) +
Group Finance Director
BCompt (Hons) (Unisa), CA (SA)
Appointed as an employee in 2000

I **LEON GOOSEN** (42) +
Executive Director
BAcc (Stellenbosch), BCompt (Hons)
CTA (UOFS), CA (Namibia), CA (SA)
Appointed as an employee in 2007

LEGEND
* Audit Committee
+ Risk and Sustainability Committee
^ Social, Ethics and Transformation Committee
# Nominations Committee
~ Remuneration Committee



I am pleased to bring you my Chairman's statement for the group's 2014 financial year.

Our aim in this integrated annual report is to present stakeholders with a balanced view of Bell's financial, operational, governance, social and environmental activities for the year ended 31 December 2014.

OVERVIEW

Stakeholders will be aware that the global and local environments in which we operated throughout 2014 were extremely challenging. Globally, economies were weak, with China's slowdown possibly having the largest impact. Only the USA showed any signs of resilience. Markets were impacted by the collapse of the oil price, brought on by a combination of oversupply and lower demand. This also had a negative effect on other resources and in particular, minerals, which constitutes Bell's largest market. Political turmoil in Eastern Europe and the Middle East also added to global tensions. These, together with the concerns over the spread of the Ebola virus and numerous other issues around the world, simply delayed prospects of any meaningful global recovery.

In South Africa, the year started with a five month long platinum industry strike only to be followed a few weeks later by a five week long NUMSA strike. Both had significant detrimental effects on Bell's trading as the former virtually closed an industry into which Bell markets much of its product and the latter impacted Bell directly as many of its employees are NUMSA members. More recently, the electricity supply breakdowns have added to the difficulties being experienced, not only by Bell's manufacturing operations but by many of our suppliers as well. As has been well documented, this is likely to persist for a few years to come.

Notwithstanding the above, Bell is well known for its innovation and resilience and will adjust its operations accordingly to meet the conditions that exist.

FINANCIAL

The financial year under review proved to be a difficult one for Bell with the group recording a profit after tax amounting to R66,4 million, a reduction of 68% in comparison with the prior year, and earnings per share amounting to 67 cents (2013: 193 cents). Of these consolidated profits, R63,5 million is attributable to shareholders of Bell. Total comprehensive income attributable to shareholders of Bell fell to R42 million compared with R462 million in the prior year. The decline in the comprehensive income over the current year's profit after tax and the previous year's comprehensive income has arisen largely as a result of exchange differences on the translation of foreign operations. The net outcome of these results saw shareholders' wealth (capital and reserves) rise by 2% to R2,54 billion (2 666 cents per share).

The current year's profit after tax is disappointing as sales increased by 5% and overall gross profit in Rand terms improved by 8% in comparison with the previous year. Unfortunately this improvement in gross profit was more than offset by increased expenses stemming largely from an increased under recovery of fixed overheads as production was curtailed and an increase in the doubtful debts provision. This was especially pronounced in the second half of the year.

The abovementioned fall in profits is largely the result of the continuing weakness and unpredictability of the resource-based economy and closer to home, the delayed impact of the protracted strikes and labour unrest. This has caused disruption to mining production which in turn has resulted in orders for equipment not being fulfilled.

In contrast to the above, there has been a particularly pleasing improvement in working capital management during the year under review. Both inventories and trade receivables are significantly lower than in the previous year. This has resulted in a vastly improved positive cash flow for the year under review of R586 million, which in turn has resulted in a net cash position at year-end amounting to R125 million in comparison with the previous year's net short-term interest-bearing debt obligations of R461 million.

OPERATIONAL ISSUES

The range of products marketed by Bell continues to be well accepted by our customers and we maintain our reputation as innovators in the market. The company continues to upgrade its various facilities and a new Customer Service Centre was opened during the year in Kitwe, Zambia. Bell also continues to invest significantly into research and development to ensure it remains at the forefront of the industry and to this end, will be displaying its new range of large E-Series trucks at two major industry trade shows later this year – Intermat in France and BAUMA in South Africa. These trucks will be available to worldwide markets in 2016.

The drop in demand for mining-related products resulted in reduced throughput in the group's production facilities which in turn led to an under recovery of fixed overheads. Further capacity exists at each of Bell's plants and it is hoped that increased utilisation will return in the not too distant future. Management continues to be active in trying to secure new markets for the group's products and to identify new products to manufacture in order to increase production throughput. Management is also seeking out new sources of supply for the products required in our production processes with a view to achieving cost savings and reducing supply lead times.

The electricity supply crisis came at a particularly bad time for Bell as it disrupted production in the latter part of the year, just as the company was overcoming the negative impacts of the earlier strikes. Whilst Bell has back-up power generation facilities at its major sites in South Africa, the costs of providing full power back-up for its entire manufacturing operations are simply too prohibitive. This remains an area of concern and is being managed at the highest level.

Notwithstanding the strikes referred to above, a good relationship exists with the vast majority of employees and the unions which represent the scheduled staff, something that is critical from an operational point of view. It did, however, become necessary to reduce staff numbers and costs with the result that the group embarked upon a restructuring and right-sizing exercise towards the end of the financial year and this has extended into the first quarter of 2015.

We continue to engage with government at various levels. As one of South Africa's leading earth moving, construction, mining and materials handling equipment providers, we remain extremely supportive of all initiatives to bolster our economy and improve prospects for the creation of employment in our industry, and in particular, for the communities surrounding our Richards Bay factory. In this context, we are fully supportive of, and encouraged by, the government's plans to expand production in the value-added sectors where high employment and growth multipliers are present. South Africa desperately needs to stimulate employment and the manufacturing sector is one of the areas where this can best be achieved. We look forward to ongoing interaction with government as we seek to find ways in which we can profitably develop the local supply base and increase employment.

SUSTAINABILITY

The Risk and Sustainability Committee meets on a regular basis to review the risks facing the group with specific focus on the implementation and continuing effectiveness of the measures put in place to mitigate each identified risk. Risks are classified in terms of their possible impact and probability of occurrence and those with the highest perceived risk to the group's operations are then closely monitored by the committee and the board. All other risks and their mitigation measures are monitored on an ongoing basis at executive management level.

In view of the challenging market conditions during the first half of 2014 and a recognition of the importance of addressing the medium to long-term sustainability of the group, the Risk Committee recommended, and the board agreed, that the risks associated with sustainability should be elevated to the full board level.

Bell maintains a market-leading position in the majority of its product range in Africa. Management's ongoing commitment to excellence through its research and development programmes and its service to customers should ensure that the group maintains its pre-eminent position in the markets which it serves.

Management and the board continually monitor economic activity both locally and abroad and endeavour to be proactive in positioning the group for expected changes in demand for its products. This is not an easy task, as has been evidenced by the deterioration in trading results for the year under review, but it remains a key aspect of our concern for sustainability within the group.

It is widely accepted that the African continent is likely to experience significant economic growth over the next decade or two. If this transpires, considerable infrastructural investment will be necessary. Bell is therefore well positioned to benefit from such growth, being the only significant African "yellow metal" manufacturer currently in existence on the continent.

Closer to home, the implementation of the National Development Plan should enhance civil and construction activity, both of which are positive for Bell.

GOVERNANCE

The group's Audit Committee focuses on issues related to sound corporate governance, concentrating specifically on issues such as the group's internal controls, legislative compliance and financial reporting. Considerable time and effort is also spent on ensuring adherence to the principles embodied in the King Code on Corporate Governance (King III) in addition to those items specifically required of audit committees in the Companies Act, 2008.

The board and its various committees conduct a self-appraisal review process on a two yearly basis. This is designed to highlight areas of strength and weakness within each structure and in addition, for each member of the board. The last review was conducted at the beginning of 2013 and the outcomes were positive. Where areas requiring improvement were highlighted, efforts have been made to improve our performance. The next review is scheduled to be undertaken during the course of 2015.

TRANSFORMATION

The Social, Ethics and Transformation Committee takes responsibility for monitoring issues such as health and safety within the workforce, all disciplinary matters and issues relating to transformation and empowerment. A concerted effort has been made to focus on safety in the workplace and the fruits of this emphasis are already showing with the safety statistics improving across the board.

As was mentioned in last year's annual report, Bell's strategic empowerment partner in its subsidiary, Bell Equipment Sales South Africa Limited, decided to exercise its right to put its shares back to the group during the latter part of 2013. This left the group without any significant empowerment shareholder and plans are being developed with a view to resolving this issue in the near future.

OUTLOOK

The start to the year ahead has been modest and apart from signs that North America is on the road to recovery, it is difficult to be too optimistic about the prospects for the global economy for the year ahead. There are clearly still concerns in the Eurozone with the political upheavals in Eastern Europe compounding the lack of confidence in economic growth for that region. As mentioned earlier in this statement however, plans are being developed and implemented to address these issues in order that Bell can maintain its competitive edge in the global marketplace. Within South Africa, the projected increase in infrastructure spend should have a positive impact upon Bell, although its timing remains uncertain.

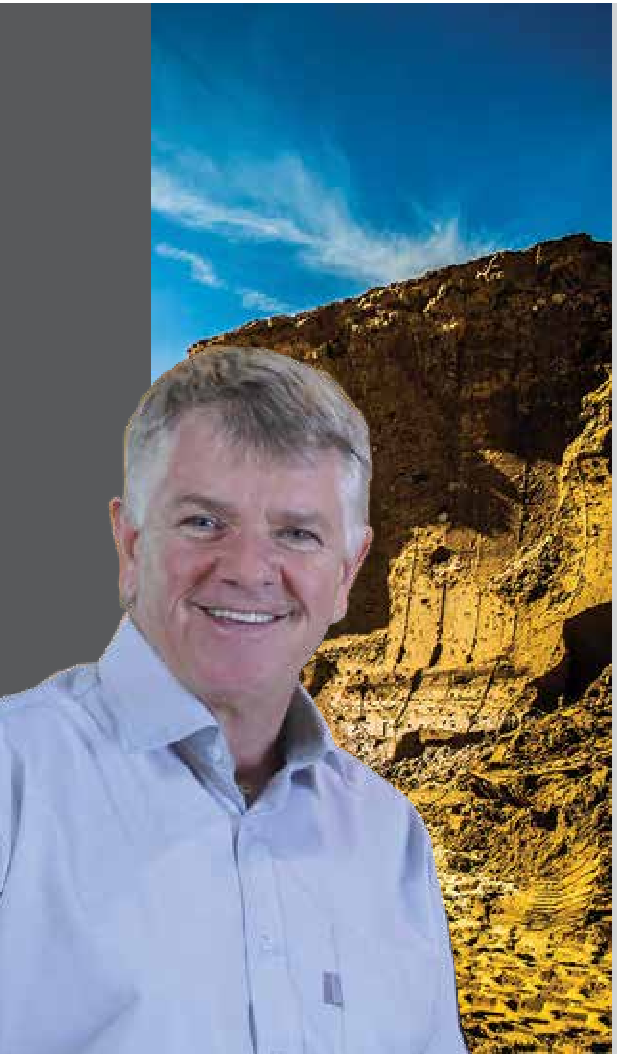
APPRECIATION

I thank management for their efforts during a particularly difficult year. They, like the board, know that an enormous task lies ahead if Bell is to deliver to its stakeholders their rightful expectations of a successful global organisation. To my fellow directors, I again express my sincere thanks for their support, dedication and professional input into the affairs of the group.

I conclude this report by recording that I shall be retiring from the board at the AGM in May. It comes with much appreciation to all of those with whom I have been involved over the last decade. There have been many challenges, but from a personal point of view these have always been outweighed by the enjoyment I have had working with a dedicated team in a proudly South African company which has competed admirably on the global stage.

Michael Mun-Gavin
Chairman

12 March 2015



The year 2014 has been a tough environment for the industries that we serve and along with electricity supply, extended labour unrest and a certain level of political turmoil, has dampened domestic market confidence and impacted growth. The global economy has been characterised by geopolitical tensions across Eastern Europe and the Middle East and together with a slowing of the Chinese economy, has impacted on demand and pricing for the commodities that our customers mine and produce.

Our North American market continued to show positive growth along with certain countries in our West European regions. The global market for earthmoving and mining machinery recorded its worst performance since 2010.

Bell Equipment responded early to the changing demand and slowed production rates accordingly. The benefits of well managed inventory, a positive cash flow of R586 million and a significant reduction in borrowings are pleasing, but the impact of our factories running at below optimal rates has had a significant impact on profitability for the year.

It was clear in the fourth quarter of 2014 that the uncertainty and heightened volatility would continue to impact customer confidence and subdue risk appetite in many of our markets well into 2015. With the particularly high level of unemployment in South Africa we reluctantly had to take decisive action and embark on a restructuring and right-sizing exercise to align costs and efficiencies with the new demand levels. The project considered operations both local and international and the new structures have seen us consolidate sales channel management for Sub-Saharan Africa and South Africa, streamline Group Services and improve our dealer management structures.

The costs associated with down-sizing globally amounted to approximately R50 million, half of which was reflected in the 2014 year with the balance being accounted for in the first quarter of 2015. The annualised salary related savings going forward will amount to more than R90 million and in addition to this, we expect a further saving of the ancillary employment costs associated with the nearly 200 vacated positions.

REGIONAL SALES PERFORMANCE

Bell Equipment Sales South Africa (BESSA) delivered a sturdy performance in a tough domestic market even with mining activity at a low ebb. The long awaited major National Development Plan infrastructure projects are not yet evident and it seems that the authorities are bogged down in planning. A higher level of activity at entry level emerging contractors was evident. The introduction of the Finlay range of crushing and screening equipment during 2013 has begun to make a meaningful contribution to the sales line. Four new Customer Service Centres have been built and completed in the period and our operations in Middelburg, Nelspruit and Rustenburg in South Africa and Kitwe in Zambia now offer sales and service support from truly world-class facilities.

Bell Equipment European Operations have enjoyed a good year with the region steadily recovering from the 2010 crisis and the market delivering growth of 9% on the prior year, and with a number of major projects underway in particularly the United Kingdom we are looking forward to a stronger performance in the period ahead. The 2014 results for the region were well below expectation having being dragged down initially by poor performance of the mining sector in Russia and secondly following the Crimean and Ukrainian crisis. The Russian market suffered a dramatic decline of nearly 40%.

Bell Equipment International Operations essentially managed the African continent and South East Asian distribution channels and with an extensive portion of the business emanating from mining industry customers, the territories delivered a very disappointing result. The leaner structure resulting from the consolidation of the Sub-Saharan regions into one African region will ensure profitability in the years ahead.

North America remains the market which outperformed during 2014 and although we did enjoy some volume growth, the performance relative to the industry was below our expectations. Bell Equipment North America along with our distributor in the United States, Bell Trucks America Inc, will continue to expand our dealer footprint in the region and along with it our volumes into this, the largest market in the world.

Bell Equipment works closely with various government departments, primarily the Department of Trade and Industry (DTI), the Industrial Development Corporation (IDC) and the International Trade Administration Commission of South Africa (ITAC). The support programmes are useful as are their research and development incentives. Our participation in the APDP (Automotive Production Development Plan) has been extended to a broader range of our trucks and will support our ongoing engineering and research and development efforts.

As South Africa's leading earthmoving, construction, mining and materials handling equipment provider, we remain extremely supportive of all initiatives to bolster our economy and improve prospects for the creation of employment in our industry, and in particular, for the communities surrounding our Richards Bay factory. In this context, we are fully supportive of, and encouraged by, the government's plans to expand support in the manufacturing sectors where high employment and growth multipliers are present. This will be good for Bell, its suppliers, direct and indirect employees and their dependents, and our total local supply chain. The multiplier effect in manufacturing generally, and at Bell Equipment specifically, is significant.

STRATEGY IMPLEMENTATION

Going forward into 2015 our strategic priorities are clear, we have a leaner structure in place and a range of competitive and well engineered products to meet our customers' needs.

With the ongoing development of our global distribution network, we will ensure that we continue to grow our production volumes which is critical to Bell remaining globally competitive, not only from a cost, but also from a technology point of view.

Our investment in systems and facilities to better serve our customers in a timeous and efficient method will also support the growth of our aftermarket service revenue.

We acknowledge the risks associated with our current exposure to the commodity cycles and the related negative impact on the business. To mitigate this risk, we will complement our current growth strategy with an inorganic diversified growth strategy aligned with the group's core competencies. We will create capacity and implement processes to execute this strategy. The intent being to add products and alliances that will support the sustainability of the business through any cycle.

I take this opportunity to again thank all our stakeholders, including shareholders, customers, suppliers, financiers, government and other strategic partners for their continued support. I would like to thank our management group and all our team members for their hard work and dedication – with the current economic climate and tough trading conditions it is especially important to work together as a team to achieve the desired goals and objectives – I believe we have the right people in place.

Gary Bell
Group Chief Executive

INTRODUCTION

2014 was a year of right-sizing the business in line with the realities of current market conditions and sales volumes. The group entered 2014 with high levels of inventory and borrowings, following lower than expected sales performance in 2013, and action had to be taken in the first half of 2014 to right-size inventory levels. Production volumes were cut back at the factory in Richards Bay and the assembly plant in Germany. This action was necessary under the circumstances, but the low production volumes did have a material impact on the group result for the year. The factory and assembly facilities operated at only 40% of capacity in 2014 and there was a substantial under-recovery of overheads at these operations, which have largely fixed cost structures. Achievement of a critical mass in production and sales volumes is vital for the group to deliver an acceptable financial result.

In the second half of 2014, with no improvement in the outlook for market conditions, the group embarked upon plans to right-size the cost structure of the group. The two separate sales operations for South Africa and the rest of Africa were consolidated into one sales operation for the African continent, certain group services functions were consolidated and the payroll and overhead costs in all group operations were reviewed and rationalised. The rationalisation process will be completed by the end of quarter 1 of 2015.

REVENUE

The slowdown experienced in sales volume growth in 2013 deepened in 2014. Group revenue in Rand terms increased by only 5% for the year, from R6,3 billion in 2013 to R6,6 billion in 2014. New machine sales volumes decreased in most markets.

The majority of the group's sales in the southern hemisphere are into the mining industry, which remains depressed with customer confidence levels low and many projects, contracts and capital spending deferred until conditions and commodity prices improve. Revenue from sales in South Africa increased by 2,5% compared with 2013 and contributed 43% of group sales in 2014, slightly down compared with 44% in 2013. Sales in Africa outside South Africa contracted by 17% in 2014 and contributed 23% of group sales in 2014 compared with 30% in 2013.

Performance in certain northern hemisphere markets, where demand is mainly from the construction industry, was stronger. Sales in Europe increased by 38% and the contribution by the European market to total group sales increased from 18% in 2013 to 23% in 2014. There was, however, a mixed result for the European region, with the UK achieving record results, while Russia performed particularly poorly, the market negatively affected by the political challenges in the region. Sales in the North American market increased by 11% and contributed 6% to group revenue, compared with 5% in the prior year. The sales growth achieved by the group in this new Bell market was below expectation, particularly considering the growth in the overall North American ADT market during the year. Greater priority will be focused on driving the independent sales network in this region to realise more of the volume growth potential and to deliver a higher market share in this region in 2015.

GROSS MARGIN

The average gross margin improved marginally to 23,3% in 2014, compared with 22,6% in 2013. Although this is pleasing given the tough market conditions, a tightening of margins in 2015 is expected, given the prolonged poor economic environment.

OTHER OPERATING INCOME

Other operating income was stable compared with the prior year. The government's APDP programme and revenue from the sale of extended warranty contracts continue to contribute the majority of this income.

EXPENSES

Group overheads increased by 22% in 2014 and the expense to sales ratio also rose to 22%. This substantial increase was mainly due to the action taken to right-size inventory levels, which resulted in low production volumes and low recovery of overheads at the factory and assembly operations. The impact of inflation on Rand based costs in the South African operations and certain once-off costs incurred in 2014, such as the provision for doubtful debts of R70 million for two specific African based customers also contributed to the increase. Approximately 50% of the once-off costs relating to the rationalisation process were incurred and accounted for in 2014 (R21 million) and the balance will be incurred in the first quarter of 2015.

INTEREST PAID

Net interest paid increased by 58% in 2014 due to high borrowings in the first half of the year. Borrowings and net interest paid were substantially lower in the second half of the year than in the first half and this has continued into 2015.

OPERATING PERFORMANCE

The group reported profit after tax of R66 million for 2014, a reduction of 68% compared with R206 million in 2013, and earnings per share of 67 cents (2013: 193 cents). Of these consolidated profits, R63 million is attributable to Bell shareholders. Headline earnings per share was 49 cents, lower than earnings per share, mainly due to the exclusion from headline earnings of a reclassification to profit or loss of the foreign currency translation reserve relating to the group's Swiss subsidiary on the deregistration of that company in 2014.

The net asset value per share increased by 2% from 2 616 cents in 2013 to 2 666 cents in 2014. This very modest increase is the result of the low profit for the year (excluding the foreign currency translation reserve reclassification within equity referred to above). Unlike in the prior year when the weakening of the Rand and substantial foreign currency exchange gains on the translation of the foreign operations resulted in a large increase to total comprehensive income and to the net asset value per share, the Rand was more stable against the major currencies in 2014 and no such boost to net asset value per share was reported in 2014.

WORKING CAPITAL

The improvement in working capital in 2014 is pleasing. Inventory days improved from 208 days at the end of 2013 to 173 days at the end of 2014 and this had a direct, positive impact on the borrowing levels. Receivables at 40 days are on target. The improvement in working capital management led to a net cash inflow for the year of R586 million.

150 days remains the long-term target for inventory. A number of opportunities remain to trim inventory holdings, particularly in the areas of parts inventory and used machine inventory in certain sales operations.

EXCHANGE RATES

During 2014 the functional currencies of the group's operations in Zambia and in Russia were changed from the Kwacha to the USD and from the Rouble to the Euro respectively. A significant portion of the sales by and the cost of goods and services in these operations are based on the USD (Zambia) and the Euro (Russia). This functional currency change will reduce the volatility in the reported results of these operations, particularly given the recent depreciation of both the Kwacha and the Rouble against major currencies, and will also facilitate more effective monitoring over time of more stable and comparable results.

The group's approach to managing foreign currency exposures remains the same as in the prior year. The group is both an exporter and an importer, both an earner and spender of foreign currency, and as such the group has a strong natural currency hedge. Forward cover contracts are used to manage the remaining trade exposure to the Rand.

LOOKING AHEAD

The group has started 2015 with a stronger balance sheet and good liquidity. Both inventory and borrowings are at acceptable levels. This will also mean lower interest costs going into 2015. The rationalisation process will be completed by the end of quarter 1 of 2015 and the group will have a leaner cost structure going forward.

When mining does recover, Bell will be very well placed with a strong network in the southern African region to participate in this. Similarly, if the proposed infrastructure plans in South Africa are implemented, Bell is ready with a comprehensive product line to fulfil the civil and construction requirements of these projects.

In the shorter term, the greater volume growth opportunity seems to be in the North American and certain European markets where there are stronger signs of some recovery in the construction sector.

The principal strategy for 2015 is to maximise ADT machine sales volumes and grow annuity, aftermarket parts revenue in the markets that Bell serves.

Karen van Haght
Group Finance Director

1. GARY BELL (62)
Group Chief Executive
Mechanical Eng Diploma (Natal Technikon)
Appointed as an employee in 1971

2. KAREN VAN HAGHT (48)
Group Finance Director
BCompt (Hons) (UNISA)
CA (SA)
Appointed as an employee in 2000

3. LEON GOOSEN (42)
Chief Operating Officer
Managing Director: Bell Equipment Company SA
BAcc (Stellenbosch)
BCompt (Hons)
CTA (UOFS)
CA (Namibia)
CA (SA)
Appointed as an employee in 2007

4. MARC SCHÜRMANN (46)
Managing Director: Bell Equipment European Operations
BEng (Mech)
Prof Eng (ECSA)
Appointed as an employee in 1994

5. BOKKIE COERTZE (63)
Managing Director: Bell Equipment Sales Africa
Postgraduate – Paper Technology,
(Robert Gordon's – Aberdeen, Scotland)
Appointed as an employee in 1986

6. NEVILLE PAYNTER (50)
Managing Director: Bell Equipment North America
NTC 3 and 4 Aircraft Technology
(Germiston Technical College, Germiston, SA)
Diploma in Business Management
(Damelin Management College, JHB, SA)
Diploma in Business Enterprise Studies
(Institute of Commercial Management, Bournemouth, UK)
Appointed as an employee in 2002

7. AVISHKAR GOORDEEN (35)
Executive: Corporate Development
BCompt (Hons) (UNISA)
CA (SA)
Appointed as an employee in 2006

8. RINO D'ALESSANDRO (51)
Executive: Aftermarket, Logistics and IT
CPIM (APICS)
Senior Diploma (Datametrics) (UNISA)
BSc (UNISA)
Appointed as an employee in 1996

9. PETER BELL (65)
Executive: Engineering
Fitter and Turner
Appointed as an employee in 1969

10. DOMINIC CHINNAPPEN (46)
Executive: Supply Chain
BCom (Hons) (Logistics) (UNISA)
CPIM (APICS)
Appointed as an employee in 1987

11. ALDO MAYER (42)
Executive: Global Manufacturing and Engineering
Mechanical Eng Diploma
BTech Business Management
Appointed as an employee in 1996

12. STEPHEN JONES (44)
Executive: Marketing, Alliances and Dealers
Mechanical Eng Diploma
BTech Business Management
Appointed as an employee in 2006

13. JOHAN VAN WYNGAARDT (46)
Executive: Group Human Resources (Acting)
DMS Dip HRM
BTech Advanced Business Management
Appointed as an employee in 2005

STAKEHOLDER RELATIONS REPORT

INTRODUCTION

Bell Equipment recognises that developing and nurturing positive relationships with major stakeholders is a key driver of the group's reputation and ultimately its business success. Consulting with these individuals and organisations enables the group to enhance its operational profile, to develop its strategy, and to anticipate and deal with any incorrect perceptions and issues that may arise. Bell Equipment is committed to mutually beneficial relationships with stakeholders that build trust and confidence in the company.

Bell Equipment engages with its stakeholders through a variety of means and channels, formal and informal, scheduled and *ad hoc*. The following table details the stakeholders with whom the group engages on a regular basis, how these engagements are undertaken and how the group has dealt with any major issues.

BELL EQUIPMENT LIMITED

	Local/Internal	National	International
Customers	Customers in Mining, Construction, Forestry, Sugar, etc	Customers in Mining, Construction, Forestry, Sugar, etc	Customers in 78 different countries
Media	Community publications	Business Report, Trade publications, Business Day, Financial Mail	Reuters, Africa Report, CNBC, M&G, The Independent, Bloomberg
Local communities and civil society	Local municipalities	Local NGOs, Local schools, Local traditional leaders	Environmentalists
Government and political	Municipalities, Local councillors and MPs, MECs, Industry associations	Political parties, DTI, DPE, Policy makers, SARS	Governments of 78 countries
Investors and Insurers	Directors	BEE Partners, Private investors	Equity investors, PIC, Insurers, Local and international banks, Buy/Sell/Credit analysts, Old Mutual AM
Employees, trade unions and suppliers	Unskilled employees, Suppliers	Suppliers, Skilled employees, Contractors, Trade unions	Distributors, Suppliers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STAKEHOLDER RELATIONS REPORT | CONTINUED

STAKEHOLDER	TYPES OF ENGAGEMENT	INTEREST AND KEY ISSUES	BELL EQUIPMENT'S RESPONSE
Customers	Meetings Conferences Functions Surveys Advertising Site visits Internet Factory visits	Price Service Special solutions/requirements New products Organisational improvements	Close relationships between customers and sales team to identify and deliver correct solutions Leading information technology
Employees	Group newsletters Regular employee forums Open-door policy with all senior management One-on-one meetings with human resources Intranet Road shows Factory safety and environmental meetings	Salaries and employee benefits Individual performance and development Succession planning Health and safety Job security Training Transformation and BBBEE	Regular and committed employee engagement
Financiers and insurers	Group strategy Business risk management Opportunities Prospects Financial results – relevant, timely reporting	Financial measurements such as order book, margins, cash flow and cost management Risk management Exchange rate Protection of capital investments	Active and open relationships with funding institutions
Industry associations: NAAMSA, CONMESA, AEM and Institute of Quarrying	Meetings Conferences	Environmental issues Price of steel Market intelligence Legislative requirements	Analyse market trends Monitor industry movement Gain knowledge on new competitors' activity to market
Local communities and civil society	Company newsletters and advertising Sponsorship and promotion of community events and organisations Support of local charities, partnerships with local schools and other SED projects	Environmental impact Employment Community upliftment	Engagement on shared interests and concerns SED initiatives Environmental custodian/risk manager

STAKEHOLDER	TYPES OF ENGAGEMENT	INTEREST AND KEY ISSUES	BELL EQUIPMENT'S RESPONSE
Public sector (National government, provincial government, municipalities, SARS and other regulatory bodies)	Regular meetings with relevant regulatory authorities Inspections	Environmental issues Use of scarce resources Creation of employment Compliance to relevant standards and legislation BBBEE Transparent disclosure on levels of compliance	Direct engagement with public sector or through bodies such as the Manufacturing Circle, the National Economic Development and Labour Council (NEDLAC), Business Unity South Africa (BUSA), the South African Capital Equipment Export Council (SACEEC), as well as the Steel and Engineering Industries Federation of South Africa (SEIFSA)
Financial and community media	Engagement with media when strategic and newsworthy events occur Financial results Community sponsorship and engagement	Community engagement Financial results Relevant, credible reporting	Engage through formal structures and on request
Shareholders, BBBEE partners and investing community	Company announcements published in the press, on SENS and posted on the group website CEO engages with financial media where appropriate Communication with institutional shareholders and investment analysts: – press announcements; – *ad hoc* meetings on request; and – site visits Executive directors are available to answer queries from shareholders Integrated annual report Website	Financial results Exchange rate Illiquid stock Succession planning Sustainability of the business Strategy including international strategy BBBEE Executive remuneration Market conditions Key growth areas Organisational improvements Pipeline and contract updates	Articulation of the business model and strategy Strategic alignment to identified industries Project 2014 – 2018 Integrated annual report Stakeholder communication via SENS announcements Financial results announced via SENS and printed media
Suppliers	Regular discussions with top management Service level agreements	Group strategy Environmental issues Price Health and safety of contractors	Guaranteed quality standards Cultivating skills throughout the supply chain
Trade unions	Meetings with management and representatives Meetings with employees	Salary adjustments Working conditions Employee benefits	Negotiated annually Regular meetings related to business matters Invited to attend key events hosted by the company

CORPORATE GOVERNANCE REPORT

OVERVIEW

The board of directors takes the ultimate responsibility for the group's adherence to sound corporate governance standards. It is Bell Equipment's intention to ensure that all business judgements at each level of the company are made with reasonable care, skill and diligence.

