

# BELL

STRONG RELIABLE MACHINES • STRONG RELIABLE SUPPORT

BELL EQUIPMENT LIMITED • INTEGRATED ANNUAL REPORT

## 2015



Delivering on Customer Needs Globally



**THIS INTEGRATED ANNUAL REPORT IS OUR PRIMARY COMMUNICATION TO OUR STAKEHOLDERS (NOTABLY OUR SHAREHOLDERS, INVESTORS, EMPLOYEES, TRADE UNIONS, CUSTOMERS, SUPPLIERS, SERVICE PROVIDERS AND LOCAL COMMUNITIES IN WHICH WE OPERATE). IT PROVIDES AN OVERVIEW OF BELL EQUIPMENT'S FINANCIAL AND SUSTAINABILITY PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2015.**



- 1 About this report
- 2 Overview
- 3 International footprint
- 4 Strategy
- 6 Timeline
- 7 Global corporate structure
- 8 Products



- 16 Board of directors
- 18 Chairman's report
- 20 Chief executive's report
- 22 Group finance director's report
- 26 Group executive committee
- 28 Stakeholder relations report
- 32 Corporate governance report
- 42 Sustainability report



- 48 Independent auditor's report
- 49 Summarised consolidated statement of financial position
- 50 Summarised consolidated statement of profit or loss
- 51 Summarised consolidated statement of profit or loss and other comprehensive income
- 52 Summarised consolidated statement of changes in equity
- 53 Summarised consolidated statement of cash flows
- 54 Abbreviated notes to the audited summarised consolidated results



- 61 Shareholder information
- 63 Glossary
- 64 Shareholder diary
- 65 Notice of annual general meeting
- attached Form of proxy
- ibc Corporate information



**SCAN THIS BARCODE**  
TO DOWNLOAD THIS REPORT



**OR VISIT OUR WEBSITE**  
<http://www.bellir.co.za>



To give feedback, please go to <http://www.bellir.co.za>,  
or email [investor@bellir.co.za](mailto:investor@bellir.co.za) for the feedback form,  
or scan the code below with your Smartphone.





Our integrated annual report aims for effective integrated reporting to provide a concise, meaningful and balanced analysis of our business, performance, governance practices, stakeholder engagement as well as giving insight into our business strategy. Matters which could substantively impact on Bell Equipment’s ability to generate and sustain stakeholder value are considered material. The process to identify, define, prioritise and approve material matters for disclosure is depicted in the diagram opposite.

The financial information in this report has been prepared in accordance with International Financial Reporting Standards (IFRS). Our integrated reporting is prepared in accordance with the requirements of the South African Companies Act, JSE Listings Requirements and we adhere to the recommendations of 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 sustainability data is aligned to the same financial reporting period, allowing for comparison of performance data including any material matters affecting the various stakeholder groups. Although our integrated annual report is aimed primarily at providers of long-term capital, it is also considered to be of interest to a wide range of stakeholders, whose interests are addressed in the report.

This report must be read together with the audited 2015 group annual financial statements which can be found on the group’s website at [www.bellir.co.za](http://www.bellir.co.za)

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

Any reference to the future financial performance of the company has not been reviewed and reported on by the company’s external auditors.



We have applied internal management review to ensure accuracy and completeness of information included in this report. Both the audit committee and the board reviewed this report, with final accountability resting with the board. The board accepts responsibility for the integrity of the group’s integrated annual report and confirms that the report fairly represents the performance of Bell Equipment for 2015. The integrated annual report was approved by the board on 11 March 2016.

Should you require a full printed version of the annual financial statements, please email the company secretary, [Diana.McIlrath@za.bellequipment.com](mailto:Diana.McIlrath@za.bellequipment.com) and a copy will be sent to you.

**FEEDBACK**

We value feedback and welcome questions and comments on our reporting.



## OUR BUSINESS

Bell Equipment is South Africa's only major manufacturer and distributor of heavy equipment. Through living its motto, "Strong Reliable Machines, Strong Reliable Support", Bell has weathered the cyclical nature of the business and today the group has over 60 years of experience in the manufacture, distribution and support of materials handling equipment.

Bell is acknowledged globally as an ADT specialist for its ongoing innovation and class-leading performance. ADTs are exported to many countries from the group's two manufacturing plants in South Africa and Germany.

In southern Africa Bell holds strategic dealerships with several leading global manufacturers to fulfil the group's objective of providing a one-stop-shop to the region, with over 100 products well suited to all applications.

Complementing the core ADT product is a range of Wheel Loaders, Haulage Tractors, Excavators, Motor Graders, Dozers, Tractor Loader Backhoes, Tri-Wheeler rough terrain handling equipment as well as a complete range of compaction, crushing and screening machinery.

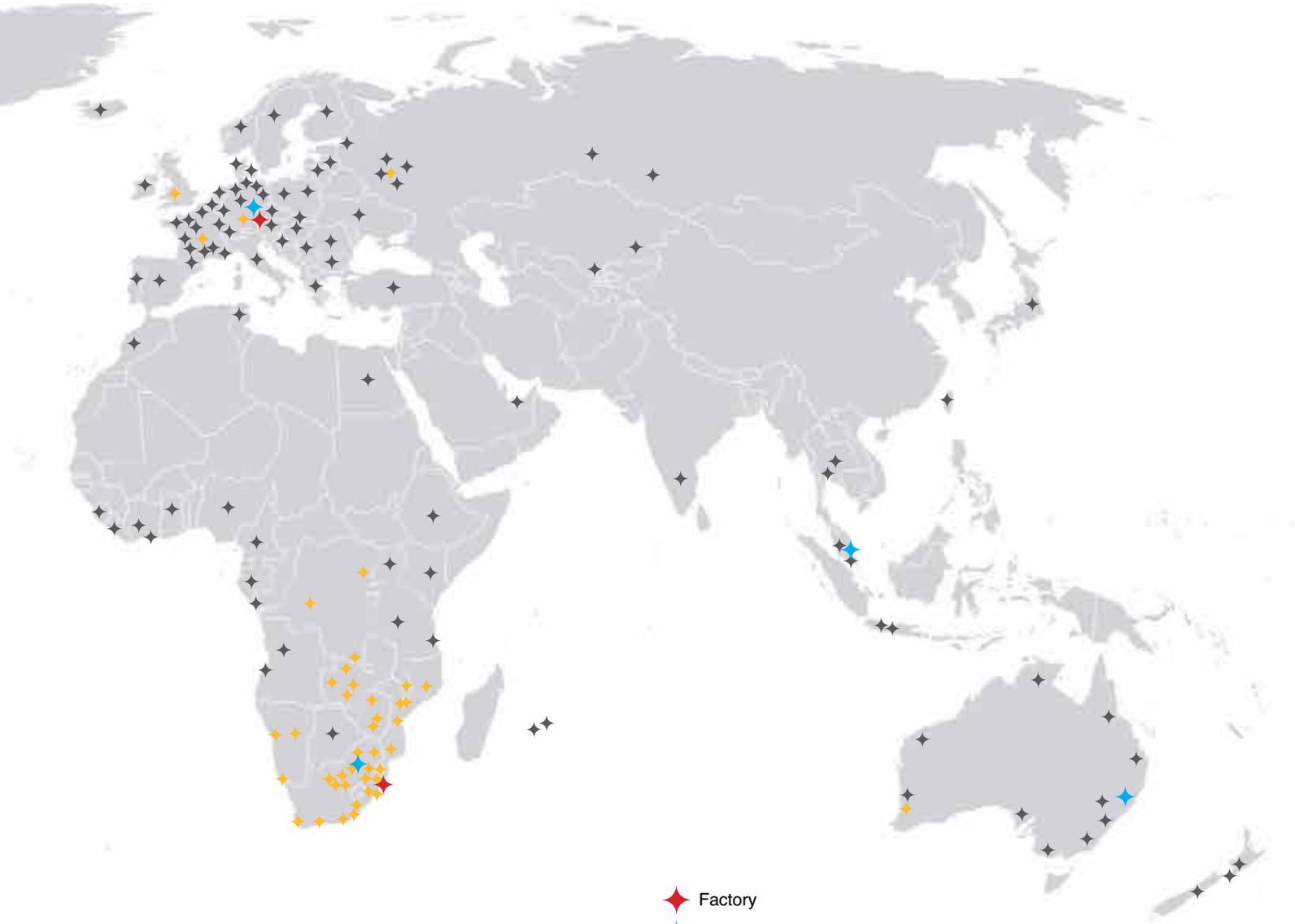
## OUR REACH

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

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

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





- ◆ Factory
- ◆ Logistic Centre
- ◆ Branch
- ◆ Dealer



## GROUP VISION

Bell Equipment's vision is to be a global leader in the capital equipment and industrial goods sector, supplying leading, quality brands into the construction, mining, forestry, agriculture and industrial sectors in our chosen markets. Our vision is underpinned by:

- efforts to be the leading ADT product innovator globally;
- efforts to be the preferred capital equipment solution provider in sub-Saharan Africa by positioning the group as an integrated OEM, distributor and dealer of "yellow metal" equipment and associated products; and
- leveraging of existing core competencies to diversify revenue streams, through organic as well as acquisitive growth.

## 1-BELL

The 1-BELL initiative was launched to unite the global Bell organisation in serving the broad stakeholder base by adopting the 1-BELL values to ensure that all stakeholders receive a consistent world-class Bell experience across the globe.

## THE BELL EQUIPMENT VALUE PROPOSITION

Bell Equipment creates enduring partnerships with its customers. This is achieved through world-class equipment which is 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 strive to 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

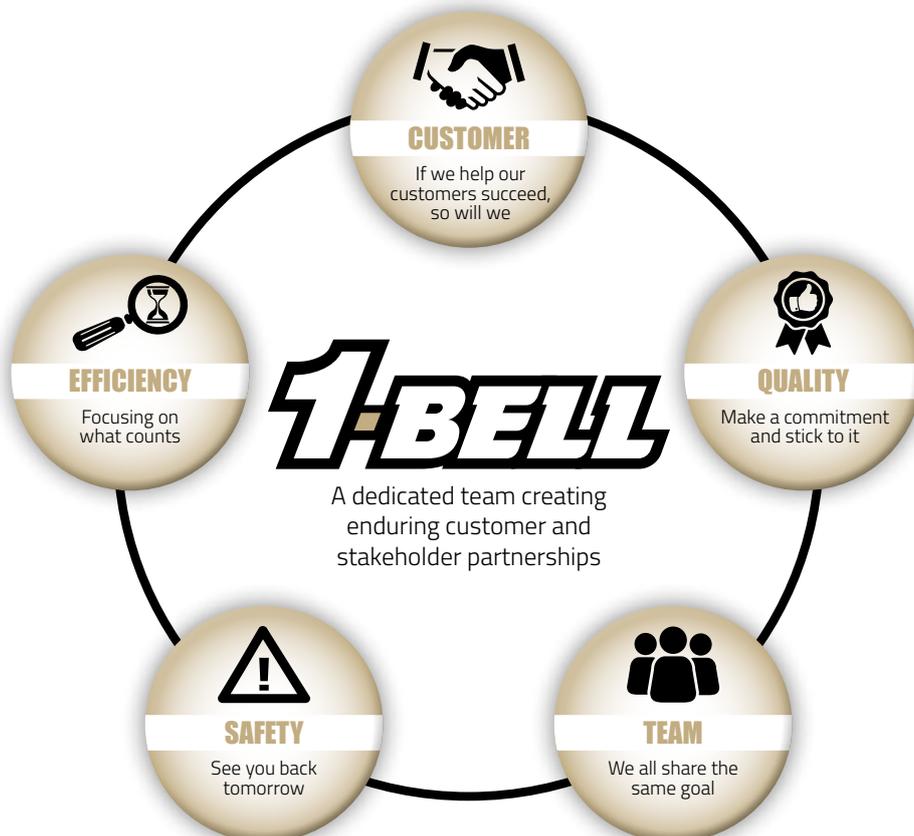
In accordance with the group's vision, Bell Equipment continues to invest significantly in research and development, engineering expertise and manufacturing capabilities, thus ensuring Bell Equipment continues to design and build world-class products.

Bell Equipment delivers value through an integrated OEM/dealer business model, which focuses additional investment in sales and distribution divisions to provide customers with world-class after-sales 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 and thereby create value for all stakeholders.

To effectively and sustainably capture global volumes, strategic partnerships are being formed to distribute and support the group's products. A continuous dealer development programme allows 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.

Value creation from diversified revenue streams is a key strategic objective and the basis for the Bell Equipment Corporate Development Strategy which is geared to leverage the existing core competencies of manufacturing, distribution and engineering design to further the group's acquisitive growth and diversification ambitions.



**STRATEGIC PRIORITIES**

The strategic focus areas listed below are the value creation mechanisms for the business.

FOCUS AREA	STRATEGIC OBJECTIVES
Project 2014/18 (financial returns and capturing global volumes)	<p>Maintain shareholder value through the trough cycle and sustainably create shareholder value through the mid and peak cycles.</p> <p>Financial disciplines and learnings from Project 2014/2018 have been embedded in business processes. These processes are regularly reviewed through governance structures.</p> <p>Sustainably grow revenue by increasing sales volumes of manufactured products in key markets through the design and manufacture of superior products and execution of our dealer development strategy.</p>
TMP business modeling	<p>Continued focus on dealer development strategy.</p> <p>There is a continuous process of reviewing our design engineering and manufacturing business models to achieve agile and responsive manufacturing processes and design engineering philosophy to enable the business to sustain and create value through the business cycles.</p>
Diversification	<p>One of the key aspects of our corporate development strategy is to mitigate exposure to the deep commodity cycles. Key themes of the strategy are acquisitive 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 of design engineering, heavy metal manufacturing and distribution.</p>
Continued innovation and development	<p>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.</p>
Empowerment and transformation	<p>As a proudly South African company Bell Equipment is committed to transformation. The transformation initiatives are aligned to the BBBEE scorecards and plans have been formulated to address gaps identified following the implementation of the BBBEE Revised Codes of Good Practice. The most significant of these initiatives is the board-approved plan to re-introduce a BBBEE partner at the South African Sales operation. Additionally Bell Equipment continues to support the "Buy South African" initiative as prioritised by government as a mechanism to support sustainable transformation.</p>
Superior customer satisfaction	<p>Customers are one of the most important stakeholders in the business. By Bell Equipment meeting its strategic objectives and creating value for all stakeholders, customers have 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-for-money 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.</p>
Human capital	<p>Although Bell Equipment may be required to restructure the business from time to time to ensure the long-term sustainability interests of the group, the impact on employees is always considered. These actions do not lessen the importance of employees or change the fact that they are an important asset of the group.</p> <p>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. Employees will continue to be appropriately rewarded and incentivised for their contributions towards the group's successes.</p>
Full product and service line	<p>By offering customers fully integrated yellow metal equipment solutions, the group is able to maintain a competitive advantage in the market. These solutions include:</p> <ul style="list-style-type: none"> <li>▪ a comprehensive range of earth-moving, construction, mining and materials handling, road building and compaction, forestry and agricultural equipment;</li> <li>▪ a pre-owned equipment and parts offering;</li> <li>▪ repair and maintenance contracts;</li> <li>▪ financing solutions;</li> <li>▪ remote equipment monitoring and tracking (Fleets@tic);</li> <li>▪ parts and maintenance services;</li> <li>▪ remanufacturing of equipment; and</li> <li>▪ customised solutions through the group's "application equipment" business unit to offer tailor-made equipment for customers with specialised requirements.</li> </ul>
Strategic alliances	<p>The group's strategic alliance partners, including John Deere, Hitachi, Liebherr, Finlay and Bomag, are among the most respected brands in the industry and share the group's vision. These partnerships enable the group to provide world-class product offerings and services to customers globally. The group will continue to focus on building and improving relationships with strategic alliance partners, supporting mutually beneficial relations.</p>



WITH A HISTORY SPANNING SIX DECADES, BELL EQUIPMENT HAS MADE STEADY AND CONTINUOUS PROGRESS REGARDING THE GROWTH OF THE BUSINESS. THIS HAS BEEN ACHIEVED THROUGH MECHANICAL AND TECHNOLOGICAL INNOVATION, HIGH-QUALITY AND EFFICIENT MANUFACTURING, EXPANDING THE GROUP'S GEOGRAPHIC FOOTPRINT AND DIVERSIFYING THE PRODUCT RANGE.

The group's timeline highlights those milestones in the group's history that have had a defining impact on the group's long-term sustainability and were key in developing Bell as a globally recognised and respected brand.

