BELL

Integrated Report 2011

strong reliable machines strong reliable support

Contents

Scope and boundary of the report

BELL has adopted an integrated approach to reporting and is progressing towards presenting a fully integrated report. This report is intended to provide stakeholders with an understanding of the group's business, performance, strategy and challenges and documents all aspects of the operating and financial performance, together with key aspects of the sustainability performance of Bell and of its subsidiaries for the financial year ended 31 December 2011.

Bell has considered the guidelines provided by the King Report on Governance for South Africa 2009 (the King III Report). This integrated report, including the Bell annual financial statements, sustainability report and governance report, are available in both printed and web-based format (www.bellir.co.za).

The group's annual financial statements for the year ended 31 December 2011 include the financial position, results and cash flows of the company and its subsidiaries. They have been audited and prepared in accordance with the provisions of the Companies Act of South Africa 2008 (as amended) and Companies Regulations 2011 and comply with International Financial Reporting Standards (IFRS), AC 500 standards as issued by the Accounting Practices Board, and the Listings Requirements of the JSE Limited. They are based on appropriate accounting policies consistently applied and are supported by reasonable and prudent judgements and estimates. The preparation of the annual financial statements has been supervised by the Group Finance Director, Karen van Haght, CA (SA).

A more in-depth account of Bell's performance in the areas of safety, health, the environment and community development during the year under review is provided in the Bell Sustainability Report for 2011, which has been compiled in line with the G3 Guidelines of the Global Reporting Initiative (version 3.1).

For more information regarding the contents of this report, please contact:

The Group Company Secretary
Bell Equipment Limited
Tel: +27 (0)35 907 9212
Email: pieterv@bell.co.za

Nature of our business

Bell Equipment is Southern Africa's premier provider of earth-moving, construction, mining and materials handling equipment, serving customers across a diverse range of industries. Our product range includes Articulated Dump Trucks, Front-End Loaders, Hauler Tractors, Excavators, Motor Graders, Tractor Loader Backhoes, Fork-Lifts and Tri-Wheeled Loaders. The acquisition of the local distribution rights for the world's leading range of road building and compaction equipment, provides Bell Equipment unrivalled coverage of the entire construction industry's machinery needs.

Bell Equipment's after-sales operations include service, refurbishment and spare parts supply. Through an extensive network of customer service centres and distributors in many parts of the world, supported by strategic financing partners, the group is able to meet the requirements of customers in and suppliers to the mining, construction and forestry industries and agriculture.

Non-financial highlights

Group production volumes in 2011 were 80% higher than 2010 levels, with the Richards Bay factory operating at 90% of pre-recession production rates in the second half of the year.

Market share of approximately 54% was maintained on the flagship ADT product in the African market.

Work-force of 3 294 is back to pre-recession levels.

The group has one of the largest accelerated training programmes in its sector with 236 apprentices and 144 trainees.

Investment in critical engineering research and development projects maintained at 2% of revenue.

Key alliance partnership formed with Liebherr for the African distribution of a range of excavators.

The group is now a full-line supplier of products for building infrastructure.

Renewed commitment to safety and environment. Zero harm target.

Financial highlights

Revenue (Rm)

2011	5 071
2010	3 411
2009	2 699
2008	5 458
2007	4 625

Earnings (loss) per share (cents)

2011	290
2010	27
2009	(274)
2008	367
2007	385

Operating profit (loss) (Rm)

2011	436
2010	125
2009	(263)
2008	589
2007	494

Operating return (loss) on assets (%)

2011	14
2010	5
2009	(8)
2008	17
2007	20

Trade cycle (days)

2011	143
2010	137
2009	240
2008	197
2007	146

2 Strategic dimensions

Group vision

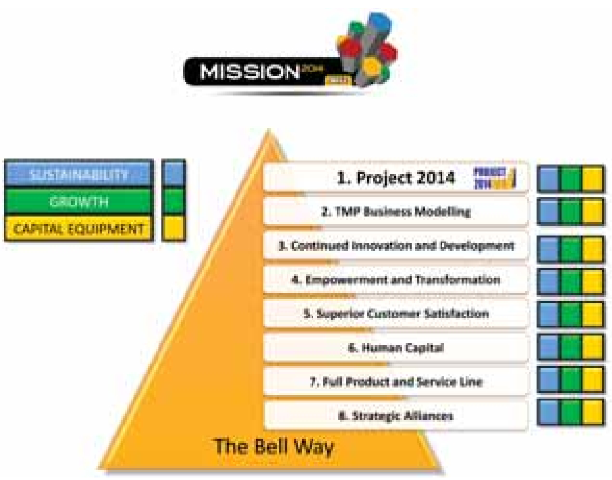
Bell's vision is to be a highly profitable, sustainable, capital equipment solution provider of choice. The fundamentals of a sustainable business constitute a responsible growing business that strives to continuously meet or exceed all stakeholder expectations, whilst subscribing to the principles that are defined as "the Bell Way". The group strives to be the preferred capital equipment solution provider by positioning itself as an integrated Original Equipment Designer and Manufacturer (OEM), distributor and dealer of "yellow metal" and associated products.

The Bell Way

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

Strategic objectives

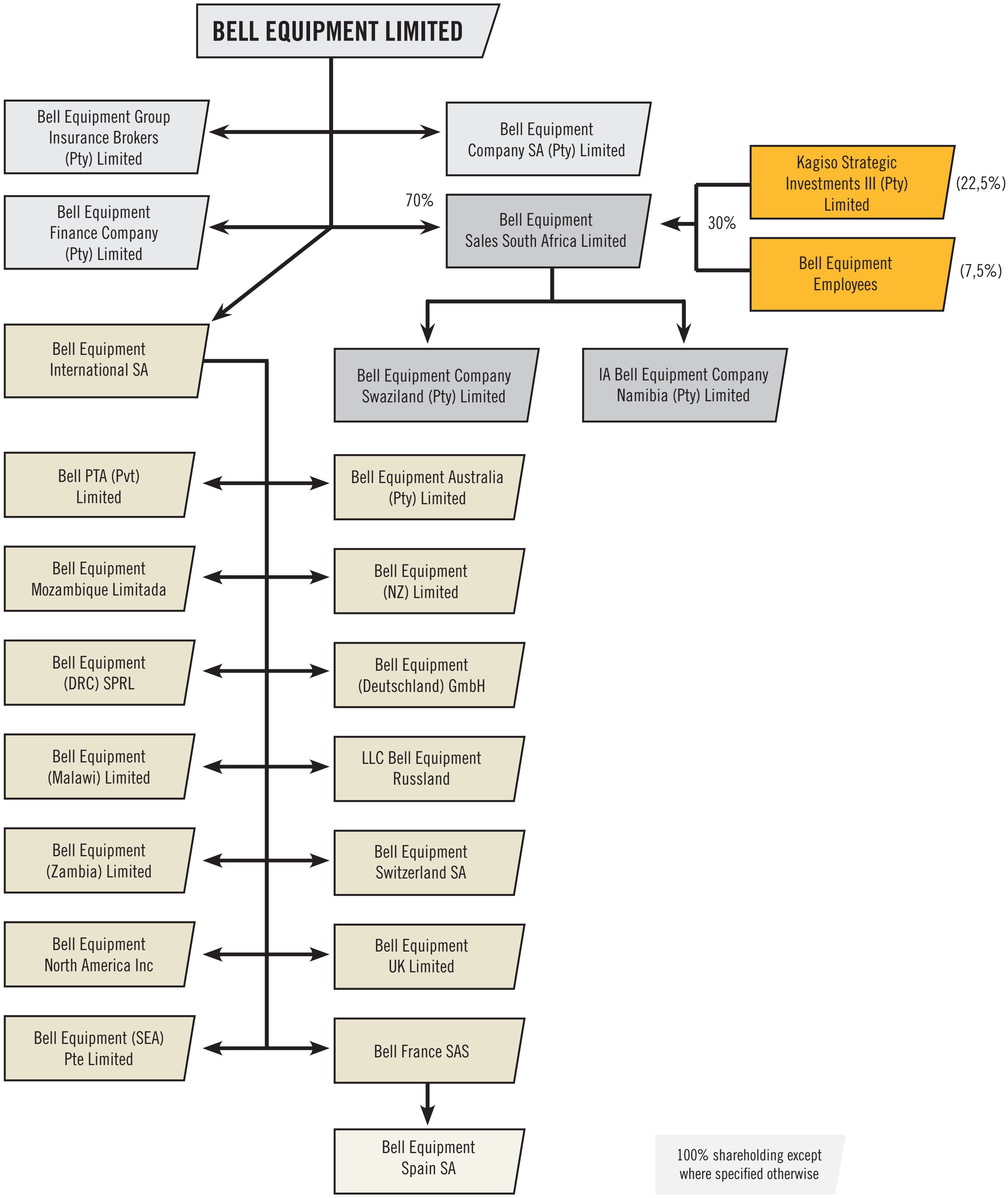
In line with the group's vision of being a profitable and sustainable capital equipment solution provider of choice, it embarked on Mission 2014 in 2010, a focus on eight key strategic priorities that will facilitate achievement of the group's stated vision by the year 2014. The executive leadership of the group has been tasked with ensuring the required attention and resources are committed to these priority areas, with "the Bell Way" being the foundation. Mission 2014 is to ensure the group's stakeholders' diversified needs are sustainably and consistently catered for through the year 2014 and beyond.