"Sound corporate governance structures and processes are applied at Bell and are considered by the board to be pivotal in allowing the group to deliver sustainable growth. Simultaneously, it is the board's responsibility to ensure that the group considers the full impact of its business on the social and natural environments within which it operates."

Bell Equipment's board of directors continues to provide effective leadership based on sound, ethical business foundations. The board considers the group's appropriate application of King III as an essential feature of the way the group behaves as a responsible corporate citizen and an integral part of the group's drive to remain a world-class business.

The directors are ultimately responsible for the internal controls of the group. Systems and controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties. Ensuring that the proper monitoring of systems and controls is in place throughout the group is essential to providing assurance to the board regarding their effectiveness.

Greater detail of these systems and controls, including the operation of the group's internal audit function, is provided in the sections of this report which deals with the Audit Committee and Risk and Sustainability Committee.

Accounting policies supported by judgements, estimates and assumptions in compliance with IFRS are applied on the basis that the group will continue as a going concern.

Based on the information and explanations given by management and the internal auditors, the board and the directors are 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. Nothing has come to the attention of the directors to indicate that a breakdown in the functioning of these controls, resulting in material loss to the group, has occurred during the year and up to the date of this report.

The directors have a reasonable expectation that the company and the group will have adequate resources to continue in operation and as a going concern for the foreseeable future.

BOARD MANDATE

The board is responsible for approving the strategic direction of the group and assisting management in achieving its strategic goals. The board is governed by a charter that sets out the framework of its accountability, responsibility and duty to the group.

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 present and future investors in the group, its customers and clients, its business partners, employees and the societies in which it operates.

GOVERNANCE FRAMEWORK	
BOARD OF DIRECTORS	
Independent non-executive directors	
Michael Mun-Gavin	*Independent non-executive Chairman*
Danie Vlok	
John Barton	
Bharti Harie	
Tiisetso Tsukudu	
Non-executive director	
Ashley Bell	
Executive management team	
Gary Bell	*Group Chief Executive*
Leon Goosen	*Chief Operating Officer* *Managing Director: Bell Equipment Company SA*
Karen van Haght	*Group Finance Director*

Chairman	Board leadership and performance, custodian of the corporate governance process
The Board	Corporate governance, strategic planning, setting objectives, monitoring implementation of board plans and strategies
Audit Committee	Provide governance control over financial results, performance of internal and external audit and the group's systems of internal control
Risk and Sustainability Committee	Oversee implementation of an effective policy and plan for risk management and disclosure
Nominations Committee	Ensure appropriate board composition and succession planning
Remuneration Committee	Establish a remuneration policy, monitor executive remuneration and incentivisation
Social, Ethics and Transformation Committee	Monitor group activities on social and economic development, good corporate citizenship, environment, labour and employment

CORPORATE GOVERNANCE REPORT | CONTINUED

BOARD SUB-COMMITTEES	
AUDIT COMMITTEE	
John Barton	*Chairman*
Danie Vlok	*Independent non-executive*
Bharti Harie	*Independent non-executive*
RISK AND SUSTAINABILITY COMMITTEE	
Danie Vlok	*Chairman*
Michael Mun-Gavin	*Independent non-executive*
John Barton	*Independent non-executive*
Leon Goosen	*Executive director*
Karen van Haght	*Executive director*
NOMINATIONS COMMITTEE	
Michael Mun-Gavin	*Chairman*
Danie Vlok	*Independent non-executive*
Tiisetso Tsukudu	*Independent non-executive*
John Barton	*Independent non-executive*
REMUNERATION COMMITTEE	
Danie Vlok	*Chairman*
Michael Mun-Gavin	*Independent non-executive*
Tiisetso Tsukudu	*Independent non-executive*
John Barton	*Independent non-executive*
SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE	
Tiisetso Tsukudu	*Chairman*
Bharti Harie	*Independent non-executive*
Gary Bell	*Group Chief Executive*

EXECUTIVES	
Bokkie Coertze	*MD Bell Equipment Sales Africa*
Marc Schürmann	*MD Bell Equipment European Operations*
Neville Paynter	*MD Bell Equipment North America*
Aldo Mayer	*Executive: Global Manufacturing and Engineering*
Dominic Chinnappen	*Executive: Supply Chain*
Johan Van Wyngaardt	*Executive: Group Human Resources (Acting)*
Rino D'Alessandro	*Executive: Aftermarket, Logistics and IT*
Peter Bell	*Executive: Engineering*
Stephen Jones	*Executive: Marketing, Alliances and Dealers*
Avishkar Goordeen	*Executive: Corporate Development*

BOARD STRUCTURE

The board of directors is a unitary board of nine directors comprising three executive directors and six non-executive directors, of whom five are independent. The Nominations Committee has evaluated the independence of the non-executive directors and concluded that five are independent as defined by King III and the JSE Listings Requirements. The Chairman of the board is an independent non-executive director.

BOARD CHARTER (KEY ROLES AND RESPONSIBILITIES)

The general powers of the board and the directors are conferred in the company's Memorandum of Incorporation. The terms of reference for the board are set out in the board charter which is reviewed on an annual basis. The board charter is remodelled based on the principles recommended by King III and sets out the powers and authority of the board. It also provides a clear and concise overview of the roles and responsibilities of the board members. The revised charter is available on request from the Group Company Secretary.

The powers and responsibilities of the board include:

- 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;
- retaining full and effective control of the group;
- appointing the Chief Executive and ensuring proper succession planning for the senior executive team;
- monitoring and guiding management;
- safeguarding the integrity of corporate governance processes;
- implementing best practice disclosure and reporting practices that facilitate transparent and open communication with key stakeholders throughout the year;
- effecting proper strategic measures for the safeguarding and growth of the group's assets; and
- approving the annual financial statements.

THE ROLE OF THE CHAIRMAN

The role of the Chairman is:

- to provide leadership and firm guidance to the board, while encouraging proper deliberation;
- to lead the board and not the company;
- to be the link between the board and management; and
- to be the main link between the board and shareholders.

A lead independent director will be appointed to assume the responsibilities of the Chairman solely 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.

The non-executive directors are individuals who objectively contribute a wide range of industry skills, knowledge and experience to the board and are not involved in the daily operations of the company. 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 the company's expense, are able to seek independent professional or expert advice on any matters pertaining to the group. The board meets at least once every quarter and five board meetings were held during the year. Details of attendance are in the table on page 38.

CORPORATE GOVERNANCE REPORT | CONTINUED

THE ROLE OF THE CHIEF EXECUTIVE

The role of the Chief Executive, which is determined by the board, is to:

- lead the group and the management team;
- be responsible for the day-to-day operations of the group in order to implement the strategic goals set by the board through the Group Executive Committee, which he chairs; and
- be the group's principal spokesperson.

THE ROLE OF THE GROUP COMPANY SECRETARY

The role of the Group Company Secretary, which is largely determined in Section 88 of the Companies Act, is to:

- guide the board members on their duties and responsibilities;
- provide board members with all necessary information sufficiently ahead of the scheduled board meetings to enable effective discharge of their responsibilities;
- make board members aware of any law and governance best practice that is relevant to the company;
- report to the board any failure by the company or board members to comply with the Memorandum of Incorporation or the Companies Act;
- ensure that all shareholders' meetings, board meetings and sub-committee meetings are properly recorded;
- certify that the company has filed the required returns and notices and that such appear to be true, correct and up to date;
- ensure that a copy of the company's annual financial statements is sent to every person who is entitled to it;
- coordinate a formal induction programme for new board members; and
- oversee the induction of new directors and the ongoing education of current directors.

In compliance with JSE Listings Requirements, the board has performed an annual assessment of the Group Company Secretary, and hereby confirms that:

- the Group Company Secretary has the necessary experience, expertise and competence to carry out its duties; and
- the Group Company Secretary has an appropriate arm's-length relationship with the board and is not a director of the company or any of its subsidiaries.

On 2 March 2015, Highway Corporate Services Proprietary Limited was appointed as Group Company Secretary of the company.

BOARD AND SUB-COMMITTEE EVALUATION

As per King III requirements, the board recognises the merits of regularly evaluating its collective performance. During 2015, the board will again perform a comprehensive evaluation of itself and the sub-committees. During the board evaluation, each director is requested to evaluate the board, the board's committees, the Chairman's performance and the contribution of each director.

Although no significant problems were highlighted in 2013 during the last evaluation process, weaknesses were identified and plans for improvement were discussed and have received attention since then.

The table below indicates the attendance of board members at scheduled board and sub-committee meetings during the period 1 January 2014 to 31 December 2014.

	HELD	MICHAEL MUN-GAVIN	JOHN BARTON	DANIE VLOK	BHARTI HARIE	TIISETSO TSUKUDU	GARY BELL	KAREN VAN HAGHT	LEON GOOSEN
Board	5	5	5	5	5	5	5	5	5
Audit Committee	4	n/a	4	4	4	n/a	n/a	n/a	n/a
Risk and Sustainability Committee	3	3	3	3	n/a	n/a	n/a	3	3
Nominations Committee	3	3	3	3	n/a	3	n/a	n/a	n/a
Remuneration Committee	2	2	2	2	n/a	2	n/a	n/a	n/a
Social, Ethics and Transformation Committee	4	n/a	n/a	n/a	4	4	4	n/a	n/a

In accordance with Bell Equipment's Memorandum of Incorporation, at least one-third of the directors has to retire by rotation each year and may stand for re-election. Details of those directors retiring by rotation and standing for re-election are reflected in the notice of the annual general meeting contained on pages 142 to 146 of this report.

REGULATORY COMPLIANCE

Board members are kept updated of changes to all relevant legislation, including the JSE Listings Requirements. These updates are provided by the company's sponsor, the group's auditors and the Group Company Secretary. During the year under review, the board received regular updates regarding the developments of the Companies Act, JSE Listings Requirements, King III and other governance codes.

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 interests in general annually and specifically at each meeting of the board in accordance with the requirements of the Companies Act.

Directors are compelled to disclose their intended share dealings and obtain written approval from the Chairman and Group Company Secretary, prior to dealing in the shares of the company. The Group Company Secretary, in conjunction with the corporate sponsor, publishes details of the transaction on the JSE's Stock Exchange News Service (SENS). Directors' interests and shareholdings are disclosed on page 57 of this report.

The group observes closed trading periods from the end of the relevant accounting period to the announcement of the interim or year-end results as well as during any period when the company is trading under cautionary announcement. During these periods neither directors nor employees who by virtue of their position have access to unpublished price-sensitive information, may deal, either directly or indirectly, in the shares of the company.

The company has a policy that addresses the acceptance of gifts which requires that permitted gifts be officially declared and registered in the company's gift register.

BOARD SUB-COMMITTEES

The board delegates certain functions to sub-committees, but without abdicating its own responsibilities. Delegation is formal and involves:

- approved and documented terms of reference for each sub-committee, which are reviewed once a year; and
- constituting the sub-committees appropriately with adequate skills.

The Audit Committee, Nominations Committee, Remuneration Committee, Risk and Sustainability Committee, and the Social, Ethics and Transformation Committee are established sub-committees which assist the board in performing its duties. They play an important role in enhancing good corporate governance and improving internal controls, thus assisting in the sustainable performance of the company.

AUDIT COMMITTEE

The Audit Committee has an independent role as a separate statutory committee with accountability to both the board and the group's shareholders. The committee was chaired by independent non-executive director, John Barton, and further comprises two independent non-executive directors. Committee members are assessed in terms of their qualifications, experience and independence in line with their required duties in compliance with corporate best practice and the Companies Act. The committee members are recommended to the board for approval on an annual basis and will be presented for shareholder election at the annual general meeting.

The committee meets at least four times annually, but more often if necessary, and during the reporting period met four times.

The committee has unrestricted access to the external and internal auditors. The Group Company Secretary is the secretary of the committee. The Chairman of the committee represents the Audit Committee at the annual general meeting. The committee's terms of reference tasks the committee with overseeing all factors and risks that may impact on the integrity of the integrated annual report. Interim and annual results are reviewed to ensure that the financial results are valid, accurate and fairly represent the group's performance. The committee assists the board with all financial reporting and reviews the annual financial statements as well as the preliminary announcements and interim financial information. The committee also provides a level of assurance to the board on the sustainability reporting in addition to the financial reporting. It further provides the board with its views on a biannual assessment of the going concern status of the group and company, and regularly reviews the appropriateness of the capital structure. The committee also assesses internal

CORPORATE GOVERNANCE REPORT | CONTINUED

controls governing accounting, auditing and financial reporting. The Audit Committee is responsible for recommending the integrated annual report to the board for approval.

The committee has the responsibility to review and monitor the structure, performance and activities of the Internal Audit function, the external auditors and the adoption of internal control procedures including accounting policies, legislative compliance, regulatory matters and governance. The committee is tasked with the responsibility of nominating the external auditors for appointment, approving the terms of engagement and remuneration for the external audit engagement, and monitoring and reporting on the independence of the external auditors in the annual financial statements. It also sets the criteria for recommending the engagement of the external auditors for non-audit services. It approves the internal audit plan and oversees the internal audit process. The Group Finance Director reports to the Audit Committee on the effectiveness of internal controls.

The committee has representation on the Risk and Sustainability Committee. The committee specifically oversees financial reporting risks, internal financial controls, fraud and IT risks, as they relate to financial reporting.

The Audit Committee has the additional responsibility of advising and updating the board on issues ranging from accounting standards to published financial information. The group's whistle-blowing arrangements are approved and monitored by the committee. Significant findings by the external auditors arising from their annual statutory audit are tabled and presented at an Audit Committee meeting following the audit. The committee endorses action plans for management to mitigate noted concerns. The committee has access to the company's records, facilities, employees and any other resources necessary to discharge its responsibilities effectively.

The committee has considered and is satisfied with the expertise and experience of the Group Finance Director. The committee has considered and is satisfied with the independence of the external auditors and the effectiveness of the group's internal audit function.

The Audit Committee recommended the integrated annual report to the board for approval.

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 good corporate governance is not compromised by the engagement.

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 2014.

Internal audit

Ernst & Young Advisory Services is appointed as Bell Equipment's outsourced Internal Audit service provider. The group's Internal Audit function uses a risk-based methodology. The annual internal audit rotation plan is developed giving due consideration to the risks identified as well as business requirements, and is approved by the Audit Committee. Bell Equipment's Group Executive Committee and the 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.

NOMINATIONS COMMITTEE

In compliance with King III and the JSE Listings Requirements, the Chairman of the board is also the Chairman of the Nominations Committee. The committee consists of the Chairman and three independent non-executive directors. Three meetings were held during the year.

Board succession

The committee takes cognisance of the importance of balancing experience, best practice and the introduction of innovative ideas and concepts that ensure the group remains a leading player in its industry. The committee strives to accomplish this in such a manner as to ensure that there remains an acceptable measure of consistency and continuity in the direction given to the group.

Succession planning

In terms of the company's current shareholding structure, the majority of its shares are held by two primary shareholders, with a longstanding history and legacy.

Succession planning is an essential part of any sustainable corporate strategy and Bell Equipment's board will review the group's succession planning strategy in the year ahead with a view to creating a long-term, sustainable plan which takes into consideration the group's adopted strategy. More information regarding the group's strategy can be found on pages 4 to 5.

Board Nominations

The Nominations Committee will again be conducting an assessment of the independence of its non-executive directors during the coming year to ensure that those directors, who have been classified as such, meet the requirements for independence as set out in King III. The Group Chief Executive and other executive directors are employed on indefinite-term service contracts. Bell Equipment promotes succession planning for all key positions. The plans are reviewed by the Nominations Committee and findings reported to the board at the next meeting.

Appointments to the board of directors

Appointments to the board of directors are proposed by the Nominations Committee, which takes into account the appropriate balance of skills, experience and diversity required to lead, control and best represent the company. There is a policy in place which details the procedures for appointments to the board, which are formal, transparent and a matter for the board as a whole. Such policy ensures a balance of power and authority at board of directors' level to ensure that no one director has unfettered powers of decision-making.

REMUNERATION COMMITTEE

The committee is responsible for ensuring that the group's executive directors and management are rewarded fairly in accordance with their individual contribution to the group's overall performance objectives.

The Chairman of the Remuneration Committee for the year under review was Danie Vlok. The committee consists of the Chairman and three independent non-executive directors. The Group Chief Executive attends all Remuneration Committee meetings by invitation. Two meetings were held during the year.

Remuneration policy

The group operates in a highly competitive market in which key skills and technical know-how are critical to the success of the group. The group seeks to reward employees fairly and in line with the market in similar industries, and in this regard the services of a reputable consulting firm are engaged from time to time to ensure an objective salary structure and equity within the group.

The Remuneration Committee oversees and makes recommendations to the board on matters such as salary increases and employee benefits in consultation with the Group Chief Executive and group management. The group remunerates its executive directors based on reliable benchmarking data and seeks to achieve market-related cost-to-employer packages that are a combination of basic salaries augmented by incentives, provided that the group achieves performance targets. Incentive schemes have been structured to reward performance and to align management's interest with the interests of shareholders and other stakeholders. In determining the salary increases of executives and the payment of incentives, the Remuneration Committee evaluates the performance of each executive against the achievement of predetermined objectives. The performance of the Group Chief Executive is evaluated annually by the Chairman of the Remuneration Committee in order to determine his salary package for the ensuing year.

Likewise, the Group Chief Executive conducts an annual review of the performance of all senior executives.

The remuneration of these executives and other executive directors is detailed in the annual financial statements on pages 135 to 138.

Non-executive directors

Following research into trends in non-executive director remuneration, non-executive directors' fees are proposed by the Remuneration Committee to the board for approval. The King III recommendations on the annual payment of a base or retainer fee to each non-executive director and a fee per meeting attended have been adopted. Additional fees are paid for the attendance of unscheduled meetings.

Non-executive directors do not receive any fees which are related to the performance of the group and do not participate in any share-based payments or incentives.

The proposed non-executive directors' fees are submitted to shareholders for approval at the annual general meeting in line with King III recommendations. Details of the non-executive directors' remuneration for the year under review are set out on page 136.

CORPORATE GOVERNANCE REPORT | CONTINUED

RISK AND SUSTAINABILITY COMMITTEE

This committee's mandate, according to its terms of reference, is to focus on the group's risk management efforts and to give consideration to sustainability issues which relate to the long-term sustainability of the group. The Chairman of the Audit Committee is a member of this committee to ensure that all issues affecting both committees are considered. The committee was chaired by an independent non-executive director, Danie Vlok. The committee further consists of two non-executive directors, all of whom are independent, and two executive directors. Three meetings were held during the reporting period.

The company's non-financial information and performance are guided by international reporting guidelines and transparency codes, such as the Global Reporting Initiative (G3.1), the United Nations Global Compact, the Extractive Industries Transparency Index (EITI), the JSE Social Responsibility Index (SRI) and laws and regulations governing the country of operation. Material sustainability information is managed as a fundamental part of the business against set standards and objectives and reported to the relevant operational committee, and to the board via the Risk and Sustainability Committee. Sustainability performance is reviewed on a regular basis and the necessary corrective actions and measures taken where required. For a more detailed review on risk, refer to pages 46 and 47 of this report.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

The Social, Ethics and Transformation Committee assists the board in ensuring that the group remains a good and responsible corporate citizen, and performs the statutory functions required of a social and ethics committee in terms of the Companies Act, 71 of 2008.

The committee consists of two independent non-executive directors and one executive director. The chairman of this committee was Tiisetso Tsukudu. Four meetings were held during the year.

The responsibilities and functioning of the committee are governed by a formal mandate which is approved and subject to regular review by the board. The committee monitors and evaluates the sustainable development performance of the group, with reference to the following responsibilities:

Policy review

The committee is responsible for developing and reviewing the policies with regard to the commitment, governance and reporting of the group's sustainable development performance and for making recommendations to the board and management in this regard.

Monitoring sustainable development performance

The committee performs a monitoring role in respect of the sustainable development performance of the group, specifically relating to:

- stakeholder engagement;
- health and public safety, which includes occupational health and safety as well as the quality of the group's clinical services;
- broad-based black economic empowerment and transformation;
- labour relations and working conditions;
- training and skills development of employees;
- management of the group's environmental impacts;
- ethics and compliance; and
- corporate social investment.

The committee's monitoring role also includes the monitoring of relevant legislation and prevailing codes of best practice, specifically with regard to matters relating to social and economic development, good corporate citizenship, environmental management, health and safety, consumer relationships, as well as labour and employment practices.

Material sustainability issues

The committee is responsible for annually revising or determining, in conjunction with senior management and through effective stakeholder engagement processes, the group's material sustainability issues.

Public reporting and assurance

The committee is responsible for reviewing and approving the annual sustainability content, as far as they relate to social, ethics and transformation issues, included in the integrated annual report and published on the company's website, as well as making recommendations on external assurance of the group's public reporting on sustainable development performance.

The committee is also required to report on matters within its mandate, through one of its members, to the company's shareholders at its annual general meetings.

As described, the board will assess the effectiveness of the committee regularly, with the first assessment to be conducted during the next evaluation process in 2015.

For a more detailed review on sustainability, refer to pages 49 to 53 of this report.

MANAGEMENT REPORTING

Comprehensive management reporting disciplines are in place. These include the preparation of annual budgets by all operating divisions and group services departments. The group's budget is reviewed by senior management and approved by the board. Monthly results are reported against approved budgets and compared with the Project 2014/2018 objectives. Profit projections and cash flow forecasts are updated regularly, while working capital and cash levels are monitored on an ongoing basis.

INFORMATION TECHNOLOGY (IT) GOVERNANCE AND COMPLIANCE

The board recognises that IT is an integral part of conducting business at Bell, as it is fundamental to the support, sustainability and growth of the organisation. IT serves all aspects, components and processes in the organisation, and is therefore not only an operational enabler for the group, but a strategic business imperative that can be leveraged to create opportunities and gain a competitive advantage. The board is cognisant of the fact that as much as IT is a strategic asset within the group, it also presents the organisation with significant risks. The latter, together with its related costs and constraints, should be well governed and controlled to ensure that it supports the group's strategic objectives. While the responsibility for IT governance ultimately resides with the board, the oversight of this function has been delegated to the IT Steering Committee, which oversees the adequate management of IT governance across the group. A Chief Information Officer (CIO) appointed by the board in terms of the requirements of King III is entrusted with the task of ensuring that the IT infrastructure supports the achievement of the group's operational objectives. The CIO presents a formal IT compliance report to the board (via the Risk and Sustainability Committee) on a quarterly basis and an IT governance management plan to the board annually. The IT governance framework contains an IT risk management process supported by an IT value management process. Funding of the group's IT strategy is managed on a year-to-year basis and provisioned based on risk, returns on previous investments and current affordability. Business continuity and disaster recovery procedures on critical business systems are well established and tested regularly to ensure minimal disruption to the business. The business enjoys high levels of availability of all services. This has been achieved through investment in robust and reliable technologies.

ACCESS TO INFORMATION

Bell Equipment has complied 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.

CORPORATE GOVERNANCE REPORT | CONTINUED

ALTERNATIVE DISPUTE RESOLUTION

As a primary step towards the resolution of disputes, the group seeks to resolve any conflict through constructive dialogue with the relevant parties and only involves external legal advisors, arbitrators and/or mediators to expedite dispute resolution where dialogue does not result in adequate progress toward resolution of disputes.

Bell Equipment endeavours to include dispute resolution procedures in contracts with suppliers, customers and other stakeholders with whom it may contract from time to time.

HUMAN RIGHTS

Bell Equipment's commitment to fundamental human rights, as embodied in the South African Constitution's Bill of Rights, is an essential element of the group's daily operations and is integral to its objective to be an exemplary global corporate citizen. The group's pledge to human rights requires that all employees understand and carry out their responsibilities consistently in compliance with Bell Equipment's code of ethics and values. It is for this reason that Bell Equipment's employees, its dealers and representatives are expected to:

- honour human rights and respect the individual dignity of all persons globally;
- support diversity, equal opportunity and freedom of association and not tolerate unlawful discrimination and harassment in Bell workplaces;
- continually strive to provide safe and healthy workplaces to all employees;
- not use any form of forced or indentured labour or child labour in the production or manufacturing of goods; and
- not discriminate on the basis of race, colour, religion, gender, age, language, culture, national origin, citizenship, sexual orientation or disability.

FRAUD AND ETHICS MANAGEMENT

Corruption and fraud

Bell Equipment has a zero-tolerance stance on fraud and corruption. The group's expectation is that employees, business partners, contractors and associates conduct themselves with the highest level of integrity and in line with the Bell Equipment code of ethics and the fraud policy. A detailed code of ethics commits the group and its employees to the highest standards of ethical and professional behaviour and has the full support of the board of directors and the Group Chief Executive. This code has been effectively communicated to all Bell Equipment's operations worldwide and is applied to all relationships between the group, its directors, management and employees, both amongst themselves and with outside stakeholders, customers, shareholders and society at large.

Bell Equipment's board of directors and management team will not tolerate unethical behaviour and are committed to ensuring that the group and its employees uphold the group's credible reputation. The Bell Equipment code of business conduct, which is supplementary to the code of ethics, is in place to provide guidelines for employees on the expected behaviour in relation to business integrity, prohibition of unethical conduct (such as bribery, fraud and theft), accountability and compliance with legislation, regulations and business controls. The safeguarding of confidential and price sensitive information is also specified in this code, with insider trading being strictly prohibited.

All employees are required to sign and accept both the code of ethics and the code of business conduct to acknowledge responsibility for their corporate fiduciary duty and to declare any conflicts, both upon appointment to Bell Equipment and as part of an annual scheduled certification. Executives and line management are responsible and accountable for the implementation of the fraud policy, the code of ethics and resultant procedures.

The code of ethics forms the foundation of the group's fraud policy which helps to promote a strong and healthy, ethical organisational culture. Both policies are fully compliant with the Prevention and Combating of Corrupt Activities Act of 2004. The company's fraud policy prescribes that all reported allegations be investigated.

WHISTLE-BLOWING TIP-OFFS ANONYMOUS

As part of the efforts to enforce the code of business conduct, the group realises the importance of a facility for the reporting of any unethical or improper actions and to this extent the group has, in conjunction with Tip-Offs Anonymous, established a confidential reporting facility that is available 24 hours a day. All stakeholders are encouraged to use this facility to report unethical or improper behaviour and in this regard, the company made a concerted effort to raise awareness amongst employees at all group operations during the year. In addition, employees are encouraged to anonymously report incidents to line managers, senior executives, or to the Tip-Offs Anonymous facility.

All reports logged during the year were referred to the Risk Department for further investigation. Where required, the appropriate action was taken and necessary control improvements were satisfactorily implemented. More information on this facility is available from the company's official website.

SPONSOR

Rand Merchant Bank (a division of FirstRand Bank Limited) is appointed as the company's corporate sponsor, in compliance with the JSE Listings Requirements.

RISK MANAGEMENT

The group believes that business sustainability, strategy and risk management go hand in hand. An effective and integrated enterprise risk management process is key to business sustainability and effective and efficient strategy setting and deployment. Accordingly, Bell Equipment is committed to managing its business in accordance with sound corporate governance principles, which include an effective and efficient approach to enterprise-wide risk management.

The board is responsible for the governance of risk management within Bell Equipment and has delegated oversight of this to the Risk and Sustainability Committee. The continued focus on the group's risk profile is achieved through the use of a comprehensive group risk management policy and framework. The policy and framework are regularly reviewed and are communicated to employees with decision-making authority.

Management's responsibility in this regard encompasses an ongoing structured and multi-tiered approach to identifying, analysing, assessing, managing and monitoring risks and opportunities on an enterprise-wide basis. This ensures that the individual and joint impact of risks and opportunities in Bell Equipment are considered on a regular basis. Regular interactive risk sessions are held by the Group Executive Committee.

These sessions focus on risk management and strategy, thus ensuring risk management is integrated into strategic planning. Senior managers or "risk champions" periodically carry out self-assessments of the risks impacting the organisation. This process identifies critical strategic, operational, financial and compliance exposures that Bell Equipment may be faced with, as well as opportunities that may be available to the group. The adequacy and effectiveness of control factors at those levels are also regularly tested and reviewed. The assessment methodology takes into account the impact or severity and probability of occurrence and applies a rating based on the quality of control effectiveness, thereby ranking risks and setting priorities.