## TIMELINE 1954-2015

- 1954** Founder Irvine Bell establishes the group. A self-loading sugar cane trailer is among his early inventions

**2002** World's largest ADT, the Bell B50D, is unveiled
- 1964** Irvine Bell invents the revolutionary Tri-Wheeled loading machine

**2003** Truck assembly operations commence in Europe
- 1977** Bell Equipment introduces the world's first heavy-duty haulage tractor

**2008** Global logistics centre commissioned in Jet Park, Johannesburg
- 1982** Applying the Hauler's strong, simple design philosophy, Bell enters the Wheeled Loader market

**2009** Bell Equipment takes over the Bomag dealership with the German-based OEM
- 1984** From the new production facility in Richards Bay, South Africa, the first Articulated Truck enters service

**2011** Bell Equipment establishes beachhead in Russian market and secures distribution rights for Liebherr excavator in Africa
- 1989** Launch of the B40 ADT, targeting heavy-duty mining applications

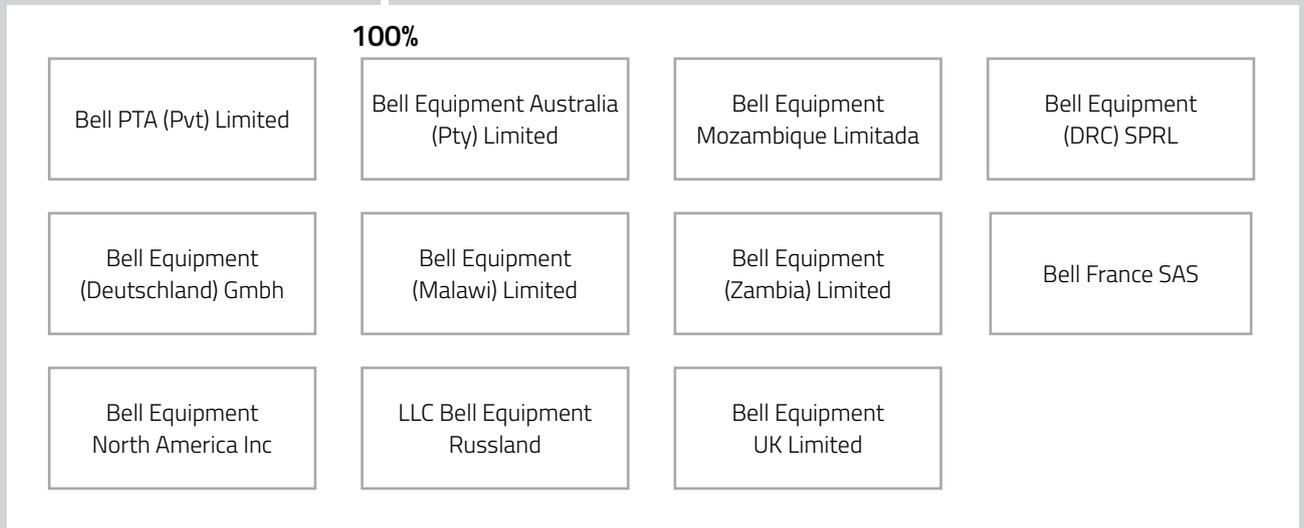
**2012** Bell Equipment re-enters the Americas and commences the appointment of distributors and dealers in the region
- 1998** Bell C-series ADT and Wheeled Loader range launched

**2013** 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
- 2001** Launch of the D-series Articulated Truck sets a new standard of excellence

**2014** Bell celebrates 60 years in business along with the 50th anniversary of its Tri-Wheeler product and 30 years of ADT design and manufacture
- 2015** Bell concludes a two-year investment into new, upgraded CSCs in Middelburg, Nelspruit and Rustenburg in South Africa as well as Kitwe, Zambia



BELL EQUIPMENT LIMITED





## MINING

The mining industry has traditionally been Bell Equipment's largest market sector and in spite of the global reduction of world commodity prices the company remains committed to the industry through ongoing research, development and innovation in the off-highway haulage market.

Bell supplies and supports a wide range of surface and underground equipment directly to the mining industry. Additionally products from the entire range are used for ancillary services, road infrastructure and construction associated with mine development and maintenance.

Excavators, ADTs and Dozers are the three main Bell products used in surface mining.

Bell offers the widest range of ADTs in the world, from the B18E, with a payload of 18 000 kg, to the B60D with a payload of 54 500 kg. These trucks are engineered in South Africa, one of the largest ADT markets in the world, and sold worldwide.

Recognised and respected as a market leader, the development of our ADTs is focused on adding value to our customers. This is achieved through delivering the lowest cost per ton solution, improving site and machine safety as well as improving machine automation and self-protection.

The Excavator is a critical part of a mining operation and in Africa Bell distributes Liebherr Excavators, world renowned for their German engineering, quality and mining pedigree. Bell Equipment supplies the market with machines ranging from 23 tons to 100 tons.

Bell offers a full range of Dozers from John Deere and Liebherr with both OEMs providing efficient hydrostatic drives that differentiate them from competitors.

Renewed focus on the underground mining segment will see our current range of the B30L and B33L expand with the introduction of new, dedicated low profile underground ADTs. Recent upgrades to the Bell Rockscaler, which is used to remove any rock from the ceiling that is partially dislodged, have proven to significantly improve the functionality, safety and customer acceptance of this machine.



## CONSTRUCTION

With customers often looking for a single supplier for their equipment needs, Bell Equipment has strategically built its product range to cater for the varied 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 ADT models have proved to be a popular choice, with the addition of the B25E 6X4 Supertruck, which is a cost effective and versatile alternative to the traditional six wheel drive units.

Key to the range are Tracked Dozers and Motorised Graders for site preparation along with a variety of loading tools from Excavators to Wheel Loaders that provide for the initial bulk earthworks.

Locally manufactured products include the Tractor Loader Backhoe, the Haulage Tractor and a Dump Trailer, which offer versatility for the laying of services and intricate site work.

A full range of compaction equipment, from our partnership with Bomag, is available for final finishing.



## ROADS AND REHABILITATION

From the quarry where the first rocks are crushed and screened to the final paving of roads, Bell offers globally accepted premium products to meet customers' needs.

A complete range of Finlay mobile crushers and screens set the benchmark in power, quality and efficiency when producing all sizes of aggregates for the industry.

ADTs, Wheel Loaders and Excavators provide for loading and transportation of material both in quarries and on site. Dozers and Graders are used during initial road development followed by best-in-class compaction provided through our partnership with Bomag.

Bomag finishers are available for asphalt application and final compaction is undertaken by dual drum or rubber-tyred rollers.

Road rehabilitation through in-situ recycling as well as soil stabilisation with additives have become popular options for both maintenance and new projects in southern Africa and a range of recyclers provides Bell a solution to this niche.

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



## 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 extended 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.

Forestry operations worldwide are trending towards fully mechanised operations in an effort to reduce the risk of injury and increase productivity. As the dealer for the full range of Waratah and John Deere forestry equipment, the group is also able to offer dedicated forestry equipment to customers employing mechanised systems.

Waratah provides harvesting and processing heads for the John Deere range and as stand-alone units. Their tag line "Built to Work" complements Bell Equipment's "Strong Reliable Machine" philosophy.

The purpose-built John Deere fully mechanised systems are seen as a global benchmark in terms of safety, 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.

Recent innovation from Matriarch has added to Bell Equipment's product offering with a solution to farmers wishing to embark on controlled traffic practices.

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 legislation and 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 maneuverability of these machines, as well as their exceptional performance over rough terrain, ensures 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.



## NICHE MARKETS

In line with our founding philosophy of offering customers solutions to their equipment challenges, Bell Equipment is able to engineer and customise its standard product line to fulfil the specialised requirements.

Bell has its own experienced in-house team to provide a competitive advantage while delivering key customer benefits.

The Bell Application Equipment team has full access to the engineers and design calculations of the original product to eliminate the risk of exceeding the design integrity with the specialised application. Hydraulic and electrical systems can be fully integrated so that add-on systems are simpler and more reliable while specialised software for a niche product is developed to run in harmony with the standard machine software for superior vehicle control. This is a distinct advantage over independent companies offering these types of services.

Manufactured alongside the standard product, Bell niche equipment is built to the same quality standards and is backed by the Bell warranty.

Bell has developed a comprehensive and extensive range of products to cover most specialist applications. Some examples are timber trucks, hooklift or flatdeck configurations and ADTs converted to water tankers for dust control, eliminating a major health and safety issue on many mines. Similarly, Bell offers high-volume coal bins, low-profile reinforced bins and ejector bins to meet the requirements of various mining and construction applications. For operations requiring a small truck with a tight turning circle, a two axle B30E has also been developed.

Additionally the team also has significant experience with modifying equipment from the rest of the product range to support customers in the construction, forestry and agriculture industries.



## WASTE MANAGEMENT

In line with the growing 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.

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.

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 Wheel Loaders can be fitted with custom-built attachments to facilitate loading of waste material.



## BELL ASSURE

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

The Bell Assure programme includes a number of unique and diverse products with which the company strives to meet every customer's unique needs.

When purchasing machines, Bell Finance offers unique finance options for both new and pre-owned machines in the product line up. Extended warranty and maintenance contracts provide customer confidence where machine uptime and repair costs are uncertain.

Bell Lubricants and Bell Lubecheck ensure the customers' machine components are performing to their optimum and delivering the best cost per ton solution while the full range of repair parts, remanufacture components and service kits keeps Bell products up and running at all times.

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

**JOHN BARTON (68)** \* + # ~*Independent non-executive chairman*

Chairman of the Nominations committee

FCMA (UK), AMP (Harvard), GCMA

Appointed to the board in 2009

**DANIE VLOK (70)** \* + # ~*Independent non-executive director*

Chairman of the Remuneration committee

Chairman of the Risk and Sustainability committee

BCom, MBA

Appointed to the board in 1995

**TISETSO TSUKUDU (62)** ^ # ~*Independent non-executive director*

Chairman of the Social, Ethics and Transformation committee

BA (University of the North)

MBA (Strathclyde Graduate Business School, Glasgow)

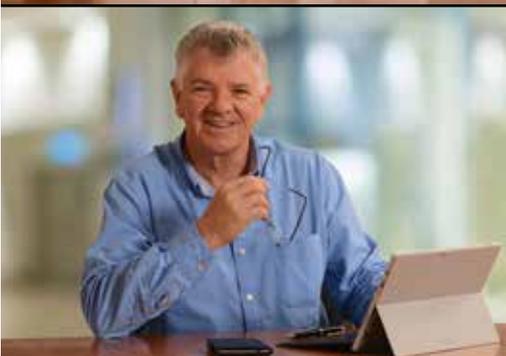
Appointed to the board in 2004

**BHARTI HARIE (45)** \* ^*Independent non-executive director**Chairman of the Audit committee*

BA LLB (Natal), LLM (Wits)

Attorney, Notary and Conveyancer

Appointed to the board in 2010

**GARY BELL (63)** ^ +*Group chief executive*

Mechanical Eng Diploma (Natal Technikon)

Appointed as an employee in 1971

## LEGEND

\* Audit committee

+ Risk and  
Sustainability committee^ Social, Ethics and  
Transformation committee

# Nominations committee

~ Remuneration committee



**KAREN VAN HAGT (49) +**

*Group finance director*

BCompt (Hons) (UNISA), CA(SA)

Appointed as an employee in 2000



**LEON GOOSEN (43) +**

*Executive director*

BAcc (Stellenbosch), BCompt (Hons)

CTA (UOFS), CA(SA)

Appointed as an employee in 2007

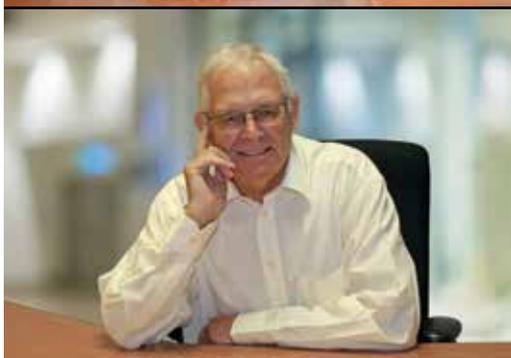


**ASHLEY BELL (33) +**

*Non-executive director*

BCom (Marketing) (UNISA)

Appointed to the board in 2015



**DEREK LAWRENCE (69)**

*Independent non-executive director*

BCom (Economics) (Wits), CA(SA)

Appointed to the board in 2016



**HENNIE VAN DER MERWE (68)**

*Independent non-executive director*

BA (Law) LLB (Stellenbosch), LLM (Tax) (Wits)

Appointed to the board in 2016



I am pleased to present my first chairman's report to stakeholders having assumed the chairmanship of Bell Equipment Limited during the 2015 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 2015.

## OVERVIEW

The group's results reflect the extremely tough trading conditions of the past year, brought about primarily by increased pressure on commodity prices and the resultant further slowdown of the majority of world markets in which the group operates. Mining dependent southern hemisphere markets contracted further and demand for the group's primary ADT product is increasingly shifting to northern hemisphere markets. Prices of copper and gold, commodities which the group's mining related customers are dependent on, have reduced by 56% and 13% respectively in the last five years.

The Rand depreciated by 35% against the US Dollar and 21% against the Euro in 2015. Although this provides the group as a local manufacturer with a competitive advantage on pricing, in the medium to long term this is not good news for the local economy as a whole and will drive costs up in due course.

The resilience of Bell should however not be underestimated and the board and management will continue to take all reasonable steps to best position the group to weather the on-going economic challenges.

## FINANCIAL

Although the group recorded a profit after tax of R169 million, an increase of 154% in comparison with the prior year, machine sales volumes and sales in Rand terms reduced in all markets other than in North America. The impact of the weaker Rand on translation of sales denominated in foreign currencies was not sufficient to offset the impact of the reduction in sales volumes. Total comprehensive income attributable to shareholders of Bell increased to R466 million in 2015 compared with R42 million in the prior year. The current year's

comprehensive income significantly exceeded the current year's profit after tax due to the substantial depreciation of the Rand in 2015 and the impact of this on exchange differences on the translation of the results and net assets of foreign operations into Rand. This also contributed to the increase in shareholders' wealth (capital and reserves), which rose by 18% to R3 billion and 3158 cents per share.

The right-sizing and cost reduction initiatives implemented in 2015 along with foreign currency gains during the year due to the weakening of the South African Rand against major world currencies and also the strengthening of the US Dollar against the Euro, contributed to the improved profitability. Higher production volumes at both the Richards Bay and Kindel facilities also aided profitability in 2015.

From a strategic perspective the business continues to focus on reducing production costs without compromising on quality, managing the investment in working capital, adding products and services to our distribution networks and further capturing diversification opportunities. The investment in inventory at year end was higher than target and management will focus on improving these levels in 2016. Matching production levels to an accurate prediction of market volumes in the current unpredictable economic climate remains a challenge.

## OPERATIONAL ISSUES

In South Africa, political and economic challenges and concerns deepened in 2015, particularly towards the end of the year when confidence in the current government was tested and the currency depreciated sharply.



Concerns regarding the increasing cost of doing business in South Africa, including the impact of price increases and interruption of electricity supply, remain.

Notwithstanding the above, the group continues to engage with government at various levels and would encourage and support greater dialogue between industry and government, especially regarding government's plans to expand its support in the value-add and manufacturing sectors. We remain supportive of all initiatives to improve our economy and to stimulate employment in our industry.

## **SUSTAINABILITY**

In recognition of the importance of addressing the medium to long term sustainability of the group, risks associated with the sustainability of the group have been elevated from the risk and sustainability committee and are dealt with directly by the board.

Current economic uncertainties result in it being very difficult to monitor economic activities and predict changes in demand for the group's products, but the delivery of financially sustainable results and the effective management of working capital through the business cycle remains a key aspect of our concern for sustainability of the group.

We are satisfied with the progress made in the North American market and are particularly optimistic about future opportunities to increase market share in this, the largest capital equipment market in the world.

## **CORPORATE GOVERNANCE**

The board, as custodian of corporate governance, takes seriously its responsibility to ensure that sound corporate governance is practiced throughout the group. This is largely achieved through the work of the group's audit committee, which is focused on the group's internal controls, risk management, legislative compliance and financial reporting.

Considerable time and effort is also spent on ensuring adherence to the principles embodied in King III in addition to those items specifically required of audit committees in the Companies Act.

The yearly evaluation of the board, and its various committees, was conducted towards the end of 2015. This important self-appraisal exercise achieved the objective of highlighting areas of strength and weakness within each structure and in addition, for each member of the board. The process identified significant opportunities for improvement and has helped in setting action points going forward, which is a positive outcome to build upon.