STRATEGIC PRIORITIES AND OBJECTIVES
Focus area
Project 2014 (financial returns)
TMP business modelling
Continued innovation and development
Empowerment and transformation
Superior customer satisfaction
Human capital
Full product and service line
Strategic alliances

	Strategic objective
	Project 2014 is a business improvement project aimed at ensuring that the group is Shareholder Value-Add (SVA) positive or at least neutral during trough business cycle conditions. The group has adopted the Operating Return on Assets (OROA) model as the group's measure of shareholder return and has set minimum OROA targets throughout the business cycle to ensure shareholder value is maintained. These financial targets are referred to as SVA targets. By analysing and understanding the drivers of OROA, the group has identified seven initiatives embarked upon during the 2010 year, all with the aim of improving the business and, ultimately, financial returns to shareholders. Together these initiatives are referred to as Project 2014, and this project has the full and unwavering commitment of all employees, management and the board of directors. It is continuously monitored by the executive management and the board of directors with corrective actions identified and implemented as and when required.
	Recognising the cyclical nature of the group's markets, being a trough, mid and peak (TMP) cycle, together with the SVA principle as explained above, the business is being modelled in such a way as to ensure that it is able to sustainably create value as it migrates between the different business cycles. The key attributes of this model are: to grow the business responsibly and sustainably; and to react quickly and decisively during migration periods, particularly downturns.
	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 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.
	Bell is uniquely positioned in the South African market as an Original Equipment Designer and Manufacturer (OEM) of yellow metal products. The group is a proud enabler of infrastructure development and consequent economic growth in South Africa as well as the rest of Africa. Key to sustainable development of any country is job creation. Bell remains committed to answering government's call for job creation and transformation. The group continues to work closely with the Department of Trade and Industry, the Economic Development Department and the Industrial Development Corporation on a number of projects. The group has a vision of empowering all South Africans by providing direct and indirect employment and skills development opportunities. The group is committed to achieving sustainable transformation and supporting the "Buy South African" initiative as prioritised by government.
	Bell has respect for the fact that its customers are the reason for its continued existence and recognises that consistently meeting and exceeding customers' expectations through successfully achieving the goals set by each of the strategic priorities and objectives, will facilitate superior customer satisfaction. Being financially sustainable gives the customer peace of mind that the group will continue to support its products and invest in innovation and product development, which in turn allows customers to make value-proposition investment in class-leading products. Through the group's transformation initiatives customers are able to build the new South Africa, while the group's employees remain committed to providing service excellence to the group's customers. The group's strategic alliances and full product and service line will also ensure that it retains the ability to meet customers' needs.
	Employees are considered the most important asset of the group and the endeavour is to support, nurture and develop employees. The group will continue to focus on developing and harnessing the skills and knowledge of employees to deliver world class products and services, facilitating sustainable growth. It will also continue to reward and incentivise employees appropriately and at market related rates for their contributions towards the group's successes.
	By offering customers fully integrated yellow metal solutions, the company is able to maintain a competitive advantage in the market. These solutions include: • a comprehensive range of earth-moving, construction, mining and materials handling, road building and compaction, forestry and agricultural equipment; • a pre-owned equipment and parts offering; • repair and maintenance contracts; • financing solutions; • remote equipment monitoring and tracking (Fleetm@tic); • parts and maintenance services; • remanufacturing of equipment; and • in keeping with the group's ability to innovate, it offers customised solutions to customers through the group's "application equipment" business unit, offering tailor-made equipment for customers with specialised requirements.
	The group's strategic alliance partners, including John Deere, Hitachi, Liebherr and Bomag, are some of the most respected brands in the industry. These organisations share the group's vision and together we are able to provide world-class product offerings and services to customers globally. The group will continue to focus on building/improving relationships with strategic alliance partners supporting mutually beneficial relations.

4 Global corporate structure




ESAB

Timeline

2011 – Bell secures distribution rights for Liebherr excavator in Africa.

2009 – Bell takes over the Bomag dealership with the German-based OEM.

2008 – Global logistics centre commissioned in Jet Park, Johannesburg

2003 – Truck assembly operations commence in Europe

2002 – World's largest Articulated Dump Truck, the Bell B50D, is unveiled

2001 – Launch of the D-series articulated truck sets a new standard of excellence

1998 – Bell C-series ADT and Wheeled Loader range launched

1989 – Launch of the B40 Articulated Dump Truck, targeting heavy-duty mining applications

1984 – From the new production facility in Richards Bay, South Africa, the first Articulated Truck enters service

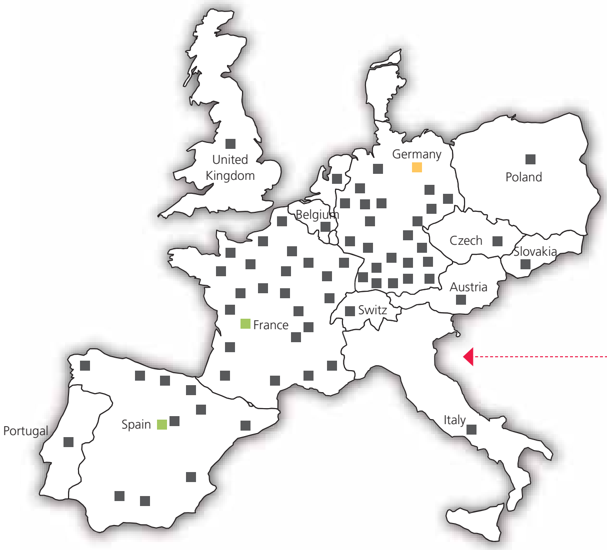
1982 – Applying the Hauler's strong, simple design philosophy, Bell enters the wheeled loader market