The identified top risks are elevated to the Group Executive Committee. All identified material risks, their possible implications for the group and management's action plans to mitigate and manage those risks are reported to the Risk and Sustainability Committee. The Group Executive Committee members are in attendance at the Risk and Sustainability Committee meetings to provide the committee with a comprehensive understanding of the risks and proposed mitigation plans. Set out in the table on pages 46 and 47 are the strategic risks that the group is facing.

CORPORATE GOVERNANCE REPORT | CONTINUED

INHERENT RISKS

STRATEGIC RISK	RISK MITIGATION ACTIONS
COMPETITOR RISK	
The risk that Bell Equipment's competitors' actions have a significant negative influence on its business.	▪ Live the Bell Equipment motto of, "Strong reliable machines, Strong reliable support". ▪ Constantly exceed customer expectations through superior, innovative products and aftermarket support. ▪ 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 technologically advanced. ▪ Maintain and enhance relations with all stakeholders, with particular focus on the group's customer base, supported by "the Bell Way" of doing business.
CURRENCY RISK	
The group earns more than 50% of its revenue outside South Africa, has substantial payment flows for imports into South Africa and also has subsidiaries in many countries. These subsidiaries conduct their operations using different currencies. The group is therefore exposed to the following risks relating to significant movements in exchange rates: ▪ Operational currency exposures, due to changes in the value of receipt and payment flows in foreign currencies. ▪ Operational and financial currency exposures, due to changes in the value of trading accounts and loans, especially intra-group accounts, denominated in foreign currencies. ▪ Translational exposures, due to changes in the value of operating income, assets and liabilities in foreign subsidiaries when converted from their functional currencies to SA Rand. The above have a direct impact on the group's trading results, statement of financial position, cash flows and competitiveness.	▪ A group treasury policy is in place and follows the principle of matching import and export cash flows as far as possible. The majority of any remaining net foreign currency receipt and payment flows are covered forward. Foreign subsidiaries do not hedge their intra-group purchases. ▪ The timely application of pricing policies on exports facilitate hedging against movements of major currencies to the SA Rand and other volatile currencies to which the group is exposed. ▪ The size of equity and loans in foreign subsidiaries is monitored to ensure that these are appropriate, considering commercial requirements.
STRATEGIC ALLIANCE PARTNERS AND KEY SUPPLIER RELATIONS RISK	
Being an integrated Original Equipment Manufacturer has resulted in Bell Equipment establishing valuable strategic relations with various strategic alliance partners and suppliers globally. These alliance partners play an integral role within the business not only from a distribution and component supply perspective, but also through the supply of complementary products which expand the group's revenue source beyond its core manufactured products. As with any relationship, there is a risk of breakdown in relations due to the action or inaction of one or both parties.	▪ Continually build/improve Bell Equipment's relationships with strategic alliance partners and suppliers at all levels within the organisation, supporting mutually beneficial objectives. ▪ There is a process of formal and regular communication that ensures that issues which arise are dealt with expediently and at the appropriate levels. ▪ Where possible, goal congruence with strategic alliance partners receives priority. ▪ Periodically assess efficiencies within the group and reposition accordingly. ▪ Develop and implement a corporate development strategy that includes diversification as one of the themes.

INHERENT RISKS (continued)

STRATEGIC RISK	RISK MITIGATION ACTIONS
POLITICAL RISKS IN COUNTRIES IN WHICH THE GROUP OPERATES	
Due to the global nature of Bell Equipment's business and new markets, Bell Equipment is exposed to the varying political landscapes in the regions in which it operates. Therefore it is susceptible to the associated political risks in certain regions in which it operates or plans to operate.	▪ As a responsible corporate citizen that contributes to the wellbeing of the relevant region, Bell Equipment endeavours to cooperate with the local authorities in the regions in which it operates without aligning the group to any particular political organisation. ▪ The group minimises exposure in perceived high-risk countries through effective risk management practices. ▪ Develop business continuity plans catering for all eventualities that the group may be susceptible to in the higher political risk regions it is exposed to.
CYCLICAL NATURE OF THE CONSTRUCTION AND MINING EQUIPMENT INDUSTRY	
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 are required to maintain a competitive advantage. The inherent cyclicality 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 the strategic goals of Bell Equipment is directly dependent on its ability to react to the changes in the business environment.	▪ Perform regular evaluations of the order book and forecasts to ensure the validity thereof. ▪ Secure adequate committed funding lines. ▪ Actively manage working capital and expenses within the group.
REGULATORY RISK	
Being a global company requires Bell Equipment to comply with a myriad of changing regulations applicable to particular geographic locations. Due to the increasingly sophisticated and ever-changing regulatory environment there is an increased risk of non-compliance with applicable regulations.	▪ A group-wide compliance programme has been implemented and product and operational restrictions are assessed on a periodic basis. ▪ Local management is tasked with keeping abreast of regulatory changes within their respective jurisdictions.
HUMAN CAPITAL	
Bell Equipment recognises that human capital is instrumental to its success. Due to the nature of the business, industry and location of the business, scarce skills are a necessity to maintain and develop competitive advantage. These skills are in great demand around the world and Bell Equipment is therefore constantly under threat to retain these scarce skills.	▪ Bell Equipment strives to be the employer of choice within its industry. ▪ Significant training and investment in employees assists in creating an increasing and enhanced skills base. ▪ All employees participate in the group incentive scheme, which is directly linked to the group's strategic objectives. ▪ Implementation of performance management systems.
GLOBAL COMPETITIVENESS	
As a South African-based manufacturer supplying the global market, the increased cost of doing business in South Africa directly impacts Bell Equipment's competitiveness. The power outages and strikes within the mining and metals industries have directly and indirectly contributed to the increased cost of business in South Africa.	▪ Continuously evaluate component country sourcing for suitable price advantages. ▪ Continuously monitor the effect of the cost pressures and strategically evaluate the option of offshore manufacturing where feasible. ▪ Monitor productivity and critically evaluate the case for mechanisation, where possible.

CORPORATE GOVERNANCE REPORT | CONTINUED

GROUP COMPLIANCE PROGRAMME

The board is ultimately responsible for overseeing the group's compliance with relevant laws, rules, codes and standards. The responsibility for the implementation of an effective compliance framework and processes as envisaged by King III has been delegated to management and, in this regard, the Group Company Secretary was the appointed Group Compliance Officer in 2014. This role provides the board with assurance that the group is compliant with applicable laws and regulations. For the 2014 financial year the board is satisfied that the group complied in all material aspects with the principles of King III. More detail regarding the group's compliance assessment is available on the company's website www.bellir.co.za

The Group Compliance Officer's functions include:

- identifying and advising the board and management on new and existing legislation applicable to the group's business;
- developing and implementing a group compliance programme;
- an annual review of the compliance procedure; and
- monitoring the development and implementation of new legislation and reporting quarterly on these matters to the Risk and Sustainability Committee and annually to the board.

Based on the principal laws effective during the year, there were no known material areas of non-compliance within the group. No material fines were incurred, nor were there any prosecutions of group companies or directors and officers for failure to comply with any applicable legislation or the Bell Code of Business Conduct.

NOTE ON THE GROUP'S FINANCIAL REPORTING

For more information on the group's financial strength and sustainability, please refer to the Group Finance Director's report on pages 26 and 27 as well as the annual financial statements from page 60.

As a 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.

SUSTAINABILITY REPORT

OVERVIEW

This sustainability report presents a consolidated view of Bell Equipment's social and environmental performance for the year ended December 2014. The group aims to provide a balanced, understandable and comparable view of its business by giving a frank account of its sustainability activities as well as challenges.

In drawing up this report, Bell Equipment recognises the regulations, guidelines and recommendations of international sustainability best reporting practices, such as King III in South Africa and the Global Reporting Initiative (GRI), considered internationally as the benchmark for sustainability reporting. Bell Equipment acknowledges that the group still has some way to go in aligning reporting processes to the GRI. However, in keeping with the GRI's vision, Bell Equipment will continue to improve non-financial reporting processes over time, based on the principles of accountability and transparency.

The company believes that in order to grow and prosper in years to come, it needs to contribute positively towards the communities it operates in, employees and the macro economy. The group therefore remains dedicated to preserving and investing in the natural environment, to reducing its carbon footprint, and to playing a broader role in the economy and the upliftment of the societies in which it operates. Bell Equipment conducts its business in a sustainable way and pays special attention to fostering the development of its employees, caring for the environment and contributing to social development.

During the year, the Social, Ethics and Transformation Committee continued to oversee the group's non-profit activities, placing a strong emphasis on the responsibility of the group towards the communities in which it operates as well to the development of its employees.

In the interests of the long-term sustainability of the group, the business had to be restructured during 2014 and the workforce was reduced.

Bell Equipment recognises however, that employees have contributed immensely to the growth of Bell Equipment over the last five decades. This significant growth would not have been possible without a committed workforce. A motivated, talented and diverse workforce will remain an integral part of the group's growth strategy in future.

The majority of employees have been with the group for a long period, which attests to progressive employee practices and policies. Hence, the group continues to place a strong emphasis on the upskilling and development of all its employees.

Bell Equipment seeks sustainablity of its human capital through:

- specialised training and education for talent;
- wellness programmes to ensure health and wellbeing;
- implementation of HR policies and procedures;
- ensuring safe working conditions;
- fair remuneration and reward; and
- stimulating career opportunities.

Dedicated divisions at Bell Equipment, such as Human Resources (HR), serve to support the ongoing people focus of all business units. The HR team is mandated to attract, develop and retain talent that can perform in a manner consistent with the group's culture and values.

Bell Equipment is certain that its talented employees will continue to give the group a competitive advantage in growing the organisation and providing its customers with world-class products.

SOUND HUMAN RESOURCE POLICIES AND BEST PRACTICE APPROACH

Policies and practices are developed and monitored at corporate level, with specialists overseeing remuneration, transformation, stakeholder engagement, labour relations and training, while managing people is a designated line function. New employees go through a rigorous induction programme where emphasis is placed on the various policies within the group. The group's intention is to guide staff to ensure that their conduct and actions reflect the group's values and philosophies. Bell Equipment's aim as an employer is to offer stimulating careers and career progression to employees, in line with the strategic mandate of the business to retain key staff and comply with the relevant legislation.

Performance of management and supervisory employees is evaluated against predetermined targets, and performance appraisals determine annual performance-based incentives and career development opportunities. Performance appraisals are done twice a year, during which key performance areas are reviewed, discussed and agreed upon.

SUSTAINABILITY REPORT | CONTINUED

EMPLOYEE RELATIONS

The group continues to work with the relevant representative unions to ensure that the group is sustainable.

As an iconic OEM, Bell Equipment fully supports the promotion of progressive employee relations with these unions. The group continues to enjoy a healthy employee relations climate built on a strong foundation of mutual understanding between employer and employees that has been created over several years. This, in turn, leads to a happy workforce and successful operations.

SKILLS DEVELOPMENT AND TRAINING

Positioning the group as a leading provider of scarce technical skills

Bell Equipment's operating divisions are empowered and encouraged to formulate their training and development according to their specific requirements. At the same time, these training initiatives contribute to upskilling the South African workforce in line with government's stated objectives in this regard.

The group continues to provide in-service training for Industrial and Mechanical Engineering National Diploma students, aligned to the relevant University of Technology requirements, and selects its junior technicians from these groups. The group also runs a graduate programme for BSc Mechanical Engineering graduates on a two-year programme.

Apart from investing in skills training for welders, assemblers and machinists, the group continues to train a large number of apprentices, both to meet the needs of the operations and to provide a superior after-sales service to its customers. As an accredited training service provider for machining, assembly and welding and a decentralised trade test centre for earthmoving mechanics, the group is committed to nurturing and growing scarce and critical skills.

In line with the National Skills Development Strategy, the Department of Higher Education and Training, Umfolozi College and Bell Equipment have entered into a partnership aimed at training unskilled and unemployed youth in various technical fields, to equip them with skills for employment.

Bell Equipment's aim is to position the group as a leading provider of scarce technical skills through its dedicated training and experienced learnership team in order to cater for the continuous demand for scarce skills in South Africa.

BURSARIES

Bell Equipment offers several secondary school and tertiary education bursaries to previously disadvantaged individuals who have shown excellence in academic performance. Tertiary bursaries are awarded for a wide variety of study courses ranging from mechanical engineering to financial management.

LEARNING AND DEVELOPMENT PROGRAMMES

The group has continued to focus on offering its employees training and development programmes, the benefits of which are many and varied. These programmes afford the company the opportunity to offer candidates greater career prospects and our clients greater value for money. During the course of 2014, the group also provided opportunities for individuals to obtain workplace experience.

CODE OF ETHICAL CONDUCT

Bell Equipment is committed to conducting healthy business practices with honesty and integrity that not only ensures a stable employment environment for everyone, but also ensures the continued future success of the group.

In addition to the requirements and obligations of formal governance codes and legal requirements as set out in the King III Report on Corporate Governance Principles and the Companies Act, the group, as a member of Business Leadership South Africa (BLSA), abides by their stated values and code of good corporate citizenship which reinforces the importance of ethics and integrity, encouraging innovation, healthy competition, a safe and healthy work environment, a well-trained workforce, and adherence to legislative and regulatory requirements.

The group recognises that fraud, abuse of power, or the acceptance of bribes is an increasing problem in South Africa. 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 will enable all stakeholders, but most specifically its employees, clients and suppliers, to report anonymously on dishonesty.

This facility involves the professional services of an audit firm and is therefore a totally independent, anonymous ethics line that is managed by the Audit Committee and controlled by the board.

Bell Equipment has a Code of Ethical Conduct which continues to be communicated to staff and strategic suppliers across all business units.

RECOGNITION AND REWARD – LONG SERVICE AWARDS

The loyalty of Bell Equipment employees is recognised annually and celebrated across the group. As a company that understands and appreciates the value of family, employees with 10 years of dedicated service and those with 20, 30 or 40 years' service are joined by their partners at an awards event where the Bell family expresses their sincere gratitude to these long-serving employees, who each play an integral role as members of the larger Bell family.

Approximately two-thirds of Bell Equipment staff work in Richards Bay and management's decision to base its plant outside one of the four major industrial nodes of South Africa contributes to employment and the wellbeing of the local community.

DECENT WORKING CONDITIONS, WELLBEING, HEALTH AND SAFETY

Ensuring decent working conditions, the wellbeing and the health and safety of employees is a way of life at Bell Equipment. Decent work is the availability of employment in conditions of freedom, equity, human security and dignity. During the 2015 financial year, the group will roll out an information campaign to educate employees on the rights of an employee to decent working conditions. As part of the induction process, new employees will be informed on what decent working conditions are and what tools are available to report suspected contravention of these rights within the group.

SUSTAINABILITY REPORT | CONTINUED

Bell Equipment provides a comprehensive range of employee wellness benefits aimed at promoting both physical and psychological health, with the end result being reduced absenteeism rates.

Fundamental to Bell Equipment's business success is the ability to attract and retain quality people, emphasising affirmative action practices to ensure equality. With a temporary workforce of approximately 700, it is key that this workforce has the chance of receiving life-enhancing benefits.

The management of health and safety at Bell Equipment is decentralised and is a function of line management in each operating company. Over and above the strict adherence to the Occupational Health and Safety Act for the permanent employees, the group's temporary workforce is well trained, ensuring that safety becomes a way of life.

Bell Equipment encourages a safety-conscious workforce that adheres to rigorous safety standards through constant education and training, particularly those employed within the blue-collar environment.

In the last quarter of 2014, the group embarked on a right-sizing and restructuring process to align the group's cost structure with market conditions. Bell Equipment recognises that a process such as this affects every team member and their families and that during these tough times employees need additional support. The group has therefore, as part of the Section 189A process in South Africa, made the following assistance available to employees:

- Counselling: a psychologist is available free of charge to affected team members and their families.
- Financial advice: although the company recognises that it is every employee's right to use their own financial advisor to assist with financial planning, a consultant has been made available to assist where required.
- Curriculum vitaes (CVs): the company is providing a service to employees leaving the company to assist them with the compilation of professional CVs.

HIV/AIDS

HIV/Aids remains a major social issue around the world.

Bell Equipment's approach to this pandemic is based on the view that HIV can be managed with appropriate education. The group offers a health and wellbeing programme, which expresses its focus on care and concern for the wellbeing of all employees and provides personalised wellness interventions offered in the form of counselling. Operations host wellness days for employees to raise awareness and education around health issues through a unique, fun and interactive approach which focuses on physical and mental health.

EMPOWERMENT – BBBEE ACCELERATING TRANSFORMATION

The board of Bell Equipment remains committed to BBBEE in South Africa.

The board is identifying effective BBBEE opportunities that not only serve to strengthen its business strategy, but also add value to the business community in which it operates, and through the effective implementation of the new BBBEE codes.

EMPLOYMENT EQUITY

The group formally monitors the employment equity and evaluation policy against targets set.

It is imperative that employment equity opportunities are linked to budget and the long-term business strategy of the group. The attraction and retention of senior employees from the designated groups is a priority.

SOCIAL ECONOMIC DEVELOPMENT

Social Economic Development (SED) is a vital part of Bell Equipment's identity. Bell Equipment has a long history of creating, maintaining and supporting developmental, social and environmental projects which has contributed significantly towards the group drive towards sustainability. Even during tough economic times, the group's philosophy of financial generosity has contributed to the improvement of impoverished facets of South Africa's society. To this end, the group strives to commit approximately 1% of annual profits to sustainable projects.

Bell Equipment's SED projects meet both the requirements of the BBBEE Act and positively impact on the communities in which it operates.

In 2014, Bell Equipment invested R490 000 in secondary schools and tertiary education bursaries to previously disadvantaged individuals who have shown excellence in academic performance.

The group also donated R700 000 to the Tiso Foundation Artisans Development Programme and R50 000 to the Smile Foundation for the medical treatment of children with facial deformities. Beneficiaries of both organisations are previously disadvantaged individuals.

ENVIRONMENTAL

Encourage innovative "green" initiatives group-wide

Implementing a group-wide environmental programme within a decentralised organisation is not without its challenges. However, there is definitely opportunity for innovative product development, particularly relating to technology offerings, enhancing existing procurement methods and introducing a data collation strategy for environmental measurement.

Bell Equipment is at the cutting edge of technology adoption, both introducing key technologies from abroad and developing its own in-house emergent technologies. The world of work is changing fast, and information technologies are increasingly being used to introduce efficiencies in the workforce management process.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The directors of Bell Equipment Limited are responsible for the integrity of the annual financial statements of the group and the company and the objectivity of the other information presented in these statements.

In order to fulfil this responsibility, the group maintains internal accounting and administrative control systems and procedures designed to provide assurance that assets are safeguarded and that transactions are executed and recorded in accordance with the group's policies and procedures.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and examined by independent auditors in conformity with International Standards on Auditing.

The annual financial statements of the group and the company which appear on pages 56 to 138 were approved by the directors on 12 March 2015 and are signed on their behalf by:

MA Mun-Gavin
Group Chairman

GW Bell
Group Chief Executive

CERTIFICATION BY GROUP COMPANY SECRETARY

I certify that Highway Corporate Services Proprietary Limited was appointed as Group Company Secretary of Bell Equipment Limited on 2 March 2015 and that, at the date of this certification, is in the process of updating and lodging with the Companies and Intellectual Property Commission (CIPC) all the returns and notices required of a public company.

Highway Corporate Services Proprietary Limited
Group Company Secretary

12 March 2015

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BELL EQUIPMENT LIMITED

We have audited the consolidated and separate financial statements of Bell Equipment Limited set out on pages 60 to 138, which comprise the statements of financial position as at 31 December 2014, and the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate 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 these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Bell Equipment Limited as at 31 December 2014, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2014, we have read the Directors' Report, the Audit Committee Report and the Certification by the Group Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte . Touche

Deloitte & Touche
Registered Auditors

Per: BJ Botes CA (SA), RA
Partner

12 March 2015

National Executive: *LL Bam *Chief Executive* *AE Swiegers *Chief Operating Officer* *GM Pinnock *Audit* DL Kennedy *Risk Advisory* *NB Kader *Tax* TP Pillay *Consulting* *K Black *Clients & Industries* *JK Mazzocco *Talent & Transformation* *MJ Jarvis *Finance* *M Jordan *Strategy* S Gwala *Managed Services* *TJ Brown *Chairman of the Board* *MJ Comber *Deputy Chairman of the Board*

Regional Leader: *GC Brazier

**Partner and Registered Auditor*

A full list of partners and directors is available on request

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

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South Africa

DIRECTORS' REPORT

The directors submit the annual financial statements for the group and the company together with the reports thereon for the year ended 31 December 2014.

GENERAL REVIEW

The group manufactures and distributes a wide range of materials handling equipment, both locally and internationally, through an extensive wholly-owned network of customer service centres, strategic alliances and independent dealers. Through financing ventures with various financial institutions the group is able to offer financing to facilitate sales in the markets that the group is active in.

The group's principal products are Articulated Dump Trucks, Haulage Tractors, Tractor Loader Backhoes, Front-End Loaders, sugar cane and timber-loading equipment, construction equipment such as Graders, Dozers and Excavators, a complete range of compaction, crushing and screening machinery and related parts and services.

FINANCIAL RESULTS

The results of the group and the company are fully disclosed in the accompanying financial statements and notes thereon and in the Group Finance Director's report, Chief Executive's report and Chairman's statement.

STATED CAPITAL

The company's authorised share capital remains at 100 000 000 ordinary shares of no par value. The stated capital account as at 31 December 2014 comprised 95 146 885 (December 2013: 95 144 385) ordinary shares of no par value.

DIVIDENDS

The directors have not declared a dividend for this financial year (2013: nil).

PROPERTY, PLANT AND EQUIPMENT

The group's accounting policy in respect of property, plant and equipment is recorded in note 2.5 to the annual financial statements.

SHARE OPTION SCHEMES

The company operated one employee share option scheme during the year. Details of this scheme are set out in note 31 to the annual financial statements.

DIRECTORS

The following change in the composition of the board of directors took place:

AJ Bell was appointed as a non-executive director on 12 March 2015.

Details of the current directors and Group Executive Committee of the Bell Equipment group appear on pages 18 and 19 and pages 28 and 29 of this report respectively.

As at the end of the year under review the directors' shareholdings were as follows:

	Direct beneficial		Indirect beneficial		Associates	
Number of shares held	**2014**	2013	**2014**	2013	**2014**	2013
GW Bell	**253 600**	157 100	**8 671 264**	8 671 264	**–**	–
AJ Bell (appointed on 12 March 2015)	**2 598**	2 598	**–**	–	**–**	–
MA Mun-Gavin	**–**	–	**10 000**	10 000	**–**	–
L Goosen	**4 040**	4 040	**–**	–	**–**	–
AR McDuling (resigned on 30 August 2013)	**–**	–	**–**	–	**–**	148

There has been no change in the shareholding of directors as reflected above between the end of the financial year and 12 March 2015.

MAJOR SHAREHOLDERS

The major shareholders in Bell Equipment Limited as at 31 December 2014 were:		**2014**	2013
IA Bell & Company Proprietary Limited	%	**37,55**	37,55
John Deere Construction and Forestry Company	%	**31,53**	31,53

GROUP COMPANY SECRETARY

Particulars, including the business and postal address, of the Group Company Secretary appear on the inside back cover of this report.

SUBSIDIARIES

Details of the company's interest in its subsidiary companies are contained on page 133 of this report. The principal subsidiaries are Bell Equipment Company SA Proprietary Limited and Bell Equipment Sales South Africa Limited, both of which are incorporated in South Africa.

SUBSEQUENT EVENTS

The group has reviewed its cost structures group-wide to ensure alignment with revenue performance. The group's South African operations embarked on a consultation process with organised labour and other relevant stakeholders in terms of Section 189A of the Labour Relations Act. At the date of this report, a total of 124 employees had been awarded voluntary separation packages at a cost of R30,7 million. Similar restructuring processes were followed by all non-South African group operations. Of this, R21,4 million was incurred in the 2014 financial year and was accrued at year-end.

Signed on behalf of the board

MA Mun-Gavin
Group Chairman

GW Bell
Group Chief Executive

12 March 2015

AUDIT COMMITTEE REPORT

BACKGROUND

The committee is pleased to present its report for the financial year ended 31 December 2014 as required in terms of section 94 of the Companies Act of South Africa, 2008 (as amended) (the Act). The committee's operation is guided by a formal detailed Terms of Reference that is in line with the Act and is approved by the board. The committee has discharged all of its responsibilities as contained in the charter. The Audit Committee is constituted as a statutory committee and is appointed at the annual general meeting. It has an independent role with accountability to both the board and shareholders. The board has reviewed and amended membership of the committee to reflect current legislation and recommendations by King III, which dictates that all members of the committee be independent non-executive directors. The board elects the Chairman of the Audit Committee. The committee was chaired by independent non-executive director JR Barton, and further comprises two independent non-executive directors. The board assessed the experience and qualification of the committee members upon their appointment and confirmed that they are sufficiently qualified and experienced in matters such as financial and sustainability reporting, internal financial controls, external and internal audit processes, corporate law, risk management, financial sustainability issues, IT governance as it relates to integrated reporting and governance processes within the group. The board has satisfied itself that all members of the committee act independently in compliance with the Act. The committee members are recommended at the annual general meeting for approval by the shareholders.

OBJECTIVE AND SCOPE

The overall objectives of the committee are to oversee all factors and risks that may impact on the integrity of the integrated annual report.

The committee carried out the following functions during the year:

- reviewed interim and annual results to ensure that the financial results are valid, accurate and fairly represent the group's performance;
- oversaw the activities of internal and external audit;
- performed duties that are attributed to it by the Act, the JSE and King III;
- received and reviewed reports from both internal and external auditors concerning the effectiveness of the internal control environment, systems and processes;
- reviewed the reports of both internal and external auditors detailing their concerns arising out of their audits and requested appropriate responses from management;
- made appropriate recommendations to the board of directors regarding the corrective actions to be taken as a consequence of audit findings;
- considered the independence and objectivity of the external auditors and ensured that the scope of their additional services provided was not such that they could be seen to have impaired their independence;
- considered the effectiveness of internal audit, approved the annual internal audit plan and monitored adherence of internal audit to its annual plan;
- determined the audit fees; and
- nominated the auditors for appointment.

The committee has considered the contents of the financial statements, the group's accounting practices and the internal financial controls of the group and found all of these to be in order.

MEMBERSHIP

During the course of the year, the membership of the committee comprised solely independent non-executive directors.

The members of this committee were as follows:

JR Barton *Chairman*
DJJ Vlok
B Harie

EXTERNAL AUDIT

The committee has satisfied itself through enquiry that the auditor of Bell Equipment Limited is independent as defined by the Act. The committee, in consultation with executive management, agreed to an audit fee for the 2014 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Audit fees are disclosed in note 28 to the financial statements.

There is a formal procedure that governs the process whereby the external auditor is considered for the provision of non-audit services, and such work is reviewed by the committee.

Meetings were held with the auditor where management was not present, and no matters of concern were raised. The committee has reviewed the performance of the external auditors and nominated, for approval at the annual general meeting, Deloitte & Touche as the external auditor for the 2015 financial year.

GROUP FINANCE DIRECTOR'S REVIEW

The committee has reviewed the performance, appropriateness and expertise of the Chief Finance Officer, KJ van Haght, and confirms her suitability for appointment as Group Finance Director in terms of the JSE Listings Requirements.

ANNUAL FINANCIAL STATEMENTS

The Audit Committee has evaluated the integrated annual report for the year ended 31 December 2014 and considers that it complies, in all material aspects, with the requirements of the Act and International Financial Reporting Standards. The committee has therefore recommended the annual financial statements as set out on pages 56 to 138 for approval to the board. The board has subsequently approved the financial statements, which will be open for discussion at the forthcoming annual general meeting.

CONCLUSION

The Audit Committee is of the opinion that the objectives of the committee were met during the year under review. Management undertook to implement appropriate corrective actions to mitigate weaknesses in specific controls where identified.