## **TRANSFORMATION**

Bell Equipment remains committed to transformation and BBBEE in South Africa. Strategies and action plans have been developed to achieve compliance under the Revised Codes of Good Practice. A key strategic element in achieving compliance will be the introduction of a BBBEE equity partner at Bell Equipment Sales South Africa Limited and the process to achieve this has commenced.

## **DIRECTORATE**

There were several notable changes to the board during the past year. Following Michael Mun-Gavin's retirement and my appointment as group chairman on 4 May 2015, I stepped down as chairman of the audit committee and this position has been capably filled by Ms Bharti Harie, an independent non-executive director.

Ashley Bell joined as a non-executive director on 12 March 2015. Ashley is the son of Peter Bell, previously Bell Equipment's director of engineering, and grandson of the group's founder, Irvine Bell. He has in-depth knowledge of the business and it is heartening to see that the Bell family's involvement in the business has continued through to the third generation. Peter Bell also retires on 11 March 2016 after an illustrious career with the company spanning 46 years and I would like to take this opportunity to extend gratitude for the strategic role he has played in the milestones of the group's history and best wishes for a well-deserved retirement.

On 1 January 2016 we welcomed Derek Lawrance and Hennie van der Merwe to the board, as independent non-executive directors. Both men have vast experience that will complement and add value to our board.

Lastly, at the AGM on 5 May 2016 we will bid farewell to Danie Vlok, who is retiring after 20 years of exceptional service as an independent non-executive director. His knowledge and perspectives have been greatly valued and we extend our appreciation for his commitment to the company and best wishes in his retirement.

## **OUTLOOK**

The group expects markets to remain flat during 2016. Over the past two years the group has made a significant investment into upgrading its branch infrastructure to be able to offer modern, state-of-the-art facilities that better serve our customers' needs. Going forward we will continue to deliver on our customer needs globally and count on their ongoing support to see us through these difficult times.

Expansion of our dealer network will remain key to our business going forward with positive results attributable to growing this network specifically in the Americas during 2015.

While prospects for 2016 are stagnant, the group's long-term strategies are innovative and dynamic to position the company for growth and success once markets have regained some of their lustre.

## **APPRECIATION**

I would like to thank my fellow board members for their dedication and always acting in the best interests of the group.

I would also like to commend management for leading by example through incredibly difficult times. They are especially acknowledged for the way in which they were able to regain morale and motivate on conclusion of the section 189 process last year.

**John Barton**

*Independent non-executive chairman*



## THE PAST YEAR

Looking back on the year 2015, we can appreciate that it has been an incredibly tough year for most of the industries and customers that we serve, particularly in the southern hemisphere.

The global commodity slump continues to negatively impact our mining sector business. Geo-political issues both locally and abroad have dampened general business sentiment and created an environment of uncertainty. Worldwide machinery sales continued to decline through 2015, fortunately our strategies have delivered an improved result for the Bell group over the period.

Our initiatives to "deliver on customer needs globally" has allowed us to compensate for poor mining sector sales with new opportunities from construction sector activity predominantly in the northern hemisphere. Decisions taken and projects implemented toward the end of 2014 to right-size the business for current market conditions, have allowed us to continue to reduce operational costs and improve profitability. These efforts will continue as we further adjust the business to the new norms.

The Bell brand and reputation to deliver state-of-the-art, durable and reliable equipment to our global customers has not been impacted in any way as our research, development and engineering activities have not been curtailed. The full new range of Bell E-series ADTs has now been completed and production will ramp up during the second half of 2016 in both the South African and German factories.

### DIVISIONAL GLOBAL PERFORMANCE

Statistics indicate that only two of our world markets, North America and Europe, delivered positive growth in machinery sales during 2015. Our traditional southern hemisphere markets which are driven to a large extent by commodity demand continue to be depressed.

BESA, following the amalgamation of all of our southern African operations under a single management team, is well established and we are satisfied with its performance under extremely challenging conditions and competitor pressure. The rationalisation has enabled us to reduce costs at this time of lower activity. Our network of CSCs

along with the full line of machinery that we offer in these markets positions us as one of the leading players in the sector. Support from our alliance partners at Deere, Bomag, Finlay and Liebherr has supplemented the range of locally produced machines.

We remain hopeful of the South African National Development Plan one day gaining traction and are best positioned to support these initiatives when the economy turns.

Bell Equipment North America (BENA) performed well, delivering pleasing results and more importantly more than doubled their contribution to the group's turnover in the year under review. With nearly 12% of sales now delivered from the region, this is a significant gain on the 1,5% of just three years ago. We believe that with our new range of competitive E-series machines we will have good prospects for growth over the next two years. Bell Trucks America Inc, our distributor in the United States, is focused on growing the network of Bell dealers to support the increased business.

BENA operations had mixed results with only the United Kingdom showing any measure of growth. Other major sectors such as France and Germany found trading conditions tough, with the markets still not fully recovered from the 2008/2009 crisis. Losses continued in the Russian market as both sanctions and low commodity prices and demand took their toll. Further action was taken during the year to right-size this business for the current economic conditions.

Business from the balance of our markets in the developing regions such as South America, Asia, North Africa and the Middle East have all suffered as a result of the commodity challenges mentioned. Fortunately Bell has little direct investment in the infrastructure necessary to support this activity and we rely to a large extent on independent dealers to distribute our products.



## STRATEGIC PRIORITIES

The past year has allowed Bell to realign the organisation to the current reality and the right-sizing and rigorous cost controls have delivered a somewhat better result. Plans are in place which will change certain philosophies as to the product range and extent of manufacturing and the manufacturing locations in the medium to longer term. This has become particularly important as the bulk of our core products, the range of Trucks, are now sold in the northern hemisphere.

Manufacturers in South Africa face ongoing challenges in terms of lack of meaningful support, poor response from government in dealing with some of the hurdles faced and of course issues such as power supply, labour, skills development and BBBEE difficulties. Our positioning and location relative to the major markets is in itself challenging and few incentives are available to offset this fact.

Our priorities in the short to medium term are focused on growing our Articulated Truck and associated parts and service volumes into the active global markets by increasing our dealer network coverage. This requires little direct investment on our part.

A move to more independent dealers globally will allow us to reduce fixed costs further. This has become a more interesting option as the Bell brand and reputation for strong and reliable equipment has developed. The opportunities are immense.

We will continue to build on the strong alliances we have built over the years and mentioned above. We have in the past year further strengthened our alignment with Hitachi Construction Machinery and their many dealers across the globe. New arrangements in Spain, Sweden, Russia and a number of other countries have been formalised.

There are still a number of cost and working capital reduction opportunities that will deliver results in 2016 and keep us globally competitive. We will clearly make use of the weakness of the Rand to grow market share and improve margin whilst it is at the current level.

Several diversification initiatives are underway that will allow us to leverage our extensive infrastructure in southern Africa including our manufacturing capability and extensive distribution network. Further rental and financing structures will also contribute to strengthening our position in our global markets.

## OUR STAKEHOLDERS

I take this opportunity to thank our many stakeholders for their confidence and support of Bell Equipment Limited in what has been a tough year with results not as good as we would like to have seen. We are very appreciative of the effort and passion with which our management team and employees are working to bring about change to ensure that we secure further progress towards long term sustainability in 2016.

On behalf of the directors we thank all our stakeholders and associates for their ongoing efforts.

**Gary Bell**  
*Chief executive*



## FINANCIAL PERFORMANCE

As expected, the economic environment in 2015 was challenging with a further decline in commodity prices resulting in low investment by the mining sector in projects requiring capital equipment.

### OPERATING PERFORMANCE

Despite the weak global economy and lower global commodity prices, the group reported a higher profit after tax of R169 million for 2015, an increase of 154% compared with R66 million in 2014, and earnings per share of 177 cents (2014: 67 cents). Headline earnings per share was 167 cents, lower than earnings per share mainly due to the exclusion from headline earnings of net surpluses on the disposal of property, plant and equipment, intangible assets and non-current assets held for sale, specifically an aircraft. The operating profit margin increased from 2,8% in 2014 to 4,9% in 2015.

The improvement in profitability was mainly due to:

- The impact of the right-sizing and cost reduction actions taken in late 2014 and early 2015, which is evident in the results. Expenses are down on 2014 despite the weaker Rand in 2015 and the higher cost of the group's foreign expense base in Rand terms.
- Production volumes in 2015 were higher than in 2014 at both the Richards Bay manufacturing plant and the assembly plant in Germany. This was because the group had lowered production levels and sold from stock in 2014 in order to bring high inventory holdings back in line with targets. The higher production volumes in 2015 had a positive impact on the group result for the year, due to the recovery of overheads at the plants, which have largely fixed cost structures.
- The weaker Rand, which was favourable to Bell as a South African manufacturer. The group also benefited from the strengthening of the USD against the Euro in 2015.

### REVENUE

Sales volumes reduced in all markets in 2015 other than in North America. Group revenue in Rand terms decreased by 11% compared with 2014 from R6,6 billion in 2014 to R5,9 billion in 2015. The benefit of the depreciation of the Rand against the Euro and the US Dollar, which foreign sales transactions are denominated in, was not sufficient to offset the impact of the lower volumes.

The majority of the group's sales in the southern hemisphere are into the mining industry, which remains depressed with many projects and related capital expenditure deferred until commodity prices improve. Revenue from sales in South Africa decreased by 16% compared with 2014 and contributed 41% of group sales in 2015, down compared with 43% in 2014. Sales in Africa outside South Africa contracted by 10% in 2015 and contributed 15% of external group sales in both 2015 and 2014.

Construction industry related demand in certain northern hemisphere markets was stronger and machine sales in the UK and North America met expectations. Other European markets remain very depressed and external sales in Europe decreased by 22%, with the contribution by the European market to total external group sales decreasing from 23% in 2014 to 20% in 2015. A positive development is that sales in the North American market increased in line with expectations and now accounts for almost 12% of group sales. The North American market is the largest capital equipment market in the world and Bell remains very positive about future prospects for the group in this region.



## GROSS MARGIN

The average gross margin reduced marginally from 23,3% in 2014 to 22,8% in 2015, which is pleasing considering the tougher market conditions. This is partly attributable to the weaker Rand, which provided an advantage to Bell Equipment relative to the group's competitors who import product. Without this currency benefit, the margin would have been more negatively affected by the weak market conditions.

## OTHER OPERATING INCOME

Other operating income increased by 24% in 2015 and consists mainly of import duty rebates relating to the government's production based APDP programme of R57,2 million and revenue from the sale of extended warranty contracts of R51,6 million which increased by 34% and 24% respectively. Other income in 2015 also included profit of R12,3 million on the once-off sales of an aircraft and a helicopter.

Deferred revenue on extended warranty contracts sold reflected on the statement of financial position and which will be recognised in other income in future periods amounts to R122 million.

## EXPENSES

Group overheads decreased by 18% in 2015 and the expense to sales ratio improved marginally to 21%. This improvement was the result of the group's cost reduction measures, increased production volumes in 2015 which meant that there was a higher recovery of overhead at the factory and assembly operations and the fact that certain once-off costs incurred in 2014, particularly the provision for doubtful debts in that year of R70 million, were not repeated in 2015. Approximately 50% of the once-off costs of R47 million relating to the rationalisation process were incurred and accounted for in 2014 (R21 million) and the balance of R26 million was accounted for in the first quarter of 2015.

The group has continued its investment in research and development and development costs totalling R31 million were capitalised during 2015. These development costs were mainly related to the group's range of large E-series ADTs which will be released to market in 2016. These costs are amortised over the life of new machines once projects have been completed. The total cumulative carrying value of capitalised development costs at year end amounted to R183 million and total amortisation of development costs for the year amounted to R18 million.

## INTEREST PAID

Net interest paid was similar in 2015 compared to 2014, reflecting that although borrowings ended the 2015 year at a higher level than at the end of 2014, average borrowings during 2014 and 2015 were at very similar levels.

## TAXATION

The effective tax rate of 27% in 2015 is at the level expected for the group. The 2014 rate of 49% was the result of a number of prior year charges in that year in various group operations.

## FINANCIAL POSITION

The structure of the group's asset base remained consistent with the prior period with the only significant change relating to an increase in the group's investment in working capital.

The net asset value per share increased by 18% from 2 666 cents in 2014 to 3 158 cents in 2015. 7% of the increase was due to the current year's modest profit and the balance related to substantial foreign currency exchange gains on the translation of the foreign operations' results and net assets as a result of the weaker Rand. The increase in the foreign currency translation reserve contributed to an increase in total comprehensive income and the net asset value per share.



### RETURN ON NET ASSETS

The return on total assets for the group increased marginally from 4,1% to 6,2% year-on-year. This reflects the modest improvement in operating profit, partially offset by the increase in working capital.

### WORKING CAPITAL

Working capital days increased in 2015 and bringing these days back in line with targets will be a priority in 2016. Inventory days increased from 173 days at the end of 2014 to 229 days at the end of 2015 as a result of sales volumes not materialising to planned levels. There are no concerns regarding the quality of the inventory holding and excess inventory is planned to be consumed over the course of the next few months.

Receivables at 47 days are higher than the target of 40 days and reflect the difficult environment many of the group's customers are operating in.

### BORROWINGS

The increase in working capital was the main reason for the net cash outflow for the year of R325 million. Even after this outflow, borrowings remain at acceptable levels and there is adequate headroom on banking facilities. At year-end, the group had general banking facilities totaling R931 million of which R304 million was drawn down. Gearing (net debt, including cash reserves, to equity ratio) increased to 12% which is within the group's internal target limit of 20%.

### EXCHANGE RATES

The Rand weakened sharply against major currencies during 2015, particularly towards the end of the year. The group is mostly exposed to the US Dollar and the Euro and the Rand weakened against these currencies by 35% and 21% respectively in 2015.

The group also benefited from the strengthening of the US Dollar against the Euro during 2015, mostly on intergroup funding. The USD/Euro rate moved by 9,8% from 1,22 at the end of 2014 to 1,10 at the end of 2015.

During 2015 the functional currency of the group's operation in Mozambique was changed from the Meticaís to the USD. A significant portion of the sales transactions and the cost of goods and services acquired by this operation is based on the USD. This functional currency change will reduce the volatility in the reported results of the operation, particularly given the recent depreciation of the Meticaís against major world 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. A substantial portion of the group's purchases and sales transactions are in foreign currency and as such the group has a strong natural currency hedge. Forward cover contracts are utilised to manage the remaining trade exposure to the Rand.

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

### LOOKING AHEAD

2016 may be an even more challenging year with industry conditions generally expected to worsen. The focus will need to remain on disciplined cost management.

The group has started 2016 with some excess inventory, but the positive side of this is that this inventory was acquired at a lower cost, when the Rand was stronger than it is currently. Borrowings are at acceptable levels and the business has good liquidity.

The group is ready to take further rationalisation action should the economic climate deteriorate further, and should the group need to further align costs with market conditions.

We are optimistic that in the longer term Bell will be very well placed, with the group's network in the southern African region and strong partnerships with distributors and dealers in other markets where the group does not have its own sales network, to benefit when markets do recover. When infrastructure projects in developing and developed markets resume, including the proposed infrastructure plans in South Africa, Bell will be ready with a comprehensive product line to fulfil the civil and construction requirements of these projects.

In the shorter term, the growth opportunities for the group are in the northern hemisphere, particularly in North America where Bell Equipment is still a new market entrant and growth is off a low base.

**Karen van Haght**  
*Group finance director*



**GARY BELL (63)**

*Group chief executive*

Mechanical Eng Diploma (Natal Technikon)

Appointed as an employee in 1971

**LEON GOOSEN (43)**

*Group chief operating officer:*

*Managing director: Bell Equipment Company SA*

BAcc (Stellenbosch), BCompt (Hons)

CTA (UOFS), CA(SA)

Appointed as an employee in 2007

**KAREN VAN HAGT (49)**

*Group finance director*

BCompt (Hons) (UNISA), CA(SA)

Appointed as an employee in 2000

**MARC SCHÜRMANN (47)**

*Managing director:*

*Bell Equipment European Operations*

B Eng (Mech), Prof Eng (Pretoria)

Appointed as an employee in 1994

**BOKKIE COERTZE (64)**

*Managing director:*

*Africa Sales And Distribution*

Post Graduate – Paper Technology

(Robert Gordon's – Aberdeen, Scotland)

Appointed as an employee in 1986

**NEVILLE PAYNTER (51)**

*Managing director: Bell Equipment North America*

*Ntc 3 & 4 Aircraft Technology*

(Germiston Technical College, Germiston, South Africa)

Diploma in Business Management

(Damelin Management College, JHB, South Africa)

Diploma in Business Enterprise Studies

(Institute of Commercial Management, Bournemouth, UK)

Appointed as an employee in 2002



**AVISHKAR GOORDEEN (36)**

*Director: Group corporate development*  
BCompt (Hons) (UNISA), CA(SA)  
Appointed as an employee in 2006



**RINO D'ALESSANDRO (52)**

*Director: After market, logistics and IT*  
CPIM (APICS)  
Senior Diploma (Datametrics) (UNISA)  
Bachelor of Science (UNISA)  
Appointed as an employee in 1996



**DOMINIC CHINNAPPEN (47)**

*Director: Group supply chain and SOP*  
BCom (Hons) (Logistics) (UNISA)  
CPIM (APICS)  
Appointed as an employee in 1987



**ALDO MAYER (43)**

*Director: Global manufacturing and engineering*  
Mechanical Eng Diploma  
B Tech-Business Management  
Appointed as an employee in 1996



**STEPHEN JONES (45)**

*Director: Group marketing and dealers*  
Mechanical Eng Diploma  
B Tech-Business Management  
Appointed as an employee in 2006



**JOHAN VAN WYNGAARDT (47)**

*Director: Group human resources*  
DMS Dip HRM, DMS Dip IR  
B Tech-Advanced Business Management  
Appointed as an employee in 2005



**DIANA McILRATH (42)**

*Group company secretary*  
BCom (UKZN)  
LLB (UKZN)  
Appointed as an employee in 2016





## INTRODUCTION

The Bell group's continued success over the past 62 years can largely be attributed to the importance placed on creating enduring and mutually beneficial partnerships with all stakeholders.