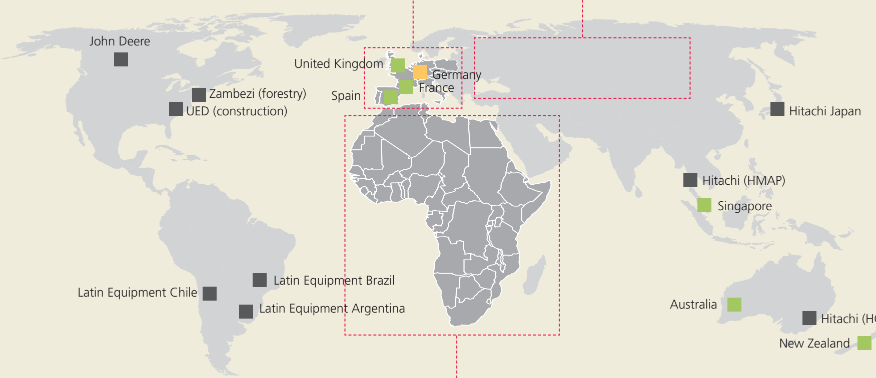
1977 – Bell introduces the world's first heavy duty haulage tractor

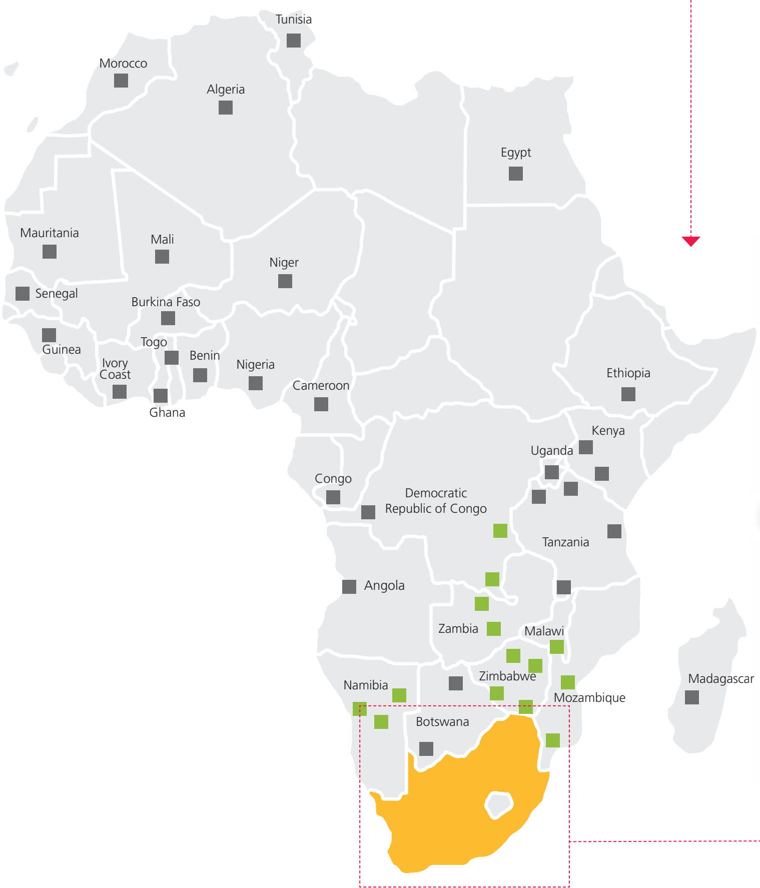
1964 – Irvine Bell invents the revolutionary Tri-Wheeled loading machine

1954 – Founder Irvine Bell establishes the company. A self-loading sugarcane trailer is amongst his early inventions

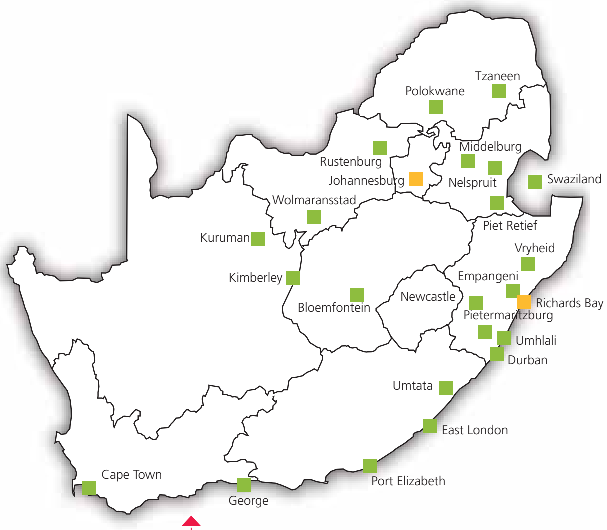
Bell's global reach







- Administrative head office
- Bell branches
- Bell major dealers



Products

Articulated Dump Trucks (ADTs)

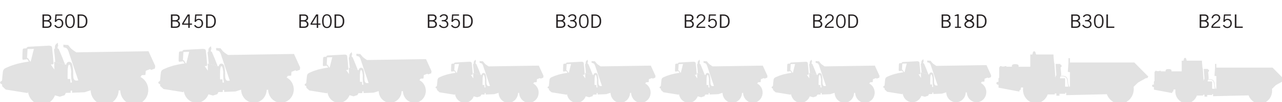
Bell ADTs continue to be the mainstay of the product range largely due to the worldwide demand for commodities, which has seen an upsurge in the African mining industry.

Designed and manufactured in South Africa for harsh African conditions, Bell ADTs are specifically well suited to isolated sites, harsh environments and high ambient temperatures. As such they enjoy higher success in mining operations as opposed to northern hemisphere manufacturers, who focus primarily on construction.

The range undergoes regular upgrades to keep all models competitive, compliant with emission regulations and at the cutting-edge of technology. The Blu@dvantage engine has been introduced to meet the latest European legislation requirements. Apart from setting new standards for environmental friendliness, the new engine has been positively received due to the proven Selective Catalytic Reduction (SCR) technology, which demonstrates a significant advantage in terms of fuel economy.

The Blu@advantage engine keeps Bell at the forefront of ADT engine technology, while the company's own fleet management system, Fleetm@tic has pioneered telematics technology in the world ADT market. Other ground-breaking ADT innovations attributed to Bell include onboard weighing, keyless ignition, HillAssist, Bin Tip Prevention, Auto Park Application (APA) and standard Turbo Spin Protection.

Apart from technological advancements, Bell also continues to push the boundaries to meet the unique machine requirements of its customers through its specialised "Bell Versatruck" product programme. The programme includes niche models and more than 30 basic variations of the traditional ADT including off-road concrete mixers, crane-mounted timber trucks and even 6 x 6 fire trucks.



Front-End Loaders

Bell Equipment offers a comprehensive range of utility and production Wheeled Loaders; starting with the versatile compact loaders for agriculture and industry through to the powerful production workhorse for quarry and mining.

The E Series offers feature advantages such as solid-state electronics, highly efficient Quad-Cool™ cooling, operator friendly controls and functionality with advanced diagnostic monitors. This state-of-the-art technology is protected by durability features, such as heavy-duty wet-sleeve engines, self-adjusting wet-disc brakes, four-plate loader frames, articulation joints with double tapered roller bearings and tough booms and mainframes.

As the most advanced wheeled loader available on the market today, the E Series offers three most important tenets of machine design – productivity, uptime, and lower daily operating costs. This is a machine designed to work day in, day out.

L2706E L2106E L1806E L1706E L1506E L1204E L1004E L705E

Excavators

After signing a distribution agreement with Liebherr during 2011, Bell Equipment now offers a comprehensive range of premium Hydraulic Excavators. The agreement adds eight models to the range, starting with the industry's popular 20T for construction and earthworks through to a 103T unit to provide an efficient production powerhouse for the demanding mining industry.

This world class product offering further positions Bell as a full range supplier with dedicated loading tools to match our larger truck models, including the world's largest and only 50 ton Articulated Dump Truck, the B50D.

Modern excavators are defined by productivity and uptime, which requires a high degree of hydraulic and mechanical efficiency. This premium hydraulic excavator range offers innovative technology for class-leading fuel consumption, production cycles and performance at the highest level of quality.