JR Barton
Chairman of the Audit Committee

12 March 2015

STATEMENTS OF FINANCIAL POSITION as at 31 December 2014

		GROUP		COMPANY	
	Notes	2014 R000	2013 R000	2014 R000	2013 R000
ASSETS					
Non-current assets		**1 011 357**	957 032	**689 740**	642 796
Property, plant and equipment	6	**672 106**	691 631	**–**	–
Intangible assets	7	**203 078**	149 217	**–**	–
Investments	8	**548**	563	**–**	–
Investments in subsidiary companies	9	**–**	–	**689 740**	642 796
Interest-bearing long-term receivables	10	**45 357**	18 297	**–**	–
Deferred taxation	11	**90 268**	97 324	**–**	–
Current assets		**3 483 147**	3 799 301	**1 606**	731
Inventory	12	**2 403 437**	2 784 840	**–**	–
Trade and other receivables	13	**728 638**	851 871	**1 576**	731
Current portion of interest-bearing long-term receivables	10	**42 519**	21 059	**–**	–
Prepayments		**25 346**	22 947	**30**	–
Other financial assets	14	**2 071**	578	**–**	–
Non-current assets held for sale	15	**11 850**	–	**–**	–
Taxation		**10 331**	11 679	**–**	–
Cash resources		**258 955**	106 327	**–**	–
Total assets		**4 494 504**	4 756 333	**691 346**	643 527

STATEMENTS OF FINANCIAL POSITION as at 31 December 2014

		GROUP		COMPANY	
	Notes	2014 R000	2013 R000	2014 R000	2013 R000
EQUITY AND LIABILITIES					
Capital and reserves		2 536 331	2 488 661	599 642	599 300
Stated capital	16	230 567	230 534	230 567	230 534
Non-distributable reserves	17	466 669	485 145	19 414	16 282
Retained earnings		1 831 459	1 766 067	349 661	352 484
Attributable to owners of Bell Equipment Limited		2 528 695	2 481 746	599 642	599 300
Non-controlling interest	18	7 636	6 915	–	–
Non-current liabilities		214 273	247 690	–	–
Interest-bearing liabilities	19	87 161	113 271	–	–
Repurchase obligations and deferred leasing income	20	–	17 871	–	–
Deferred warranty income	21	65 616	52 596	–	–
Lease escalation	22	42 935	40 341	–	–
Provisions	23	1 878	41	–	–
Deferred taxation	11	16 683	23 570	–	–
Current liabilities		1 743 900	2 019 982	91 704	44 227
Trade and other payables	24	1 376 773	1 193 013	923	824
Non-interest-bearing liabilities	25	–	–	90 781	43 403
Current portion of interest-bearing liabilities	19	40 304	52 337	–	–
Current portion of repurchase obligations and deferred leasing income	20	34 980	59 489	–	–
Current portion of deferred warranty income	21	59 079	48 483	–	–
Current portion of lease escalation	22	1 493	868	–	–
Current portion of provisions	23	64 448	58 280	–	–
Other financial liabilities	26	4 404	4 937	–	–
Taxation		28 640	35 301	–	–
Short-term interest-bearing debt	36.2	133 779	567 274	–	–
Total equity and liabilities		4 494 504	4 756 333	691 346	643 527
Number of shares in issue	('000)	95 147	95 144		
Net asset value per share	(cents)	2 666	2 616		

STATEMENTS OF PROFIT OR LOSS for the year ended 31 December 2014

		Notes	GROUP 2014 R000	GROUP 2013 R000	COMPANY 2014 R000	COMPANY 2013 R000
Revenue		27	**6 608 545**	6 319 104	**–**	–
Cost of sales			**(5 067 408)**	(4 890 116)	**–**	–
Gross profit			**1 541 137**	1 428 988	**–**	–
Other operating income			**148 597**	144 847	**2 987**	2 395
Distribution costs			**(1 006 051)**	(883 914)	**–**	–
Administration expenses			**(94 917)**	(85 210)	**(5 810)**	(4 520)
Other operating expenses			**(403 675)**	(264 636)	**–**	–
Profit (loss) from operating activities		28	**185 091**	340 075	**(2 823)**	(2 125)
Interest paid			**(67 722)**	(42 047)	**–**	–
Interest received			**12 904**	7 348	**–**	–
Profit (loss) before taxation			**130 273**	305 376	**(2 823)**	(2 125)
Taxation		29.1	**(63 853)**	(99 623)	**–**	–
Profit (loss) for the year			**66 420**	205 753	**(2 823)**	(2 125)
Profit for the year attributable to:						
– Owners of Bell Equipment Limited			**63 452**	183 007		
– Non-controlling interest			**2 968**	22 746		
Earnings per share						
Basic	(cents)	30.1	**67**	193		
Diluted	(cents)	30.2	**66**	189		

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 31 December 2014

		GROUP		COMPANY	
	Notes	2014 R000	2013 R000	2014 R000	2013 R000
Profit (loss) for the year		66 420	205 753	(2 823)	(2 125)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising during the year		(21 915)	252 300	–	–
Exchange differences on translating foreign operations	17	(5 715)	244 106	–	–
Exchange differences on foreign reserves	17	(711)	8 194	–	–
Reclassification to profit or loss of foreign currency translation reserve on deregistered operations	17	(15 489)	–	–	–
Items that may not be reclassified subsequently to profit or loss:		–	26 304	–	–
Surplus arising on revaluation of properties	17	–	37 616	–	–
Taxation relating to surplus arising on revaluation of properties	17/29.2	–	(11 312)	–	–
Other comprehensive (loss) income for the year, net of taxation		(21 915)	278 604	–	–
Total comprehensive income (loss) for the year		44 505	484 357	(2 823)	(2 125)
Total comprehensive income attributable to:					
– Owners of Bell Equipment Limited		41 537	461 611		
– Non-controlling interest		2 968	22 746		

STATEMENTS OF CHANGES IN EQUITY for the year ended 31 December 2014

	Notes	Attributable to owners of Bell Equipment Limited					
		Stated capital R000	Non-distributable reserves R000	Retained earnings R000	Total R000	Non-controlling interest R000	Total capital and reserves R000
Group							
Balance at 31 December 2012		228 749	197 050	1 596 095	2 021 894	51 665	2 073 559
Total comprehensive income for the year		–	278 604	183 007	461 611	22 746	484 357
Recognition of share-based payments		–	4 704	–	4 704	–	4 704
Share options exercised		1 785	–	–	1 785	–	1 785
Dividends paid		–	–	(37 991)	(37 991)	–	(37 991)
Increase in statutory reserves of foreign subsidiaries	17	–	4 787	(4 787)	–	–	–
Transactions with non-controlling interest	18	–	–	29 743	29 743	(67 496)	(37 753)
Balance at 31 December 2013		**230 534**	**485 145**	**1 766 067**	**2 481 746**	**6 915**	**2 488 661**
Total comprehensive income for the year		**–**	**(21 915)**	**63 452**	**41 537**	**2 968**	**44 505**
Recognition of share-based payments		**–**	**3 132**	**–**	**3 132**	**–**	**3 132**
Share options exercised		**33**	**–**	**–**	**33**	**–**	**33**
Increase in statutory reserves of foreign subsidiaries	17	**–**	**307**	**(307)**	**–**	**–**	**–**
Transactions with non-controlling interest	18	**–**	**–**	**2 247**	**2 247**	**(2 247)**	**–**
Balance at 31 December 2014		**230 567**	**466 669**	**1 831 459**	**2 528 695**	**7 636**	**2 536 331**
Company							
Balance at 31 December 2012		228 749	11 578	392 600	632 927	–	632 927
Total comprehensive loss for the year		–	–	(2 125)	(2 125)	–	(2 125)
Recognition of share-based payments		–	4 704	–	4 704	–	4 704
Share options exercised		1 785	–	–	1 785	–	1 785
Dividends paid		–	–	(37 991)	(37 991)	–	(37 991)
Balance at 31 December 2013		**230 534**	**16 282**	**352 484**	**599 300**	**–**	**599 300**
Total comprehensive loss for the year		**–**	**–**	**(2 823)**	**(2 823)**	**–**	**(2 823)**
Recognition of share-based payments		**–**	**3 132**	**–**	**3 132**	**–**	**3 132**
Share options exercised		**33**	**–**	**–**	**33**	**–**	**33**
Balance at 31 December 2014		**230 567**	**19 414**	**349 661**	**599 642**	**–**	**599 642**

STATEMENTS OF CASH FLOWS for the year ended 31 December 2014

	Notes	GROUP 2014 R000	GROUP 2013 R000	COMPANY 2014 R000	COMPANY 2013 R000
CASH FLOW FROM OPERATING ACTIVITIES					
Cash generated from (utilised in) operations	A	939 577	(9 557)	(3 599)	755
Interest paid		(67 722)	(42 047)	–	–
Interest received		12 904	7 348	–	–
Taxation paid	B	(77 043)	(90 925)	–	–
Net cash generated from (utilised in) operating activities		807 716	(135 181)	(3 599)	755
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of additional property, plant and equipment and intangible assets		(139 810)	(204 215)	–	–
Purchase of replacement property, plant and equipment and intangible assets		(17 938)	(51 665)	–	–
Proceeds on disposal of property, plant and equipment and intangible assets		3 702	30 821	–	–
Increase in interest-bearing long-term receivables		(29 554)	(11 486)	–	–
Increase in investments		–	(563)	–	–
Net cash utilised in investing activities		(183 600)	(237 108)	–	–
CASH FLOW FROM FINANCING ACTIVITIES					
Increase in investment in subsidiary company		–	–	(43 812)	–
Non-interest-bearing liabilities raised		–	–	47 378	35 451
Interest-bearing liabilities raised	C	14 822	51 755	–	–
Interest-bearing liabilities repaid	C	(52 848)	(121 961)	–	–
Proceeds from share options exercised		33	1 785	33	1 785
Dividends paid		–	(37 991)	–	(37 991)
Payment of non-controlling interest put liability		–	(37 753)	–	–
Net cash (utilised in) generated from financing activities		(37 993)	(144 165)	3 599	(755)
Net increase (decrease) in cash for the year		586 123	(516 454)	–	–
Net (short-term interest-bearing debt) cash at beginning of the year		(460 947)	55 507	–	–
Net cash (short-term interest-bearing debt) at end of the year	D	125 176	(460 947)	–	–

NOTES TO THE STATEMENTS OF CASH FLOWS for the year ended 31 December 2014

	GROUP		COMPANY	
	2014 R000	2013 R000	2014 R000	2013 R000
A. CASH GENERATED FROM (UTILISED IN) OPERATIONS				
Profit (loss) from operating activities	185 091	340 075	(2 823)	(2 125)
Adjustments for:				
Depreciation	114 881	107 839	–	–
Amortisation of intangible assets	25 280	19 604	–	–
Increase in provision for doubtful debts	69 887	–	–	–
Increase in warranty provision	6 814	8 060	–	–
Increase in provision for credit risk	1 782	–	–	–
(Decrease) increase in provision for residual value risk	(788)	1 458	–	–
Increase in lease escalation	3 219	5 124	–	–
(Gain) loss arising on financial assets at fair value through profit or loss	(1 493)	2 635	–	–
(Gain) loss arising on financial liabilities at fair value through profit or loss	(533)	3 502	–	–
Expense recognised in respect of equity-settled share-based payments	3 132	4 704	–	–
Net surplus on disposal of property, plant and equipment and intangible assets	(1 485)	(998)	–	–
Foreign currency translation reserve on deregistered operations reclassified to profit or loss	(15 489)	–	–	–
Exchange differences on translation of foreign subsidiaries	(3 415)	221 123	–	–
Increase (decrease) in deferred warranty income	23 616	(399)	–	–
Decrease in repurchase obligations and deferred leasing income	(42 380)	(27 804)	–	–
Cash generated from (utilised in) operations before working capital changes	368 119	684 923	(2 823)	(2 125)
Decrease (increase) in inventory	381 403	(967 081)	–	–
Decrease (increase) in trade and other receivables and prepayments	50 947	(205 753)	(875)	2 826
Increase in trade and other payables	183 760	454 568	99	54
(Increase) decrease in trade receivables recoverable beyond 12 months	(18 966)	23 786	–	–
Increase in rental assets	(25 686)	–	–	–
Total cash generated from (utilised in) operations	939 577	(9 557)	(3 599)	755

NOTES TO THE STATEMENTS OF CASH FLOWS for the year ended 31 December 2014

		GROUP		COMPANY	
		2014 R000	2013 R000	2014 R000	2013 R000
B.	**TAXATION PAID**				
	Net taxation owing at beginning of the year	(23 622)	(12 709)	–	–
	Taxation charge for the year:				
	South African normal taxation	(17 423)	(28 027)	–	–
	Foreign taxation	(41 842)	(58 654)	–	–
	Withholding taxation	(3 927)	(3 642)	–	–
	Wealth taxation	(3 815)	(3 318)	–	–
	Translation differences	(4 723)	(8 197)	–	–
	Net taxation owing at end of the year	18 309	23 622	–	–
	Total taxation paid	(77 043)	(90 925)	–	–
C.	**INTEREST-BEARING LIABILITIES**				
	Long-term portion of interest-bearing liabilities at beginning of the year	113 271	118 181	–	–
	Add: current portion at beginning of the year	52 337	116 670	–	–
	Total interest-bearing liabilities at beginning of the year	165 608	234 851	–	–
	Translation differences	(117)	963	–	–
	Interest-bearing liabilities raised	14 822	51 755	–	–
	Interest-bearing liabilities repaid	(52 848)	(121 961)	–	–
	Total interest-bearing liabilities at end of the year	127 465	165 608	–	–
	Less: current portion at end of the year	(40 304)	(52 337)	–	–
	Long-term portion of interest-bearing liabilities at end of the year	87 161	113 271	–	–
D.	**NET CASH (SHORT-TERM INTEREST-BEARING DEBT)**				
	Short-term interest-bearing debt	(133 779)	(567 274)	–	–
	Cash resources	258 955	106 327	–	–
	Net cash (short-term interest-bearing debt) at end of the year	125 176	(460 947)	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

1. GENERAL INFORMATION

Bell Equipment Limited (the company) is a public company incorporated in South Africa. The addresses of its registered office and principal place of business are disclosed on the inside back cover of the integrated annual report. The principal activities of the company and its subsidiaries (the group) are described in the directors' report under the heading general review.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and in accordance with the requirements of the Companies Act in South Africa.

Basis of accounting

The financial statements have been prepared on the historical cost basis, except for the revaluation of properties and financial instruments. The accounting policies are consistent with those applied to the previous year, except for the adoption of new and amended standards and interpretations per note 3 and the change in functional currencies as described below.

In the current period the functional currency of the group's operation in Zambia changed from Zambian Kwacha to United States Dollar (US Dollar) and the functional currency of the group's operation in Russia changed from Russian Rouble to Euro. These operations' primary economic environments are significantly influenced by the US Dollar (in Zambia) and the Euro (in Russia). A significant portion of sales and the cost of goods and services in these operations have been indexed against the US Dollar and Euro respectively.

The consolidated financial statements are presented in South African Rand, which is the company's functional and presentation currency, rounded to the nearest thousand.

The significant accounting policies adopted are set out below and apply to both group and separate financial statements:

2.2 Basis of consolidation

The group annual financial statements incorporate the financial position and results of the company and of its subsidiaries. The results of subsidiaries are included from the dates the company obtains control and ceases when the company loses control of the subsidiary.

Control is achieved when the company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

2.2 Basis of consolidation (continued)

Changes in the group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under *IAS 39 Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

2.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of acquisition) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

(i) deferred taxation assets or liabilities, and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with *IAS 12 Income Taxes* and *IAS 19 Employee Benefits* respectively;

(ii) liabilities or equity instruments related to the replacement by the group of an acquiree's share-based payment awards are measured in accordance with *IFRS 2 Share-based Payments;* and

(iii) assets (or disposal groups) that are classified as held for sale in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. The interests of non-controlling shareholders are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When the consideration transferred by the group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Business combinations (continued)

Where a business combination is achieved in stages, the group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest was disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the group obtains complete information about facts and circumstances that existed as at the acquisition date and is subject to a maximum of one year.

2.4 Goodwill

Goodwill arising on acquisition of a business is carried at cost as established at the date of acquisition of the business, less accumulated impairment losses, if any.

Goodwill is not amortised but reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit *pro rata* on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.5 Property, plant and equipment

Freehold land is not depreciated and is stated at revalued amount with subsequent additions at cost, less any subsequent accumulated impairment losses. Freehold buildings are stated at revalued amount, with subsequent additions at cost less subsequent accumulated depreciation and any subsequent accumulated impairment losses. Other assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Revaluations, on the fair value in continuation of existing use basis, are undertaken every three years. Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or disposal of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. Depreciation on revalued buildings is recognised in profit or loss.

Depreciation of assets commences when the asset is available for use and is expensed in the statement of profit or loss.

The depreciable values of leasehold buildings are depreciated over the shorter of their expected useful lives and the period of the lease. Rental assets are stated at cost less accumulated depreciation. Rental assets under short-term rentals are depreciated based on the hours utilised while on rental. For rental assets under buy-back agreements, refer to note 2.19.

Depreciation on other assets is provided on a straight-line basis over the anticipated useful lives of the assets, taking residual values into account. Depreciation ceases on an asset only when the asset is derecognised or when it is classified as held for sale.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

2.5 Property, plant and equipment (continued)

The annual rates of depreciation currently used are:

Freehold buildings	2% to 3,33%
Leasehold buildings	5% to 10%
Plant and equipment	10% to 33%
Aircraft	10% to 12,5%
Vehicles	20%

Useful lives and residual values are reviewed annually, with the effect of any change in accounting estimate accounted for on a prospective basis.

2.6 Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives acquired separately relate to capitalised software and are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives.

The estimated useful lives and amortisation methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The annual rates of amortisation currently used are 10% to 20%.

Internally generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately. The amortisation expense is included in other operating expenses.

The useful lives currently vary from 2 to 10 years.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Impairment of tangible and intangible assets excluding goodwill

At the end of the reporting period, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease through other comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase in other comprehensive income.

2.8 Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the lessee.

Operating leases are those leases which do not fall within the scope of the above definition.

The group as lessee

Assets classified as finance lease agreements are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Assets held under finance leases are depreciated on the straight-line basis over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are charged to profit or loss when incurred, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's policy on borrowing costs (see note 2.21).

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

The group as lessor

The sale of goods under a finance lease is recognised as revenue where substantially all the risks and rewards associated with ownership are transferred to the buyer. In assessing the transfer of risks and rewards associated with ownership, the group considers the probability of return of the equipment by the customer. Consideration is given to the terms of the agreement and other relevant factors that will impact returns such as customer behaviour, product type, past practice and history of returns, current and anticipated market conditions and whether the present value of the minimum lease payments amounts to substantially all of the fair value of the equipment. Refer to note 2.16 for the group's accounting policy on revenue recognition.

Amounts due from customers under finance leases are recognised as interest-bearing long-term receivables at the amount of the group's net investment in the leases (refer to note 10). Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases. Where the group has discounted finance lease receivables, the group derecognises the receivable when it transfers substantially all the risks and rewards of ownership of the asset. See note 2.10 for the group's accounting policy on the derecognition of financial assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

2.8 Leases (continued)

The group as lessor (continued)

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Refer to note 2.19 for operating leases combined with buy-back agreements.

In instances where the rental income streams from operating leases have been discounted to financial institutions with recourse to the group, the group recognises a liability on the statement of financial position (see note 19).

2.9 Financial guarantee contracts

Financial guarantee contracts are those contracts that require the group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of the debt instrument.

The group regards financial guarantee contracts as insurance contracts and uses accounting applicable to insurance contracts.

Details regarding financial guarantees issued are disclosed under contingent liabilities in note 32.

2.10 Financial instruments

Financial assets and financial liabilities are recognised on the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument.

2.10.1 Financial assets

Financial assets carried on the statement of financial position are classified into the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables; and
- available for sale financial assets.

The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Financial assets carried on the statement of financial position include cash and bank balances, investments, interest-bearing long-term receivables, trade and other receivables.

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss. Financial assets are classified as held for trading when they are held with the intention of short-term disposal, or are derivatives. A financial asset may also be designated as at fair value through profit or loss upon initial recognition if such designation eliminates or significantly reduces accounting mismatch that would otherwise arise; or if the asset forms part of a group of financial assets or financial liabilities which is managed or its performance evaluated on a fair value basis; or if it forms part of a contract containing one or more embedded derivatives.

Derivative financial assets, principally forward foreign exchange contracts, are used by the group in its management of financial risks.

These contracts are held for trading at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include interest-bearing long-term receivables, trade and other receivables and cash resources.

Interest-bearing long-term receivables are recognised at amortised cost, less provision for impairment.

Trade and other receivables are recognised at amortised cost, less provision for impairment.

Cash resources comprise cash on hand and deposits held on call with banks and are subject to an insignificant risk of changes in value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

2.10.1 Financial assets (continued)

Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available for sale financial assets include the group's investment in unlisted shares that are not traded in an active market. This unquoted equity investment is measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on available for sale financial assets are recognised in profit or loss when the group's right to receive the dividends is established.

Impairment of financial assets

Financial assets other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and receivables under the WesBank financing venture, where the carrying amount is reduced through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable, and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity, is recognised in profit or loss. On derecognition of a financial asset other than in its entirety, the group allocates the previous carrying amount between the part it continues to recognise under continuing involvement and the part it no longer recognises on the basis of the relative fair values on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received and any accumulated gain or loss in other comprehensive income that had been allocated to it, is recognised in profit or loss.

2.10.2 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities are classified as held for trading when they are held with the intention of short-term disposal, or are derivatives. A financial liability may also be designated as at fair value through profit or loss upon initial recognition if such designation eliminates or significantly reduces accounting mismatch that would otherwise arise; or if the liability forms part of a group of financial assets or financial liabilities which is managed or its performance evaluated on a fair value basis; or if it forms part of a contract containing one or more embedded derivatives.

Derivative financial liabilities, principally forward foreign exchange contracts, are used by the group in its management of financial risks. These contracts are held for trading at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

2.10 Financial instruments (continued)

2.10.2 Financial liabilities (continued)

Other financial liabilities

Other financial liabilities include short-term interest-bearing debt, trade and other payables and interest-bearing liabilities.

Short-term interest-bearing debt comprises bank overdrafts and borrowings on call which are measured at amortised cost.

Non-interest-bearing liabilities are measured at cost.

Trade and other payables are recognised at amortised cost.

Interest-bearing liabilities are measured at amortised cost, using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

Derecognition of financial liabilities

The group derecognises financial liabilities when the group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset where the group has a legal and enforceable right to set off the recognised amounts and it intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.11 Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is generally determined on the following bases:

Merchandise spares, components and raw materials are valued on the weighted average cost basis. Finished goods purchased from third parties, manufactured finished goods, work-in-progress and components used in the manufacturing process are stated on a standard cost basis which approximates actual. Finished goods, work-in-progress and manufactured components include the cost of direct materials, and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Redundant and slow-moving inventory is identified and written down with regard to their estimated economic or realisable values.

Net realisable value represents the estimated selling price, less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.12 Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee benefits reserve in equity.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Taxation

The taxation expense represents the sum of the taxation currently payable and deferred taxation.

Current taxation

The taxation currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current taxation is calculated using taxation rates that have been enacted or substantively enacted by the end of the reporting period.

Current taxation is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current taxation is also recognised in other comprehensive income or directly in equity.

Deferred taxation

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxation bases used in the computation of taxable profit. Deferred taxation liabilities are generally recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred taxation assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred taxation liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred taxation assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and that they are expected to reverse in the foreseeable future.

The carrying amount of deferred taxation assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the taxation rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred taxation is charged or credited to profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred taxation is also recognised in other comprehensive income or directly in equity.

The measurement of deferred taxation liabilities and assets reflects the taxation consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current taxation assets and liabilities on a net basis.

2.14 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in South African Rand, which is the company's functional and presentation currency.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

2.14 Foreign currency translation (continued)

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Forward foreign exchange contracts are separately valued at equivalent forward rates ruling at the reporting date.

Gains and losses arising on translation of foreign currency transactions are dealt with in profit or loss. Gains and losses arising on inventory purchases are classified as cost of sales.

Foreign subsidiary translation

The results and financial position of all group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position are translated at the exchange rates prevailing at the end of the reporting period;
- income and expenses for each income statement are translated at average exchange rates for the period; and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in equity in the group's foreign currency translation reserve.

Such translation differences are reclassified to profit or loss in the period in which the foreign operation is disposed of.

2.15 Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for any customer rebates, trade discounts and other similar allowances. Revenue comprises the invoiced value of sales, service income and rentals received.

Sales to group companies are invoiced at cost plus a mark-up and are reversed on consolidation.

2.16 Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer, the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably, it is probable that economic benefits will flow to the group and the group does not retain either continuing managerial involvement to the degree usually associated with ownership or effective control over the goods.

Transactions with buy-back agreements

Where the sale of goods is combined with a buy-back agreement, the group is obliged to repurchase the equipment from the customer at a future date at a predetermined price if the customer opts to return the goods. At inception, the group assesses the probability of return and whether significant risks and rewards have transferred to the customer. In assessing the probability of return, consideration is given to the terms of the agreement and other relevant factors that will impact returns such as customer behaviour, product type, past practice and history of returns, current and anticipated market conditions.

If probability of return is assessed as remote and the revenue recognition criteria for the sale of goods (as set out above) are met, the transaction is recognised as a sale and the group's repurchase commitment is disclosed as a contingent liability (see note 32.2).

Refer to note 2.18 for subsequent treatment of the group's exposure to residual value risk.

Where the probability of return has been assessed as not remote or where significant risks and rewards of ownership have been retained by the group, the transaction is treated as an operating lease. Refer to note 2.19 for the accounting treatment of these transactions.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Revenue recognition (continued)

Sale of goods (continued)

Transactions with residual value guarantees

Where the sale of goods is combined with the group guaranteeing a predetermined residual value for the equipment at the time of the sale, revenue is recognised upfront where significant risks and rewards of ownership have transferred to the buyer and the group's exposure to residual value risk is assessed as insignificant in relation to the selling price. The residual value guarantee is disclosed as a contingent liability in note 32.3. Refer to note 2.18 for subsequent treatment of the group's exposure to residual value risk.

Where the group's exposure to residual value risk has been assessed as significant in relation to the selling price or significant risks and rewards of ownership have been retained by the group, the transaction is treated as an operating lease. Refer to note 2.19 for the accounting treatment of these transactions.

Transactions financed through financial institutions where the group carries some or all of the credit risk

Where the sale of goods to customers has been financed through financial institutions where the group has a credit risk undertaking with that financial institution for some or all of the credit risk, revenue is recognised upfront if significant risks and rewards of ownership have transferred to the buyer.

The group's exposure to credit risk is accounted for under financial guarantee contracts (see note 2.9) and disclosed as a contingent liability in note 32.1. Where customers are in arrears with the financial institutions and there is a shortfall between the estimated realisation values of the 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 to the extent of the group's liability towards the financial institution.

For transactions that have been financed through the WesBank financing venture (refer note 40), where the group carries all the credit risk, the group is required to pay cash collateral to WesBank which is accounted for as interest-bearing long-term receivables (refer note 10). A provision for non-recovery is raised against this cash investment to the extent that there is a shortfall between the estimated realisation values of the equipment and the balances due by the customers to WesBank. See note 2.10 for the group's accounting policy on interest-bearing long-term receivables.

Transactions with lease agreements

Where goods are sold as part of a lease arrangement, the group recognises revenue upfront if significant risks and rewards of ownership have transferred to the buyer. The group uses the guidance in *IAS 17 Leases* with regard to classification of a lease as either a finance lease or an operating lease. Refer to note 2.8 for the group's accounting policy on leases.

Rendering of services

Revenue from services is recognised when the services have been rendered.

Dividend and interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the group's right to receive payment has been established.

Deferred warranty income

At inception, the proceeds from the sale of extended warranty contracts are recognised as a deferred warranty income liability in the statement of financial position. Subsequent to initial recognition, where sufficient information is available, revenue from these contracts is recognised as other income in profit or loss over the period of the contracts based on the average historical gross margin earned.

Where insufficient information is available to reliably measure the expected costs of extended warranty contracts, revenue is not recognised until expiry of the contract.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

2.17 Retirement benefit costs

Payments to defined contribution retirement plans are charged as an expense when employees have rendered services in respect of which contributions are payable. Payments made to state-managed retirement contribution schemes are charged as an expense when employees have rendered services in respect of which contributions are payable.

2.18 Provisions

A provision is recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

Onerous contracts
Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the group has a contract where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Warranties
Provisions for warranty costs are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the group's obligation.

Where some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provision for residual value risk
Transactions with buy-back agreements
For sales transactions combined with buy-back obligations where the revenue was recognised upfront on the transaction (refer note 2.16), a provision for residual value risk is recognised subsequent to initial recognition of the sale to the extent that the market value of the equipment is assessed as less than the cost of meeting the buy-back obligation. The provision represents the discounted value of the group's liability.

For transactions combined with buy-back obligations where the revenue was not recognised upfront on the transaction as the probability of return of the equipment by the customer at the end of the buy-back period has been assessed as not remote, the residual value risks are pertaining to products reported as rental assets on the statement of financial position and these risks are reflected as an impairment of the carrying value of the rental assets. Refer to note 2.19 for the accounting treatment of these transactions.

Transactions with residual value guarantees
Where the group has guaranteed the residual value of equipment sold to financial institutions or customers, a provision for residual value risk is raised to the extent that there is a shortfall between the assessed market value of the equipment and the residual value guaranteed by the group. The provision represents the discounted value of the group's liability. The group's net exposure to residual value risks are disclosed under contingent liabilities in note 32.3. Revenue was recognised upfront on the transaction as risks and rewards of ownership have transferred to the buyer and the group's exposure to residual value risk has been assessed as insignificant in relation to the selling price (refer note 2.16).

At the time of the sale, a residual value estimate is made by the financial institution, which is lower than the group's guaranteed amount. The group's exposure is limited to the difference between the group's guaranteed amount and the financial institution's predetermined estimate. If at the end of the contract period, the equipment achieves a market price that is higher than the group's guaranteed amount, the group shares in the profit and this is accounted for as other income in profit or loss. If the equipment achieves a market price that is within the range between the group's guaranteed amount and the financial institution's predetermined estimate, the group reimburses the financial institution for the difference between the group's guaranteed amount and the financial institution's predetermined estimate and accounts for the loss as distribution expenses in profit or loss. The group's net exposure with regards to these transactions is disclosed in note 32.3.

Where the group has paid cash collateral as security for the residual value risk or where the financial institution retains a portion of the sales proceeds as collateral, this cash collateral is recognised in the statement of financial position as retention deposits under interest-bearing long-term receivables (refer note 10) and is accounted for as a financial asset. The financial asset is impaired where there is a shortfall between the assessed market value of the equipment and the residual value guaranteed by the group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Repurchase obligations and deferred leasing income

Repurchase obligations relate to transactions combined with buy-back obligations where the revenue was not recognised upfront on the transaction as the probability of return of the equipment by the customer at the end of the buy-back period has been assessed as not remote. The full amount of the selling price is received upfront from the customer.

At inception the equipment is reclassified from inventory to property, plant and equipment as part of rental assets. Refer to note 6.