By valuing stakeholder relationships and engaging with mutual respect, honesty and integrity the group has been able to enhance its operational profile, develop its strategy and respond to issues that arise. The process to improve Bell Equipment's ability to meet the needs of its stakeholders is ongoing. The group's operations require continued engagement with its diverse range of stakeholders and these are outlined below.

## SHAREHOLDERS AND INVESTING COMMUNITY

The group's integrated annual reports and the interim results publications are the main communication tools with this particular stakeholder group. The AGM takes place in May of each year where the annual financial statements are presented to the shareholders; the shareholders receive feedback from the chairman of the board, the audit committee and the social, ethics and transformation committee and the shareholders are entitled to ask any questions regarding the direction the business will take in the future. Throughout the year Bell announcements are published on SENS, in the media and posted on the group's website for easy, widespread access.

The group chief executive engages with the financial media where appropriate. Investors and investment analysts are kept informed through press announcements, meetings on request and site visits.

The group continues to improve on clearly communicating its strategy and its prospects going forward to its shareholders and the investing community.

## FINANCIERS AND INSURERS

Active and open relationships are promoted with the group's financiers and insurers through timely reporting of financial results as well as ongoing engagement to share information related to group strategy, business risk management, opportunities and prospects.

## CUSTOMERS

The Bell Equipment customer base is spread over 78 different countries with the majority of customers in the mining, construction, forestry and agricultural industries. Bell values the role of its customers and understands that helping its customers to succeed in their own businesses translates to continued support of the group in the long term.

Face-to-face engagements with customers are key to ensuring that operational needs and potential solutions are clearly communicated and understood. Bell achieves this by equipping the direct sales network with the right knowledge and tools to help its customers make the correct decisions. Trade exhibitions, product launches and factory tours give further opportunity for the group and customers to understand requirements and provide solutions.

The group also reaches out to customers through advertising in the national and international media, Bell Equipment's presence on social media sites and the Internet as well as the "Bell Bulletin" magazine.

## PUBLIC SECTOR

With a proudly South African heritage, Bell Equipment appreciates the challenges facing government and the country in terms of creation of employment, skills development, compliance with relevant standards and legislations, Broad-Based Black Economic Empowerment Codes, transparent disclosure on levels of compliance, the use of scarce resources and environmental issues.

The group engages directly with all levels of government: national, provincial and local (municipalities) as well as with SARS and other regulatory bodies. Bell also engages and provides appropriate input regularly through bodies such as the National Economic Development and Labour Council (NEDLAC), Business Unity South Africa (BUSA), the South African Capital Equipment Export Council (SACEEC) and the Steel and Engineering Industries Federation of South Africa (SEIFSA).

## EMPLOYEES

Bell appreciates the value of its workforce and is committed to regular and meaningful employee engagement to ensure that their interests and issues are addressed.

Several employee forums, such as the health and safety, skills development and employment equity committees, meet on a regular basis. Road shows are arranged as and when the need arises to disseminate information about issues affecting employee benefits, which include among others, medical aid and pension funds.

Management has an open-door policy and interaction to discuss key issues. Regular group-wide communication is facilitated through quarterly group executive committee feedback to all staff as well as the group's internal newsletter "Bell Online" and intranet site.

Regular "toolbox talks" are held with employees to maintain high levels of awareness regarding health and safety issues. Similarly the Bell clinic hosts employee wellness days to promote the health and well-being of the entire team.

Due to operational reasons, over the past two years Bell was in the unfortunate position to effect section 189 retrenchment processes. Bell had throughout this period maintained good communication and proper processes with all of its employees.

## TRADE UNIONS

48% of Bell permanent employees in the South African operations are unionised with membership spread over the four main trade unions of NUMSA, UASA, LIMUSA and Solidarity.

The group has transparent and amicable relations with the trade unions and their representatives and monthly meetings are held with management. Trade union representatives are also invited to meetings related to business matters and to attend key events hosted by Bell.

The Metal and Engineering Bargaining Council undertakes national wage negotiations every three years. Bell is represented at the Bargaining Council by the employer organisation, SEIFSA.



## SUPPLIERS

Regular interaction on procurement processes with suppliers and supply chain management is essential to Bell Equipment. Long-term relationships with key suppliers are important to Bell Equipment and time and effort is placed in cementing such relationships.

Traditionally Bell hosts a suppliers' conference every two to three years to acknowledge and award outstanding quality and service. The conference promotes networking and provides an opportunity to inform suppliers of the group's strategy and the need to cultivate skills throughout the supply chain.

Regular discussions are held between top management and suppliers to discuss environmental issues, price and the health and safety of contractors, among other issues. Service level agreements are also reviewed and renewed.

## LOCAL COMMUNITIES

Bell believes in being part of, and giving back to, the communities in which it operates. In addition the group is committed to partnering with community-led initiatives that mirror the Bell culture and values.

This is the second consecutive year that Bell Equipment has sponsored the Bell Big 5 Mountain Bike Challenge – a series of five mountain bike rides – to encourage a healthy, active lifestyle among the wider community and grow recognition of the Bell brand locally. A large number of its employees support this event and Bell has also sponsored its own team of development riders.

## MEDIA

The group has strong relations with the financial, trade and community media through ongoing sharing of strategic and newsworthy information related to Bell's activities. This includes reporting on financial results, product and customer features as well as the group's community engagement.

Bell supports the trade media, in particular, with advertising and invitations to newsworthy events and launches.

*"I have learnt one thing from Bell:  
teamwork, irrespective of age,  
gender and colour."  
Employee*

*"We try to support Bell where we can because of our experience with  
the company and the customer-driven culture of the organisation."  
Customer*

*"We are grateful to have Bell Equipment in our city. A huge company such as this could have  
established anywhere but they chose uMhlathuze and we benefit from having them here.  
We are the only city in the country to produce this kind of equipment and it is with great pride  
that we host Bell in our city." Public sector*





## OVERVIEW

Sound corporate governance is implicit in Bell Equipment's values, culture, processes, functions and organisational structure. Good corporate governance both protects and adds value to the group and its stakeholders and binds the pursuit of strategy performance, sustainability and risk mitigation. 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 group are made with reasonable care, skill and diligence.

The board unanimously embraces the application of King III as a key governance framework and 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.

The board is of the opinion that the internal financial controls are adequate and that the financial records can reliably be used for preparing the financial statements in accordance with IFRS and to maintain accountability for the group's assets and liabilities. 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 are satisfied that the company and the group have adequate resources to continue in operation and as a going concern for the foreseeable future.

## APPLICATION OF KING III

It is the responsibility of the board to ensure the application of the principles contained in King III, without diluting the group's focus on sustainable performance. The register summarising Bell Equipment's application of the principles of King III is available on the group's website at [www.bellir.co.za](http://www.bellir.co.za).

## BOARD MANDATE

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

The board conducts its business in the best interest of the group and fulfils its fiduciary duty to act in good faith, with due care and diligence, and by ensuring that the group performs in the interests of its broader stakeholder group, including 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

Mike Mun-Gavin	independent non-executive chairman (retired effective 4 May 2015)
John Barton	independent non-executive chairman (appointed effective 4 May 2015)
Danie Vlok	
Bharti Harie	
Tiisetso Tsukudu	
Derek Lawrance	(appointed effective 1 January 2016)
Hennie van der Merwe	(appointed effective 1 January 2016)

#### Non-executive director

Ashley Bell	(appointed effective 12 March 2015)
-------------	-------------------------------------

#### Executive directors

Gary Bell	group chief executive
Leon Goosen	group chief operating officer managing director: Bell Equipment Company SA (Pty) Ltd
Karen van Haght	group finance director

## BOARD COMMITTEES

### AUDIT COMMITTEE

John Barton	chairman (resigned as chairman of the Audit committee effective 4 May 2015)
Bharti Harie	chairman (appointed effective 4 May 2015)
Danie Vlok	independent non-executive
John Barton	independent non-executive chairman of the board

### RISK AND SUSTAINABILITY COMMITTEE

Danie Vlok	chairman
John Barton	independent non-executive
Ashley Bell	non-executive (appointed effective 3 June 2015)
Leon Goosen	executive director
Karen van Haght	executive director
Gary Bell	executive director



NOMINATIONS COMMITTEE	
Mike Mun-Gavin	chairman (retired effective 4 May 2015)
John Barton	chairman (appointed effective 4 May 2015)
Danie Vlok	independent non-executive
Tiisetso Tsukudu	independent non-executive
REMUNERATION COMMITTEE	
Danie Vlok	chairman
John Barton	independent non-executive
Tiisetso Tsukudu	independent non-executive
SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE	
Tiisetso Tsukudu	chairman
Bharti Harie	independent non-executive
Gary Bell	group chief executive

EXECUTIVES	
Bokkie Coertze	Bell Equipment Company SA (Pty) Ltd managing director: Bell Equipment Africa Sales and Distribution
Marc Schürmann	Bell Equipment Company SA (Pty) Ltd managing director: Bell Equipment European Operations
Neville Paynter	Bell Equipment Company SA (Pty) Ltd managing director: Bell Equipment North America
Aldo Mayer	Bell Equipment Company SA (Pty) Ltd director: global manufacturing and engineering
Dominic Chinnappen	Bell Equipment Company SA (Pty) Ltd director: group supply chain and SOP
Johan van Wyngaardt	Bell Equipment Company SA (Pty) Ltd director: group human resources
Rino D'Alessandro	Bell Equipment Company SA (Pty) Ltd director: aftermarket, logistics and IT
Stephen Jones	Bell Equipment Company SA (Pty) Ltd director: group marketing and dealers
Avishkar Goordeen	Bell Equipment Company SA (Pty) Ltd director: group corporate development
Diana McIlrath	group company secretary





## BOARD COMPOSITION AND ROTATION

In the period under review, the board of directors has comprised a unitary board of eight directors; three of whom are executive directors and five of whom are non-executive directors. Four of the non-executive directors are independent. The nominations committee has evaluated the independence of all of the non-executive directors and confirmed that four are independent as defined by King III and the JSE Listings Requirements. Subsequent to the financial year end, the board has been augmented by the appointment of two additional independent non-executive directors on 1 January 2016. The chairman of the board is an independent non-executive director. According to the group's MOI, at the forthcoming AGM, Danie Vlok, an independent non-executive director, will retire by rotation and will not offer himself for re-election. John Barton, the independent non-executive chairman of the board, will retire by rotation and has offered himself for re-election by the shareholders.

## BOARD CHARTER (KEY ROLES AND RESPONSIBILITIES)

The general powers of the board and the directors are conferred in Bell Equipment's MOI. The board has adopted a board charter which is reviewed annually and which provides a framework of how the board operates as well as the types of decisions to be taken by the board and which decisions should be delegated to management, without abdicating its own responsibilities. It also provides a clear and concise overview of the roles and responsibilities of the board members. The 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;
- assuming overall responsibility for risk 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.

All non-executive directors have unrestricted access to management at any time. When required, non-executive directors are entitled to access the external auditors and, at Bell Equipment's expense are able to seek independent professional or expert advice on any matters pertaining to the group. The board meets at least once every quarter and four board meetings were held during the year. Details of attendance are in the table on page 35.

## 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 ROLE OF THE CHIEF EXECUTIVE

The role of the chief executive, which is determined by the board, is to:

- own the vision and build the culture of the group;
- oversee and deliver the group's performance;
- lead the group and the management team;
- be ultimately responsible for all day-to-day management decisions and operations of the group in order to implement the strategic goals set by the board through the group executive committee, which he chairs;
- be the group's principal spokesperson; and
- act as direct liaison between the board and management and communicate to the board on behalf of management.

## GROUP COMPANY SECRETARY

On 1 March 2016, D McIlrath was appointed as group company secretary in place of Highway Corporate Services (Pty) Ltd who acted as group company secretary from 1 March 2015 to 29 February 2016 on an outsourced basis.

In compliance with JSE Listings Requirements, the board during the board meeting in November 2015, in performing an assessment of the new group company secretary and considering her curriculum vitae and her previous 14 years experience as a practising attorney, conveyancer and notary public as well as having acted as the company secretary of the group and another listed company in an acting capacity, satisfied itself that:

- the newly appointed group company secretary is competent, has the relevant qualifications, has the necessary experience and expertise to carry out her duties; and
- the newly appointed group company secretary has an appropriate arm's-length relationship with the board and is not a director of Bell Equipment or any of its subsidiaries.

All directors have access to the advice and services of the group company secretary. The group company secretary is responsible for the production and collation of all board packs, ensuring good information flow between the board and executive management and oversight of sound governance at all times.



New directors are informed of their duties and responsibilities by way of an induction presentation and manual setting out the necessary statutory documents, charters, policies and strategic information on the group.

### BOARD AND COMMITTEE EVALUATION

In accordance with the requirements of King III, the board recognises the merits of regularly evaluating its collective performance.

A comprehensive process in which each director was requested to evaluate the performance of the board, the group chairman, its committees and its peers on the board was undertaken in November 2015. All directors completed the questionnaires. The chairman has discussed the results of the evaluations with each director and the overall process will be discussed at a board meeting in 2016.

### BOARD AND COMMITTEE MEETINGS

The table below indicates the attendance of board members at scheduled board and committee meetings during the period 1 January 2015 to 31 December 2015.

In accordance with Bell Equipment's MOI, at least one-third of the directors must retire by rotation each year but may offer themselves for re-election. Details of those directors retiring by rotation and standing for re-election are reflected in the notice of the AGM contained on pages 65 to 70 of this report.

### REGULATORY COMPLIANCE

Board members are committed to complying with the JSE Listings Requirements and King III and are kept updated of changes to all relevant legislation. These updates are provided by the group's sponsor, the group's auditors and the group company secretary. During the year under review, the board received updates regarding the developments of the Companies Act, JSE Listings Requirements, King III and material legislation affecting the group. Therefore, all stakeholders are assured that Bell Equipment is being managed ethically and in compliance with the latest legislation, regulations and best practice.

### 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, managing 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.

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

### BOARD COMMITTEES

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

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

The audit committee, nominations committee, remuneration committee, risk and sustainability committee and the social, ethics and transformation committee are established 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 group.

### AUDIT COMMITTEE

The audit committee is an essential part of the group's governance framework to which the board has delegated oversight of the group's financial reporting, compliance, internal and external audit. The committee was chaired by independent non-executive director, Bharti Harie, and further comprises two independent non-executive directors. John Barton chaired the committee up until 4 May 2015 when he stepped down due to his appointment as chairman of the board. He still remains a member of the committee. The committee met four times during the reporting period. The detailed audit committee report can be found in the audited 2015 group annual financial statements on the group's website at [www.bellir.co.za](http://www.bellir.co.za).

Attendance at board and committee meetings	Held	Mike Mun-Gavin <sup>1</sup>	John Barton	Danie Vlok	Bharti Harie	Tiisetso Tsukudu	Ashley Bell <sup>2</sup>	Gary Bell	Leon Goosen	Karen van Hagt
Board	4	1	4	4	4	4	3	4	4	4
Audit committee	4	2	4	4	4	n/a	n/a	n/a	n/a	n/a
Risk and Sustainability committee	4	1	3	4	n/a	n/a	3	4	4	4
Nominations committee	2	2	2	2	n/a	2	n/a	n/a	n/a	n/a
Remuneration committee	2	1	2	2	n/a	2	n/a	n/a	n/a	n/a
Social, Ethics and Transformation committee	3	n/a	n/a	n/a	3	3	n/a	3	n/a	n/a

<sup>1</sup> Retired 4 May 2015

<sup>2</sup> Appointed to the board on 12 March 2015; Appointed to the Risk and Sustainability committee on 3 June 2015



### 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 2015.

### 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 two independent non-executive directors. Two meetings were held during the year.