Like Bell, Liebherr has a strong family culture and value system. This, together with the product qualities above, is key for the Bell value proposition.

HX230E HX240E HX270E HX310E HX390E HX500E R964C R974C

Tractors, Trailers and Tri-Wheelers

Bell Haulage Tractors have found favour in many industries and, coupled with Bell's range of trailers, are well proven as versatile workhorses. Following a long pedigree, starting in 1977 when Bell revolutionised the cane and timber haulage industry, the latest generation of tractors has set a new benchmark in terms of operating costs, reliability and durability as well as ease of operation.

The latest generation of tractors comprises three models in differing power ranges as well as options for 2WD, 4WD and either open or closed cabs.

Complementing the Haulage Tractor and Trailer range is the Bell Tri-Wheeler. Originally pioneered by the company founder in the 1960s, this stalwart continues to be an unrivalled product used extensively in the sugar cane handling industry.

Similarly, the timber industry worldwide has used the Tri-Wheeler to strike a balance between manual and mechanised timber handling as well as finding a solution that is ideal in terms of safety, productivity and operating costs. The Tri-Wheeler has gained a reputation as a versatile materials handling machine and has been found to be irreplaceable in many industrial and agricultural applications.

125A 3cyl and 4cyl Cane Loader	220A Cane Loader	220A Versalift	120A 2,75T Forklift	220A 3,5T Forklift	125A Logger	225A Logger	220E Telelogger	225E Logger

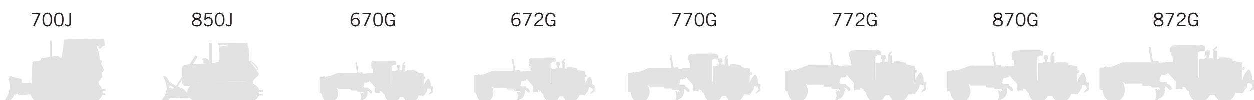
Motor Graders and Dozers

Both the Motor Grader and Dozer ranges are well respected in our African markets where these John Deere alliance products continue to do well for our customers.

Their superior performance and class leading specifications has resulted in market share growth for Bell and has also resulted in government investing in our product, through the numerous municipal and transport departments throughout South Africa.

In terms of the Graders, customers can choose from three models in either a tandem or six-wheel drive configuration. The diverse range and more aggressive six-wheel drive option covers a full range of applications from basic road building and maintenance through to larger scale mining operations.

In addition, the hydrostatic Dozer range offers the customer unrivalled manoeuvrability, productivity, reduced operating costs and ease of operation for a variety of differing applications.



Road and infrastructure

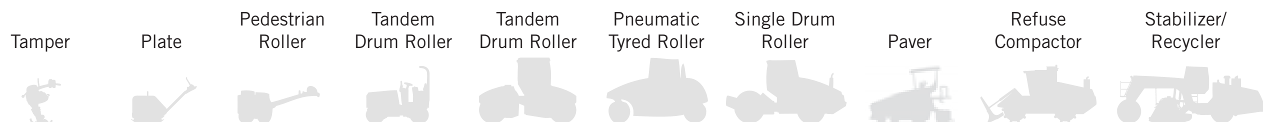
Bomag distribution continues to add positively to the Bell product range. Bomag is undoubtedly a world leader in compaction technology and their quality products, coupled with Bell's superior coverage and support, augurs well for maintaining success with this product line.

A further two products were added to the Bell product range during the past year. This extension of the range and partnership allows Bell to operate in industries and segments previously not part of our customer base. It has allowed us to grow market share and become a serious competitor in the road and associated industries.

The introduction of the products, which are both key to road recycling and rehabilitation, comes at a time when the focus of many African governments is on rehabilitating existing roads and expanding on existing road infrastructure.

Our comprehensive range includes compaction equipment of all sizes and suited to differing materials, as well as road recycling, road paving and waste compaction.

Bomag, with its headquarters in Germany, is a member of the Fayat group of companies. Both Bomag and Bell come from a strong family heritage and strong synergies exist between the two companies.



Tractor Loader Backhoes (TLBs)

It is no secret that the TLB is one of the most over-worked pieces of kit in the industry due to its versatility, and rightly so. Bell's 315SJ model is built tough to rise to the challenge in all applications across the entire industry spectrum.

Standard features offer a powerful turbo charged engine and a 4WD transmission with limited-slip MFWD axle and mechanical diff-lock for the best-in-class tractive effort.

Exclusive features include a wet-sleeve cylinder liner, self-adjusting serpentine belt, spring-applied-hydraulically-released (SAHR) park brake, powershift transmission, cruise control, digital monitor, solid-state electronics and same-side ground-level daily service points.

A TLB is often regarded as an entry level piece of equipment by emerging entrepreneurs entering the contracting and plant hire business arenas.

914J Loader | 914J Tug Tractor | 315SJ | 315SJ WorkPro

Five-year review for the year ended 31 December 2011

		2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000
INCOME STATEMENT						
Revenue		**5 070 784**	3 410 691	2 699 149	5 458 273	4 624 961
Cost of sales		**(3 871 958)**	(2 684 220)	(2 164 082)	(4 036 622)	(3 647 808)
Gross profit		**1 198 826**	726 471	535 067	1 421 651	977 153
Net operating costs		**(763 186)**	(601 834)	(798 493)	(832 547)	(482 891)
Profit (loss) from operating activities		**435 640**	124 637	(263 426)	589 104	494 262
Net interest paid		**(33 506)**	(58 404)	(108 605)	(74 637)	(19 696)
Profit (loss) before taxation		**402 134**	66 233	(372 031)	514 467	474 566
Taxation		**(105 249)**	(29 509)	100 325	(153 751)	(109 657)
Profit (loss) for the year		**296 885**	36 724	(271 706)	360 716	364 909
Shares in issue	('000)	**94 958**	94 958	94 958	94 950	94 858
Shares in issue (weighted average)	('000)	**94 958**	94 958	94 952	94 907	94 840
Earnings (loss) per share (basic)	(cents)	**290**	27	(274)	367	385
Dividend per ordinary share	(cents)	**–**	–	–	40	25
Net asset value per share	(cents)	**1 872**	1 494	1 496	1 864	1 456
STATEMENT OF FINANCIAL POSITION						
Property, plant and equipment		**529 037**	481 023	520 452	532 764	426 649
Intangible assets		**82 969**	70 775	39 873	30 309	8 328
Interest-bearing long-term receivables		**10 534**	34 378	73 982	34 787	24 695
Deferred taxation		**113 164**	147 296	164 138	67 962	13 961
Inventory		**2 060 829**	1 355 613	1 618 728	2 546 512	1 698 820
Trade and other receivables		**882 170**	446 787	412 008	627 839	662 828
Prepayments and current portion of interest-bearing long-term receivables		**61 123**	51 462	54 341	33 679	23 813
Other financial assets		**4 479**	–	430	–	–
Taxation		**3 508**	4 285	10 280	12 494	1 865
Cash resources		**122 396**	53 661	31 882	36 426	20 708
Total assets		**3 870 209**	2 645 280	2 926 114	3 922 772	2 881 667
Shareholders' equity		**1 777 536**	1 418 709	1 420 435	1 769 555	1 380 869
Long-term portion of provisions, repurchase obligations and deferred income		**173 065**	171 365	156 250	190 710	138 155
Current portion of provisions, repurchase obligations and deferred income		**130 797**	127 561	101 437	128 071	74 183
Interest-bearing liabilities		**246 870**	89 149	271 234	174 425	108 462
Trade and other payables		**1 210 210**	699 158	530 151	839 474	758 984
Other financial liabilities		**1 820**	4 271	3 922	–	–
Taxation		**48 093**	23 138	14 856	115 905	52 927
Short-term interest-bearing debt		**281 818**	111 929	427 829	704 632	368 087
Total equity and liabilities		**3 870 209**	2 645 280	2 926 114	3 922 772	2 881 667