The equipment is depreciated to the buy-back amount on a straight-line basis over the contract period. The equipment is assessed annually for impairment. The carrying amount is impaired where the anticipated market value of the equipment is assessed as less than the carrying amount.

At inception the repurchase obligation is recognised as the present value of the buy-back obligation. Refer to note 20.

Subsequent to initial recognition the present value of the repurchase obligation is increased to the full amount over the contract period and this difference is recognised as interest paid in profit or loss.

The difference between the proceeds received on the transaction and the present value of the buy-back obligation at inception is recognised as a deferred leasing income liability. Refer to note 20. Subsequent to initial recognition, the deferred leasing income is recognised in profit or loss as rental revenue on a straight-line basis over the contract period. An interest cost is recognised in profit or loss on the deferred leasing income liability based on a market related interest rate.

At the end of the buy-back period, if the customer returns the equipment, the equipment is reclassified back into inventory from property, plant and equipment and the repurchase obligation is settled in cash. If the customer does not return the equipment, the equipment and repurchase obligation are derecognised upon expiry.

2.20 Segmental information

The operating segments of the group have been identified on the basis of internal reports about components of the group that are regularly reviewed by the group's Chief Executive in order to allocate resources to the segments and to assess their performance.

2.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.22 Government grants

Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

3. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year the group has adopted all of the new and amended standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2014.

3.1 Standards and interpretations adopted with no significant effect on the financial statements

The following new and amended standards and interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts or disclosures reported in the financial statements:

New

IFRIC 21 – Levies

Amended

IFRS 1 – First-time Adoption of International Financial Reporting Standards: Amendments resulting from annual improvements 2011 – 2013 cycle (meaning of effective IFRSs)
IFRS 10 – Consolidated Financial Statements: Amendments for investment entities
IFRS 12 – Disclosure of Interests in Other Entities: Amendments for investment entities
IAS 27 – Separate Financial Statements: Amendments for investment entities
IAS 32 – Financial Instruments Presentation: Amendments relating to the offsetting of financial assets and financial liabilities
IAS 36 – Impairment of Assets: Amendments arising from recoverable amount disclosures for non-financial assets
IAS 39 – Financial Instruments Recognition and Measurement: Amendments for novations of derivatives

3.2 Standards in issue not yet adopted

At the date of authorisation of these financial statements, the following new and amended standards were in issue, but not yet effective:

		Effective date for annual periods beginning on or after:
New		
IFRS 9	– Financial Instruments (2014)	1 January 2018
IFRS 14	– Regulatory Deferral Accounts	1 January 2016
IFRS 15	– Revenue from Contracts with Customers	1 January 2017
Amended		
IFRS 2	– Share-based Payment: Amendments resulting from annual improvements 2010 – 2012 cycle (definition of 'vesting condition')	1 July 2014
IFRS 3	– Business Combinations: Amendments resulting from annual improvements 2010 – 2012 cycle (accounting for contingent consideration)	1 July 2014
IFRS 3	– Business Combinations: Amendments resulting from annual improvements 2011 – 2013 cycle (scope exception for joint ventures)	1 July 2014
IFRS 5	– Non-current Assets Held for Sale and Discontinued Operations: Amendments resulting from September 2014 annual improvements to IFRSs	1 January 2016
IFRS 7	– Financial Instruments Disclosures: Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	Applies when IFRS 9 applies
IFRS 7	– Financial Instruments Disclosures: Additional hedge accounting disclosures resulting from the introduction of the hedge accounting chapter in IFRS 9	Applies when IFRS 9 applies
IFRS 7	– Financial Instruments Disclosures: Amendments resulting from September 2014 annual improvements to IFRSs	1 January 2016
IFRS 8	– Operating Segments: Amendments resulting from annual improvements 2010 – 2012 cycle (aggregation of segments, reconciliation of segment assets)	1 July 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

3. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

3.2 Standards in issue not yet adopted (continued)

		Effective date for annual periods beginning on or after:
Amended (continued)		
IFRS 10	– Consolidated Financial Statements: Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
IFRS 10	– Consolidated Financial Statements: Amendments regarding the application of the consolidation exception	1 January 2016
IFRS 11	– Joint Arrangements: Amendments regarding the accounting for acquisitions of an interest in a joint operation	1 January 2016
IFRS 12	– Disclosure of Interests in Other Entities: Amendments regarding the application of the consolidation exception	1 January 2016
IFRS 13	– Fair Value Measurement: Amendments resulting from annual improvements 2010 – 2012 cycle (short-term receivables and payables)	1 July 2014
IFRS 13	– Fair Value Measurement: Amendments resulting from annual improvements 2011 – 2013 cycle (scope of the portfolio exception in paragraph 52)	1 July 2014
IAS 1	– Presentation of Financial Statements: Amendments resulting from the disclosure initiative	1 January 2016
IAS 16	– Property, Plant and Equipment: Amendments resulting from annual improvements 2010 – 2012 cycle (proportionate restatement of accumulated depreciation on revaluation)	1 July 2014
IAS 16	– Property, Plant and Equipment: Amendments regarding the clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 16	– Property, Plant and Equipment: Amendments bringing bearer plants into the scope of IAS 16	1 January 2016
IAS 19	– Employee Benefits: Defined benefit plans – employee contributions	1 July 2014
IAS 19	– Employee Benefits: Amendments resulting from September 2014 annual improvements to IFRSs	1 January 2016
IAS 24	– Related Party Disclosures: Amendments resulting from annual improvements 2010 – 2012 cycle (management entities)	1 July 2014
IAS 27	– Separate Financial Statements: Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	1 January 2016
IAS 28	– Investments in Associates and Joint Ventures: Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
IAS 28	– Investments in Associates and Joint Ventures: Amendments regarding the application of the consolidation exception	1 January 2016
IAS 34	– Interim Financial Reporting: Amendments resulting from September 2014 annual improvements to IFRSs	1 January 2016
IAS 38	– Intangible Assets: Amendments resulting from annual improvements 2010 – 2012 cycle (proportionate restatement of accumulated depreciation on revaluation)	1 July 2014
IAS 38	– Intangible Assets: Amendments regarding the clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 39	– Financial Instruments – Recognition and Measurement: IFRS 9 issued (hedge accounting amendments)	Applies when IFRS 9 applies
IAS 40	– Investment Property: Amendments resulting from annual improvements 2011 – 2013 cycle (interrelationship between IFRS 3 and IAS 40)	1 July 2014
IAS 41	– Agriculture: Amendments bringing bearer plants into the scope of IAS 16	1 January 2016

The full impact of *IFRS 9 Financial Instruments* and *IFRS 15 Revenue from Contracts with Customers* on the financial statements of the group in future periods has not yet been assessed. All other new and amended accounting standards are not anticipated to have a significant impact on the group's financial statements in future periods when these standards and amendments are adopted.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 Judgements made by management in applying accounting policies

Preparing financial statements in accordance with IFRS requires estimates and assumptions that affect reported amounts and related disclosures. Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments. The items for consideration have been identified as follows:

Revenue recognition

Significant assumptions are made in assessing the transfer of risks and rewards and in particular the probability of return of equipment based on past experience and other relevant factors.

Where buy-back agreements with customers are concluded, management uses a decision tree based on the guidance from IAS 18 with regard to the transfer of risks and rewards for the purposes of revenue recognition.

At the date of the sale, the probability of return of the equipment by the customer is assessed and consideration is given to the terms of the agreement and other relevant factors that will impact returns such as customer behaviour, product type, past practice and history of returns, current and anticipated market conditions. Refer to note 2.16.

Where probability of the return of the equipment by the customer at the end of the buy-back period has been assessed as remote, revenue is recognised upfront.

Where the probability of return has been assessed as not remote and significant risks and rewards of ownership have been retained by the group, the transaction is treated as an operating lease and revenue is deferred over the buy-back period (see note 20). Refer to note 2.19 for the accounting treatment of these transactions.

In sales transactions where the group has guaranteed the residual value of the equipment, revenue is recognised upfront if significant risks and rewards of ownership have transferred to the buyer and the group's exposure to residual value risk is assessed as insignificant in relation to the selling price. Where risks and rewards of ownership have been retained by the group and the group's exposure to residual value risk is assessed as significant in relation to the selling price, the transaction is treated as an operating lease. Refer to note 2.19 for the accounting treatment of these transactions.

Classification of leases

Where lease agreements are concluded with customers, management uses the guidance from IAS 17 with regards to the classification of the lease as either a finance lease or an operating lease. Refer to note 2.8.

Significant assumptions are made in assessing the transfer of risks and rewards and in particular the probability of return of equipment based on past experience and other relevant factors.

Provisions for residual value risks and repurchase commitments

Residual value risks are attributable to transactions combined with buy-back agreements and sales transactions with residual value guarantees.

For sales transactions combined with buy-back agreements where the revenue has been recognised upfront, as probability of return of the equipment has been assessed as remote, then the residual value risks are pertaining to products which are not reported as assets in the statement of financial position and these risks are reflected under the line item provisions. In these instances, the obligation is considered to be onerous and a provision is recognised to the extent that the cost of meeting the obligation exceeds the assessed market value of the equipment (refer note 23).

For transactions combined with buy-back agreements where the revenue has not been recognised upfront as probability of return of the equipment has been assessed as not remote and which is accounted for as operating lease contracts (see note 20), the residual value risks are pertaining to products that are reported as rental assets in the statement of financial position and these risks are reflected by impairment of the carrying value of these assets.

In instances where the group has guaranteed the residual value of equipment sold to financial institutions, the residual value risk is the risk that the market value realised for these products is less than what was expected when the contracts were entered into (refer note 32.3). Where the group has paid cash collateral as security for the residual value risk, this cash collateral is recognised in the statement of financial position as retention deposits (refer note 10) and this financial asset is impaired where there is a shortfall between the assessed market value of the equipment and the residual value guaranteed by the group. In transactions where no cash collateral is required to be made by the group, a provision for residual value risk is recognised in the statement of financial position under the line item provisions in the event of a shortfall.

Significant assumptions are made in estimating residual values. These are assessed based on past experience and take into account expected future market conditions and projected disposal values.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

4.1 Judgements made by management in applying accounting policies (continued)

Transfer of financial assets

Where the group transfers finance lease receivables or trade receivables to a financial institution or another party, management assesses whether substantially all the risks and rewards of ownership have transferred to the other party. Consideration is given to the terms of the agreement and assumptions are made in assessing the transfer of risks and rewards. Refer to note 36.3.

Deferred warranty income

Where management has sufficient information to reliably measure the expected costs of extended warranty contracts, the proceeds from the sale of these contracts is recognised in profit or loss over the period of the contracts. Where insufficient information is available to reliably measure the expected costs of extended warranty contracts, revenue is not recognised until expiry of the contract.

Control over WesBank financing venture

Management has used the guidance in IFRS 11 and IFRS 10 in assessing whether the group has a controlling interest in the WesBank financing venture. Consideration is given to the terms of the agreement and the group's decision making rights with regards to the relevant activities of the financing venture. Although the group is entitled to a share of the profits from transactions financed through the financing venture, management concludes that the group does not control the relevant activities. The group's profit share is accounted for as other operating income and the group's cash investment in the financing venture is recognised as interest-bearing long-term receivables in the statement of financial position (refer note 10). Further details regarding this arrangement are disclosed in note 40.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that management has assessed as having a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year:

Asset lives and residual values

Property, plant and equipment and intangible assets are depreciated over the useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually taking into account factors such as technological innovation, product life cycles and maintenance programmes. Residual value assessments consider issues such as market conditions, the remaining life of the asset and projected disposal values.

Recoverability of trade receivables

In assessing the amounts recoverable from trade receivables, assumptions are made based on past default experience, estimations of the value of any security, in the form of second-hand equipment, and the estimated costs of preparing the equipment for re-sale, including transport.

Recoverable value of inventory

The recoverable value of inventory takes into account current market conditions and the amounts expected to be realised from the sale of inventory, less estimated costs to sell.

Impairment of assets

Ongoing assessments are made regarding any potential impairment of assets, using assumptions made in terms of the models allowed under IFRS.

Valuation of financial instruments

The value of derivative financial instruments fluctuates on a daily basis and the actual amounts realised may differ materially from their value at the end of the reporting period.

Valuation of property, plant and equipment

Revaluations of freehold land and buildings are undertaken every three years. The group engages independent qualified valuers to perform the valuation. Inputs into the valuation model are based on market data to the extent it is available and can cause fluctuations in the fair value of the relevant properties. Refer to note 6 for more information about the valuation technique and inputs used in determining the fair value of freehold land and buildings.

Warranty provision

The provision for future warranty costs on products sold is based on past experience and current warranty campaigns.

Deferred taxation asset

A deferred taxation asset is recognised to the extent that future taxable income of sufficient amount is expected to be earned.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

5. OPERATING SEGMENTS

Information regarding the group's reportable segments is presented below.

The group's reportable segments are as follows:

- South African sales operation
- South African manufacturing and logistics operation
- European operation
- Rest of Africa and other international operations
- North American operation
- All other operations

Information reported to the group's chief operating decision maker for purposes of resource allocation and assessment of segment performance is focused on geographical areas.

Each reportable segment derives its revenues from the sale of goods (machines and parts) and related services and rental income.

The accounting policies of the reportable segments are the same as the group's accounting policies described in note 2.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP							
	South African sales operation R000	South African manufacturing and logistics operation R000	European operation R000	Rest of Africa and other international operations R000	North American operation R000	All other operations R000	Inter-segmental eliminations* R000	Consolidated R000
5. OPERATING SEGMENTS (continued)								
2014								
Revenue								
External revenue	2 845 626	309 035	1 540 728	1 539 425	373 731	–	–	6 608 545
Inter-segment revenue	21 242	3 448 795	376 479	1 333	469	–	(3 848 318)	–
Total revenue	2 866 868	3 757 830	1 917 207	1 540 758	374 200	–	(3 848 318)	6 608 545
Profit (loss) from operating activities	110 591	(2 709)	42 892	6 537	(15 855)	(36 913)	80 548	185 091
Net interest (paid) received	(27 364)	(9 603)	(25 632)	(35 624)	1 634	41 771	–	(54 818)
Taxation	(20 346)	(3 717)	(19 640)	(14 766)	5 118	(7 512)	(2 990)	(63 853)
Profit (loss) for the year	62 881	(16 029)	(2 380)	(43 853)	(9 103)	(2 654)	77 558	66 420
Segment assets	1 048 204	2 684 551	907 854	951 258	60 719	1 113 956	(2 272 038)	4 494 504
Segment liabilities	763 578	1 307 601	683 686	825 981	16 934	137 515	(1 777 122)	1 958 173
Other information								
Additions to property, plant and equipment and intangible assets	16 719	98 721	3 946	38 216	146	–	–	157 748
Depreciation and amortisation of intangibles	16 358	72 257	34 941	16 519	86	–	–	140 161
Other material items of income and expense:								
– Net foreign currency losses (gains)	–	10 659	21 546	(47 479)	3 412	912	(13 394)	(24 344)
– Staff costs (including directors' remuneration)	242 954	606 253	151 311	239 962	9 834	6 159	(1 083)	1 255 390
– Increase (decrease) in warranty provision	47	5 894	1 876	(1 003)	–	–	–	6 814
– Warranty expenditure	36 363	78 076	24 600	19 898	–	–	(6 933)	152 004

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

i) Revenue – the elimination of intra-group sales transactions, mainly sales from the South African manufacturing and logistics operation, to the distribution operations.

ii) Profit (loss) from operating activities – 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.

iii) Segment 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP							
	South African sales operation R000	South African manufacturing and logistics operation R000	European operation R000	Rest of Africa and other international operations R000	North American operation R000	All other operations R000	Inter-segmental eliminations* R000	Consolidated R000
5. OPERATING SEGMENTS (continued)								
2013								
Revenue								
External revenue	2 777 097	223 463	1 120 275	1 861 093	337 176	–	–	6 319 104
Inter-segment revenue	48 937	4 167 587	444 535	6 530	–	–	(4 667 589)	–
Total revenue	2 826 034	4 391 050	1 564 810	1 867 623	337 176	–	(4 667 589)	6 319 104
Profit (loss) from operating activities	94 234	206 850	48 348	96 086	(18 940)	8 447	(94 950)	340 075
Net interest received (paid)	1 843	(16 629)	(24 012)	(33 871)	1 401	36 569	–	(34 699)
Taxation	(32 957)	(35 061)	(12 557)	(27 177)	6 240	(15 009)	16 898	(99 623)
Profit (loss) for the year	63 120	155 160	11 779	35 038	(11 299)	30 007	(78 052)	205 753
Segment assets	878 142	2 809 933	1 279 303	1 144 502	177 094	1 143 113	(2 675 754)	4 756 333
Segment liabilities	677 524	1 394 737	1 053 743	988 200	141 351	145 743	(2 133 626)	2 267 672
Other information								
Additions to property, plant and equipment and intangible assets	47 707	108 985	39 657	59 217	314	–	–	255 880
Depreciation and amortisation of intangibles	15 627	63 787	35 265	12 738	26	–	–	127 443
Other material items of income and expense:								
– Net foreign currency losses (gains)	18	69 968	19 316	4 112	(1 142)	(507)	(3 819)	87 946
– Staff costs (including directors' remuneration)	235 807	603 502	131 643	250 832	6 940	10 726	(899)	1 238 551
– Increase (decrease) in warranty provision	3 425	5 783	(678)	(457)	(13)	–	–	8 060
– Warranty expenditure	29 066	55 733	11 571	16 125	(78)	–	5 934	118 351

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

i) Revenue – the elimination of intra-group sales transactions, mainly sales from the South African manufacturing and logistics operation, to the distribution operations.

ii) Profit (loss) from operating activities – 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.

iii) Segment 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP					
	Cost/ valuation 2014 R000	Accumulated depreciation 2014 R000	Net book value 2014 R000	Cost/ valuation 2013 R000	Accumulated depreciation 2013 R000	Net book value 2013 R000
6. PROPERTY, PLANT AND EQUIPMENT						
Owned						
Freehold land and buildings	340 318	11 353	328 965	301 429	676	300 753
Leasehold buildings	9 465	3 619	5 846	6 771	3 323	3 448
Plant and equipment	478 996	318 343	160 653	492 781	303 571	189 210
Rental assets	197 994	74 920	123 074	226 851	85 007	141 844
Aircraft	8 894	4 483	4 411	8 905	4 292	4 613
Vehicles	69 512	47 073	22 439	70 943	38 665	32 278
Leased						
Plant and equipment	28 702	6 676	22 026	20 653	6 299	14 354
Vehicles	7 312	2 620	4 692	7 197	2 066	5 131
Total	1 141 193	469 087	672 106	1 135 530	443 899	691 631

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP						
	Freehold land and buildings R000	Leasehold buildings R000	Plant and equipment* R000	Rental assets R000	Aircraft R000	Vehicles* R000	Total R000
6. PROPERTY, PLANT AND EQUIPMENT (continued)							
Movement in property, plant and equipment							
2014							
Net book value at beginning of the year	300 753	3 448	203 564	141 844	4 613	37 409	691 631
Additions	37 324	–	52 727	–	12 565	3 263	105 879
Disposals	–	–	–	–	(75)	(2 154)	(2 229)
Depreciation	(10 819)	(206)	(46 565)	(44 231)	(842)	(12 218)	(114 881)
Reclassified as non-current assets held for sale	–	–	–	–	(11 850)	–	(11 850)
Transfers	(2 659)	2 659	(27 355)	25 686	–	–	(1 669)
Translation differences	4 366	(55)	308	(225)	–	831	5 225
Net book value at end of the year	328 965	5 846	182 679	123 074	4 411	27 131	672 106
2013							
Net book value at beginning of the year	198 713	4 700	179 126	127 448	5 204	32 698	547 889
Surplus on revaluation	37 616	–	–	–	–	–	37 616
Additions	68 901	190	66 206	57 598	139	12 209	205 243
Disposals	–	–	(322)	(28 387)	–	(1 097)	(29 806)
Depreciation	(6 483)	(224)	(45 256)	(43 443)	(730)	(11 703)	(107 839)
Transfers	2 006	(2 006)	–	–	–	–	–
Translation differences	–	788	3 810	28 628	–	5 302	38 528
Net book value at end of the year	300 753	3 448	203 564	141 844	4 613	37 409	691 631

Certain property, plant and equipment is encumbered as indicated in note 19.

Certain rental assets are subject to repurchase obligations as reflected in note 20.

* *Owned and leased*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP 2014 R000	GROUP 2013 R000	COMPANY 2014 R000	COMPANY 2013 R000
6. PROPERTY, PLANT AND EQUIPMENT (continued)				
Freehold land and buildings at cost/valuation comprise:				
Lot 1892 Alton Industrial Township, Richards Bay				
– at valuation on 31 December 2013	**21 400**	21 400	**–**	–
Lot 1894 Alton Industrial Township, Richards Bay				
– at valuation on 31 December 2013	**57 200**	57 200	**–**	–
– subsequent additions at cost in 2014	**23**	–	**–**	–
Lot 10024 Alton Industrial Township, Richards Bay				
– at valuation on 31 December 2013	**130 700**	130 700	**–**	–
– subsequent additions at cost on 31 December 2013	**142**	142	**–**	–
– subsequent additions at cost in 2014	**809**	–	**–**	–
Portions 16,17 and 18 Lot 11063, Extension 33 Township J.S. Middelburg*				
– at cost in 2011	**9 545**	9 545	**–**	–
– subsequent additions at cost in 2012	**13 610**	13 610	**–**	–
– subsequent additions at cost in 2013	**18 438**	20 683	**–**	–
– subsequent additions at cost in 2014	**1 604**	–	**–**	–
Land in Alsfeld, Germany*				
– at cost in 2013	**4 184**	4 184	**–**	–
– translation differences	**(114)**	–	**–**	–
Plot 4096/95, Kitwe Chingola Road, Kitwe, Zambia*				
– at cost in 2012	**2 006**	2 006	**–**	–
– subsequent additions at cost in 2013	**41 959**	41 959	**–**	–
– subsequent additions at cost in 2014	**34 325**	–	**–**	–
– translation differences	**4 487**	–	**–**	–
Total freehold land and buildings at cost/valuation	**340 318**	301 429	**–**	–

* *The properties in Middelburg and Germany are carried at cost and will be revalued within a three-year cycle in accordance with the group policy. The building in Zambia was completed during 2014 and will also be included in the revaluation cycle.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

6. PROPERTY, PLANT AND EQUIPMENT (continued)

The freehold land and buildings in Richards Bay were valued by the Mills Fitchet group, independent qualified valuers, on the fair value in continuation of existing use basis, on 31 December 2013.

The valuation was undertaken in accordance with the requirements of the International Valuation Standards and International Financial Reporting Standards (IFRS) and in particular *IFRS 13 Fair Value Measurement*.

The fair value of the freehold land and buildings was determined based on the market comparable approach that reflects recent industrial rentals and transaction prices for similar properties. In estimating the fair value of the freehold land and buildings, the highest and best use of these properties is its current use. In terms of the fair value hierarchy as required by *IFRS 13 Fair Value Measurement*, the fair value measurement has been classified as a Level 3. Level 3 fair value measurements use significant inputs that are not based on observable market data.

Information about the fair value measurement as at 31 December 2013 was as follows:

	Level 3 Fair value R000	Unobservable inputs	Range	Relationship of unobservable inputs to fair value
Manufacturing plant and administration buildings in Alton Industrial Township, Richards Bay	209 300	Rental per square metre	R15 to R50	The higher the rental per square metre, the higher the fair value
		Capitalisation rate	10,5% per annum	The higher the capitalisation rate, the lower the fair value

The book values of these properties were adjusted to their valuations during the relevant financial year and the resultant net surpluses credited to the revaluation reserve through other comprehensive income.

	GROUP		COMPANY	
	2014 R000	2013 R000	**2014 R000**	2013 R000
The comparable amounts under the historical cost convention for the freehold land and buildings were:				
Historical cost	**235 557**	200 892	**–**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP 2014 R000	GROUP 2013 R000	COMPANY 2014 R000	COMPANY 2013 R000
7. INTANGIBLE ASSETS				
Capitalised software				
Cost				
At beginning of the year	44 060	48 713	–	–
Acquired	–	2 298	–	–
Disposals	–	(7 003)	–	–
Transfers	27 355	–	–	–
Translation differences	29	52	–	–
At end of the year	71 444	44 060	–	–
Accumulated amortisation				
At beginning of the year	30 537	35 382	–	–
Charge for the year	8 032	2 139	–	–
Disposals	–	(7 003)	–	–
Translation differences	112	19	–	–
At end of the year	38 681	30 537	–	–
Carrying amount at end of the year	32 763	13 523	–	–
Capitalised engineering development expenditure				
Cost				
At beginning of the year	178 028	129 689	–	–
Capitalised – current year	51 869	48 339	–	–
At end of the year	229 897	178 028	–	–
Accumulated amortisation				
At beginning of the year	42 334	24 869	–	–
Charge for the year	17 248	17 465	–	–
At end of the year	59 582	42 334	–	–
Carrying amount at end of the year	170 315	135 694	–	–
Total intangible assets	203 078	149 217	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

		GROUP		COMPANY	
		2014 R000	2013 R000	2014 R000	2013 R000
8.	**INVESTMENTS**				
	Available for sale financial asset				
	Unlisted equity investment	**548**	563	**–**	–
	The investment, measured at cost, represents a 10% interest in the equity of an unlisted entity registered in the United States of America.				
9.	**INVESTMENTS IN SUBSIDIARY COMPANIES**				
	Local subsidiaries				
	Shares at cost	**–**	–	**14 164**	14 164
	Recognition of share-based payments	**–**	–	**16 138**	13 618
	Total local subsidiaries	**–**	–	**30 302**	27 782
	Foreign subsidiaries				
	Shares at cost*	**–**	–	**656 162**	612 350
	Recognition of share-based payments	**–**	–	**3 276**	2 664
	Total foreign subsidiaries	**–**	–	**659 438**	615 014
	Total investments in subsidiary companies	**–**	–	**689 740**	642 796

* *During the current year the company acquired all of the shares in IA Bell Equipment Co Namibia Proprietary Limited and Bell Equipment Co Swaziland (Proprietary) Limited for R43,8 million from its subsidiary Bell Equipment Sales South Africa Limited. The shares were transferred at net asset value and the difference between the consideration paid and the carrying amount of the investment in Bell Equipment Sales South Africa Limited was eliminated on consolidation.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP		COMPANY	
	2014 R000	2013 R000	**2014 R000**	2013 R000
10. INTEREST-BEARING LONG-TERM RECEIVABLES				
WesBank cash collateral*	**53 937**	27 486	**–**	–
Retention deposits**	**2 867**	4 970	**–**	–
Environmental Protection Agency cash collateral ***	**5 206**	–	**–**	–
Trade receivables recoverable beyond 12 months ****	**25 866**	6 900	**–**	–
	87 876	39 356	**–**	–
Less: current portion	**(42 519)**	(21 059)	**–**	–
Total interest-bearing long-term receivables	**45 357**	18 297	**–**	–

* *A financing venture has been entered into with WesBank, a division of FirstRand Bank Limited, in order to assist customers with the financing of equipment purchased from the group. Refer to note 40 for the various types of transactions with WesBank.*

For specific transactions, the risks and rewards are for the group (Bell-backed deals). In respect of these transactions, the group is required to invest an amount with WesBank equal to 25% of the value of the financing provided by WesBank to customers as collateral. This investment, which earns interest at the cost of capital of the financing venture, is reflected as interest-bearing long-term receivables on the statement of financial position. The interest rate for 2014 was 5,6% (2013: 5,0%) per annum.

** *Deposits held by financial institutions as security for residual values on equipment guaranteed by the group. The interest rate for 2014 was 7,0% (2013: 7,0%) per annum. The recoverability of these deposits is dependent on the equipment realising the guaranteed residual values at the end of the guarantee period. This contingent liability is included in note 32.3. These deposits are impaired to the extent that a loss is expected. At year-end the carrying amount above includes an impairment loss of Rnil (2013: R0,7 million).*

*** *The amount represents cash held as security by the Environmental Protection Agency in the United States of America (USA) for certain sales transactions into the USA. The amount earns interest at 0,5% per annum.*

**** *Trade receivables recoverable beyond 12 months for the amount of R25,9 million (2013: R5,7 million) relate to financing arrangements for equipment sold to customers. The amounts are repayable in instalments by:*

		GROUP		COMPANY	
	Interest rate per annum	**2014 R000**	2013 R000	**2014 R000**	2013 R000
2014	8,4%	**–**	5 700	**–**	–
2015 to 2016	9,0%	**14 550**	–	**–**	–
2015 to 2017	5,0%	**11 316**	–	**–**	–
Total		**25 866**	5 700	**–**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP			COMPANY		
	Less than one year R000	Two to five years R000	Total R000	Less than one year R000	Two to five years R000	Total R000
10. INTEREST-BEARING LONG-TERM RECEIVABLES (continued)						
The following details an analysis of these finance lease receivables:						
2014						
Gross investment	18 737	8 665	27 402	–	–	–
Less: unearned finance income	(1 144)	(392)	(1 536)	–	–	–
Present value of minimum lease payments	17 593	8 273	25 866	–	–	–
2013						
Gross investment	6 141	–	6 141	–	–	–
Less: unearned finance income	(441)	–	(441)	–	–	–
Present value of minimum lease payments	5 700	–	5 700	–	–	–

At year-end the above finance lease receivables were neither past due nor impaired.