### BOARD NOMINATIONS

The nominations committee proposed two independent non-executive directors, Hennie van der Merwe and Derek Lawrance to the board and they were appointed effective 1 January 2016. The committee took into account the appropriate balance of skills, experience and diversity required to lead, control and best represent the group and the policy which details the procedures for appointments to the board, which is formal and transparent. 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.

The nominations committee has conducted an assessment of the independence of its independent non-executive directors during 2016 to ensure that those directors meet the requirements for independence as set out in King III. The nominations committee is also mindful of its responsibility to ensure that there remains an appropriate balance of skills and experience on the board, and it is therefore of the view that retention of certain members beyond nine years may in certain circumstances be beneficial in ensuring this balance and that orderly succession can take place. Accordingly the committee has concluded that Danie Vlok and Tiisetso Tsukudu, despite having been directors of Bell Equipment for nine years or more, retain both financial independence and independence of character and judgement. Danie Vlok will not, however, offer himself for re-election at the upcoming AGM.

The group chief executive and other executive directors are employed on service contracts.

### 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 consisted of the chairman and two 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, while taking into account the difficult economic situation the group finds itself in. 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. 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 group has one operating employee share option scheme for executives and senior employees. Details of the scheme are set out in note 31 to the annual financial statements of the group which can be viewed at [www.bellir.co.za](http://www.bellir.co.za).

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 breakdown of the annual remuneration of the executive directors and prescribed officers is detailed in the table on page 59.

#### **NON-EXECUTIVE DIRECTORS**

Non-executive directors do not have service contracts with the group but instead have letters of appointment. One-third of the non-executive directors retire each year at the AGM in terms of Bell Equipment's MOI. Each retiring director who is eligible and offers himself for re-election is then subject to re-election by shareholders. 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 and for chairmanship of board committee meetings have been adopted. Additional fees are paid for the attendance of unscheduled meetings. The fees paid to the non-executive directors are set out on page 59.

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 chairman receives an annual fee which takes into account his role as chairman of the group, his attendance at board meetings and the breadth of that role coupled with the associated levels of commitment and expertise.

The proposed non-executive directors' fees are submitted to shareholders for approval at the AGM in line with King III recommendations. At the AGM to be held on 5 May 2016 shareholders will be asked to pass a special resolution to increase the fees of non-executive directors to the amounts set out in the notice of AGM on page 67.

#### **RISK AND SUSTAINABILITY COMMITTEE**

This committee's mandate, according to its charter, 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 committee was chaired by an independent non-executive director, Danie Vlok. The committee further consists of two non-executive directors, one of whom is independent, and three executive directors. Four meetings were held during the reporting period.

The group's sustainability 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.

#### **RISK MANAGEMENT**

The board is responsible for the governance of risk management within the group and has delegated oversight to the risk and sustainability committee. The group risk management process is governed by a board-approved policy and framework which is used to identify, analyse, report and mitigate risks. The board sets the group risk appetite and risk tolerances annually on the recommendation of the risk and sustainability committee. The risk appetite and risk tolerance metrics, the Bell Equipment group strategic risk register and the high-impact risks are reported at the risk and sustainability committee meetings.

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.



INHERENT RISKS	
STRATEGIC RISK	RISK MITIGATION FACTORS
<b>COMPETITOR RISK</b>	
<p>The risk that the Bell Equipment group's competitors' actions have a significant negative influence on the group's business.</p>	<ul style="list-style-type: none"> <li>Live the Bell Equipment group motto of, "Strong Reliable Machines, Strong Reliable Support".</li> <li>Constantly exceed customer expectations through superior, innovative products and aftermarket support.</li> <li>Maintain research and development spend through the trough and mid cycles and accelerate spend in the peak cycles, thus ensuring that the Bell ADT continues to be technologically advanced.</li> <li>Adopt and practice the 1-Bell philosophy in all activities.</li> </ul>
<b>CURRENCY RISK</b>	
<p>The Rand continues to depreciate against major currencies and weakened sharply by 35% against the US Dollar and 21% against the Euro during the 2015 reporting period. As the group has substantial cash outflows for imports for its South African factory and trades in different currencies in many countries, the group is exposed to increasing risks relative to the cost of imports into South Africa and the translation of non-Rand profits.</p> <p>The group is also exposed to operational and financial currency exposures due to changes in the value of trading accounts and loans, especially intra-group accounts, denominated in foreign currencies.</p> <p>The above has a direct impact on the group's trading results, statement of financial position, cash flows and competitiveness.</p>	<ul style="list-style-type: none"> <li>A group treasury policy is in place and follows the principle of matching import and export cash flows wherever 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.</li> <li>The timely application of pricing policies on exports facilitates hedging against movements of major currencies to the SA Rand and other volatile currencies to which the group is exposed.</li> <li>Cost containment and consideration of alternative suppliers, markets and manufacturing locations.</li> <li>The size of equity and loans in foreign subsidiaries is monitored to ensure these are appropriate considering commercial requirements.</li> </ul>
<b>STRATEGIC ALLIANCE PARTNERS AND KEY SUPPLIER RELATIONS RISK</b>	
<p>The brands represented by Bell form an integral component of the Bell Equipment group's strategic goal of being an integrated OEM. These international brands become synonymous with Bell Equipment in relevant distribution territories. Therefore careful thought and effort goes into selecting strategic alliance partners and suppliers. Revenue derived from these products contributes materially to the Bell Equipment group revenue. Therefore risks associated with a breakdown in relations and/or material non-performance by either party poses significant risks.</p>	<ul style="list-style-type: none"> <li>Continually build/improve the group's relationships with strategic alliance partners and suppliers at all levels within the organisation, supporting mutually beneficial objectives.</li> <li>Formal process of setting, monitoring and evaluating key performance metrics to meet strategic objectives.</li> <li>There is a process of formal and regular communication that ensures issues that may arise are dealt with expediently and at the appropriate levels.</li> <li>Adopt the 1-Bell philosophy in dealing with strategic alliance partners and suppliers.</li> </ul>
<b>POLITICAL RISKS IN THE COUNTRIES IN WHICH THE GROUP OPERATES</b>	
<p>Due to the global nature of the group's business and new markets, the group 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.</p>	<ul style="list-style-type: none"> <li>As a responsible corporate citizen that contributes to the wellbeing of the relevant region, the group endeavours to cooperate with the local authorities in the regions in which it operates without aligning the group to any particular political organisation.</li> <li>The group minimises exposure in perceived high-risk countries through effective risk management practices.</li> <li>Develop business continuity plans catering for all eventualities the group may be susceptible to in the higher political risk regions it is exposed to.</li> </ul>
<b>CYCLICAL NATURE OF THE CONSTRUCTION AND MINING EQUIPMENT INDUSTRY</b>	
<p>The business model is highly dependent on achieving sales volumes of the core manufactured products. This is due to the upfront and substantial investment in research and development, production capabilities as well as inventory which is required to maintain a competitive advantage.</p> <p>The inherent cyclical nature of the industry is affected by the continued uncertainty in the commodity and emerging markets which has resulted in fluctuations in demand for the group's products in these key sectors. Accordingly, the financial performance and achievement of strategic goals of Bell Equipment is directly dependent on its ability to react to the changes in the business environment.</p>	<ul style="list-style-type: none"> <li>Perform regular evaluations of the order book and forecasts to ensure the validity thereof.</li> <li>Secure adequate committed funding lines and actively manage cash flows.</li> <li>Actively manage working capital, reduce expenses and increase efficiencies within the group.</li> <li>Deliver exceptional customer service to capture the available business.</li> <li>Diversify geographically, away from dependence on traditional mining territories.</li> <li>Grow diversified revenue streams leveraging the Bell distribution network and manufacturing capabilities.</li> <li>Robust capital planning and budgeting processes.</li> <li>Monitor impact of business environment on key customers' access to and ability to service credit.</li> </ul>



<b>INHERENT RISKS (CONTINUED)</b>	
<b>STRATEGIC RISK</b>	<b>RISK MITIGATION FACTORS</b>
<b>REGULATORY RISK</b>	
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.	<ul style="list-style-type: none"> <li>▪ A group-wide compliance programme is being implemented and product and operational restrictions are assessed on a periodic basis.</li> <li>▪ Local management is tasked with keeping abreast of regulatory changes within their respective jurisdictions.</li> </ul>
<b>HUMAN CAPITAL</b>	
The Bell Equipment group recognises that human capital is instrumental to its success. Human capital risks manifest under the following themes:	
<b>Skills retention</b>	
Due to the locations it operates in and the fact that the world is a global village, Bell Equipment's ability to retain key skills is constantly under threat.	<ul style="list-style-type: none"> <li>▪ Significant training and investment in employees assists in creating an increasing and enhanced skills base.</li> <li>▪ Implementation of performance management systems.</li> <li>▪ Retention strategy for critical skilled employees.</li> </ul>
<b>Health and safety</b>	
This risk refers to the possibility of our human capital being exposed to an unsafe work environment and/or practices which result in injury whilst on duty.	<ul style="list-style-type: none"> <li>▪ Our health and safety management system is a risk-based system that clearly establishes the group's expectations of employees in terms of health and safety performance. The system is aligned with OHSAS 18001:2007, a leading international standard for occupational health and safety management systems.</li> <li>▪ A comprehensive behaviour based health and safety training programme is being implemented across the group to promote safe behaviour and awareness.</li> <li>▪ The use of standard operating procedures, policies and risk assessments together with preventive risk management measures also assists in creating a safe work environment and thereby reduces the likelihood of workplace injuries.</li> </ul>
<b>GLOBAL COMPETITIVENESS</b>	
As a South African based manufacturer supplying the global market, the increased cost of doing business in South Africa directly influences Bell Equipment's competitiveness. Pressure from organised labour for above inflation wage increases, disruptions to business across the value chain due to strikes, declining productivity, escalating fuel and electricity prices, compounded with the need to have private back-up power generation due to power outages and increasing compliance costs are some of the expenses that contribute to the high costs of doing business in South Africa. This hinders the marketability and profitability of export products.	<ul style="list-style-type: none"> <li>▪ Continuously evaluate component country sourcing for suitable price advantages.</li> <li>▪ Continuously monitor the effect of the cost pressures and strategically evaluate the option of offshore manufacturing where feasible.</li> <li>▪ Monitor productivity and critically evaluate the case for mechanisation, where possible.</li> </ul>
<b>NICHE PRODUCT DEPENDENCE</b>	
While Bell Equipment has carved out a niche in the global earthmoving equipment industry and continues to strive to be the leading global ADT OEM, the group is cognisant of its dependence on this product which is exposed to the commodity cycles.	<ul style="list-style-type: none"> <li>▪ Grow diversified revenue streams leveraging the Bell distribution network and manufacturing capabilities.</li> </ul>
<b>LACK OF TRANSFORMATION</b>	
The combination of the revised BBBEE codes and the exit of Kagiso Strategic Investments III (Pty) Ltd have resulted in a gap in the transformation efforts of the group.	<ul style="list-style-type: none"> <li>▪ Plans are under way to introduce a BBBEE partner at Bell Equipment Sales South Africa Limited and also address the various elements of the revised BBBEE Codes.</li> </ul>



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

## SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

The social, ethics and transformation committee is a statutory committee, established by the board in accordance with the Companies Act. This report describes how the committee discharged its responsibilities in respect of the financial year ended 31 December 2015 and will be presented to the shareholders at the AGM.

### MEMBERSHIP OF THE COMMITTEE

The committee consists of two independent non-executive directors and one executive director. The chairman of this committee is Tiisetso Tsukudu, an independent non-executive director.

### MEETINGS

In accordance with its charter, the committee meets at least twice a year. During the year under review, the committee met three times. The attendance of the committee members at those meetings is indicated in the table on page 35 of this report.

At each of its meetings the committee receives reports from management, and other committees where applicable, and in turn reports on relevant matters within its mandate to the board.

In accordance with its charter, the committee fulfils the functions and responsibilities assigned to it in terms of the Companies Act Regulations and such other functions as may be assigned to it by the board from time to time in order to assist the board in ensuring that the group remains a responsible corporate citizen.

The key objectives and responsibilities of the committee, which are aligned with the committee's statutory functions as set out in the Companies Act and Companies Regulations include the following:

- social, economic and transformation development;
- the group's standing relative to the United Nations Global Compact Principles, the United Nations Guiding Principles on Business and Human Rights, the International Bill of Human Rights, the OECD (Organisation for Economic Co-operation and Development) recommendations regarding corruption, and the Voluntary Principles on Security and Human Rights;
- compliance with South Africa's Employment Equity Act and BBBEE legislation;
- good corporate citizenship, including the group's contribution to the development of communities in which it operates or markets its products and the group's record of sponsorships, donations and charitable giving;
- the group's positioning and efforts in promoting equality, preventing unfair discrimination and combating corruption;
- promotion of equality and transformation and preventing unfair discrimination, through its code of conduct and code of ethics and other social responsibility policies and strategies;
- the environment, health and public safety, including the impacts of the group's activities and products on the environment and society;
- consumer relationships, including the group's reputational risks, advertising, public relations and compliance with consumer protection laws; and
- labour and employment, including the group's standing relative to the ILO Protocol on Decent Work and Working Conditions, and the group's employment and relationships and contribution to the educational development of its employees.

Bell Equipment 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 group whistle-blowing policy, which facilitates the group's Tip-Offs Anonymous reporting line, continues to provide an appropriate balance between encouraging reporting and discouraging malicious and frivolous reporting. All material disclosures received, resultant investigations and the outcome thereof are communicated and reported to the audit committee.

### 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.



#### **LABOUR**

The group maintains healthy relations with its workforce and employee representative unions. Skills development remains an area of focus, implemented through various skills development programmes across the group.

#### **TRANSFORMATION**

Bell Equipment remains committed to transformation and BBBEE in South Africa. Strategies and action plans have been developed to achieve compliance under the Revised Codes of Good Practice.

#### **HEALTH AND SAFETY**

The group's health and safety practices continued to improve annually and attention continues to be given to the impact of HIV and AIDS and other dread diseases.

#### **SOCIO-ECONOMIC DEVELOPMENT**

Bell Equipment strives to support the advancement of the communities in which it operates including contributing to education and skills development.

#### **EVALUATION OF COMMITTEE PERFORMANCE**

During November 2015, an evaluation of the committee's performance was carried out as part of the board and committee evaluation process and the results shall be discussed and action plans shall be implemented at the next committee meeting in 2016.

On behalf of the social, ethics and transformation committee

**TO Tsukudu**  
*Chairman*

#### **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](http://www.bellir.co.za).

#### **SPONSOR**

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

#### **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 22 to 24 as well as the summarised consolidated financial statements from pages 49 to 60 and the audited 2015 group annual financial statements on the group's website at [www.bellir.co.za](http://www.bellir.co.za).

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.



## OVERVIEW

This report presents a consolidated view of Bell Equipment's sustainability performance for the year ended December 2015. The group aims to provide a balanced, understandable and comparable view of its business to all stakeholders by giving an 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, including King III and the Global Reporting Initiative (GRI). In keeping with the GRI's vision, Bell Equipment will continue to improve sustainability reporting processes over time, based on the principles of accountability and transparency.

Bell Equipment launched the "1-Bell" initiative in 2015 to focus the entire organisation on a clear set of values through the use of best practice behaviours. The team initiative was implemented across all the group's operations, to reinforce Bell Equipment's culture of "a dedicated team creating enduring customer and stakeholder relationships". The programme is underpinned by the value proposition and targets the five areas that impact most on this. Though markets may differ it is clear that customer expectations are similar and the 1-Bell initiative is a mechanism to ensure consistency in interactions with all stakeholders of the group. The five key areas are:

- **valuing and growing the group's customers' trust by understanding their business;** co-developing world class products that deliver performance in rugged environments, and demonstrating dedication to maximising their uptime;
- **quality:** through a culture of continuous improvement and the effective use of the group's employees and suppliers' talents, Bell Equipment consistently meets and exceeds the customer promise;
- **team:** every individual focused on actively contributing to the success of the Bell group. This is done by sharing a common goal, harnessing individual strengths and undertaking every interaction with mutual respect, honesty and integrity;
- **efficiency:** focusing Bell Equipment's efforts and resources on the right things. This is done by critically assessing the return that investments will have on the Bell group's strategy, OROA and long term sustainability; and
- **safety:** Bell group's people are its most valuable asset and it needs to entrench a culture of fully understanding risks, and looking out for not only each individual but others.