		2011	2010	2009	2008	2007
KEY RATIOS						
Operating ratios						
Operating margin	(%)	**9**	4	(10)	11	11
(Operating profit (loss))						
(Revenue)						
Return on total assets	(%)	**14**	5	(8)	17	20
(Operating profit (loss))						
(Average total assets, excluding cash)						
Financial ratios						
Gearing	(%)	**23**	10	47	48	33
(Interest-bearing liabilities)						
(Total shareholders' funds)						
Interest cover	(times)	**13**	2	(2)	8	25
(Operating profit (loss))						
(Net interest paid)						
Overall performance						
Return on shareholders' funds	(%)	**19**	3	(17)	23	31
(Profit (loss) after tax)						
(Average shareholders' funds)						
Gross profit to revenue	(%)	**24**	21	20	26	21
Working capital days trade cycle						
Inventory		**194**	184	273	231	170
Receivables		**63**	48	56	42	52
Payables		**(114)**	(95)	(89)	(76)	(76)
Total		**143**	137	240	197	146

	2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000
ABBREVIATED STATEMENT OF CASH FLOWS					
Cash operating profit (loss) before working capital changes	**603 325**	202 325	(223 592)	714 903	533 797
Cash (utilised in) generated from working capital	**(628 331)**	418 724	784 160	(732 562)	(564 005)
Cash (utilised in) generated from operations	**(25 006)**	621 049	560 568	(17 659)	(30 208)
Net interest paid	**(33 506)**	(58 404)	(108 605)	(74 637)	(19 696)
Taxation (paid) refunded	**(45 386)**	1 624	(95 526)	(154 249)	(158 285)
Net cash (utilised in) generated from operating activities	**(103 898)**	564 269	356 437	(246 545)	(208 189)
Net cash flow utilised in investing activities	**(147 389)**	(90 381)	(117 316)	(171 825)	(69 745)
Net cash flow generated from (utilised in) financing activities	**150 133**	(136 209)	33 138	97 543	70 186
Net cash (outflow) inflow	**(101 154)**	337 679	272 259	(320 827)	(207 748)

Board of directors

Michael Mun-Gavin+
Independent
Non-executive Chairman
BCom (Natal)
CA (SA)
Age: 62
Appointed to the board in 2005
Currently a director of Grindrod Bank Limited and sits as a board member on the management companies of various listed property unit trusts

Danie Vlok#+*
Independent
Non-executive Director
Chairman of the Nominations and Remuneration Committee
Chairman of the Risk and Sustainability Committee
BCom (Pretoria)
MBA
Age: 66
Appointed to the board in 1995
Currently a director of ElementOne Limited and Sugarbush Capital (Pty) Limited

Douglas Gage#
Non-executive Director
BSc Mech Eng (Rensselaer Polytechnic Institute)
MBA (Northwestern)
Age: 55
Appointed to the board in 2004
Currently a director of John Deere Construction and Forestry Company and of Deere Hitachi Construction Machine Corporation

Karen van Haght+
Group Finance Director
BCompt (Hons) (UNISA)
CA (SA)
Age: 45
Appointed to the board in 2006

Gary Bell
Group Chief Executive
Mechanical Eng. Diploma (Natal Technikon)
Age: 59
Appointed to the board in 1983

Tiisetso Tsukudu#
Independent
Non-executive Director
BA (University of the North)
MBA (Strathclyde Graduate Business School, Glasgow)
Age: 58
Appointed to the board in 2004
Currently holds directorships in a number of companies including Capital Edge Cement Consortium (Pty) Limited and Imbewu Mineral Resources (Pty) Limited

Kelan Manning+
Non-executive Director
Certified Public Accountant (CPA) (Illinois)
BS Accounting/Business Administration (Illinois State)
Age: 48
Appointed to the board in 2008

Richard Buchignani
Non-executive Director
BA (Concordia University, Montreal Quebec, Canada)
MBA (University of Iowa) Iowa, USA
Age: 49
Appointed to the board in 2011
Currently a director of John Deere Construction and Forestry Company

Bharti Harie*
Independent
Non-executive Director
BA LLB (Natal)
LLM (Wits)
Attorney, Notary and Conveyancer
Age: 41
Appointed to the board in 2010
Currently a director of Lenmed Investments Limited. Previous board appointments include eThekwini Hospital and Heart Centre and Charities Aid Foundation of Southern Africa

Leon Goosen+
Executive Director
BAcc (Stellenbosch)
BCompt (Hons) CTA (UOVS)
CA (Namibia)
CA (SA)
Age: 39
Appointed to the board in 2009 as an alternate director and as a director in 2010

John Barton#+*
Independent
Non-executive Director
Chairman of the Audit Committee
FCMA (UK); AMP (Harvard)
Age: 64
Appointed to the board in 2009
Currently a director of Foskor (Pty) Limited and Redis Construction Afrika (Pty) Limited. Previously served as Chief Executive Officer of Mondi South Africa Limited and, later, as its Non-executive Deputy Chairman

André McDuling
Alternate Director – Executive
NHDip Mechanical Engineering (Durban Institute of Technology)
BTech Business Management (Durban Institute of Technology)
Age: 43
Appointed to the board in 2009

Guy Harris
Alternate Director – Executive
Advanced Management Programme (Cape Town)
BCom (Hons) (Financial Management) (Cape Town)
CA (SA)
Age: 59
Appointed to board in 1994

Tim Averkamp
Alternate Director – Non-executive
BSc Mechanical Engineering (Wisconsin/Platteville)
MBA (Dubuque)
Age: 40
Appointed to the board in 2010

Legend
* Audit Committee
\# Nominations and Remuneration Committee
\+ Risk and Sustainability Committee

Chairman's review

In accordance with the recommendations of the most recent King Report on Corporate Governance, commonly referred to as King III, this is Bell Equipment Limited's first integrated report. Our aim is to present stakeholders with a balanced view of Bell's financial, organisational, governance, social and environmental activities for the year ended 31 December 2011.

I am pleased to bring you my Chairman's statement for the group's 2011 financial year.

Overview

At the outset I wish to pay tribute to our founder, Mr Irvine Bell, who passed away in October last year. Although no longer directly involved in the company, he maintained an eager interest in the business which he founded in 1954. He was an amazingly humble individual who shied away from the limelight and accordingly never claimed any accolades for the significant contribution Bell Equipment Limited has made to the South African economy, and more so, to the wellbeing of the Richards Bay community. He will be missed by all who knew him and in particular, by everyone associated with the group in any way.

In accordance with the recommendations of the most recent King Report on Corporate Governance, commonly referred to as King III, this is Bell Equipment Limited's first integrated report. Our aim is to present stakeholders with a balanced view of Bell's financial, organisational, governance, social and environmental activities for the year ended 31 December 2011.

Financial

In most respects, 2011 proved to be a very good year for Bell. The group has recorded profit after tax amounting to R297 million which compares with just R37 million in the prior year. Of this, R276 million is attributable to shareholders of Bell (2010: R26 million). This translates into earnings per share for the year under review of 290 cents (2010: 27 cents). The turnaround in profitability can be attributed to a number of factors. Sales revenue has increased by 49% in comparison with the previous year and encouragingly, these sales were achieved at improved gross profit margins.

Another meaningful contributor to the turnaround has been the containment of group overheads, particularly when related to the increased turnover referred to above. The most meaningful part of this reduction was the improvement in manufacturing and services labour and overhead recoveries of approximately R265 million directly as a result of increased production. We expect this trend to continue as a result of the group's current record order book. Offset against this was a sizeable rise in staff costs which were directly attributable to the increased production requirements and the fact that most staff were rewarded with incentive bonuses, something that hadn't been achieved in either of the prior two years.