The directors consider that the carrying amount of interest-bearing long-term receivables approximates their fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP					
	Net deferred taxation assets in group companies at beginning of the year R000	Net deferred taxation liabilities in group companies at beginning of the year R000	Recognised in other comprehensive income for the year R000	Recognised in profit or loss for the year R000	Net deferred taxation assets in group companies at end of the year R000	Net deferred taxation liabilities in group companies at end of the year R000
11. DEFERRED TAXATION						
The deferred taxation analysed by major category of temporary difference and the reconciliation of the movement in the deferred taxation balance is as follows:						
2014						
Accrual for leave pay	3 591	5 584	–	1 086	3 710	6 551
Accrual for severance pay	–	–	–	5 423	705	4 718
Accrual for unit additional costs	289	–	–	615	904	–
Capitalised engineering development expenditure	–	(40 820)	–	(20 990)	–	(61 810)
Deferred income	4 111	24 486	–	2 719	–	31 316
Excess taxation allowances over depreciation charge	(892)	(34 220)	–	1 668	2 981	(36 425)
Finance leases	421	(37)	–	(6 494)	(6 121)	11
Future expenditure allowance	–	(4 128)	–	(902)	–	(5 030)
Import duty rebates	–	(13 130)	–	5 884	–	(7 246)
Investment subsidies	106	–	–	(31)	75	–
Other provisions	3 316	–	–	2 902	8 868	(2 650)
Prepayments	(598)	(881)	–	413	(804)	(262)
Provision for doubtful debts	1 572	–	–	20 559	17 504	4 627
Provision for lease escalation	1 554	9 982	–	911	1 757	10 690
Provision for warranty expenditure	9 723	10 686	–	174	8 199	12 384
Revaluation of properties	(2 186)	(31 731)	–	–	(2 186)	(31 731)
Sales in advance	7 842	5 911	–	(1 550)	3 945	8 258
Taxable losses	2 796	44 728	–	1 884	–	49 408
Unrealised foreign currency gains and losses	5 783	–	–	(12 814)	(7 539)	508
Unrealised profit in inventory	59 896	–	–	(1 626)	58 270	–
Totals	97 324	(23 570)	–	(169)	90 268	(16 683)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP					
	Net deferred taxation assets in group companies at beginning of the year R000	Net deferred taxation liabilities in group companies at beginning of the year R000	Recognised in other comprehensive income for the year R000	Recognised in profit or loss for the year R000	Net deferred taxation assets in group companies at end of the year R000	Net deferred taxation liabilities in group companies at end of the year R000
11. DEFERRED TAXATION (continued)						
2013						
Accrual for leave pay	8 214	–	–	961	3 591	5 584
Accrual for unit additional costs	568	–	–	(279)	289	–
Capitalised engineering development expenditure	(29 633)	–	–	(11 187)	–	(40 820)
Deferred income	25 545	–	–	3 052	4 111	24 486
Excess taxation allowances over depreciation charge	(35 181)	–	–	69	(892)	(34 220)
Finance leases	127	–	–	257	421	(37)
Future expenditure allowance	(3 687)	–	–	(441)	–	(4 128)
Import duty rebates	(1 303)	–	–	(11 827)	–	(13 130)
Investment subsidies	105	–	–	1	106	–
Other provisions	–	–	–	3 316	3 316	–
Prepayments	(1 304)	–	–	(175)	(598)	(881)
Provision for doubtful debts	1 752	–	–	(180)	1 572	–
Provision for lease escalation	10 100	–	–	1 436	1 554	9 982
Provision for warranty expenditure	17 723	–	–	2 686	9 723	10 686
Revaluation of properties	(22 605)	–	(11 312)	–	(2 186)	(31 731)
Sales in advance	10 896	–	–	2 857	7 842	5 911
Taxable losses	65 855	–	–	(18 331)	2 796	44 728
Unrealised foreign currency gains and losses	(861)	–	–	6 644	5 783	–
Unrealised profit in inventory	41 630	–	–	18 266	59 896	–
Totals	87 941	–	(11 312)	(2 875)	97 324	(23 570)

Further information on the group's estimated taxation losses and the recognition of deferred taxation assets for these losses is set out in note 29.1.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

		GROUP		COMPANY	
		2014 R000	2013 R000	**2014 R000**	2013 R000
12.	**INVENTORY**				
	Merchandise spares, components and raw materials	**1 143 598**	1 143 609	**–**	–
	Work-in-progress	**185 207**	294 796	**–**	–
	Finished goods	**1 074 632**	1 346 435	**–**	–
	Total inventory	**2 403 437**	2 784 840	**–**	–

Included above is inventory of R340,2 million (2013: R304,8 million) carried at net realisable value.

Total inventory expensed, included in cost of sales, amounts to R5 023,2 million (2013: R4 846,7 million).

Cost of sales includes an amount of R99,1 million (2013: R86,4 million) in respect of write-downs of inventory to net realisable value, and has been reduced by R0,6 million (2013: R5,8 million) in respect of the reversal of such write-downs.

		GROUP 2014 R000	GROUP 2013 R000	COMPANY 2014 R000	COMPANY 2013 R000
13.	**TRADE AND OTHER RECEIVABLES**				
	Amounts receivable from the sale of goods and services	**653 843**	641 600	**–**	–
	Allowance for estimated irrecoverable amounts (refer note 36.3)	**(78 546)**	(8 659)	**–**	–
		575 297	632 941	**–**	–
	Sundry receivables	**153 341**	218 930	**1 576**	731
	Total trade and other receivables	**728 638**	851 871	**1 576**	731

In assessing the amounts recoverable from trade receivables, assumptions are made based on past default experience, estimations of the value of any security, including security in the form of second-hand equipment, and the estimated costs of preparing the equipment for re-sale, including transport.

Further information regarding the group's credit risk management is set out in note 36.3.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

		GROUP		COMPANY	
		2014 R000	2013 R000	2014 R000	2013 R000
14.	**OTHER FINANCIAL ASSETS**				
	Financial assets carried at fair value through profit or loss				
	Forward foreign exchange contracts (Level 2)	**2 071**	578	**–**	–

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 the end of the year.

		GROUP 2014 R000	GROUP 2013 R000	COMPANY 2014 R000	COMPANY 2013 R000
15.	**NON-CURRENT ASSETS HELD FOR SALE**				
	Aircraft – Pilatus PC12/45	**11 850**	–	**–**	–

The group acquired the above aircraft during the current period and management made a decision to dispose of it during November 2014. An agent has been appointed to actively market the aircraft on a commission basis. No impairment loss was recognised on reclassification of this asset as held for sale, as the estimated fair value less costs to sell is higher than the carrying amount. The estimated fair value was based on an international retail market value for similar assets. The aircraft is included in the segment assets of the South African Sales operation under operating segments (refer note 5).

		GROUP 2014 R000	GROUP 2013 R000	COMPANY 2014 R000	COMPANY 2013 R000
16.	**STATED CAPITAL**				
	Authorised				
	100 000 000 (2013: 100 000 000) ordinary shares of no par value				
	Issued				
	95 146 885 (2013: 95 144 385) ordinary shares of no par value	**230 567**	230 534	**230 567**	230 534

At 31 December 2014, the company had granted options in terms of Share Option Scheme 2 to executive directors and employees to subscribe for 4 125 944 (2013: 4 358 444) shares in the company as set out in note 31.3.

The unissued shares are under the unrestricted control of the directors until the next annual general meeting of shareholders.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP				
	Net surplus arising from revaluation of freehold land and buildings R000	Statutory reserves of foreign subsidiaries R000	Foreign currency translation reserve of foreign subsidiaries R000	Equity-settled employee benefits reserve R000	Total R000
17. NON-DISTRIBUTABLE RESERVES					
Balance at 31 December 2012	80 560	7 812	97 100	11 578	197 050
Other comprehensive income	–	2 785	249 515	–	252 300
– exchange differences on translating foreign operations	–	–	244 106	–	244 106
– exchange differences on foreign reserves	–	2 785	5 409	–	8 194
Recognition of share-based payments*	–	–	–	4 704	4 704
Increase in statutory reserves of foreign subsidiaries	–	4 787	–	–	4 787
Surplus on revaluation	37 616	–	–	–	37 616
Deferred taxation on revaluation	(11 312)	–	–	–	(11 312)
Balance at 31 December 2013	**106 864**	**15 384**	**346 615**	**16 282**	**485 145**
Other comprehensive income	**–**	**(412)**	**(21 503)**	**–**	**(21 915)**
– exchange differences on translating foreign operations	**–**	**–**	**(5 715)**	**–**	**(5 715)**
– exchange differences on foreign reserves	**–**	**(412)**	**(299)**	**–**	**(711)**
– reclassification to profit or loss of foreign currency translation reserve on deregistered operations	**–**	**–**	**(15 489)**	**–**	**(15 489)**
Recognition of share-based payments*	**–**	**–**	**–**	**3 132**	**3 132**
Increase in statutory reserves of foreign subsidiaries	**–**	**307**	**–**	**–**	**307**
Balance at 31 December 2014	**106 864**	**15 279**	**325 112**	**19 414**	**466 669**

* *Details of the employee share option plan are set out in note 31.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	COMPANY				
	Net surplus arising from revaluation of freehold land and buildings R000	Statutory reserves of foreign subsidiaries R000	Foreign currency translation reserve of foreign subsidiaries R000	Equity-settled employee benefits reserve R000	Total R000
17. NON-DISTRIBUTABLE RESERVES (continued)					
Balance at 31 December 2012	–	–	–	11 578	11 578
Recognition of share-based payments*	–	–	–	4 704	4 704
Balance at 31 December 2013	**–**	**–**	**–**	**16 282**	**16 282**
Recognition of share-based payments*	**–**	**–**	**–**	**3 132**	**3 132**
Balance at 31 December 2014	**–**	**–**	**–**	**19 414**	**19 414**

* *Details of the employee share option plan are set out in note 31.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP		COMPANY	
	2014 R000	2013 R000	2014 R000	2013 R000
18. NON-CONTROLLING INTEREST				
The non-controlling interest at year-end represents the 3% (2013: 4%) interest of group employees in Bell Equipment Sales South Africa Limited (BESSA).				
Balance at beginning of the year	**6 915**	51 665	**–**	–
Share of total comprehensive income for the year	**2 968**	22 746	**–**	–
Transactions with group employees*	**(2 247)**	(11 271)	**–**	–
Transaction with Kagiso Strategic Investments 111 Proprietary Limited**	**–**	(56 225)	**–**	–
Balance at end of the year	**7 636**	6 915	**–**	–

* *Employees who exit from the group are obliged to sell their shares in BESSA back to the company or its nominee. The amount above represents the carrying amount of those interests repurchased by the company through its subsidiary Bell Equipment Company SA Proprietary Limited from employees who have exited the group. This resulted in an increase in the company's effective shareholding in BESSA from 96% to 97%.*

** *During the prior year, Kagiso Strategic Investments 111 Proprietary Limited (Kagiso) exercised its put option and sold its shares back to BESSA. The agreed total price for the repurchase of the shares and the settlement of the shareholder's loan was R120,0 million and this was settled in cash on 6 December 2013. The difference between the fair value of the consideration transferred and the carrying amount of Kagiso's interest repurchased was recorded in equity.*

Non-controlling shareholders are treated as equity participants and, therefore, all acquisitions of non-controlling interests or disposals by the group of its interests in subsidiary companies, where control is maintained subsequent to the transaction, are accounted for as equity transactions.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	Average variable rate of interest per annum	GROUP 2014 R000	GROUP 2013 R000	COMPANY 2014 R000	COMPANY 2013 R000
19. INTEREST-BEARING LIABILITIES					
Secured					
Finance lease liabilities repayable in instalments by:					
2014	7,9%	–	1 153	–	–
2015	11,4%	898	1 986	–	–
2016	8,8%	2 878	4 702	–	–
2017	6,0%	2 354	2 189	–	–
2018	7,2%	12 358	7 584	–	–
2019	7,1%	5 648	2 186	–	–
Total secured liabilities		24 136	19 800	–	–
Less: current portion		(7 336)	(6 042)	–	–
Long-term portion		16 800	13 758	–	–

The following property, plant and equipment, at net book value, is encumbered as security for the secured borrowings above:

– plant and equipment in South Africa R22,0 million (2013: R14,4 million)
– vehicles in South Africa, France and Russia R4,7 million (2013: R5,1 million)

	Variable rate of interest per annum	GROUP 2014 R000	GROUP 2013 R000	COMPANY 2014 R000	COMPANY 2013 R000
Secured					
Long-term mortgage loan from financial institution repayable in instalments by:					
December 2023	8,8%	22 047	23 625	–	–
Less: current portion		(1 686)	(1 612)	–	–
Long-term portion		20 361	22 013	–	–

The following property at net book value is encumbered as security for the secured borrowings above:

– freehold land and buildings in Middelburg, South Africa R40,9 million (2013: R43,8 million).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	Variable rate of interest per annum	GROUP 2014 R000	GROUP 2013 R000	COMPANY 2014 R000	COMPANY 2013 R000
19. INTEREST-BEARING LIABILITIES (continued)					
Secured					
Collateralised borrowings	9,3%	**1 282**	14 683	**–**	–
Less: current portion		**(1 282)**	(14 683)	**–**	–
Long-term portion		**–**	–	**–**	–
Collateralised borrowings comprise amounts payable to financial institutions on demand, where rental income streams on certain operating leases with customers have been discounted to financial institutions with recourse to the group.					
Further information on the transfer of financial assets and related borrowings are set out in note 36.3.					
	Average variable rate of interest per annum				
Unsecured					
Industrial Development Corporation of South Africa – medium-term loan repayable in monthly instalments by:					
July 2017	10,1%	**80 000**	107 500	**–**	–
Less: current portion		**(30 000)**	(30 000)	**–**	–
Long-term portion		**50 000**	77 500	**–**	–
The medium-term loan from the Industrial Development Corporation of South Africa is repayable in equal monthly instalments, expiring on 31 July 2017. In terms of the loan agreement, Bell Equipment Company SA Proprietary Limited is required to maintain a ratio of shareholders' interest to total assets of at least 40%. The actual ratio at 31 December 2014 was 48% (2013: 49%). The company has provided suretyship for the repayment of the medium-term loan from the Industrial Development Corporation of South Africa.					
Total current portion of interest-bearing liabilities		**40 304**	52 337	**–**	–
Total long-term portion of interest-bearing liabilities		**87 161**	113 271	**–**	–

The directors have unlimited borrowing powers in terms of the Memorandum of Incorporation of the company.

The directors consider that the carrying amount of interest-bearing liabilities approximates their fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP		COMPANY	
	2014 R000	2013 R000	**2014 R000**	2013 R000
20. REPURCHASE OBLIGATIONS AND DEFERRED LEASING INCOME				
Repurchase obligations				
Total repurchase obligations	**29 381**	54 423	**–**	–
Less: current portion	**(29 381)**	(39 636)	**–**	–
Long-term portion	**–**	14 787	**–**	–
Deferred leasing income				
Total deferred leasing income	**5 599**	22 937	**–**	–
Less: current portion	**(5 599)**	(19 853)	**–**	–
Long-term portion	**–**	3 084	**–**	–
Total current portion of repurchase obligations and deferred leasing income	**34 980**	59 489	**–**	–
Total long-term portion of repurchase obligations and deferred leasing income	**–**	17 871	**–**	–

Repurchase obligations are in respect of rental assets with a net book value of R34,3 million (2013: R74,6 million) reflected in note 6, and relate to transactions combined with buy-back agreements where the revenue was not recognised upfront as the probability of return of the equipment by the customer has been assessed as not remote. The repurchase obligation is the present value of the buy-back obligation.

The full amount of the purchase price is received upfront from the customer and a deferred leasing income liability is recognised for the difference between the proceeds received and the present value of the buy-back obligation referred to above. The deferred leasing income is recognised in profit or loss as rental revenue on a straight-line basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP		COMPANY	
	2014 R000	2013 R000	**2014 R000**	2013 R000
21. DEFERRED WARRANTY INCOME				
Balance at beginning of the year	**101 079**	101 478	**–**	–
Extended warranty contracts sold during the year	**57 680**	33 648	**–**	–
Costs in excess of contract value	**7 436**	2 959	**–**	–
Expired during the year	**(8 887)**	(10 551)	**–**	–
Utilised during the year	**(21 601)**	(12 018)	**–**	–
Revenue recognised during the year	**(11 012)**	(14 437)	**–**	–
	124 695	101 079	**–**	–
Less: current portion	**(59 079)**	(48 483)	**–**	–
Long-term portion of deferred warranty income at end of the year	**65 616**	52 596	**–**	–

Deferred warranty income relates to extended warranty contracts sold. The extended warranty contract periods commence after expiry of the standard warranty provided in the standard conditions of sale of equipment and the liability is in respect of this extended period.

	GROUP		COMPANY	
22. LEASE ESCALATION				
Total lease escalation	**44 428**	41 209	**–**	–
Less: current portion	**(1 493)**	(868)	**–**	–
Long-term portion of lease escalation	**42 935**	40 341	**–**	–

The lease escalation liability relates to rental and lease contracts with escalation clauses.

Rentals payable under the contracts are charged to profit or loss on a straight-line basis over the term of the relevant lease.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP				COMPANY			
	Warranty provision R000	Provision for residual value risk R000	Provision for credit risk R000	Total R000	Warranty provision R000	Provision for residual value risk R000	Provision for credit risk R000	Total R000
23. PROVISIONS								
Balance at 31 December 2012	47 455	–	–	47 455	–	–	–	–
Raised during the year	127 759	1 458	–	129 217	–	–	–	–
Utilised during the year	(118 351)	–	–	(118 351)	–	–	–	–
Balance at 31 December 2013	56 863	1 458	–	58 321	–	–	–	–
Less: current portion	(56 822)	(1 458)	–	(58 280)	–	–	–	–
Long-term provisions at 31 December 2013	41	–	–	41	–	–	–	–
Balance at 31 December 2013	**56 863**	**1 458**	**–**	**58 321**	**–**	**–**	**–**	**–**
Raised during the year	**159 015**	**–**	**1 782**	**160 797**	**–**	**–**	**–**	**–**
Utilised during the year	**(152 004)**	**(788)**	**–**	**(152 792)**	**–**	**–**	**–**	**–**
Balance at 31 December 2014	**63 874**	**670**	**1 782**	**66 326**	**–**	**–**	**–**	**–**
Less: current portion	**(61 996)**	**(670)**	**(1 782)**	**(64 448)**	**–**	**–**	**–**	**–**
Long-term provisions at 31 December 2014	**1 878**	**–**	**–**	**1 878**	**–**	**–**	**–**	**–**

The warranty provision represents management's best estimate of the group's standard warranty liability on product sold, based on past experience and current warranty campaigns.

The provision for residual value risk relates to sales transactions with residual value guarantees and sales transactions combined with buy-back agreements where the revenue was recognised upfront. Refer to note 4.1

For sales transactions with residual value guarantees, the residual value risk is the risk that the market value of the equipment at the end of the contract period is less than what was expected when the contracts were entered into. A provision of R0,7 million (2013: R1,5 million) was recognised in the statement of financial position in respect of these transactions.

For sales transactions combined with buy-back obligations, where the revenue was recognised upfront on the transaction as the probability of return of the equipment by the customer has been assessed as remote, residual value risk is the risk that the market value of the equipment at the end of the buy-back period is less than the cost of meeting the buy-back obligation. No provision has been recognised at year-end in respect of these transactions as no shortfall between the buy-back obligation and the assessed market value was identified.

The provisions represent the discounted value of management's best estimate of the group's liability.

The provision for credit risk relates to sales transactions where the group has assisted customers with the financing of equipment purchased through various financial institutions. In terms of these arrangements the group is liable for a portion of the credit risk and a portion of the balance due to the financial institutions by default customers. These shared risk arrangements are first-loss undertakings and the group's exposure remains fixed until the capital is repaid. No cash collateral is paid on these transactions and the group's exposure in terms of these arrangements is disclosed as a contingent liability in note 32.1.

A provision for residual credit risk is made on a deal-by-deal basis 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 is made to the extent of the group's liability towards the financial institution.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP		COMPANY	
	2014 R000	2013 R000	2014 R000	2013 R000
24. TRADE AND OTHER PAYABLES				
Trade creditors	752 946	689 487	–	–
Industrial Development Corporation of South Africa - trade finance*	301 949	295 572	–	–
Accruals and other payables	321 878	207 954	923	824
Total trade and other payables	1 376 773	1 193 013	923	824

* *The trade finance is unsecured and is a rolling credit facility, repayable six-monthly, with an ultimate repayment date of 31 December 2016. The interest rate is linked to prime and the average rate charged was 9,6% (2013: 8,7%) per annum.*

The directors consider that the carrying amount of trade and other payables approximates their fair value.

	GROUP		COMPANY	
	2014 R000	2013 R000	2014 R000	2013 R000
25. NON-INTEREST-BEARING LIABILITIES				
Unsecured				
Amounts owing to subsidiary company	–	–	90 781	43 403

The loan has no fixed repayment terms. Due to the absence of repayment dates, a reliable fair value is not determinable.

	GROUP		COMPANY	
	2014 R000	2013 R000	2014 R000	2013 R000
26. OTHER FINANCIAL LIABILITIES				
Financial liabilities carried at fair value through profit or loss				
Forward foreign exchange contracts (Level 2)	4 404	4 937	–	–

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 the end of the year.

	GROUP		COMPANY	
	2014 R000	2013 R000	2014 R000	2013 R000
27. REVENUE				
Revenue represents				
Sale of machines	4 713 530	4 550 287	–	–
Sale of parts	1 492 095	1 337 812	–	–
Service income	329 408	338 772	–	–
Rental income	73 512	92 233	–	–
Total revenue	6 608 545	6 319 104	–	–

Related party sales are disclosed in note 37.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP		COMPANY	
	2014 R000	2013 R000	**2014 R000**	2013 R000
28. PROFIT (LOSS) FROM OPERATING ACTIVITIES				
Profit (loss) from operating activities is arrived at after taking into account:				
Income				
Currency exchange gains	**195 831**	181 880	**23**	115
Deferred warranty income	**41 500**	37 006	**–**	–
Decrease in provision for residual value risk	**788**	–	**–**	–
Import duty rebates	**42 706**	51 310	**–**	–
Reclassification to profit or loss of foreign currency translation reserve on deregistered operations	**15 489**	–	**–**	–
Royalties	**4 647**	2 641	**–**	–
Net surplus on disposal of property, plant and equipment and intangible assets	**1 485**	998	**–**	–
Expenditure				
Accrual for severance pay	**21 378**	–	**–**	–
Amortisation of intangible assets				
– capitalised software	**8 032**	2 139	**–**	–
– capitalised development expenditure	**17 248**	17 465	**–**	–
Auditors' remuneration				
– audit fees – current	**8 558**	8 780	**585**	572
– prior	**385**	(43)	**–**	–
– expenses	**10**	129	**–**	–
– other services	**1 261**	1 533	**–**	–
Consulting fees	**33 266**	25 530	**675**	91
Currency exchange losses	**186 976**	269 826	**3**	23
Depreciation				
– freehold buildings	**10 819**	6 483	**–**	–
– leasehold buildings	**206**	224	**–**	–
– plant and equipment	**46 565**	45 256	**–**	–
– rental assets	**44 231**	43 443	**–**	–
– aircraft	**842**	730	**–**	–
– vehicles	**12 218**	11 703	**–**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP		COMPANY	
	2014 R000	2013 R000	**2014 R000**	2013 R000
28. PROFIT (LOSS) FROM OPERATING ACTIVITIES (continued)				
Profit (loss) from operating activities is arrived at after taking into account:				
Expenditure (continued)				
Directors' remuneration				
Paid by company:				
– non-executive directors' fees	**2 303**	1 957	**2 303**	1 957
Paid by subsidiaries:				
– executive directors – salaries	**6 657**	7 539	**–**	–
– benefits	**821**	1 929	**–**	–
Equity-settled share-based payments	**3 132**	4 704	**–**	–
Increase in provision for doubtful debts	**69 887**	–	**–**	–
Increase in provision for residual value risk	**–**	1 458	**–**	–
Increase in warranty provision	**6 814**	8 060	**–**	–
Operating lease charges				
– equipment and vehicles	**42 205**	40 099	**–**	–
– land and buildings	**86 236**	82 440	**–**	–
Research expenses (excluding staff costs)	**35 072**	28 016	**–**	–
Staff costs	**1 221 099**	1 222 422	**–**	–
Number of employees at the end of the year	**3 513**	3 608	**–**	–

Details of remuneration paid to directors and prescribed officers of the company are set out in note 41.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

		GROUP		COMPANY	
		2014 R000	2013 R000	2014 R000	2013 R000
29. TAXATION					
29.1 Taxation recognised in profit or loss					
South African normal taxation					
Current taxation					
– current year		19 494	27 342	–	–
– prior year		(2 071)	685	–	–
Deferred taxation					
– current year		(11 588)	20 384	–	–
– prior year		7 974	(522)	–	–
Foreign taxation					
Current taxation					
– current year		27 735	57 953	–	–
– prior year		14 107	701	–	–
Deferred taxation					
– current year		460	(13 880)	–	–
Withholding taxation		3 927	3 642	–	–
Wealth taxation		3 815	3 318	–	–
Total taxation charge recognised in profit or loss		63 853	99 623	–	–
Reconciliation of rate of taxation					
Standard rate of taxation	(%)	28	28	28	28
Adjustment for:					
Exempt income	(%)	(1)	–	–	–
Disallowable expenditure	(%)	1	3	(7)	(3)
Special allowances for taxation	(%)	(8)	(4)	–	–
Prior year taxation	(%)	15	–	–	–
Wealth and withholding taxation	(%)	6	2	–	–
Taxation loss	(%)	1	–	(21)	(25)
Different taxation rates of subsidiaries operating in other jurisdictions and the effect of unrecognised deferred taxation assets for taxation losses in these subsidiaries	(%)	7	4	–	–
Effective rate of taxation	(%)	49	33	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP		COMPANY	
	2014 R000	2013 R000	**2014 R000**	2013 R000
29. TAXATION (continued)				
29.1 Taxation recognised in profit or loss (continued)				
The group's estimated taxation losses amount to approximately R276,3 million (2013: R241,8 million).				
Included in this amount are losses of R52,1 million (2013: R63,0 million) that will expire as set out below:				
Less than one year	**22 456**	19 679	**–**	–
Two to five years	**17 138**	5 292	**–**	–
Six to ten years	**12 505**	18 125	**–**	–
More than ten years	**–**	19 880	**–**	–
Total	**52 099**	62 976	**–**	–
Other losses may be carried forward indefinitely.				
A deferred taxation asset of R49,4 million (2013: R47,5 million) has been recognised in respect of such losses as reflected in note 11, as future taxable income of sufficient amount is expected to be earned. Unused taxation losses for which no deferred taxation assets have been recognised are revenue in nature and amount to R99,9 million (2013: R63,5 million).				
29.2 Taxation recognised in other comprehensive income				
Deferred taxation				
– property revaluation	**–**	11 312	**–**	–
Total taxation charge recognised in other comprehensive income	**–**	11 312	**–**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

		GROUP 2014	GROUP 2013
30. EARNINGS PER SHARE			
30.1 Earnings per share (basic)			
Profit attributable to owners of Bell Equipment Limited	(R000)	**63 452**	183 007
Weighted average number of shares in issue	('000)	**95 146**	95 062
Earnings per share (basic)	(cents)	**67**	193
30.2 Earnings per share (diluted)			
Profit attributable to owners of Bell Equipment Limited	(R000)	**63 452**	183 007
Fully converted weighted average number of shares	('000)	**95 640**	96 933
Earnings per share (diluted)	(cents)	**66**	189

The number of shares in issue for this calculation has been adjusted for the effect of the dilutive potential ordinary shares relating to the unexercised options in employee Share Option Scheme 2 as set out in note 31.3

		GROUP 2014	GROUP 2013
30.3 Headline earnings per share (basic)			
Profit attributable to owners of Bell Equipment Limited	(R000)	**63 452**	183 007
Net surplus on disposal of property, plant and equipment and intangible assets	(R000)	**(1 485)**	(998)
Taxation effect of net surplus on disposal of property, plant and equipment and intangible assets	(R000)	**416**	279
Reclassification to profit or loss of foreign currency translation reserve on deregistered operations	(R000)	**(15 489)**	–
Headline earnings	(R000)	**46 894**	182 288
Weighted average number of shares in issue	('000)	**95 146**	95 062
Headline earnings per share (basic)	(cents)	**49**	192
30.4 Headline earnings per share (diluted)			
Profit as calculated in 30.3 above	(R000)	**46 894**	182 288
Fully converted weighted average number of shares per 30.2 above	('000)	**95 640**	96 933
Headline earnings per share (diluted)	(cents)	**49**	188

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

31. SHARE-BASED PAYMENTS

31.1 Employee share option plan

The company had one operating employee share option scheme for executives and senior employees during the year (Scheme 2). The directors in their sole discretion may from time to time, after giving due consideration to the purpose of the scheme, grant options to employees. The allocation is done according to a formula that recognises responsibility levels and is at the discretion of the Chief Executive and the board.

The maximum number of shares any employee may acquire in terms of this scheme may not exceed 200 000 shares. The options of Scheme 2 have a maximum contractual life of 10 years from the date of award.

Each employee share option converts into one ordinary share of Bell Equipment Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Scheme 2 was approved by the board in December 2009 and share options were granted to employees on 15 February 2010, 15 April 2011 and 15 May 2012. Five million ordinary shares have been reserved for this scheme. The options on Scheme 2 are equity-settled, each year's allocation of options will vest one third in each period after three years, five years and seven years respectively, after the date of grant and are forfeited on leaving the company.