The group believes that in order to grow and prosper in years to come, it needs to contribute positively towards its employees, the communities it operates in and the macro-economy. This contribution is achieved through the group's ongoing dedication to reducing its carbon footprint, preserving and investing in the natural environment, retaining critical skills within its workforce and to playing a broader role in the economy and the upliftment of the societies in which it operates.

The social, ethics and transformation committee is tasked with overseeing the group's sustainability activities to ensure that Bell Equipment conducts its business in a sustainable manner and pays special attention to fostering the development of its employees, caring for the environment and contributing to social development.

Bell Equipment recognises the immense contribution by employees to the growth of the group over the last six 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 going forward. At the same time, the tough trading conditions resulted in the restructuring and reduction of the workforce in this period under review.

The group continues to place a strong emphasis on the upskilling and development of all its employees.

### Bell Equipment seeks sustainability 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.

## 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. Key performance areas are reviewed, discussed and agreed upon during planned performance appraisals.

## EMPLOYEE RELATIONS

Bell Equipment fully supports the promotion of progressive employee relations with the relevant representative unions and enjoys a healthy employee relations climate. The strong foundation of mutual respect and understanding between employer and employees has been created and sustained over several years.



## **SKILLS DEVELOPMENT AND TRAINING**

Bell Equipment's operating divisions 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. Bell selects its junior technicians from these groups of trainees. 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.

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

46 earthmoving apprentices completed training in 2015: 30 african males, an african female, a coloured female, a coloured male and 13 white males. Nine candidates were employed by the group after qualifying. The remaining candidates are trained and equipped for employment in the open market.

Within the South African apprentice training facility the group also trained 17 african males for external paying customers. Product-specific technical training was provided to the group's 110 qualified artisans, which entails three courses a year as part of a skills development programme.

During 2015 the group took steps to address skills development in its other markets with the establishment of a technical training centre as part of the newly built Kitwe CSC in Zambia. This facility will train local and regional heavy duty mechanics to a world class standard through the Bell apprentice programme, thereby contributing to building the capacity of local citizens of that country and eventually leading to employment creation. The process of getting this facility accredited to conduct trade test assessments is currently underway.

The demand for operator training at the Zambian facility has grown substantially. Training is recognised throughout southern Africa and the facility expects to train about 190 candidates in 2016.

Furthermore, Bell Zambia works closely with five colleges and universities in the country to provide practical experience to 10 students per year.

Bell Zimbabwe is involved closely with the Harare Polytech where Bell apprentices attend a one year compulsory mechanical training course. Certain of the Polytech students are taken on by Bell Zimbabwe on a one year apprenticeship. Various mechanical components such as differentials, transmissions, engines (obsolete components) have been donated to the Polytech to assist them with their training.

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

## **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.

## **CODE OF ETHICAL CONDUCT**

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

The group recognises that fraud, abuse of power, or the acceptance of bribes is an increasing problem in many countries. Too often, it is undetected and goes unreported, resulting in financial losses to companies, eventually to the detriment of all its stakeholders.

For this reason, Bell Equipment subscribes to a service that enables 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 ethics and a code of business conduct which continue to be updated and communicated to staff and strategic suppliers across all business units. A fraud working committee meets on a quarterly basis to discuss reports of fraud, theft and dishonest behaviour within Bell and determine ways to combat such activities.

## **RECOGNITION AND REWARD – LONG SERVICE AWARDS**

In appreciation of the role that Bell employees play in the growth and sustainability of the business, those with 10, 20, 30 or 40 years of continuous service with the group are recognised annually and celebrated across the group. Bell Equipment's traditional awards event is a momentous occasion where the group expresses its gratitude for the integral role these long-serving employees play as members of the larger Bell family while the employees reflect on the impact of Bell on their careers and lives.





## **DECENT WORKING CONDITIONS, WELLBEING, HEALTH AND SAFETY**

Coupled with safeguarding the wellbeing and the health and safety of employees, Bell Equipment is committed to providing decent working conditions that ensure freedom, equity, human security and dignity. During the 2015 financial year, the group implemented an information campaign to educate employees on the rights of an employee to decent working conditions. As part of the induction process, new employees are informed on what decent working conditions are and how to report suspected contravention of these rights within the group.

During the 2016 financial year the group will implement equal pay for work of equal value in accordance with the amended Employment Equity Act, and has already started engaging labour unions in this regard.

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.

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.

The group's European operations continue to improve their incident frequency trend by revitalising the audit system in the operations with centralised reporting. This is supported by regular safety induction sessions to increase the safety awareness.

Bell Equipment therefore encourages a safety-conscious workforce that adheres to rigorous safety standards through constant education and training.

## **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 including counselling. Operations host wellness days for employees to raise awareness and education on health issues through a unique, fun and interactive approach which focuses on physical and mental health.

## **EMPOWERMENT – BBBEE ACCELERATING TRANSFORMATION**

Bell Equipment remains committed to transformation and BBBEE in South Africa. Strategies and action plans have been developed to achieve compliance under the Revised Codes of Good Practice. A key strategic element in achieving compliance will be the introduction of a BBBEE equity partner at BESSA and the process to achieve this has commenced.

## **EMPLOYMENT EQUITY**

The group regularly submits its employment equity plans to the Department of Labour and monitors progress against set targets. This is done in a consultative process that involves all groups of employees. Line managers are accountable to the group chief executive for the achievement of employment equity objectives.

## **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. To this end, the group strives to commit approximately 1% of annual profits to sustainable projects.

In 2015, Bell Equipment invested R648 970 in secondary schools and tertiary education bursaries to previously disadvantaged individuals who have shown excellence in academic performance.

Bell Equipment encourages its employees to be actively involved in community initiatives and they have raised funds for non-profit organisations by participating in community events such as the CANSA Relay for Life, CANSA Shavathon, Tekkie Tax Day and SANCA's Walk Away From Drugs, further building on the group's good standing in the community.

## **INTELLECTUAL CAPITAL INVESTMENT**

In the past year the group introduced a number of products and innovative solutions featuring improvements in energy efficiency, safety, driver comfort, performance and exhaust emissions.

Bell, together with its customers, find themselves in a competitive landscape and global economy that presents a number of key challenges: changing environmental legislation, growing emphasis on product and job site safety, profitability through improved productivity and energy-efficiency, advancing vehicle management technology.

Bell Equipment's future success depends on its ability to deliver on adding value to its customers while striving for best-in-class off-road ability. Therefore, Bell continues to focus its investment in research and development on innovative solutions to achieve the lowest cost per ton, reduced exhaust emissions, setting new standards in safety, driver comfort, energy-efficiency and machine management through automation and control.

## **ENVIRONMENTAL STEWARDSHIP**

Bell Equipment understands and accepts its responsibility towards the environment and practices environmental management on a daily basis. The safety department is tasked with monitoring environmental issues, including any spillages and high risk environmental areas.

The uThungulu District Municipality, representing the Department of Economic Development, Tourism and Environmental Affairs, carried out an audit in October 2015 to assess the progress and improvements with regards to environmental issues at the Richards Bay factory. Following the audit a detailed action plan has been put in place to address findings. Steps have also been taken regarding grit blast plant and dust monitoring as well as water monitoring and waste management, with the upgrade of the effluent treatment system at the Eagle Park powder coating plant receiving due attention. As a custodian of the environment Bell encourages



innovative “green” initiatives wherever opportunities exist and has wood and paper recycling programmes in place. Likewise the new CSCs in Middelburg and Nelspruit were fitted with an effluent separation system at the wash bay facilities as part of a water conservation effort to recycle water from the wash bays for use as grey water. Similar systems will be installed in the group’s other developments should they prove successful.

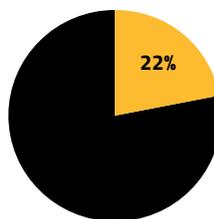
A large portion of product development is focused on meeting the global trend of reducing engine emissions. Bell ensures that it either meets or exceeds these stringent limits in all the markets in which it operates. The current focus is on reducing NOx, hydrocarbons and particulates but future trends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

Bell Equipment has successfully determined its energy consumption footprints for all of its European operations with the expectation that every year the group undertakes steps to reduce its consumption in relation to this footprint.

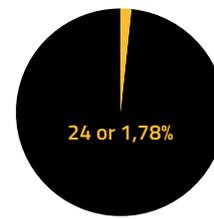
Bell also participates in the Recycling and Economic Development Initiative of South Africa (REDISA), which aims to support and promote the recycling of tyres by providing the collection and depot infrastructure necessary to collect waste tyres from across the country and deliver them to approved recyclers.

Bell Zimbabwe continues to donate to the Imre Rhino Trust and involves the local community in wildlife awareness at school and community levels. In addition to this Bell Zimbabwe donates yearly to Hwange National Park Wildlife Trust through an initiatives called “pumping legs” which is a cycle race through the park that raises funds for development and maintenance of water points in the park such as boreholes, pumps and piping.

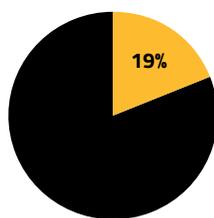
Females employed by BECSA and BESSA



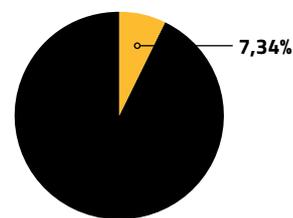
Number of employees in BECSA and BESSA with disabilities



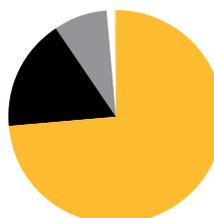
Percentage of employees in BECSA and BESSA under 30 years



Percentage of employees in BECSA and BESSA over 55 years



Employees by years of service



10 years and less	1 357	73,87%
11 to 20 years	308	16,77%
21 to 30 years	151	8,22%
31 to 40 years	19	1,03%
40 years	2	0,11%
Total	1 837	100%

BECSA – ACTUAL FEBRUARY 2016 – EMPLOYEE DEMOGRAPHICS

EE levels	Male				Female				Foreigners		Grand total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
A	0	0	0	1	0	0	0	0	0	0	1
B	1	0	2	9	0	0	0	1	0	0	13
C	12	1	25	105	0	0	2	14	2	0	161
D	66	11	118	96	19	4	20	36	3	0	373
E	391	24	107	41	108	14	29	35	0	0	749
F	26	0	3	0	18	0	3	0	0	0	50
Grand total	496	36	255	252	145	18	54	86	5	0	1 347
	1039				303				5		

BESSA – ACTUAL FEBRUARY 2016 – EMPLOYEE DEMOGRAPHICS

EE levels	Male				Female				Foreigners		Grand total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
A	0	0	0	0	0	0	0	0	0	0	0
B	1	0	0	1	0	0	0	0	0	0	2
C	2	2	3	17	0	2	3	2	0	0	31
D	71	7	17	140	1	0	6	7	0	0	249
E	78	12	14	12	23	11	1	39	0	0	190
F	11	0	1	0	6	0	0	0	0	0	18
Grand total	163	21	35	170	30	13	10	48	0	0	490
	389				101				0		





## INDEPENDENT AUDITOR'S REPORT

ON THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF BELL EQUIPMENT LIMITED

The accompanying summarised consolidated financial statements of Bell Equipment Limited as set out on pages 49 to 60, which comprise the summarised consolidated statement of financial position as at 31 December 2015, the summarised consolidated statement of profit or loss, summarised consolidated statement of profit or loss and other comprehensive income, summarised consolidated statement of changes in equity and summarised consolidated statement of cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Bell Equipment Limited for the year ended 31 December 2015. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 11 March 2016. Our auditor's report on the audited consolidated financial statements contained an Other Matter paragraph "Other reports required by the Companies Act" (refer below). Those consolidated financial statements, and the summarised consolidated financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those consolidated financial statements.

The summarised consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Bell Equipment Limited.

### DIRECTORS' RESPONSIBILITY FOR THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the minimum requirements of IAS 34: Interim financial reporting 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 the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

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

### OPINION

In our opinion, the summarised consolidated financial statements derived from the audited consolidated financial statements of Bell Equipment Limited for the year ended 31 December 2015 are consistent, in all material respects, with those consolidated financial statements, in accordance with the minimum requirements of IAS 34: Interim financial reporting and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

### OTHER REPORTS REQUIRED BY THE COMPANIES ACT

The "other reports required by the Companies Act" paragraph in our audit report dated 11 March 2016 states that as part of our audit of the consolidated financial statements for the year ended 31 December 2015, we have read the Directors' Report, the Audit Committee Report and the Certification by Group Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summarised consolidated financial statements or our opinion thereon.

**Deloitte & Touche**  
Registered Auditors

**Per: BJ Botes CA(SA), RA**  
Partner

16 March 2016

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

Regional Leader: \*R Redfearn  
\*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

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

www.deloitte.com

Deloitte & Touche  
Registered Auditors  
Audit – KZN  
Unit 501, Second Floor  
Mzingazi Office Park  
15 Club Road  
Mzingazi Golf Estate  
Meerensee  
Richards Bay, 3901

PO Box 101679  
Meerensee, 3901  
South Africa



## SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Audited 2015 R'000	Audited 2014 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>1 026 915</b>	<b>1 011 357</b>
Property, plant and equipment	686 608	672 106
Intangible assets	213 305	203 078
Investments	665	548
Interest-bearing long-term receivables	29 763	45 357
Deferred taxation	96 574	90 268
<b>Current assets</b>	<b>3 826 145</b>	<b>3 483 147</b>
Inventory	2 862 652	2 403 437
Trade and other receivables	740 911	728 638
Current portion of interest-bearing long-term receivables	41 759	42 519
Prepayments	36 992	25 346
Other financial assets	12 783	2 071
Non-current assets held for sale	–	11 850
Taxation	26 827	10 331
Cash resources	104 221	258 955
<b>Total assets</b>	<b>4 853 060</b>	<b>4 494 504</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>	<b>3 004 291</b>	<b>2 536 331</b>
Stated capital (note 5)	230 567	230 567
Non-distributable reserves	765 277	466 669
Retained earnings	2 001 086	1 831 459
Attributable to owners of Bell Equipment Limited	2 996 930	2 528 695
Non-controlling interest	7 361	7 636
<b>Non-current liabilities</b>	<b>287 246</b>	<b>214 273</b>
Interest-bearing liabilities	111 885	87 161
Repurchase obligations and deferred leasing income	3 820	–
Deferred income	66 543	65 616
Long-term provisions and lease escalation	51 376	44 813
Deferred taxation	53 622	16 683
<b>Current liabilities</b>	<b>1 561 523</b>	<b>1 743 900</b>
Trade and other payables	1 014 921	1 376 773
Current portion of interest-bearing liabilities	57 719	40 304
Current portion of repurchase obligations and deferred leasing income	1 042	34 980
Current portion of deferred income	71 774	59 079
Current portion of provisions and lease escalation	53 783	65 941
Other financial liabilities	20 593	4 404
Taxation	37 898	28 640
Short-term interest-bearing debt	303 793	133 779
<b>Total equity and liabilities</b>	<b>4 853 060</b>	<b>4 494 504</b>
<b>Number of shares in issue</b>	('000) <b>95 147</b>	95 147
<b>Net asset value per share</b>	(cents) <b>3 158</b>	2 666



## SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Audited 2015 R'000	Audited 2014 R'000
<b>Revenue</b>	5 901 431	6 608 545
Cost of sales	(4 554 157)	(5 067 408)
<b>Gross profit</b>	1 347 274	1 541 137
Other operating income	184 523	148 597
Expenses	(1 240 033)	(1 504 643)
<b>Profit from operating activities (note 2)</b>	291 764	185 091
Net interest expense (note 3)	(58 901)	(54 818)
<b>Profit before taxation</b>	232 863	130 273
Taxation	(64 008)	(63 853)
<b>Profit for the year</b>	168 855	66 420
<b>Profit for the year attributable to:</b>		
– Owners of Bell Equipment Limited	168 280	63 452
– Non-controlling interest	575	2 968
<b>Earnings per share (basic) (note 4)</b>	(cents) 177	67
<b>Earnings per share (diluted) (note 4)</b>	(cents) 177	66



## SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Audited 2015 R'000	Audited 2014 R'000
<b>Profit for the year</b>	168 855	66 420
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising during the year	297 520	(21 915)
Exchange differences on translating foreign operations	283 288	(5 715)
Exchange differences on foreign reserves	14 232	(711)
Reclassification to profit or loss of foreign currency translation reserve on deregistered operations	–	(15 489)
<b>Other comprehensive income (loss) for the year, net of taxation</b>	297 520	(21 915)
<b>Total comprehensive income for the year</b>	466 375	44 505
<b>Total comprehensive income attributable to:</b>		
– Owners of Bell Equipment Limited	465 800	41 537
– Non-controlling interest	575	2 968



## SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to owners of Bell Equipment Limited				Non-controlling interest R'000	Total capital and reserves R'000
	Stated capital R'000	Non-distributable reserves R'000	Retained earnings R'000	Total R'000		
<b>Balance at 31 December 2013 – Audited</b>	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	–	307	(307)	–	–	–
Transactions with non-controlling interest	–	–	2 247	2 247	(2 247)	–
<b>Balance at 31 December 2014 – Audited</b>	230 567	466 669	1 831 459	2 528 695	7 636	2 536 331
Total comprehensive income for the year	–	297 520	168 280	465 800	575	466 375
Recognition of share-based payments	–	1 585	–	1 585	–	1 585
Decrease in statutory reserves of foreign subsidiaries	–	(497)	497	–	–	–
Transactions with non-controlling interest	–	–	850	850	(850)	–
<b>Balance at 31 December 2015 – Audited</b>	230 567	765 277	2 001 086	2 996 930	7 361	3 004 291



## **SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2015

	<b>Audited 2015 R'000</b>	<b>Audited 2014 R'000</b>
Cash generated from operations before working capital changes	396 283	368 119
Cash (utilised in) generated from working capital	(610 080)	571 458
Cash (utilised in) generated from operations	(213 797)	939 577
Net interest paid	(52 991)	(54 818)
Taxation paid	(45 167)	(77 043)
Net cash (utilised in) generated from operating activities	(311 955)	807 716
Net cash utilised in investing activities	(54 194)	(183 600)
Net cash generated from (utilised in) financing activities	41 401	(37 993)
<b>Net cash (outflow) inflow</b>	<b>(324 748)</b>	<b>586 123</b>
<b>Net cash (short-term interest-bearing debt) at beginning of the year</b>	<b>125 176</b>	<b>(460 947)</b>
<b>Net (short-term interest-bearing debt) cash at end of the year</b>	<b>(199 572)</b>	<b>125 176</b>
<b>Comprising:</b>		
Short-term interest-bearing debt	(303 793)	(133 779)
Cash resources	104 221	258 955
<b>Net (short-term interest-bearing debt) cash at end of the year</b>	<b>(199 572)</b>	<b>125 176</b>



## ABBREVIATED NOTES TO THE AUDITED SUMMARISED CONSOLIDATED RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2015

### 1. ACCOUNTING POLICIES

The summarised consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the policies and methods of computation are consistent with those applied to the previous year, except for the adoption of new and amended standards and interpretations and the changes as described below.

In the current year the functional currency of the group's operation in Mozambique changed from Meticaís to United States Dollar (US Dollar). The operation's primary economic environment is significantly influenced by the US Dollar. A significant portion of sales and the cost of goods and services in this operation has been indexed against the US Dollar.

In the current year the group's internal organisational structure changed due to group restructuring processes. This caused the composition of its reportable segments to change. The operating segment information for the previous year has been restated accordingly.

The group has adopted all of the new and amended standards and interpretations relevant to its operations and effective for annual reporting periods beginning 1 January 2015. The adoption of these new and amended standards and interpretations has not had any significant impact on the amounts reported in the financial statements and in this summarised consolidated financial statements.

The summarised consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of properties and financial instruments. The summarised consolidated financial statements are prepared in accordance with the requirements of the Companies Act in South Africa and contain minimum information required by IAS 34 Interim Financial Reporting. The preparation of this summarised consolidated financial statements and consolidated financial statements from which these results are summarised was supervised by the group finance director, KJ van Hagt CA (SA).

### 2. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is arrived at after taking into account:

#### Income

Currency exchange gains	239 526	195 831
Deferred warranty income	51 627	41 500
Decrease in warranty provision	21 330	–
Import duty rebates	57 153	42 706
Reclassification to profit or loss of foreign currency translation reserve on deregistered operations	–	15 489
Royalties	4 447	4 647
Net surplus on disposal of non-current assets held for sale	7 073	–
Net surplus on disposal of property, plant and equipment and intangible assets	6 041	1 485

#### Expenditure

Amortisation of intangible assets	25 374	25 280
Amounts written off as uncollectible	11 924	–
Auditors' remuneration – audit and other services	9 683	10 214
Currency exchange losses	234 940	186 976
Depreciation of property, plant and equipment	143 304	114 881
Increase in provision for doubtful debts	6 412	69 887
Increase in warranty provision	–	6 814
Operating lease charges	132 823	128 441
Research expenses (excluding staff costs)	29 978	35 072
Severance pay	26 240	21 378
Staff costs (including directors' remuneration)	1 213 065	1 234 012



		31 December 2015 R'000	31 December 2014 R'000
<b>3. NET INTEREST EXPENSE</b>			
Interest expense		70 787	67 722
Interest income		(11 886)	(12 904)
<b>Net interest expense</b>		<b>58 901</b>	<b>54 818</b>
<b>4. EARNINGS PER SHARE</b>			
Basic earnings per share is arrived at as follows:			
Profit for the year attributable to owners of Bell Equipment Limited	(R'000)	168 280	63 452
Weighted average number of ordinary shares in issue	('000)	95 147	95 146
<b>Earnings per share (basic)</b>	(cents)	<b>177</b>	<b>67</b>
Diluted earnings per share is arrived at as follows:			
Profit for the year attributable to owners of Bell Equipment Limited	(R'000)	168 280	63 452
Fully converted weighted average number of shares*	('000)	95 147	95 640
<b>Earnings per share (diluted)</b>	(cents)	<b>177</b>	<b>66</b>
<i>* There has been no dilutive effect in the current year as the option exercise prices exceeded the average market price.</i>			
Headline earnings per share is arrived at as follows:			
Profit for the year attributable to owners of Bell Equipment Limited	(R'000)	168 280	63 452
Net surplus on disposal of property, plant and equipment, intangible assets and non-current assets held for sale	(R'000)	(13 114)	(1 485)
Taxation effect of net surplus on disposal of property, plant and equipment, intangible assets and non-current assets held for sale	(R'000)	3 672	416
Reclassification to profit or loss of foreign currency translation reserve on deregistered operations	(R'000)	–	(15 489)
Headline earnings	(R'000)	158 838	46 894
Weighted average number of ordinary shares in issue	('000)	95 147	95 146
<b>Headline earnings per share (basic)</b>	(cents)	<b>167</b>	<b>49</b>
Diluted headline earnings per share is arrived at as follows:			
Headline earnings calculated above	(R'000)	158 838	46 894
Fully converted weighted average number of shares	('000)	95 147	95 640
<b>Headline earnings per share (diluted)</b>	(cents)	<b>167</b>	<b>49</b>
<b>5. STATED CAPITAL</b>			
<b>Authorised</b>			
100 000 000 (2014: 100 000 000) ordinary shares of no par value			
<b>Issued</b>			
95 146 885 (2014: 95 146 885) ordinary shares of no par value		230 567	230 567
<b>6. CAPITAL EXPENDITURE COMMITMENTS</b>			
Contracted		3 827	21 460
Authorised, but not contracted		46 260	59 418
<b>Total capital expenditure commitments</b>		<b>50 087</b>	<b>80 878</b>



## ABBREVIATED NOTES TO THE AUDITED SUMMARISED CONSOLIDATED RESULTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

	Revenue R'000	Operating profit (loss) R'000	Assets R'000	Liabilities R'000
<b>7. ABBREVIATED SEGMENTAL ANALYSIS</b>				
<b>December 2015</b>				
South African sales operation	2 435 925	70 112	1 155 685	822 850
South African manufacturing and logistics operation	3 782 318	148 671	2 558 768	1 109 465
European operation	1 806 920	65 273	1 130 113	692 910
Rest of Africa operation	916 810	21 634	872 073	693 034
North American operation	560 413	301	95 996	29 152
All other operations	–	(40 360)	1 342 185	153 523
Inter-segmental eliminations*	(3 600 955)	26 133	(2 301 760)	(1 652 165)
<b>Total</b>	<b>5 901 431</b>	<b>291 764</b>	<b>4 853 060</b>	<b>1 848 769</b>
<b>December 2014</b>				
South African sales operation	2 866 868	110 591	1 048 204	763 578
South African manufacturing and logistics operation (restated)**	4 048 935	28 107	2 700 494	1 337 174
European operation	1 917 207	42 892	907 854	683 686
Rest of Africa operation (restated)**	1 014 020	4 229	684 994	569 464
North American operation	374 200	(15 855)	60 719	16 934
All other operations	–	(36 913)	1 113 956	137 515
Inter-segmental eliminations (restated)*	(3 612 685)	52 040	(2 021 717)	(1 550 178)
<b>Total</b>	<b>6 608 545</b>	<b>185 091</b>	<b>4 494 504</b>	<b>1 958 173</b>

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

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

\*\* In the current period the group's internal organisational structure changed due to group restructuring processes. This caused the composition of its reportable segments to change. Previously revenue from independent dealers in Africa, South America and Australasia was included under the Rest of Africa and other international operations segment. This is now reported under the South African manufacturing and logistics operation. The operating segment information for the previous year has been restated accordingly.



	31 December 2015 R'000	31 December 2014 R'000
<b>8. CONTINGENT LIABILITIES</b>		
8.1 The group has assisted customers with the financing of equipment purchased through a financing venture with WesBank, a division of FirstRand Bank Limited.		
In respect of the different categories of financing provided by WesBank, the group carries certain credit risks. These are considered to be financial guarantee contracts.		
The group is liable for all credit risks and therefore the full balance due to WesBank by default customers with regard to Bell-backed deals and a portion of the credit risk and a portion of the balance due to WesBank by default customers with regard to Bell-shared risk deals. In terms of the Bell-shared risk deals the group's exposure is calculated as a percentage of the net selling price of the equipment.		
At year-end the group's credit risk exposure to WesBank under Bell-backed deals for which the group carries all the credit risk totalled	211 581	204 829
At year-end the group's credit risk exposure to WesBank under Bell-shared risk deals for which the group carries a portion of the credit risk totalled	1 997	995
In the event of default, the equipment financed would be recovered and it is estimated that on re-sale the equipment would presently realise the following towards the above liabilities	319 208	243 954
<b>Net contingent liability</b>	–	–
The group has entered into similar shared risk arrangements with various other institutions. These arrangements are first-loss undertakings and the group's exposure remains fixed until the capital is repaid. These are considered to be financial guarantee contracts.		
At year-end the group's credit risk exposure to these financial institutions totalled	14 566	21 645
In the event of default, the equipment financed would be recovered and it is estimated that on re-sale the equipment would presently realise the following towards the above liability	27 839	25 902
Less: provision for non-recovery	(13 273) (262)	(4 257) (1 782)
<b>Net contingent liability</b>	–	–
Where customers are in arrears with these financial institutions and there is a shortfall between the estimated realisation values of equipment and the balances due by the customers to these financial institutions, an assessment of any additional security is done and a provision for any residual credit risk is made on a deal-by-deal basis.		
8.2 The repurchase of equipment sold to customers and financial institutions has been guaranteed by the group for an amount of	945	4 420
In the event of repurchase, it is estimated that the equipment would presently realise	3 404	19 037
<b>Net contingent liability</b>	–	–
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.		



## ABBREVIATED NOTES TO THE AUDITED SUMMARISED CONSOLIDATED RESULTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

	31 December 2015 R'000	31 December 2014 R'000
<b>8. CONTINGENT LIABILITIES (CONTINUED)</b>		
8.3 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	28 335	8 457
Less: provision for residual value risk	–	(670)
<b>Net contingent liability</b>	<b>28 335</b>	<b>7 787</b>
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. 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	2 072	2 867
Less: impairment of retention deposits	(2 072)	–
<b>Net retention deposits and net contingent liability</b>	<b>–</b>	<b>2 867</b>
<b>Total net contingent liabilities</b>	<b>28 335</b>	<b>10 654</b>

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 the impairment of the retention deposits are based on an assessment of the market value of the equipment.

## 9. FINANCIAL INSTRUMENTS

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

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



**10. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION**

	GROUP				2015 Total R	2014 Total R
	Salary R	Pension/ Provident fund R	Other benefits and allowances R	Severance pay R		
Paid to executive directors of the company by the company's subsidiary:						
<b>Executive directors</b>						
GW Bell	2 905 434	–	142 234	–	3 047 668	3 003 000
L Goosen	2 182 761	291 445	127 036	–	2 601 242	2 472 995
KJ van Haght	1 878 655	241 593	29 082	–	2 149 330	2 002 112
<b>Total</b>	<b>6 966 850</b>	<b>533 038</b>	<b>298 352</b>	<b>–</b>	<b>7 798 240</b>	<b>7 478 107</b>
Paid to prescribed officers of the company's subsidiaries by the company's subsidiaries:						
<b>Prescribed officers</b>						
Executive A (expatriate salary)	3 441 110	96 995	159 588	–	3 697 693	3 619 635
Executive B (retrenched 31 January 2015)	130 444	18 695	173 895	2 137 500	2 460 534	2 103 849
Executive C	1 905 943	261 965	159 411	–	2 327 319	2 207 467
Executive D (expatriate salary)	3 660 503	343 897	862 055	–	4 866 455	3 935 291
<b>Total</b>	<b>9 138 000</b>	<b>721 552</b>	<b>1 354 949</b>	<b>2 137 500</b>	<b>13 352 001</b>	<b>11 866 242</b>

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

	COMPANY	
	2015 Total R	2014 Total R
Paid to non-executive directors of the company by the company:		
<b>Non-executive directors</b>		
JR Barton	539 690	440 902
A Bell	243 270	–
B Harie	422 310	319 012
PJC Horne (retired 7 May 2008)	–	168 300
MA Mun-Gavin (resigned 4 May 2015)	233 099	559 310
DJJ Vlok	515 000	424 572
TO Tsukudu	375 365	391 352
<b>Total</b>	<b>2 328 734</b>	<b>2 303 448</b>



## ABBREVIATED NOTES TO THE AUDITED SUMMARISED CONSOLIDATED RESULTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

### 10. 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:

Executive directors and prescribed officers	Balance at 31 December 2013			Balance at 31 December 2014			Balance at 31 December 2015	
	Exercise price	Number of options	Exercised Number of options	Forfeited Number of options	Exercised Number of options	Forfeited Number of options	Exercised Number of options	Forfeited Number of options
L Goosen	10,48	100 000	–	–	100 000	–	–	100 000
	13,06	50 000	–	–	50 000	–	–	50 000
	21,35	30 000	–	–	30 000	–	–	30 000
<b>Total</b>		180 000	–	–	180 000	–	–	180 000
KJ van Haght	10,48	100 000	–	–	100 000	–	–	100 000
	13,06	50 000	–	–	50 000	–	–	50 000
	21,35	30 000	–	–	30 000	–	–	30 000
<b>Total</b>		180 000	–	–	180 000	–	–	180 000
Executive A	10,48	100 000	–	–	100 000	–	–	100 000
	13,06	50 000	–	–	50 000	–	–	50 000
	21,35	30 000	–	–	30 000	–	–	30 000
<b>Total</b>		180 000	–	–	180 000	–	–	180 000
Executive B (retrenched 31 January 2015)*	10,48	100 000	–	–	100 000	–	–	100 000
	13,06	50 000	–	–	50 000	–	–	50 000
	21,35	30 000	–	–	30 000	–	–	30 000
<b>Total</b>		180 000	–	–	180 000	–	–	180 000
Executive C	10,48	100 000	–	–	100 000	–	–	100 000
	13,06	50 000	–	–	50 000	–	–	50 000
<b>Total</b>		150 000	–	–	150 000	–	–	150 000
Executive D	10,48	60 000	–	–	60 000	–	–	60 000
	13,06	30 000	–	–	30 000	–	–	30 000
	21,35	15 000	–	–	15 000	–	–	15 000
<b>Total</b>		105 000	–	–	105 000	–	–	105 000
<b>Grand total</b>		975 000	–	–	975 000	–	–	975 000

\* A retired or retrenched employee is entitled to exercise their options in full within 12 months after becoming a retired or retrenched employee. If not exercised within such period, the options lapse.

### 11. SUBSEQUENT EVENTS

No fact or circumstance material to the appreciation of this report has occurred between 31 December 2015 and the date of this report.