Whilst a considerable portion of Bell's revenue is derived in foreign currencies, we are fortunate that many of our costs are also incurred in foreign currencies thereby affording the group an automatic measure of currency hedge protection. The unhedged portion of the cash flows is monitored and managed very carefully on a daily basis in order to limit our exposure to potential losses on the currency front. As a result of the above management process and the fact that during the course of the year we experienced a rapid weakening of the Rand, the group benefited from net foreign currency gains of R14 million and from an increase in the net foreign currency translation reserve of R57 million. This resulted in Bell's total comprehensive income for the year amounting to R354 million.

One area that requires continued focus and further improvement is the group's working capital management. Although management is endeavouring to address this issue, both inventories and trade receivables are far too high, with the result that borrowings are similarly higher than the levels expected by the board. This will receive much attention during the year that lies ahead. Despite the increase in receivables, management is satisfied that they are recoverable and that impairment provisions are adequate.

The group's capital and reserves have increased to approximately R1,8 billion (2010: R1,4 billion) with net asset value having risen to R18,72 (2010: R14,94) per share.

In a geographic context, the Africa region constituted approximately 75% of group sales in 2011. Certain of the European operations have shown pleasing improvements in their turnover and hence profitability. In overall terms, however, Europe has a long way to go before it reaches the heights of the period immediately before the economic meltdown.

Sustainability

As I mentioned in my report last year, the 2008/9 global economic meltdown forced us as a group to take a hard look at our existing structures and strategies. As a result of this introspection a number of operational improvements were identified. Many of these have already been implemented and are bearing fruit. Others require a process and will only start to bear fruit in time to come. The plan which the board approved a little over a year ago is being regularly monitored and revised with the goal of achieving certain targets by no later than the end of 2014.

Bell remains a market leader in the majority of its product range. Management's ongoing commitment to excellence through

its research and development programmes and its service to customers should ensure that the group maintains its pre-eminent position in the markets which it serves. This in turn sustains the all important annuity income which the group earns from its sale of parts and after-sales service.

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

Governance

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

The board and its various committees conducted a self-appraisal review process. This was designed to highlight areas of strength and weakness within each structure and in addition, for each member of the board. I am pleased to report that generally, the outcomes were positive and where weaknesses were highlighted we have commenced a process of endeavouring to improve our performance.

Operational issues

The increased demand for Bell's products resulted in significantly improved throughput in the group's two production facilities which in turn required rehiring of personnel following the downsizing which took place during 2009 and 2010. To illustrate the extent to which Bell has had to respond to the increasing market, our workforce increased by 25% during the course of the year under review to stand at approximately 3 300 at year-end. Notwithstanding a strike at the Richards Bay plant in July and certain isolated instances of intimidation, a good relationship exists with the vast majority of personnel employed by Bell and the Unions which represent the scheduled staff.

Chairman's review (continued)

The increased production resulted in a significantly improved recovery of our manufacturing overheads at both factories. Further capacity exists at each plant and it is hoped that increased utilisation will continue during the course of the year ahead. Realistically, however, the outlook for the German plant in volume terms is not as encouraging as for the Richards Bay facility as the European industrial recovery still looks a little way off. Having said that, Bell has received some very encouraging orders from within Europe during the first two months of the new year. Much progress has been made by management over the past year in identifying new sources of supply for the products required in our production processes with a view to constantly seeking out cost savings and reducing supply lead times. These all form part of the Project 2014 business improvement project which was referred to in our annual report last year and which is constantly under review by both management and the board.

Greater attention is also being given to health and safety issues in the workplace. Although it has always been an important issue within the group, greater focus is now being placed on this issue by the Risk and Sustainability Committee and the board itself, particularly as the rate of production increases.

Stakeholders will recall that Bell traded under a cautionary for approximately three months last year. This was withdrawn in September 2011 when we announced that changes to the commercial relationship between the group and John Deere (Deere) were taking place following the planned launch by Deere of its own range of articulated dump trucks (ADTs). In addition, Bell's major shareholder, IA Bell & Co (IA Bell) and Deere had entered discussions relating to the future ownership of Deere's 31, 6% shareholding in Bell. These discussions have not yet been finalised. They are, however, continuing and it is the board's sincere hope that the negotiations between the two shareholders will be concluded in the very near future. From the group's perspective, assuming Deere disposes of its investment in Bell, the implications will be that various license agreements between Deere and Bell which currently exist will be amended. The major change will be the termination of the ADT agreement which in turn will mean the end of certain exclusivity provisions. This will facilitate Bell's entry into certain strategic markets but will also mean that Deere will be free to sell its new ADTs and other products worldwide. Notwithstanding these changes, both Deere and Bell have expressed their intention to remain committed as partners in other areas. In this regard it is planned that Bell's role as Deere's dealer of construction and forestry equipment in South Africa and a number of other countries in sub-Saharan Africa will continue. In addition, should Deere dispose of its interest in Bell, the Deere nominated directors will step down as directors of Bell. If not, the issue of possible conflicts of interest will have to be addressed and it is for this reason that the board of Bell is so anxious for the two major shareholders to come to terms and put this issue to bed.

Government initiatives

We continue to engage with government at various levels. As South Africa's leading earth-moving, construction, mining and materials handling equipment provider, we remain extremely supportive of all initiatives to bolster our economy and improve prospects for the creation of employment in our industry, and in particular, for the communities surrounding our Richards Bay factory. In this context, we are fully supportive of the Industrial Policy Action Plan (IPAP2) with its purpose of expanding production in the value-added sectors where high employment and growth multipliers are present. We are encouraged by the reference in the recent Budget Speech to the fact that the Department of Trade and Industry will allocate a significant portion of its budget towards stimulation of economic growth. This will include industrial development incentives to support investment, competitiveness, employment creation and equity. It appears that the manufacturing sector will gain the most and we were pleased to read that a reasonable portion of the budget has been set aside for developing infrastructure to increase the export of value-added commodities, with specific reference to the Richards Bay Industrial Development Zone. We look forward to ongoing interaction with government as we seek to find ways in which we can profitably develop the local supply base and increase employment.

Outlook

The outlook for the year ahead is encouraging. Bell has a record order book which bodes well for the first half of 2012. There are clearly obstacles in the face of the Eurozone turnaround but it appears that many economies are showing signs of growth and although China is downgrading its estimates of growth in the immediate future, the levels they are projecting are still enormous in a global context. Certainly, within South Africa, the projected increase in infrastructure spend should have a positive impact upon Bell. Prospects within the rest of Africa continue to look good particularly with the prices of commodities such as copper and coal holding up well.

Appreciation

I conclude this report by congratulating management on achieving significantly improved results for the year under review and thanking them for their tireless efforts in doing so. They, like the board, know that the job is far from complete and understand the need to continue the programme of improvement in order to deliver to our stakeholders their rightful expectations of a successful global organisation. To my fellow directors, I also express my sincere thanks for their support, dedication and professional input into the affairs of the group.

Michael Mun-Gavin
Chairman

13 March 2012


BELL

Group Chief Executive's report

2011 was the year that saw Bell return to pre 2009 levels of profitability and employment after the global recession and losses of 2009, which were only partially recovered in 2010. Our markets depend on buoyant economic growth and this still has to return in most of Europe. We have seen continuing good recovery, especially in our home market and at even greater rates in the rest of Africa and other areas of the developing world.

Introduction

2011 was the year that saw Bell return to pre 2009 levels of profitability and employment after the global recession and losses of 2009, which were only partially recovered in 2010. Our markets depend on buoyant economic growth and this still has to return in most of Europe. We have seen continuing good recovery, especially in our home market and at even greater rates in the rest of Africa and other areas of the developing world.