The following share-based payment arrangements were in existence during the reporting period:

Options tranches	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
Scheme 2 – Granted 15 February 2010 (tranche 1)	993 333	15 February 2010	14 February 2020	R10,48	R5,39
Scheme 2 – Granted 15 February 2010 (tranche 2)	993 333	15 February 2010	14 February 2020	R10,48	R5,83
Scheme 2 – Granted 15 February 2010 (tranche 3)	993 334	15 February 2010	14 February 2020	R10,48	R6,18
Scheme 2 – Granted 15 April 2011 (tranche 1)	510 000	15 April 2011	14 April 2021	R13,06	R7,12
Scheme 2 – Granted 15 April 2011 (tranche 2)	510 000	15 April 2011	14 April 2021	R13,06	R7,71
Scheme 2 – Granted 15 April 2011 (tranche 3)	510 000	15 April 2011	14 April 2021	R13,06	R8,17
Scheme 2 – Granted 15 May 2012 (tranche 1)	316 666	15 May 2012	14 May 2022	R21,35	R12,79
Scheme 2 – Granted 15 May 2012 (tranche 2)	316 667	15 May 2012	14 May 2022	R21,35	R13,18
Scheme 2 – Granted 15 May 2012 (tranche 3)	316 667	15 May 2012	14 May 2022	R21,35	R13,54

31.2 Fair value of share options granted

The fair value of the share options is determined once-off at grant date and is expensed on a straight-line basis over the vesting period.

		Grant date 15 February 2010	Grant date 15 April 2011	Grant date 15 May 2012
The weighted average fair values of Scheme 2 share options granted are:	(Rand)	5,80	7,67	13,17

Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate of exercise restrictions and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 10 years. For options granted on 15 May 2012, it was assumed that executives and senior employees would exercise the options after vesting date when the share price is 3,3 times the exercise price. For options granted on 15 February 2010 and 15 April 2011, an exercise multiple of 2,2 times was assumed.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

31. SHARE-BASED PAYMENTS (continued)

31.2 Fair value of share options granted (continued)

		Grant date 15 February 2010	Grant date 15 April 2011	Grant date 15 May 2012
Inputs into the model				
Grant date share price	(Rand)	10,30	13,10	21,90
Exercise price of the option	(Rand)	10,48	13,06	21,35
Expected volatility of the share price	(%)	41,59	45,26	41,60
Contractual life of the option	(years)	10	10	10
Dividend yield	(%)	0,79	0,67	0,57
Risk-free interest rate for the life of the option	(%)	8,88	8,42	7,79

	GROUP			
	2014 Number of options	**2014 Weighted average exercise price R**	2013 Number of options	2013 Weighted average exercise price R
31.3 Movements in share options during the year				
The following reconciles the share options outstanding at the beginning and end of the year:				
Scheme 2				
Balance at beginning of the year	**4 358 444**	**13,38**	4 784 500	13,31
Forfeited during the year	**(230 000)**	**13,45**	(255 671)	13,96
Exercised during the year	**(2 500)**	**13,06**	(170 385)	10,48
Balance at end of the year	**4 125 944**	**13,38**	4 358 444	13,38

The share options outstanding at the end of the year under Scheme 2 had a weighted average remaining contractual life of 5,9 years (2013: 6,9 years).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP			
	2014 Number of options	2014 Weighted average share price R	2013 Number of options	2013 Weighted average share price R
31. SHARE-BASED PAYMENTS (continued)				
31.4 Share options exercised during the year				
The following share options were exercised during the year:				
Exercise date				
Granted 15 April 2011 (tranche 1)				
2 May 2014	2 500	18,00	–	–
Granted 15 February 2010 (tranche 1)				
15 February 2013	–	–	19 998	25,61
19 March 2013	–	–	19 998	22,27
15 April 2013	–	–	8 332	23,30
21 May 2013	–	–	8 332	23,00
1 July 2013	–	–	4 999	22,10
5 July 2013	–	–	19 998	22,64
21 August 2013	–	–	19 998	24,01
22 August 2013	–	–	33 330	24,17
26 August 2013	–	–	5 000	24,03
28 August 2013	–	–	20 400	24,80
3 September 2013	–	–	5 000	25,66
12 September 2013	–	–	5 000	24,72
Total	2 500		170 385	

At year-end the number of options that have vested and that were exercisable was 1 029 599 (2013: 657 948).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP 2014 R000	GROUP 2013 R000	COMPANY 2014 R000	COMPANY 2013 R000
32. CONTINGENT LIABILITIES				
32.1 The group has assisted customers with the financing of equipment purchased through a financing venture with WesBank, a division of FirstRand Bank Limited. Refer to note 40.				
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	**204 829**	110 356	**–**	–
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	**995**	3 765	**–**	–
In the event of default, the equipment financed would be recovered and it is estimated that they would presently realise the following towards the above liabilities	**243 954**	158 624	**–**	–
Net contingent liability	**–**	–	**–**	–
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	**21 645**	18 400	**–**	–
In the event of default, the equipment financed would be recovered and it is estimated that they would presently realise the following towards the above liability	**25 902**	21 870	**–**	–
	(4 257)	(3 470)	**–**	–
Less: provision for non-recovery	**(1 782)**	–	**–**	–
Net contingent liability	**–**	–	**–**	–

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP 2014 R000	GROUP 2013 R000	COMPANY 2014 R000	COMPANY 2013 R000
32. CONTINGENT LIABILITIES (continued)				
32.2 The repurchase of equipment sold to customers and financial institutions has been guaranteed by the group for an amount of	**4 420**	2 224	**–**	–
In the event of repurchase, it is estimated that the equipment would presently realise	**19 037**	6 234	**–**	–
Net contingent liability	**–**	–	**–**	–
This relates to sales transactions with buy-back obligations where the probability of return of the equipment by the customer at the end of the buy-back period has been assessed as remote and revenue has been recognised upfront. A provision for residual value risk is recognised subsequent to initial recognition of the sale on a deal-by-deal basis, to the extent that the assessed market value of the equipment is less than the cost of meeting the buy-back obligation.				
32.3 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	**8 457**	16 418	–	–
Less: provision for residual value risk	**(670)**	(1 458)	–	–
Net contingent liability	**7 787**	14 960	–	–
In certain other transactions the group has paid cash collateral as security for the residual value risk. This cash collateral is recognised as retention deposits under interest-bearing long-term receivables (refer note 10). In the event of a residual value shortfall on this equipment, the group would be exposed to a maximum amount equal to the cash collateral of	**2 867**	5 638	–	–
Less: impairment of retention deposits	**–**	(668)	–	–
Net retention deposits and net contingent liability	**2 867**	4 970	–	–
Total net contingent liabilities	**10 654**	19 930	–	–
This relates 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.				
The provision for residual value risk and impairment of retention deposits are based on an assessment of the market value of the equipment.				
32.4 The company provided suretyships for the overdrafts, short-term borrowings and loans made to subsidiaries	**–**	–	514 194	968 654

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP		COMPANY	
	2014 R000	2013 R000	2014 R000	2013 R000
32. CONTINGENT LIABILITIES (continued)				
32.5 Letters of support have been issued by the company to certain of the subsidiaries to the effect that financial assistance would be provided should the subsidiaries be unable to meet their commitments.				
32.6 Performance guarantees have been provided to certain customers for an amount of	–	5 497	–	–
33. CAPITAL EXPENDITURE COMMITMENTS				
Contracted	21 460	68 472	–	–
Authorised, but not contracted	59 418	147 079	–	–
Total capital expenditure commitments	80 878	215 551	–	–
This capital expenditure is to be financed from internal resources and long-term facilities.				
34. OPERATING LEASE ARRANGEMENTS				
34.1 Operating lease commitments				
The group has commitments under non-cancellable operating leases as set out below:				
Land and buildings				
Less than one year	74 286	74 832	–	–
One to five years	193 931	204 482	–	–
More than five years	54 336	109 190	–	–
Equipment and vehicles				
Less than one year	20 979	17 440	–	–
One to five years	46 210	23 493	–	–
More than five years	206	–	–	–
Total operating lease commitments	389 948	429 437	–	–

Included in operating lease commitments above is an amount for R209,6 million (2013: R235,2 million) relating to a twelve year property lease for warehousing and administrative buildings in South Africa. The lease charge escalates at 8% per annum and expires in 2021. There are no contingent rentals in the lease.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP 2014 R000	GROUP 2013 R000	COMPANY 2014 R000	COMPANY 2013 R000
34. OPERATING LEASE ARRANGEMENTS (continued)				
34.2 Operating lease receivables				
Non-cancellable operating lease receivables are set out below:				
Equipment and vehicles				
Less than one year	**41 119**	8 223	**–**	–
One to five years	**12 633**	11 315	**–**	–
Total operating lease receivables	**53 752**	19 538	**–**	–

35. RETIREMENT BENEFIT INFORMATION

South African group employees in certain scheduled occupations are required by legislation to join an industrial defined contribution plan. The pension fund is governed by the Pension Funds Act and retirement benefits are determined based on the level of contributions for retirement by employees and investment returns. Employees carry the investment risk and the group has no commitment to meet any unfunded benefits.

Other South African employees are eligible to join the Old Mutual Superfund Evergreen Pension and Provident Funds, which are externally managed defined contribution plans with multiple participating employers, including Bell Equipment Limited. These funds are governed by the Pension Funds Act and retirement benefits are determined with reference to the employees' contributions to the fund. These funds are actuarially valued but by their nature the group has no commitment to meet any unfunded benefits.

Certain of the foreign subsidiaries offer pension fund plans to their employees. These funds are externally managed defined contribution plans and are not actuarially valued. These companies have no commitment to meet any unfunded benefits.

The employer contributions to retirement funds were R90,5 million during the current year (2013: R85,3 million) and were charged to staff costs in profit or loss.

There is no obligation to meet any post retirement medical costs of employees.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP 2014 R000	GROUP 2013 R000
36. FINANCIAL INSTRUMENTS		
Financial instruments as disclosed in the statement of financial position include long- and short-term borrowings, investments, cash resources, interest-bearing long-term receivables, trade receivables, trade payables and forward foreign exchange contracts.		
Categories of financial instruments		
Financial assets		
Loans and receivables at amortised cost		
– interest-bearing long-term receivables (including current portion)	**87 876**	39 356
– trade and other receivables	**641 099**	756 111
– cash resources	**258 955**	106 327
Available for sale financial assets		
– investments	**548**	563
Financial assets at fair value through profit or loss	**2 071**	578
Total financial assets	**990 549**	902 935
Financial liabilities		
Financial liabilities at amortised cost		
– interest-bearing liabilities (including current portion)	**127 465**	165 608
– trade and other payables	**1 350 589**	1 187 740
– short-term interest-bearing debt	**133 779**	567 274
Financial liabilities at fair value through profit or loss	**4 404**	4 937
Total financial liabilities	**1 616 237**	1 925 559

The holding company's indebtedness to its subsidiary company, which amounted to R90,8 million (2013: R43,4 million), is categorised as financial liabilities at amortised cost.

Fair value of financial instruments

Financial assets and liabilities carried at fair value through profit or loss include forward foreign exchange contracts. Forward foreign exchange contracts are measured at fair value on a recurring basis using inputs other than quoted prices (Level 2). The fair value of these contracts is based on observable forward exchange rates at the end of the year.

Loans and receivables comprising interest-bearing long-term receivables, trade and other receivables and cash resources are measured at amortised cost. The directors consider that the carrying amount of loans and receivables at amortised cost approximates their fair value.

Financial liabilities comprising interest-bearing liabilities, trade and other payables and short-term interest-bearing debt are measured at amortised cost. The directors consider that the carrying amount of financial liabilities at amortised cost approximates their fair value.

Available for sale financial assets comprise an unlisted equity investment measured at cost for which a reliable fair value could not be determined.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

36. FINANCIAL INSTRUMENTS (continued)

Financial risk management

The group's approach to risk management includes being able to identify, describe and analyse risks at all levels throughout the group, with mitigating actions being implemented at the appropriate point of activity. The very significant, high impact risk areas and the related mitigating action plans are monitored by the board. The overall risk strategy remains unchanged with emphasis on sustainability and liquidity.

In the normal course of its operations, the group is exposed to capital, liquidity, credit and market risks (foreign currency risk, interest rate risk and residual value risk). In order to manage these risks, the group may enter into transactions which make use of derivatives. They include forward foreign exchange contracts. The group does not speculate in derivative instruments.

The group's treasury function provides services to the business, co-ordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to operations of the group through internal risk reports which analyse exposures and the magnitude of risks.

		GROUP	
		2014 R000	2013 R000
36.1 Capital risk management			
The group's overall strategy is to secure the long-term sustainability of the group and to generate cash. This is consistent with the prior year.			
The capital structure of the group consists of debt, which includes short-term and long-term borrowings as disclosed in note 19, cash and cash equivalents, all components of equity, comprising issued capital, reserves and non-controlling interest, as disclosed in notes 16 to 18, and retained earnings.			
Gearing ratio			
The board reviews the capital structure on a regular basis. As part of this review, the board considers the cost of capital and the risks associated with the capital structure.			
The gearing ratio at the year-end was as follows:			
Short-term and long-term borrowings		**261 244**	732 882
Cash resources		**(258 955)**	(106 327)
Net debt		**2 289**	626 555
Total equity		**2 536 331**	2 488 661
Attributable to owners of Bell Equipment Limited		**2 528 695**	2 481 746
Non-controlling interest		**7 636**	6 915
Debt-to-equity ratio (excluding cash resources)	(%)	**10,3**	29,4
Net debt-to-equity ratio (including cash resources)	(%)	**0,1**	25,2

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

36. FINANCIAL INSTRUMENTS (continued)

36.2 Liquidity risk

The group manages liquidity risk by management of working capital and cash flows.

Banking facilities are constantly monitored for adequacy. The general banking facilities are repayable on demand and their utilisation at 31 December 2014 is as follows:

	GROUP			
	Facilities 2014 R000	**Utilisation 2014 R000**	Facilities 2013 R000	Utilisation 2013 R000
General banking facilities	**856 419**	**133 779**	838 205	567 274

Short-term interest-bearing debt comprising bank overdrafts and borrowings on call are unsecured and floating interest rates linked to prime are charged. There are no covenants in place on short-term interest-bearing debt.

The utilisation at 31 December 2014 on facilities made available by the Industrial Development Corporation of South Africa is as follows:

	GROUP			
	Facilities 2014 R000	**Utilisation 2014 R000**	Facilities 2013 R000	Utilisation 2013 R000
Industrial Development Corporation of South Africa				
Trade finance	**300 000**	**300 000**	300 000	288 038
Interest accrued	**–**	**1 949**	–	7 534
	300 000	**301 949**	300 000	295 572
Medium-term loan	**80 000**	**80 000**	107 500	107 500
Total	**380 000**	**381 949**	407 500	403 072

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

36. FINANCIAL INSTRUMENTS (continued)

36.2 Liquidity risk (continued)

The following details the group's remaining contractual maturities for its non-derivative financial liabilities.

The table has been drawn up based on the undiscounted cash flows and, where applicable, includes both interest and principal cash flows.

	GROUP				
	Less than one year R000	One to two years R000	Two to three years R000	More than three years R000	Total R000
Non-derivative financial liabilities					
2014					
Secured interest-bearing liabilities	**13 947**	**11 398**	**9 942**	**25 675**	**60 962**
Unsecured interest-bearing liabilities	**35 647**	**33 454**	**20 710**	**–**	**89 811**
Trade and other payables	**1 350 589**	**–**	**–**	**–**	**1 350 589**
Short-term interest-bearing debt	**133 779**	**–**	**–**	**–**	**133 779**
Total	**1 533 962**	**44 852**	**30 652**	**25 675**	**1 635 141**
2013					
Secured interest-bearing liabilities	25 404	9 476	8 063	28 927	71 870
Unsecured interest-bearing liabilities	38 900	36 050	33 212	18 049	126 211
Trade and other payables	1 187 740	–	–	–	1 187 740
Short-term interest-bearing debt	567 274	–	–	–	567 274
Total	1 819 318	45 526	41 275	46 976	1 953 095

The following outlines the group's maturity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted gross cash inflows/(outflows) on the derivative instruments that settle on a gross basis.

	GROUP	
	2014 R000	2013 R000
Derivative financial instruments		
Less than one year		
Gross settled forward foreign exchange contracts – imports	**(133 290)**	(29 996)
Gross settled forward foreign exchange contracts – exports	**103 216**	260 140
Total	**(30 074)**	230 144

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

36. FINANCIAL INSTRUMENTS (continued)

36.3 Credit risk

Credit risk consists mainly of short-term cash deposits, interest-bearing long-term receivables, trade receivables and indebtedness by subsidiaries and the credit risk exposure described in note 32.1 and note 40. The group only deposits short-term cash with approved financial institutions and counterparty credit limits are in place.

Trade receivables comprise a wide spread customer base, and operations management undertake ongoing credit evaluations of the financial condition of their customers. Before accepting any new customer, the group assesses the potential customer's credit quality and defines credit limits by customer.

The group's credit risk is regularly monitored by a credit committee, consisting of certain directors and senior executives, which reports to the board. As part of its function the committee assesses credit limits by customer and customers' credit quality. The company's credit risk in respect of the indebtedness of its subsidiaries is monitored by management on an ongoing basis.

The average credit period on sales of goods and services is 30 days (2013: 30 days).

Other than in specific circumstances, no interest is charged on overdue balances.

An allowance has been made for estimated irrecoverable amounts from the sale of goods and has been determined by reference to past default experience and the value of the underlying security.

With the exception of the credit risk disclosed in note 32.1, the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's and company's maximum exposure to credit risk. At 31 December 2014, the group and company do not consider there to be any material credit risk that has not been adequately provided for.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Included in the group's trade receivable balance are debtors with a carrying amount of R154,5 million (2013: R171,4 million) which are past the original expected collection date (past due) at the reporting date, for which the group has not provided against as there has not been a significant change in credit quality and the amounts are still considered recoverable.

A summarised age analysis of past due debtors is set out below.

	GROUP	
	2014 R000	2013 R000
Ageing of past due but not impaired		
60 to 90 days	**50 298**	49 863
90 to 120 days	**41 953**	33 480
120+ days	**62 240**	88 098
Total	**154 491**	171 441
Movement in the allowance for doubtful debts		
Balance at beginning of the year	**8 659**	7 883
Amounts written off as uncollectible	**(1 245)**	(6 736)
Amounts recovered during the year	**(969)**	(907)
Increase in allowance	**72 101**	8 419
Balance at end of the year	**78 546**	8 659

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

36. FINANCIAL INSTRUMENTS (continued)

36.3 Credit risk (continued)

Transfer of financial assets

In the prior year, the group discounted certain finance lease receivables to a financial institution for cash. In terms of these arrangements, the group has no obligation to reimburse the financial institution for any unsettled balances or amounts due by default customers. The group acts as an agent on behalf of the financial institution for payment collections but is obliged to remit the cash flows to the financial institution without material delay. The group no longer controls the financial assets and has ceded its rights to future economic benefits associated with the transferred financial assets. The group considered that risks and rewards of ownership relating to these financial assets have transferred and has derecognised these finance lease receivables. The amount of finance lease receivables discounted under these arrangements in the prior year was R48,6 million. The group did not enter into such discounting arrangements in the current year. Refer to note 2.10 for the group's accounting policy on derecognition of financial assets.

Rental income streams from an operating lease agreement with a customer were discounted to a financial institution during the current year. In terms of the discounting arrangement, the group is obliged to reimburse the financial institution when called upon to do so. A liability was recognised in interest-bearing liabilities on the statement of financial position for the secured borrowings and the carrying amount at year-end amounted to R1,3 million (2013: R14,7 million). Refer to note 19.

36.4 Market risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and residual value risk. There has been no change to the group's exposure to market risks or the manner in which it manages and measures the risks.

36.4.1 Currency risk

The group undertakes certain transactions denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. The group follows a policy of matching import and export cash flows where possible. The majority of any remaining inward or outward trade exposure is covered forward. In this regard, the group has entered into certain forward exchange contracts which do not relate to specific items appearing in the statement of financial position, but which were entered into to cover foreign commitments not yet due. The foreign subsidiaries do not hedge their intra-group purchases.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

36. FINANCIAL INSTRUMENTS (continued)

36.4 Market risk (continued)

36.4.1 Currency risk (continued)

The details of contracts held at 31 December 2014 are listed below. These contracts will be utilised during the next six months. These contracts have been fair valued at the year-end as follows:

	GROUP			
	Foreign amount 000	Rate R	Market value in Rands R000	Fair value gain (loss) R000
2014				
Import contracts				
British Pound	1 996	18,03	36 182	194
Euro	5 976	14,35	84 675	(1 081)
United States Dollar	938	11,56	10 907	64
Japanese Yen	7 017	10,24	683	(2)
Export contracts				
Euro	466	14,46	6 563	175
United States Dollar	8 350	11,55	97 625	(1 183)
2013				
Import contracts				
British Pound	1 481	17,37	25 903	178
United States Dollar	404	10,56	4 278	12
Export contracts				
Euro	11 178	14,37	162 955	(2 327)
United States Dollar	9 498	10,47	100 298	(854)

The group is mainly exposed to the United States Dollar and the Euro. The analysis below details the group's sensitivity to a 20% strengthening or weakening in the South African Rand against major currencies. The analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates. A 20% strengthening or weakening in the South African Rand represents management's assessment of the reasonably possible change in foreign exchange rates.

For a 20% weakening in the South African Rand against major currencies and if all other variables were held constant, the group's:

- profit before taxation for the year ended 31 December 2014 would have decreased by R15,1 million (2013: increase in profit of R4,5 million); and
- other equity at the year-end would have increased by R32,6 million (2013: R11,4 million).

For a 20% strengthening, there would have been an equal and opposite impact on the profit and other equity.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

36. FINANCIAL INSTRUMENTS (continued)

36.4 Market risk (continued)

36.4.2 Interest rate risk

The group is exposed to interest rate risk as entities in the group borrow funds at floating interest rates. Exposure to interest rate risk on borrowings and investments is monitored on a proactive basis. The group's interest rate profile of borrowings at 31 December 2014 is as follows:

		GROUP			
		Net (cash) overdraft and call balances	Trade finance	Long-term borrowings	Total borrowings
2014					
Borrowings	(R000)	**(125 176)**	**301 949**	**127 465**	**304 238**
Rate profile		**Floating**	**Floating**	**Floating**	
Percentage of total borrowings	(%)	**(41)**	**99**	**42**	
2013					
Borrowings	(R000)	460 947	295 572	165 608	922 127
Rate profile		Floating	Floating	Floating	
Percentage of total borrowings	(%)	50	32	18	

The sensitivity analysis below has been determined based on the exposure to interest rates on borrowings at the end of the reporting period.

For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the period was outstanding for the whole year. A 100 basis points increase or decrease is used and presents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher and all other variables were held constant, the group's:

- profit before taxation for the year ended 31 December 2014 would have decreased by R3,0 million (2013: decrease in profit before taxation of R9,2 million); and
- profit after taxation for the year ended 31 December 2014 would have decreased by R2,2 million (2013: decrease in profit after taxation of R6,6 million).

For a 100 basis points decrease, there would have been an equal and opposite impact on the profit and equity.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

36. FINANCIAL INSTRUMENTS (continued)

36.4 Market risk (continued)

36.4.3 Residual value risk

Residual value risks are attributable to transactions combined with buy-back agreements and sales transactions with residual value guarantees.

Residual value risks are the risks that the assessed market value of the equipment is less than what was expected when the contracts were entered into. Refer to notes 2.18 and 4.1 for information on the various transaction types entered into by the group.

The group manages residual value risk through ongoing assessments of the market values of the underlying equipment. Current and anticipated market conditions are assessed on an ongoing basis. Other conditions such as product development, environmental regulations and competitor actions are also considered in assessing the group's exposure to residual value risk.

The group's maximum exposure to residual value risk is disclosed in notes 32.2 and 32.3.

37. RELATED PARTY TRANSACTIONS

Details of transactions between the group and other related parties are disclosed below.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Related party relationships exist between certain directors and trading partners. All transactions are carried out on an arms length basis. The nature and value of the transactions concluded during the year and balances at the year-end are detailed below:

	GROUP		COMPANY	
	2014 R000	2013 R000	2014 R000	2013 R000
Shareholders				
I A Bell & Company Proprietary Limited				
– property rental paid	58	44	–	–
John Deere Construction and Forestry Company				
– sales	185 029	73 099	–	–
– purchases	611 230	690 110	–	–
– royalties received	4 647	2 641	–	–
– royalties paid	7 398	8 338	–	–
– warranty claims received	2 210	–	–	–
– interest paid	7	471	–	–
– interest received	–	30	–	–
– commission paid	8	–	–	–
– computer licence fees, training and related expenses	574	840	–	–
– legal settlement expenses	641	1 314	–	–
– export rebate expenses	5 453	2 330	–	–
– amounts owing to – trade and other payables	153 836	127 171	–	–
– amounts owing by – trade and other receivables	34 944	22 487	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP 2014 R000	GROUP 2013 R000	COMPANY 2014 R000	COMPANY 2013 R000
37. RELATED PARTY TRANSACTIONS (continued)				
Enterprises over which directors and shareholders are able to exercise significant influence and/or in which directors and shareholders have a beneficial interest				
Ario Properties Limited				
– property rental paid	8 448	6 105	–	–
– property related expenses	340	–	–	–
Loinette Company Leasing Limited				
– amounts owing to	–	2 285	–	–
– amounts owing by	1 805	1 544	–	–
Minosucra SARL				
– sales	17 446	28 624	–	–
– warranty claims paid	88	–	–	–
– amounts owing by	371	850	–	–
Triumph International Madagascar SARL				
– sales	916	–	–	–
– amounts owing by	48	–	–	–
Triumph International Trading Limited				
– sales	–	979	–	–
– amounts owing by	–	196	–	–
Tractor and Equipment (Mauritius) Limited				
– sales	2 939	3 824	–	–
– amounts owing by	81	85	–	–
Castle Crest Properties 33 Proprietary Limited				
– property rental paid	635	454	–	–
– amounts owing to	–	53	–	–
– amounts owing by	49	49	–	–
Matriarch Trading Close Corporation				
– sales	1 840	238	–	–
– purchases	2 057	321	–	–
– royalties paid	64	–	–	–
– amounts owing to	770	–	–	–
– amounts owing by	342	1	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP		COMPANY	
	2014 R000	2013 R000	2014 R000	2013 R000
37. RELATED PARTY TRANSACTIONS (continued)				
Enterprises over which directors and shareholders are able to exercise significant influence and/or in which directors and shareholders have a beneficial interest (continued)				
BAC Aviation Close Corporation				
– aircraft rebuild expenses	644	301	–	–
– aircraft hangar, maintenance and related expenses	286	235	–	–
– amounts owing to	2	–	–	–
Latin Equipment Group				
– sales	8 908	35 494	–	–
– warranty claims paid	370	–	–	–
– amounts owing to	–	60	–	–
– amounts owing by	978	15 954	–	–
Subsidiaries				
Bell Equipment Company SA Proprietary Limited				
– management fee received	–	–	1 500	1 500
– administration fee paid	–	–	466	466
– amounts owing to	–	–	91 014	43 403
Bell Equipment (Deutschland) GmbH				
– bank guarantee fee received	–	–	492	290
– amounts owing by	–	–	485	71
Bell Equipment International SA				
– bank guarantee fee received	–	–	501	453
– amounts owing by	–	–	514	467
Bell Equipment UK Limited				
– bank guarantee fee received	–	–	31	28
– amounts owing by	–	–	30	–
Bell Equipment Mozambique Limitada				
– bank guarantee fee received	–	–	81	30
– amounts owing by	–	–	83	30
Bell Equipment (DRC) SPRL				
– bank guarantee fee received	–	–	170	88
– amounts owing by	–	–	175	91

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	GROUP		COMPANY	
	2014 R000	2013 R000	2014 R000	2013 R000
37. RELATED PARTY TRANSACTIONS (continued)				
Subsidiaries (continued)				
Bell Equipment (Zambia) Limited				
– bank guarantee fee received	–	–	128	–
– amounts owing by	–	–	131	–
Bell PTA (Pvt) Limited				
– bank guarantee fee received	–	–	85	–
– amounts owing by	–	–	87	–

Amounts owing by related parties that are in respect of the sale of equipment by the group, are secured by the underlying second-hand equipment. Other amounts outstanding are unsecured. Amounts will be settled in cash.

No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Compensation of key management personnel

The remuneration of executive directors and prescribed officers is reflected in note 41.

The remuneration of executive directors and key management is determined by the board having regard for the performance of individuals and market trends.