Register date: 31 December 2015  
Issued share capital: 95 146 885

	Number of shareholdings	%	Number of shares	%
<b>SHAREHOLDER SPREAD</b>				
1 – 1 000 shares	584	50,52	229 368	0,24
1 001 – 10 000 shares	428	37,03	1 562 331	1,64
10 001 – 100 000 shares	105	9,08	3 179 048	3,34
100 001 – 1 000 000 shares	31	2,68	10 915 344	11,47
1 000 001 shares and over	8	0,69	79 260 794	83,31
<b>Totals</b>	<b>1 156</b>	<b>100,00</b>	<b>95 146 885</b>	<b>100,00</b>
<b>DISTRIBUTION OF SHAREHOLDERS</b>				
Banks/brokers	21	1,82	5 648 187	5,94
Close corporations	17	1,47	2 852 836	3,00
Endowment funds	4	0,35	121 272	0,13
Individuals	950	82,18	4 043 301	4,25
Insurance companies	4	0,35	5 740 706	6,03
Mutual funds	15	1,30	4 384 972	4,61
Other corporations	8	0,69	24 080	0,02
Private companies	30	2,59	66 395 257	69,78
Public company	1	0,08	97 102	0,10
Retirement funds	38	3,29	5 361 540	5,64
Trusts	68	5,88	477 632	0,50
<b>Totals</b>	<b>1 156</b>	<b>100,00</b>	<b>95 146 885</b>	<b>100,00</b>
<b>PUBLIC/NON-PUBLIC SHAREHOLDERS</b>				
<b>Non-public shareholders</b>	<b>6</b>	<b>0,52</b>	<b>65 985 807</b>	<b>69,35</b>
Directors and associates of the company	4	0,35	262 238	0,27
Strategic holders of more than 10%	2	0,17	65 723 569	69,08
<b>Public shareholders</b>	<b>1 150</b>	<b>99,48</b>	<b>29 161 078</b>	<b>30,65</b>
<b>Totals</b>	<b>1 156</b>	<b>100,00</b>	<b>95 146 885</b>	<b>100,00</b>
<b>RESIDENT/NON-RESIDENT</b>				
Resident	1 119	96,80	60 562 898	63,65
Non-resident	37	3,20	34 583 987	36,35
<b>Totals</b>	<b>1 156</b>	<b>100,00</b>	<b>95 146 885</b>	<b>100,00</b>



	Number of shares	%
<b>TOP 10 BENEFICIAL SHAREHOLDERS</b>		
I A Bell and Company (Pty) Ltd	35 723 569	37,55
John Deere	30 000 000	31,53
Sanlam	5 895 786	6,20
Clark, IAJ	2 710 000	2,85
UBS (Custodian)	2 478 131	2,60
Allan Gray	2 104 554	2,21
Government Employees Pension Fund	1 709 599	1,80
Eskom Pension & Provident Fund	1 148 789	1,21
Metal & Engineering Industries	1 039 601	1,09
Investment Solutions	842 248	0,89
<b>Totals</b>	<b>83 652 277</b>	<b>87,93</b>
<b>TOP 10 INSTITUTIONS</b>		
Sanlam Investment Management	5 895 786	6,20
Allan Gray Asset Management	3 730 815	3,92
Investec Asset Management	2 700 528	2,84
UBS (Custodian)	2 478 131	2,60
Public Investment Corporation	1 709 599	1,80
RMB Morgan Stanley	714 873	0,75
Peregrine Equities	699 703	0,74
Coronation Fund Managers	533 531	0,56
Citibank (Custodian)	530 171	0,56
SIX SIS (Custodian)	422 825	0,44
<b>Totals</b>	<b>19 415 962</b>	<b>20,41</b>



ADT	Articulated Dump Truck
AGM	Annual General Meeting
APDP	Automotive Production and Development Programme
Bell Equipment or Bell or the group	Bell Equipment Limited and its subsidiaries
BEE or BBBEE	Black Economic Empowerment or Broad-based Black Economic Empowerment
BECSA	Bell Equipment Company SA Proprietary Limited
BEE0	Bell Equipment European Operations comprising the Bell operations in Germany, UK, France and Russia
BENA	Bell Equipment North America
BESA	Bell Equipment Sales Africa comprising BESSA and the Bell operations in Zambia, DRC, Mozambique, Zimbabwe and Malawi
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
IFRS	International Financial Reporting Standards
ISO	International Standards Organisation
John Deere	John Deere Construction and Forestry Company, a Delaware corporation
JSE	Johannesburg Stock Exchange Limited
King III	King Code of Governance Principles and the King Report on Governance
LTIFR	Lost Time Injury Frequency Rate
LTRS	Lifetime Revenue Stream
Matriarch	Matriarch Trading Close Corporation
MOI	Memorandum of Incorporation
NUMSA	National Union of Metalworkers of South Africa
OEM	Original Equipment Manufacturer
OROA	Operating Return on Assets
SENS	Stock Exchange News Service
SVA	Shareholder Value-Add
TMP cycle	Trough, mid and peak cycle



Financial year-end	31 December
Integrated annual report	March 2016
Annual general meeting	5 May 2016
Interim results announcement	August 2016



## **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 48th AGM of shareholders of Bell Equipment will be held at the company's registered office, 13 – 19 Carbonode Cell Road, Alton, Richards Bay, KwaZulu-Natal on Thursday, 5 May 2016 at 11:00 to attend to the following matters, with or without modification.

### **RECORD DATES**

Shareholders are reminded to take note of the following dates:

- Last day to trade in order to be eligible to attend, participate and vote at the AGM will be Thursday, 21 April 2016.
- The record date in order to be eligible to attend, participate and vote at the AGM will be Friday, 29 April 2016.

### **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 2015, together with the auditor's and directors' reports thereon.

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

D Vlok, an independent non-executive director, retires by rotation in terms of clause 5.1.10 of the company's MOI at this AGM. Mr D Vlok is not offering himself for re-election and will step down as a director following the AGM.

Re-election of a director in terms of clause 5.1.10 of the company's MOI by way of separate resolution:

- 2.1 to re-elect JR Barton as an independent non-executive director who retires by rotation in terms of the company's MOI at this AGM and, being eligible, makes himself available for re-election. Brief particulars of the qualifications and experience of the abovementioned director is available on page 16 of this report.

#### **3. ORDINARY RESOLUTION 3: ELECTION OF DIRECTORS**

To resolve the election of directors appointed by the board since the last AGM by way of separate resolutions:

- 3.1 To elect DH Lawrance as a non-executive director, appointed by the board since the last AGM and being obliged to retire at this AGM but being eligible and available for election, offers himself for election as a non-executive director.

Brief particulars of the qualifications and experience of the abovementioned director are reflected below:

Derek has been successful in managing multi-disciplinary environments, including joint ventures with both local and foreign partners; the development and implementation of high-level business strategies requiring negotiating and problem solving skills, as well as a knowledge of the legal, financial and operational issues pertaining thereto.

He currently acts both as an independent director, chairman or deputy chairman of the following companies: The Thekwini Funds Ltd, Expand a Sign International (Pty) Ltd, Bosch Projects (Pty) Ltd, Mion Holdings (Pty) Ltd and ART Solar (Pty) Ltd. Derek holds a BCom Economics degree from Wits University and he is also a Chartered Accountant.

- 3.2 To elect HR van der Merwe as a non-executive director, appointed by the board since the last AGM and being obliged to retire at this AGM but being eligible and available for election, offers himself for election as a non-executive director.

Brief particulars of the qualifications and experience of the abovementioned director are reflected below:

Hennie initially practiced as a commercial, corporate and litigation attorney in Johannesburg, handling a number of major mergers, acquisitions and JSE listings transactions in the course of his practice.

He has held senior executive positions and directorships in large stock exchange listed corporate entities in the banking and industrial sector and has extensive experience in the implementation of turnaround strategies in the banking and commercial sectors, both in South Africa and abroad. Since 1997 he has been an executive director and subsequently managing director of Trencor, a company listed on the JSE. He continues to serve on boards of directors of various companies controlled by or associated with Trencor in South Africa, as well as a number of listed and unlisted public companies where he also acts as board chairman. Hennie holds BA (Law) and LLB degrees from the University of Stellenbosch and a LLM (Tax) Masters degree from Wits University.



#### 4. ORDINARY RESOLUTION 4: APPOINTMENT OF THE MEMBERS OF THE AUDIT COMMITTEE

Pursuant to the requirements of Section 94 of the Companies Act, to appoint, each by separate resolution, the following independent non-executive directors of the company as members of the audit committee until the conclusion of the next AGM:

- 4.1 DH Lawrance (chairman)
- 4.2 JR Barton (chairman of the board)
- 4.3 B Harie

Brief particulars of the qualifications and experience of the abovementioned directors are available on pages 16 and 17 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 AGM.

#### 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 King III.

The Remuneration Policy is set out on page 36 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 of 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 MOI of the company and provided that this authority shall not extend beyond the next AGM or 15 (fifteen) months from the date of this AGM, whichever date is earlier.

The directors of the company have no specific intention to put into effect 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 apply 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 resolve that to the extent required by section 45 of the Companies Act, the board of directors of the company may, subject to compliance with the provisions of the company's MOI, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, by way of a general authority authorise the company to provide at any time and from time to time any direct or indirect financial assistance to any one or more related or inter-related companies or corporations of the company, for a period of one year from 1 January 2017 to 31 December 2017.

##### 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 Companies Act, as and when required in the normal course of its business. This special resolution does not authorise the provision of financial assistance to a director and/or a prescribed officer of the company.



9. SPECIAL RESOLUTION 2: BASIS OF REMUNERATION PAYABLE TO NON-EXECUTIVE DIRECTORS FOR THE PERIOD 1 JANUARY 2017 TO 31 DECEMBER 2017

To resolve that the directors' fees payable to the non-executive directors of the company, for the period 1 January 2017 to 31 December 2017, be determined by reference to the following:

	Rand
<b>Retainer fees to be paid annually</b>	
Non-executive chairman	308 400
Non-executive directors	168 500
<b>Fees per meeting payable to the chairman of the board and the chairmen of board committees</b>	
Board	28 100
Audit committee	16 900
Risk and Sustainability committee	16 900
Nominations committee	8 500
Remuneration committee	8 500
Social, Ethics and Transformation committee	16 900
<b>Fees to be paid to non-executive directors per meeting</b>	
Board	28 100
Audit committee	22 500
Risk and Sustainability committee	16 900
Nominations committee	7 050
Remuneration committee	7 050
Social, Ethics and Transformation committee	16 900
Bell Audit Services committee	11 200

**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 AGM 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 CHAIRMAN JR BARTON FOR THE PERIOD 4 MAY 2015 TO 31 DECEMBER 2016 AND NON-EXECUTIVE DIRECTORS HR VAN DER MERWE AND DH LAWRANCE FOR THE PERIOD 1 JANUARY 2016 TO 31 DECEMBER 2016.**

To resolve that the director's fees payable to JR Barton as chairman of the board for the period 4 May 2015 to 31 December 2016, be determined by reference to the following:

Retainer fee 2015 (annual): R275 000

Retainer fee 2016 (annual): R291 000

To resolve that directors' fees payable to HR van der Merwe and DH Lawrance for the period 1 January 2016 to 31 December 2016, be determined by reference to the following:

Retainer fees to be paid: R159 000

Fees per meeting attended and per meeting chaired as determined payable to non-executive directors and as approved at the AGM held on 4 May 2015.

**Reasons and effect**

JR Barton was appointed as independent non-executive chairman on 4 May 2015 and HR van der Merwe and DH Lawrance were appointed as non-executive directors on 1 January 2016.

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 AGM 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 JSE Listings Requirements 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 shares will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);
- authorisation thereto has been given by the company's MOI;
- this general authority shall only be valid until the company's next AGM, provided that it shall not extend beyond 15 (fifteen) months from the date of the passing of this special resolution;
- general repurchases may not be made at a price greater than 10% (ten percent) above the weighted average of the market value for the 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 shares 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 subsidiaries may not repurchase shares during a prohibited period as defined in the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of shares to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed to the JSE in writing prior to the commencement of the prohibited period; and
- when the company has cumulatively repurchased 3% (three percent) of the initial number of the relevant class of shares, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made.

The 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 Companies Act;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the general repurchase; and
- the working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months following the date of the repurchase.

#### **Reason and effect**

The reason and effect for this special resolution number 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 give effect to 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 put into 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 62

Stated capital of the company page 55

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

The directors, whose names are given on pages 16 to 17 of the integrated annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 4 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by the JSE Listings Requirements

#### **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 or trading 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 AGM of shareholders.



## INFORMATION SCHEDULE

### Proxies/representation at the meeting

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration who are unable to attend the meeting, are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a shareholder. Forms of proxy must be received for administrative purposes by the group company secretary at the registered office of the company at 13 – 19 Carbonode Cell Road, Alton, Richards Bay or at Private Bag X20046, Empangeni, 3880 or by the company's share transfer secretaries, Link Market Services SA Proprietary Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein or at PO Box 4844, Johannesburg, 2000 by 11:00 on Tuesday, 3 May 2016. Forms of proxy must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration. Any forms of proxy not received by this time must be handed to the chairman of the AGM immediately prior to the meeting.

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

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, must contact their 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 Companies Act, notice is hereby given that in terms of section 63(1) of the Companies Act, shareholders and proxies who attend the AGM will be required to provide satisfactory identification (for example: valid drivers' licences, identity documents or passports).

## VOTING RIGHTS

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

## SHARES HELD BY SHARE TRUST OR SCHEME

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

## ELECTRONIC COMMUNICATION

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

By order of the board

**D McIlrath**

*Group company secretary*

11 March 2016

Registered office  
13 – 19 Carbonode Cell Road  
Alton  
Richards Bay  
3900

**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) must provide instructions to their appointed CSDP or broker in the form stipulated in the custody agreement entered into between the shareholder and their CSDP or broker.

An ordinary shareholder entitled to attend and vote at the AGM to be held in the visitors' centre of Bell Equipment Limited, 13 – 19 Carbonode Cell Road, Alton, Richards Bay, KwaZulu-Natal at 11:00 on Thursday, 5 May 2016, 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 for administrative purposes by the group company secretary at the registered office of the company at 13 – 19 Carbonode Cell Road, Alton, Richards Bay or at Private Bag X20046, Empangeni, 3880 or by the company's share transfer secretaries, Link Market Services SA Proprietary Limited, Rennie House, 13th Floor, 19 Ameshoff Street, Braamfontein or at PO Box 4844, Johannesburg, 2000 by no later than 11:00 on Tuesday, 3 May 2016.

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

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

Being an ordinary shareholder(s) of the company holding \_\_\_\_\_ (ordinary shares)

ordinary shares in the company, do hereby appoint:

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

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

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

PROPOSED RESOLUTIONS		For	Against	Abstain
<b>ORDINARY RESOLUTIONS</b>				
1.	Adoption of annual financial statements			
2.	To re-elect director who retires in terms of clause 5.1.10 of the company's MOI:			
2.1	JR Barton			
3.	To elect non-executive directors appointed by the board since the last AGM and who retire and offer themselves for election			
3.1	DH Lawrance			
3.2	HR van der Merwe			
4.	Appointment of the following independent non-executive directors as members of the Audit committee until the next AGM:			
4.1	DH Lawrance (chairman)			
4.2	B Harie			
4.3	JR Barton (chairman of the board)			
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			
<b>SPECIAL RESOLUTIONS</b>				
1.	Approval for the granting of financial assistance in terms of Section 45 of the Companies Act			
2.	Approval of fees for non-executive directors			
3.	Approval of fees payable to non-executive chairman and non-executive directors:			
3.1	JR Barton for the period 4 May 2015 to 31 December 2016			
3.2	DH Lawrance and HR van der Merwe for the period 1 January 2016 to 31 December 2016			
4.	General authority to repurchase shares			

Signed at \_\_\_\_\_ (place) on \_\_\_\_\_ 2016

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



In accordance with Section 58 of the Companies Act, a person who holds ordinary shares in Bell Equipment (shareholder) is entitled to attend and vote at the AGM 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 Companies Act.

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

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

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

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

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

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

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

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

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

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

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

Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairman of the AGM.

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

The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.

The chairman of the AGM shall be entitled to decline or accept the authority of a person signing the proxy form:

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

unless his power of attorney or authority is deposited at the offices of the 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:

D McIlrath  
Private Bag X20046  
Empangeni  
3880

Link Market Services SA Proprietary Limited  
PO Box 4844  
Johannesburg  
2000

by no later than 11:00 on Tuesday, 3 May 2016.

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



**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**

Diana McIlrath  
Tel: +27 (0)35 907 9111  
Diana.McIlrath@za.bellequipment.com

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

**INVESTOR RELATIONS**

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

**COMPANY REGISTRATION NUMBER**

1968/013656/06

**ISIN CODE**

ZAE000028304

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