We are very proud that our employment levels, and importantly those of most of our suppliers, are back above 2008 levels. It is tough for any business, but especially a family business that requires ongoing investment in products and markets to remain globally competitive, to have to make the sacrifices we were forced to, without damaging the basic fabric.

The commitment of the shareholders and the Department of Trade and Industry and especially the Industrial Development Corporation, to continue to support the company in the tough times has been vindicated and hopefully they will now get commensurate returns and associated spin-off benefits. Management and the board played a key role in guiding the company through this difficult time. The true test of character is not managing in buoyant times but how the team manages through the cycle and troughs. The Bell team of employees, suppliers and our dealers proved their mettle in this credible turnaround.

Our flagship product continues to be the Articulated Dump Truck (ADT) and that is where the bulk of our research and development effort is focused. However, we have not lost sight of our roots in our traditional sugar and forestry markets. We were also able to maintain and entrench our leading distribution and product support role, especially in Africa, through providing a range of products and support where our customers need it. The addition of an expanded range of construction and road building and repair equipment a few years ago was well timed given the increasing focus on infrastructure. Similarly the introduction of a wider and larger range of excavators will give us advantage in mining as the demand for global resources continues to climb.

Business climate

The European economy has maintained relatively good growth levels and our factory there, which was shut for an extended period, is back up to reasonable levels of production. There is room for expansion at both of our factories with limited capital investment. The very capital intensive areas are operating multiple shifts but most areas are still on a single shift. We are now able to resume upgrading and optimisation in our factories. We have also invested in our customer facing distribution and support activities. The Global Logistics Centre in Jet Park is achieving satisfactory performance levels and customers are benefiting.

The focus on infrastructure within South Africa, and many other developing economies, bodes well for our future. Given the global war on jobs, labour intensive value adding industries such as Bell are increasingly important to the dynamo of local economic growth. The recent visit by the Minister of Economic Development has highlighted Bell as one of South Africa's iconic manufacturers. We look forward to working further with government to ensure the right policies are implemented successfully with associated benefits for all stakeholders. This will be good for Bell, its suppliers, direct and indirect employees and their dependents, and Bell's supply chain.

The government vision and policy on industrialisation is the only option to create an economically successful and prosperous nation. What is needed now is more decisive action. The review of the Motor Industry Development Programme which ends at the end of 2012, is still not finalised and this is delaying important investment decisions. We expect that it will include healthy support for local R&D and CKD manufacture, or as we like to express it "from paper", where we design the product, or "from steel", where we start with the flat plate from our local mills. Similarly the policy decision around preferential procurement is positive but needs aggressive implementation across all tiers of government to get the benefits flowing for local supply chains. Bell continues to work directly with key government departments and also with the Manufacturing Circle. We have continued to support this initiative to halt the de-industrialisation of our economy. We have learnt to manage with a relatively volatile and overvalued Rand but it is important that all aspects of South Africa's manufacturing competitiveness are examined and enhanced.

Bell welcomes the move from narrow-based empowerment to broad-based empowerment. It vindicates the broad-based initiatives we started some five years back in selecting a Black Economic Empowerment (BEE) partner that was focusing on broader social issues and ensuring that employees participated directly. Potential developments with the Deere shareholding may provide further opportunities. We are pleased that Bell Equipment Sales South Africa maintained its level 4 BEE rating.

Strategies are being developed to enhance this rating and those of our other South African operations. Bell is serious about transformation as we see it as one of the cornerstones of a successful and sustainable economy.

Having put behind us the cost challenges of downsizing, management now faces the challenges of upsizing. This is especially acute in the area of working capital. These and other areas are the focus of our 2014 initiative which should deliver a much healthier, robust and competitive company both operationally and financially. We know that our people, especially at a middle management level, are critical to achieving this success. As a result, training budgets have been more than doubled for the financial period ahead.

REVIEW OF CORE OPERATIONS

Bell Equipment Company South Africa

Bell Equipment Company South Africa's operations encompass the group's product development, supply chain, manufacturing and after-sales parts operations, and is a supplier of products and engineering services to the Bell Group distribution units. The recovery in demand from mainly the mining sector saw sales increase by 65% in 2011. The improvements in flexibility of our supply chain and manufacturing operations developed during the economic downturn enabled us to increase production through our South African production facility without an inordinate increase in operating expenses. This resulted in the operation exceeding its operating profit goals for the year.

Research and development expenditure over the last three years, which has been focused on the next generation of Bell trucks, will culminate in the showing of our new 30-tonne category machine at the Intermat Exhibition in Paris next month. Bell will continue to lead by example by being one of the world's first ADT manufacturers to offer EU-IIIB/Tier4i compliance across its entire range. In achieving this, the company has taken the best choice in terms of ecology and economy by using Selective Catalytic Reduction (SCR) engine technology, which has already proven successful within the heavy road transport industry.

Bell ADTs are already recognised for having a world-leading fuel efficient design, and the new Series will build on this reputation with additional design features that will confirm the Bell ADT as the efficiency benchmark among competitors. Tests run show that fuel efficiency on the new machines has reached even greater heights with significant fuel savings on the new Selective Catalytic Reduction (SCR) Stage 3b trucks versus the previous Bell Stage 3/Tier 3 powered trucks.

The new Series ADTs will deliver class-leading performance, efficiency and customer value. The development of this product would not have been possible without the ongoing alignment and participation of our suppliers, customers and broader stakeholder groups.Our organisational philosophy continues to put stakeholder safety and health at the core of every employee's objectives. Our commitment to safety and health will receive increased focus during 2012. A renewed, refocused safety leadership structure has been implemented which will drive further integration of safety best practices throughout the group.

Bell Equipment Sales South Africa

Bell Equipment Sales SA (BESSA) constitutes the Bell Southern African sales and distribution network of the group and includes a Sales Head Office in Jet Park, Gauteng and three regional offices in KwaZulu-Natal (Coastal Region), Gauteng (Central Region) and Cape Town (Cape Region), with a further twenty Customer Service Centres throughout South Africa. Bell's operations in Namibia, Swaziland and Lesotho are also under the BESSA banner. In order to grow our markets and ensure our customers continuous improved service levels, BESSA has since the latter part of 2011 embarked on property acquisitions in major centres with plans to build state-of-the-art customer service centres. The first is Middelburg, Mpumalanga where we will take occupation during late 2012.

BESSA is well positioned to service coal, platinum, manganese, chrome and diamond mining. Our product range for this market now includes Liebherr excavators that can satisfy all our loading requirements within our ADT product range from B18 to B50. In construction, Bell remains very well positioned within this market due to its own product range and the product ranges of third party suppliers such as John Deere, Bomag and Liebherr. Bell will continue to focus on further third party products in order to fulfil our customers' one-stop purchasing needs. BESSA recorded all time record sales on the total range of Bomag equipment during 2011. This turning point puts BESSA in a good position going forward when government meets its commitments to infrastructure maintenance, upgrading and enhancement. We remain active in forestry, sugar and agriculture, especially where there are trends to greater mechanisation.

BESSA remains well known for its ability to identify and meet customer expectations. In line with the launch of the Project 2014 Lifetime Revenue Stream (LTRS) initiative we will continue to deliver on these expectations and ensure that we maintain our reputation for providing reliable and ongoing support to our customer base. Improved interaction with our customers, through our Customer Relations Management (CRM) system database, as well as improved sales and operational planning processes, will contribute to our drive to provide excellent service to our customers. Skills remain a major factor within the market place. BESSA has in January 2012 embarked on a huge drive and focus on increased technical training and a skills retention programme, thus ensuring existing and future customers' maximum uptime and satisfaction.

Bell Equipment European Operations

Following the European economic collapse of the last two years, during which the ADT market segment experienced a reduction of 85%, the European Operation can report a return to profitability. Given that Bell Europe relies almost exclusively on ADTs, a 82% increase in turnover on the previous year was commendable.