38. SUBSEQUENT EVENTS

The group has reviewed its cost structures group-wide to ensure alignment with revenue performance. The group's South African operations embarked on a consultation process with organised labour and other relevant stakeholders in terms of Section 189A of the Labour Relations Act. At the date of this report, a total of 124 employees had been awarded voluntary separation packages at a cost of R30,7 million. Similar restructuring processes were followed by all non-South African group operations. Of this, R21,4 million was incurred in the 2014 financial year and was accrued at year-end.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

39. COMPOSITION OF THE GROUP

The group structure is presented on page 7 of the integrated annual report. Information about the composition of the group at year-end is as follows:

			GROUP						Interest of Bell Equipment Limited			
Subsidiaries	Business type	Principal activity	**Issued share capital 2014 R**	Issued share capital 2013 R	**Effective holding 2014 %**	Effective holding 2013 %	**Profit (loss) for the year 2014 R000**	Profit (loss) for the year 2013 R000	**Book value of shares 2014 R000**	Book value of shares 2013 R000	**Amounts owing (to) by 2014 R000**	Amounts owing (to) by 2013 R000
Southern Africa												
Bell Equipment Company SA Proprietary Limited	O	M	**2**	2	**100**	100	**(11 900)**	136 603	**24 985**	22 725		
– amounts owing to – non-interest-bearing liabilities											**(90 781)**	(43 403)
– amounts owing to – trade and other payables											**(233)**	–
Bell Equipment Sales South Africa Limited	O	S	**2 325 000**	2 325 000	**97**	96	**58 486**	55 722	**5 317**	5 057	**–**	–
I A Bell Equipment Co Namibia (Proprietary) Limited	O	S	**4**	4	**100**	96	**3 434**	8 855	**43 812**	–	**–**	–
Bell Equipment Co Swaziland (Proprietary) Limited	O	S	**2**	2	**100**	96	**962**	(1 457)	**–**	–	**–**	–
Bell Equipment Finance Company Proprietary Limited	D	D	**–**	–	**100**	100	**–**	–	**–**	–	**–**	–
Other Africa												
Bell Equipment (Zambia) Limited	O	S	**17 658 776**	18 153 448	**100**	100	**(2 296)**	7 591	**–**	–	**131**	–
Bell PTA (Pvt) Limited	O	S	**5 238 903**	5 385 659	**100**	100	**(16 104)**	(4 244)	**–**	–	**87**	–
Bell Equipment (Malawi) Limited	O	S	**2**	2	**100**	100	**(1 217)**	6 012	**–**	–	**–**	–
Bell Equipment Mozambique Limitada	O	S	**1 211 770**	1 245 715	**100**	100	**(13 789)**	(1 926)	**–**	–	**83**	30
Bell Equipment (DRC) SPRL	O	S	**106 514**	109 498	**100**	100	**(2 242)**	9 893	**–**	–	**175**	91
Europe												
Bell Equipment International SA	H	H	**843 900 000**	867 540 000	**100**	100	**(52)**	32 135	**615 626**	615 014	**514**	467
Bell France SAS	O	S	**48 010 793**	49 355 710	**100**	100	**(4 028)**	1 327	**–**	–	**–**	–
Bell Equipment UK Limited	O	S	**80 159 051**	82 404 530	**100**	100	**35 001**	20 682	**–**	–	**30**	–
Heathfield Haulamatic Limited	D	D	**–**	–	**100**	100	**–**	–	**–**	–	**–**	–
Bell Equipment Switzerland SA	R	R	**–**	1 643 236	**100**	100	**(116)**	435	**–**	–	**–**	–
Bell Equipment (Deutschland) GmbH	O	A	**63 292 500**	65 065 500	**100**	100	**20 785**	15 411	**–**	–	**485**	71
Bell Equipment Spain SA	O	D	**1 406 500**	1 445 900	**100**	100	**(3 171)**	(5 601)	**–**	–	**–**	–
LLC Bell Equipment Russland	O	S	**2 113 083**	2 172 277	**100**	100	**(49 773)**	(17 916)	**–**	–	**–**	–
United States of America												
Bell Equipment North America Inc	O	S	**67 512 000**	69 403 200	**100**	100	**3 804**	4 776	**–**	–	**–**	–
Australasia												
Bell Equipment Australia (Proprietary) Limited	O	S	**28**	28	**100**	100	**2 258**	1 023	**–**	–	**–**	–
Interest in subsidiary companies									**689 740**	642 796	**(89 509)**	(42 744)

Key to business type and principal activity:
D *Dormant companies*
H *Holding companies*
O *Operating companies*
A *Assembly plant, sales and logistics operation*
M *Manufacturing plant, sales and logistics operation*
S *Sales operation*
R *Deregistered*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

39. COMPOSITION OF THE GROUP (continued)

The group's control is exercised directly by holding the majority of the voting rights of the ordinary shares in all its subsidiaries as indicated above.

39.1 Significant restrictions

In terms of a certain agreement for a general banking facility held by Bell Equipment Sales South Africa Limited (BESSA), the repayment of intra-group loans as well as interest payments and dividend payments need approval from the relevant financial institution before such payments are made. At year-end the carrying amount of the related intra-group loan in BESSA with other group companies was R271,6 million (2013: R271,6 million).

Except for the limitations of the local markets and exchange control regulations in which certain group companies operate, there are no other significant restrictions on cash transfers and capital distributions to and from group companies.

	GROUP		COMPANY	
	2014 R000	2013 R000	**2014 R000**	2013 R000
40. FINANCING VENTURE WITH WESBANK				
A financing venture has been entered into with WesBank, a division of FirstRand Bank Limited, in order to assist customers with the financing of equipment purchased from the group.				
The group is entitled to a share of the profits from transactions financed through the financing venture. The group's profit share for the year included in other operating income amounted to	**1 573**	4 385	**–**	–
In terms of this arrangement, the following categories of financing are provided for:				
– transactions where the risks and rewards are for WesBank. All credit applications are subject to approval by WesBank in its sole discretion. The group carries no credit risk on these transactions.				
– specific transactions where the risks and rewards are for the group (Bell-backed deals). These transactions are credit applications that have initially been declined by WesBank but based on the group's backing, are financed through the financing venture. Where the group carries all the credit risk, the group is liable for the full balance due to WesBank by default customers. This is considered to be a financial guarantee contract and the contingent liability is reflected in note 32.1. The group is required to invest an amount equal to 25% with WesBank of the value of the financing provided by WesBank to customers as collateral in respect of these transactions. This investment, which earns interest at the cost of capital of the financing venture, is reflected as interest-bearing long-term receivables on the statement of financial position. The carrying amount of this cash collateral at year-end was	**53 937**	27 486	**–**	–
– specific transactions for which WesBank requires support (Bell-shared risk deals), either due to the credit risk profile of the customer or the specific structuring of the financing deal. In respect of these shared risk deals with WesBank, the group is at risk for a portion of the balance due to WesBank by default customers. Applications from customers are categorised into WesBank's risk grading system, with the risk category determining the level of risk shared by the group. No collateral investment is required by the group to support these transactions. The risk of customer default described above is considered to be a financial guarantee contract and the contingent liability is reflected in note 32.1.				

The group's credit risk exposure with regards to Bell-backed deals and Bell-shared risk transactions are approved and assessed by the group's credit committee.

Capital funding for the venture is provided by WesBank and the group's investment is limited to the 25% cash collateral paid on Bell-backed deals (refer above). WesBank is responsible to ensure sufficient capital is made available.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

40. FINANCING VENTURE WITH WESBANK (continued)

WesBank determines the pricing of all approved deals for all categories of financing provided. The financial assets within the financing venture are managed by WesBank and the financing venture is dependent on WesBank for critical services such as finance and credit expertise.

An advisory management board, represented by both WesBank and the group, facilitates the interaction between WesBank and the group. This board acts in an advisory capacity only and neither party is bound by its recommendations.

The group is responsible to promote financing of equipment through this financing venture and to assist with the market strategy.

The group's maximum exposure to loss is reflected in note 32.1.

41. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

	GROUP				
	Salary R	Pension/ Provident fund R	Other benefits and allowances R	2014 Total R	2013 Total R
Paid to executive directors of the company by the company's subsidiaries:					
Executive directors					
GW Bell	2 839 262	38 319	125 419	3 003 000	3 021 322
L Goosen	2 072 142	281 858	118 995	2 472 995	2 570 716
AR Mc Duling (resigned 30 August 2013)	–	–	–	–	1 848 211
KJ van Haght	1 745 912	230 088	26 112	2 002 112	2 027 858
Total	6 657 316	550 265	270 526	7 478 107	9 468 107
Paid to prescribed officers of the company's subsidiaries by the company's subsidiaries:					
Prescribed officers					
Executive A (expatriate salary)	3 389 485	96 727	133 423	3 619 635	3 110 721
Executive B	1 570 145	224 336	309 368	2 103 849	1 998 833
Executive C	1 802 283	250 221	154 963	2 207 467	2 204 146
Executive D (expatriate salary)	3 036 722	192 828	705 741	3 935 291	3 175 615
Total	9 798 635	764 112	1 303 495	11 866 242	10 489 315

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

	COMPANY			
	Retirement grant R	Fees R	2014 Total R	2013 Total R
41. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (continued)				
Paid to non-executive directors of the company by the company:				
Non-executive directors				
PJC Horne (retired 7 May 2008)	168 300	–	168 300	168 300
MA Mun-Gavin	–	559 310	559 310	499 520
TO Tsukudu	–	391 352	391 352	237 060
DJJ Vlok	–	424 572	424 572	388 800
JR Barton	–	440 902	440 902	411 480
B Harie	–	319 012	319 012	252 180
Total	168 300	2 135 148	2 303 448	1 957 340

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

41. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (continued)

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

	Balance at beginning of the year		Exercised		Forfeited		Balance at end of the year	
2014	Number of options	Exercise price	Number of options	Exercise price	Number of options	Exercise price	Number of options	Exercise price
Executive directors and prescribed officers								
L Goosen	100 000	10,48	–	–	–	–	100 000	10,48
	50 000	13,06	–	–	–	–	50 000	13,06
	30 000	21,35	–	–	–	–	30 000	21,35
Total	180 000		–		–		180 000	
KJ van Haght	100 000	10,48	–	–	–	–	100 000	10,48
	50 000	13,06	–	–	–	–	50 000	13,06
	30 000	21,35	–	–	–	–	30 000	21,35
Total	180 000		–		–		180 000	
Executive A	100 000	10,48	–	–	–	–	100 000	10,48
	50 000	13,06	–	–	–	–	50 000	13,06
	30 000	21,35	–	–	–	–	30 000	21,35
Total	180 000		–		–		180 000	
Executive B	100 000	10,48	–	–	–	–	100 000	10,48
	50 000	13,06	–	–	–	–	50 000	13,06
	30 000	21,35	–	–	–	–	30 000	21,35
Total	180 000		–		–		180 000	
Executive C	100 000	10,48	–	–	–	–	100 000	10,48
	50 000	13,06	–	–	–	–	50 000	13,06
Total	150 000		–		–		150 000	
Executive D	60 000	10,48	–	–	–	–	60 000	10,48
	30 000	13,06	–	–	–	–	30 000	13,06
	15 000	21,35	–	–	–	–	15 000	21,35
Total	105 000		–		–		105 000	
Grand total	975 000		–		–		975 000	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 December 2014

41. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION (continued)

	Balance at beginning of the year		Exercised		Forfeited		Balance at end of the year	
2013	Number of options	Exercise price	Number of options	Exercise price	Number of options	Exercise price	Number of options	Exercise price
Executive directors and prescribed officers								
L Goosen	100 000	10,48	–	–	–	–	100 000	10,48
	50 000	13,06	–	–	–	–	50 000	13,06
	30 000	21,35	–	–	–	–	30 000	21,35
Total	180 000		–		–		180 000	
AR Mc Duling (resigned 30 August 2013)	100 000	10,48	(33 330)	10,48	(66 670)	10,48	–	–
	50 000	13,06	–	–	(50 000)	13,06	–	–
	30 000	21,35	–	–	(30 000)	21,35	–	–
Total	180 000		(33 330)		(146 670)		–	
KJ van Haght	100 000	10,48	–	–	–	–	100 000	10,48
	50 000	13,06	–	–	–	–	50 000	13,06
	30 000	21,35	–	–	–	–	30 000	21,35
Total	180 000		–		–		180 000	
Executive A	100 000	10,48	–	–	–	–	100 000	10,48
	50 000	13,06	–	–	–	–	50 000	13,06
	30 000	21,35	–	–	–	–	30 000	21,35
Total	180 000		–		–		180 000	
Executive B	100 000	10,48	–	–	–	–	100 000	10,48
	50 000	13,06	–	–	–	–	50 000	13,06
	30 000	21,35	–	–	–	–	30 000	21,35
Total	180 000		–		–		180 000	
Executive C	100 000	10,48	–	–	–	–	100 000	10,48
	50 000	13,06	–	–	–	–	50 000	13,06
Total	150 000		–		–		150 000	
Executive D	60 000	10,48	–	–	–	–	60 000	10,48
	30 000	13,06	–	–	–	–	30 000	13,06
	15 000	21,35	–	–	–	–	15 000	21,35
Total	105 000		–		–		105 000	
Grand total	1 155 000		(33 330)		(146 670)		975 000	

SHAREHOLDER INFORMATION as at 31 December 2014

Combined register	Number of shareholders	% of total shareholders	Number of shares	% of total issued share capital
ANALYSIS OF SHAREHOLDINGS				
1 – 5 000	968	79,41	1 164 203	1,22
5 001 – 10 000	96	7,87	736 155	0,77
10 001 – 50 000	91	7,47	1 959 550	2,06
50 001 – 100 000	22	1,80	1 566 329	1,65
100 001 – 1 000 000	33	2,71	11 254 316	11,83
1 000 001 – and more	9	0,74	78 466 332	82,47
Totals	1 219	100,00	95 146 885	100,00
MAJOR BENEFICIAL SHAREHOLDERS (5% and more of the shares in issue)				
I A Bell and Company (Pty) Ltd-pled			35 723 569	37,55
John Deere			30 000 000	31,53
GEPF Equity			5 104 363	5,36
TOP TEN HOLDERS INCLUDING FUND MANAGERS				
I A Bell and Company (Pty) Ltd No 2			35 723 569	37,55
John Deere			30 000 000	31,53
GEPF Equity			5 104 363	5,36
Old Mutual Life Assurance Co SA Limited			1 701 697	1,79
Basfour 2052 CC			1 478 700	1,55
Sanlam Life Insurance Limited			1 323 725	1,39
Investec Value Fund			1 301 166	1,37
Basfour 3014 CC			1 231 300	1,29
Investec Emerging Companies Fund			1 184 720	1,25
Eskom Pension Fund (Equities-IAM)			1 118 789	1,18

SHAREHOLDER INFORMATION as at 31 December 2014

Combined register (continued)	Number of shareholders	% of total shareholders	Number of shares	% of total issued share capital
NON-RESIDENTS	45	3,69	32 705 570	34,37
SHAREHOLDER SPREAD				
Non-public:	5	0,41	65 991 209	69,36
Directors	3	0,25	267 640	0,28
10% of issued capital or more	2	0,16	65 723 569	69,08
Public	1 214	99,59	29 155 676	30,64
Totals	1 219	100,00	95 146 885	100,00
DISTRIBUTION OF SHAREHOLDERS				
Individuals	965	79,16	3 467 818	3,64
Private companies	33	2,71	37 909 331	39,84
Public companies	4	0,33	30 519 928	32,08
Nominees and trusts	86	7,05	778 831	0,82
Close corporations	19	1,56	2 843 212	2,99
Other corporate bodies	28	2,30	216 427	0,23
Banks	11	0,90	1 636 964	1,72
Insurance companies	8	0,66	3 112 308	3,27
Pension funds and medical aid societies	27	2,21	7 405 897	7,78
Collective investment schemes and mutual funds	38	3,12	7 256 169	7,63
Totals	1 219	100,00	95 146 885	100,00

GLOSSARY

ADT	Articulated Dump Truck
APDP	Automotive Production and Development Programme
Bell Equipment 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
BEEO	Bell Equipment European Operations
BEIO	Bell Equipment International Operations
BESSA	Bell Equipment Sales South Africa Limited
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
DRC	Democratic Republic of the Congo
GDP	Gross Domestic Product
IDC	Industrial Development Corporation
IPAP2	Industrial Policy Action Plan 2
ISO	International Standards Organisation
John Deere	John Deere Construction and Forestry Company, a Delaware corporation
LTIFR	Lost Time Injury Frequency Rate
LTRS	Lifetime Revenue Stream
MOI	Memorandum of Incorporation
NUMSA	National Union of Metalworkers of South Africa
NVC	National Vocational Curriculum
OROA	Operating Return on Assets
SVA	Shareholder Value-Add
TMP cycle	Trough, Mid and Peak cycle

SHAREHOLDER DIARY

Financial year-end	31 December
Integrated annual report	March 2015
Interim results announcement	August 2015
Annual general meeting	4 May 2015

NOTICE OF ANNUAL GENERAL MEETING

BELL EQUIPMENT LIMITED

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

Notice is hereby given that the 47th annual general meeting of members of Bell Equipment will be held at the company's registered office, 13 – 19 Carbonode Cell Road, Alton, Richards Bay, KwaZulu-Natal on Monday, 4 May 2015 at 11:00 to attend to the following matters, with or without modification.

The board of directors of the company has determined that the record date for the purposes of determining which shareholders of the company are entitled to receive a notice:

- of the 47th annual general meeting was 20 March 2015;
- and the record date for purposes of determining which shareholders can participate in and vote at the annual general meeting is Friday, 24 April 2015; and
- accordingly, the last day to trade in the company's shares in order to be recorded on the securities register of the company in order to be able to participate, attend and vote at the annual general meeting is Friday, 17 April 2015.

ORDINARY BUSINESS

1. ORDINARY RESOLUTION 1: FINANCIAL STATEMENTS

To adopt the annual financial statements of the company and the group for the year ended 31 December 2014, together with the auditor's and directors' reports thereon.

2. ORDINARY RESOLUTION 2: RE-ELECTION OF DIRECTORS

Re-election of directors in terms of clause 5.1.10 of the company's MOI by way of separate resolutions:

2.1 To re-elect B Harie as an independent non-executive director

2.2 To re-elect TO Tsukudu as an independent non-executive director

who retire by rotation in terms of the company's MOI at this annual general meeting and, being eligible, make themselves available for re-election. Brief particulars of the qualifications and experience of the abovementioned directors are available on pages 18 and 19 of this report.

3. ORDINARY RESOLUTION 3: APPOINTMENT OF DIRECTOR

To approve the appointment of AJ Bell as a non-executive director of the company. AJ Bell was appointed by the board as a non-executive director of the company with effect from 12 March 2015, subject to the approval of the shareholders at this annual general meeting.

Brief particulars of the qualifications and experience of the abovementioned director is reflected below:

Ashley has 14 years experience in various roles, including marketing manager at Bell Equipment on the ADT and then the TLB product lines. He has also provided charter and corporate pilot services to Bell Equipment and other corporates. He is currently the managing member of BAC Aviation Close Corporation, a business which provides aircraft maintenance and resale services and Matriarch Trading Close Corporation, an original equipment manufacturer. Ashley holds a BCom Marketing degree from UNISA.

4. ORDINARY RESOLUTION 4: APPOINTMENT OF THE MEMBERS OF THE AUDIT COMMITTEE

Pursuant to the requirements of Section 94 of the Companies Act, 2008, as amended, to appoint the following independent non-executive directors of the company as members of the Audit Committee until the conclusion of the next annual general meeting:

4.1 JR Barton *(Chairman)*

4.2 DJJ Vlok

4.3 B Harie

Brief particulars of the qualifications and experience of the abovementioned directors are available on pages 18 and 19 of this report.

5. ORDINARY RESOLUTION 5: APPOINTMENT OF AUDITORS

To authorise the directors to re-appoint Deloitte & Touche, upon the recommendation of the current Audit Committee, as the independent auditors of the company and BJ Botes as the individual registered auditor of the company to hold office until the conclusion of the next annual general meeting.

6. **ORDINARY RESOLUTION 6: NON-BINDING ADVISORY RESOLUTION APPROVING THE COMPANY'S REMUNERATION POLICY**
To approve as an ordinary resolution, by way of a non-binding advisory vote, that the company's executive remuneration policy be and is hereby approved in terms of the King Report on Corporate Governance for South Africa 2009.

The Remuneration Policy is set out on page 41 of this report.

7. **ORDINARY RESOLUTION 7: PLACEMENT OF AUTHORISED BUT UNISSUED SHARES UNDER THE CONTROL OF THE DIRECTORS**
To resolve that 5% (five percent) of the authorised but unissued shares in the capital in the company be placed under the control and authority of the directors of the company and further, that the directors be authorised and empowered to allot, issue and otherwise dispose of all or any of these shares 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 Memorandum of Incorporation of the company and provided that this authority shall not extend beyond the next annual general meeting or 15 (fifteen) months from the date of this annual general meeting, whichever date is earlier.

The directors of the company have no specific intention to affect the provisions of this resolution number 7 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 resolution number 7.

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 the extent required by Section 45 of the Companies Act, the board of directors of the company ("the board") may, subject to compliance with the provisions of the company's Memorandum of Incorporation, 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, for a period of one year from 1 January 2016 to 31 December 2016.

Reason 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 Act, as and when required. This special resolution does not authorise the provision of financial assistance to a director and/or a prescribed officer of the company.

9. **SPECIAL RESOLUTION 2: BASIS OF REMUNERATION PAYABLE TO NON-EXECUTIVE DIRECTORS FOR THE PERIOD 1 JANUARY 2016 TO 31 DECEMBER 2016**
To resolve that the directors' fees payable to the non-executive directors of the company, for the period 1 January 2016 to 31 December 2016, be determined by reference to the following:

	Rand
Retainer fees to be paid annually	
JR Barton	159 000
B Harie	159 000
TO Tsukudu	159 000
DJJ Vlok	159 000
AJ Bell	159 000
Fees per meeting payable to the Chairman of the Board and the Chairmen of Board Committees	
Board	26 500
Audit Committee	15 900
Risk and Sustainability Committee	15 900
Nominations Committee	8 000
Remuneration Committee	8 000
Social, Ethics and Transformation Committee	15 900
Fees to be paid to non-executive directors per meeting	
Board	26 500
Audit Committee	21 200
Risk and Sustainability Committee	15 900
Nominations Committee	6 650
Remuneration Committee	6 650
Social, Ethics and Transformation Committee	15 900
Bell Audit Services Committee	10 600

NOTICE OF ANNUAL GENERAL MEETING | CONTINUED

Reasons and effect

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.

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 annual general meeting is held in April or 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 and ends at the end of the following December.

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

10. SPECIAL RESOLUTION 3: BASIS OF REMUNERATION PAYABLE TO NON-EXECUTIVE DIRECTOR AJ BELL FOR THE PERIOD 12 MARCH 2015 TO 31 DECEMBER 2015.

To resolve that the director's fees payable to AJ Bell for the period 12 March 2015 to 31 December 2015, be determined by reference to the following:

Retainer fees to be paid: R121 200

Fees to be paid per board meeting: R25 000

Reasons and effect

AJ Bell was appointed as a non-executive director on 12 March 2015.

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 April or 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 and ends at the end of the following December, 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: REPURCHASE OF SHARES

To resolve that the board of directors of the company be authorised, by way of a renewable 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 provisions of Section 48 read with Section 46 of the Companies Act, as the case may be, the MOI of the company and the Listings Requirements of the JSE Limited ("JSE") being that:

- 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 securities 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 annual general meeting, 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 securities for the 5 (five) business days immediately preceding the date on which the transaction is effected. The JSE should be consulted for a ruling if the applicant's securities have not traded in such five business day period;
- 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 of directors confirming that the board has authorised the general repurchase, that the company and any subsidiary repurchasing 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 number of shares purchased and held by a subsidiary or subsidiaries of the company shall not exceed 10% (ten percent) in aggregate of the number of issued shares in the company at the relevant times;
- the company or its subsidiary may not repurchase securities 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 securities 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 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 securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made.

The directors undertake that the company will not commence a general repurchase of shares as contemplated above unless the following can be 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 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 4 is to authorise the company and/or its subsidiary company by way of a general authority to acquire its own 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 affect the provisions of special resolution number 4 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 4.

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, some of which appear elsewhere in the integrated annual report of which this notice forms part:

Major shareholders of the company	page 139
Stated capital of the company	page 99

Directors' responsibility statement

The directors, whose names are given in the integrated annual report that is available at www.bellir.co.za , collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 4.

No material changes to report

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

12. 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

Proxies/representation at the meeting

Members 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 member. Forms of proxy must be received by the Group Company Secretary at the registered office of the company at 13 – 19 Carbonode Cell Road, Alton, Richards Bay or posted to Private Bag X20046, Empangeni, 3880 or the company's share transfer secretaries, Link Market Services SA Proprietary Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein or posted to PO Box 4844, Johannesburg, 2000 by 11:00 on Wednesday, 29 April 2015. Forms of proxy must only be completed by members 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 chairperson of the annual general meeting immediately prior to the meeting.

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

Members who have dematerialised their shares, other than those members who have dematerialised their shares with "own name" registration, should contact their Central Securities Depository Participant ("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 Act, notice is hereby given that in terms of Section 63(1) of the Act, shareholders and proxies who attend the annual general meeting 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 Act, any shareholder or proxy eligible to attend the annual general meeting but unable to do so, may make arrangements with the company to be connected to the meeting via a teleconference facility. Shareholders may also vote electronically by accessing the link available at www.bellir.co.za

By order of the board

For: Highway Corporate Services Proprietary Limited
Group Company Secretary

12 March 2015

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 annual general meeting to be held in the visitors' centre of Bell Equipment Limited, 13 – 19 Carbonode Cell Road, Alton, Richards Bay, KwaZulu-Natal on Monday, 4 May 2015, is entitled to appoint a proxy to attend, speak or vote thereat in his/her stead. A proxy need not be a shareholder of the company.

The completed forms of proxy must be received by the Group Company Secretary at the registered office of the company at 13 – 19 Carbonode Cell Road, Alton, Richards Bay or posted to Private Bag X20046, Empangeni, 3880 or the company's share transfer secretaries, Link Market Services SA Proprietary Limited, Rennie House, 13th Floor, 19 Ameshoff Street, Braamfontein or posted to PO Box 4844, Johannesburg, 2000 by no later than 11:00 on Wednesday, 29 April 2015.

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 annual general meeting as my/our proxy to attend, speak and on a poll to vote or abstain from voting on my/our behalf at the annual general meeting 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 annual general meeting:

PROPOSED RESOLUTIONS		For	Against	Abstain
ORDINARY RESOLUTIONS				
1.	Adoption of annual financial statements			
2.	To re-elect directors who retire in terms of clause 5.1.10 of the company's Memorandum of Incorporation:			
2.1	B Harie			
2.2	TO Tsukudu			
3.	Approval of the appointment of AJ Bell as non-executive director of the company in terms of clause 5.1.6 of the company's Memorandum of Incorporation.			
4.	Appointment of the following independent non-executive directors as members of the Audit Committee until the next annual general meeting:			
4.1	JR Barton *(Chairman)*			
4.2	DJJ Vlok			
4.3	B Harie			
5.	Appointment of Deloitte & Touche.			
6.	Non-binding advisory resolution approving the company's executive remuneration policy.			
7.	Placement of authorised but unissued shares under the control of the directors.			
SPECIAL RESOLUTIONS				
1.	Approval for the granting of financial assistance in terms of Section 45 of the Companies Act, No 71 of 2008, as amended.			
2.	Approval of fees for non-executive directors.			
3.	Basis of remuneration payable to non-executive director AJ Bell for the period 12 March 2015 to 31 December 2015.			
4.	General authority to repurchase shares.			

Signed at (place) on 2015

Member's signature/s Assisted by (if applicable)

NOTES TO THE FORM OF PROXY

In accordance with Section 58 of the Companies Act, No 71 of 2008, a person who holds ordinary shares in Bell Equipment ("member") is entitled to attend and vote at the annual general meeting and to appoint one or more proxies to attend, speak and vote in his/her stead or give or withhold written consent on behalf of the shareholder to a decision contemplated in Section 60 of the Act.

A proxy need not be a member of the company. A member 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 member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided overleaf, with or without deleting "the chairperson of the annual general meeting", but any such deletion must be initialled by the member. Should this space be left blank, the proxy will be exercised by the chairperson of the annual general meeting. The person whose name appears first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

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 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 this Act or the company's Memorandum of Incorporation 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 Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise.

A member's voting instructions to the proxy must be indicated by the insertion of an "X", or the number of votes exercisable by that member, 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 annual general meeting, as he/she thinks fit in respect of all the member's exercisable votes. A member 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 member 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 chairperson of the annual general meeting.

The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.

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 chairperson of the annual general meeting 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 Group Company Secretary or that of the transfer secretaries no later than 48 hours before the meeting.

Note: In order to be valid, this form must be completed and returned to the Group Company Secretary or the company's share transfer secretaries:

Highway Corporate Services Proprietary Limited	**Link Market Services SA Proprietary Limited**
PO Box 1319	PO Box 4844
Hillcrest	Johannesburg
3650	2000

by no later than 11:00 on Wednesday, 29 April 2015.

Any forms of proxy not received by this time must be handed to the chairperson of the annual general meeting immediately prior to the meeting.

CORPORATE INFORMATION

GROUP CHIEF EXECUTIVE
Gary Bell
Tel: +27 (0)35 907 9111
Gary.Bell@za.bellequipment.com

GROUP FINANCE DIRECTOR
Karen van Haght
Tel: +27 (0)35 907 9111
Karen.VanHaght@za.bellequipment.com

GROUP COMPANY SECRETARY
Highway Corporate Services Proprietary Limited
14 Hillcrest Office Park
2 Old Main Road
Hillcrest, 3610
PO Box 1319
Hillcrest, 3650
Tel: +27 (0)31 765 4989
www.hicorp.co.za

POSTAL ADDRESS
Private Bag X20046
Empangeni, 3880
South Africa

BUSINESS ADDRESS
13 – 19 Carbonode Cell Road
Alton
Richards Bay, 3900

AUDITORS
Deloitte & Touche
Tel: +27 (0)35 753 2157

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
Rand Merchant Bank (a division of FirstRand Bank Limited)

SHARE CODE
BEL

WEB ADDRESS
www.bellequipment.com

INVESTOR RELATIONS
www.bellir.co.za

COMPANY REGISTRATION NUMBER
1968/013656/06

ISIN CODE
ZAE000028304

www.bellequipment.com