As we focused on the Project 2014 initiatives, LTRS made up 36% of our turnover as our customer base responded to the industry downturn by running their machines for longer periods than the norm. We expect this condition to manifest itself going forward until the market normalises again.

With the availability of financing being at an all time low, we have established a small rental fleet which contributes to our larger than budgeted working capital. We have also secured some substantial orders with blue chip construction companies which saw us enter 2012 with a strong order book. Going forward we plan to expand our activities into Russia and maintain our low overhead structure until the market corrects itself.

Bell Equipment International Operations

This division is responsible for all other distribution operations of Bell which broadly covers our own Customer Service Centres and dealer outlets in all regions excluding South Africa and Europe. Key growth areas for the period include Zambia, Democratic Republic of Congo (DRC) and Australasia. There has been good performance in terms of sales, customer service and LTRS with sales volumes for the division up some 57% for the year.

Construction work has begun on a new and modern Customer Service Centre in Kitwe, Zambia, which will also serve as a regional Parts Distribution Centre for this rapidly expanding region, service support and machinery uptime being a critical differentiator for our continued growth in the territory.

The political environment of Zimbabwe is not helping growth in the business and we are content with the achievements of 2011. The performance of our DRC unit has been remarkable. The customer base was expanded and the dependence on copper mining operations was reduced significantly. LTRS growth exceeded targets. We are well placed to grow this business unit. A Kolwesi Parts and Service centre is planned for the second quarter of 2012 to support the expanding customer base in this area.

With emerging markets recording more than double the growth rates of the traditional developed economies, Bell has enjoyed the benefit of a rapid market recovery and growth in sales to the Australasian region. The current period has seen this growth exceed 2008 levels. Strong mining activity will drive further gains this year, adding to the growth.

Developments in America will largely depend on the resolution of the agreements with John Deere. Various alternative strategies have been evaluated to re-launch the Bell products into this significant and recovering market.

The year ahead

People are critical to our business. This is not only in designing innovative and competitive products, but also building, distributing and supporting them better than the large global brand name competitors we face. We focus on designing products that reduce the cost per ton kilometre for our customers. We have to build them to global standards and that includes fabricating, manufacturing and assembling products with component parts sourced from both within South Africa and abroad.

Critical to our success is our distribution which allows our strong reliable machines to get to our markets. While our competent sales people are important in the first sale, it is the level of support and service that sells the second and next machines as that contributes to the uptime and reliability of the equipment. That makes our logistics centres critical to optimising the balance between cost of holding inventory and customer service. The product support team and the mechanics that support and service the equipment in the field or close to the customer base are critical, as are those in the back office that support our operations.

Prospects for 2012 appear positive at this stage with the forward order book at a healthy level. We are focused on delivering a broader range of durable products and support to our customers across the world.

I take this opportunity to again thank all our valued stakeholders, including shareholders, customers, suppliers, employees, financiers, government and others for their continued support. We look forward with confidence to our continued growth as we move further into 2012. We confirm that we will be redoubling our efforts to bring our valued customers strong, reliable machines, while also consistently providing them with strong, reliable support.

Gary Bell

Gary Bell
Group Chief Executive

13 March 2012


BELL
BELL

Group Finance Director's report

In 2011, revenue increased by 49% to R5,1 billion from R3,4 billion in 2010. The extent of the recovery in demand in 2011 exceeded expectations in all major regions, but particularly in the African region outside South Africa.

Introduction

A year ago the group reported that the focus during the global economic crisis in the previous two years on cash generation and liquidity had delivered positive results with positive cash flow during 2010 of R338 million and a gearing level of only 10% at the 2010 year-end. The group had cautiously turned the corner and posted a modest profit after tax of R37 million for 2010, after being confronted in 2009 with having to rationalise the business to fit sales demand that was half the size of pre-recession levels. During 2009 and 2010, the group successfully:

- reduced inventory;
- reduced costs;
- reduced and restructured debt, with an increased focus on longer-term financing;
- protected the fabric of the business during the downturn by retaining key skills and continuing its investment in innovation projects in anticipation of the return of the market; and
- embarked on Project 2014, with the objective of securing the long-term financial sustainability of the group.

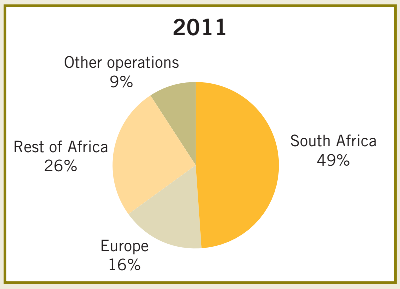
The group forecast an improvement in the market and increased production volumes and investment in working capital in 2011.

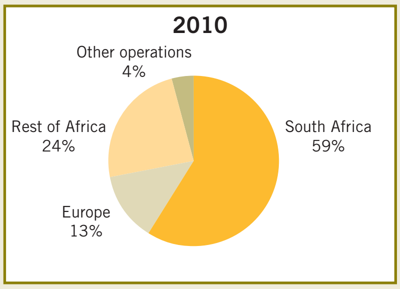
Managing the recovery
Revenue

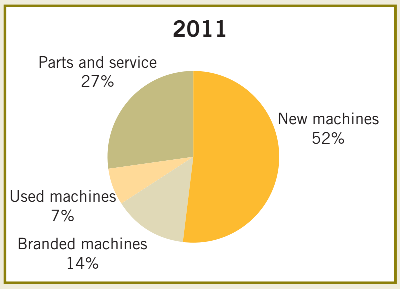
In 2011, revenue increased by 49% to R5,1 billion from R3,4 billion in 2010. The extent of the recovery in demand in 2011 exceeded expectations in all major regions, but particularly in the African region outside South Africa. Driven mainly by demand from the copper mining industry and an increase in customer maintenance contracts, revenue in this region grew by 67%. Revenue growth in the South African market was a steady 22%, while Europe increased by 82% off a low base. Due to the recovery of regions outside South Africa, the contribution by the South African market to total revenue decreased to 49% from 59% in the previous year.

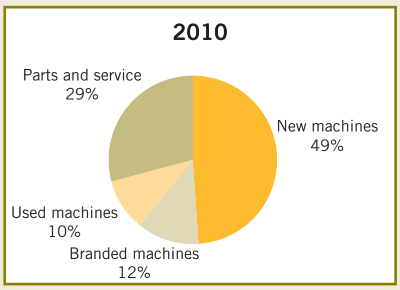
While the 2011 increase in revenue returned the group to a critical mass in sales and production volume terms that supports the group's cost base and resulted in a very pleasing increase in group profitability, finding the appropriate balance between sales growth/market share and investment in working capital remains a challenge and needs to be constantly evaluated, particularly considering the fragility of the economic recovery and continuing uncertainty in the market.

Revenue analysis 2011 and 2010









Gross margin

The gross margin improved from 21% in 2010 to 24% in 2011. This was assisted by improved market conditions and an increase in offshore sales in 2011.

Expenses

With the increased production at both production facilities, 655 additional staff members were employed during 2011 and salary and people related costs have increased as a result of this. Incentives were also paid for the first time since 2008. Due mainly to higher production, the expenses to sales ratio improved from 21,5% in 2010 to 17,9% in 2011.

Interest paid

Net interest paid reduced by 43% to R34 million as a result of lower average borrowings in 2011, particularly in the first half of the year.

Operating performance

Operating profit increased from R125 million in 2010 to R436 million in 2011. Earnings per share increased from 27 cents in 2010 to 290 cents in 2011. The profit after tax of R297 million exceeded the plan for the year.

Pleasingly, all regions were profitable in 2011, a turnaround from the losses incurred by most offshore operations in 2010.

Exchange rates

A significant portion of the group's revenue is earned outside South Africa in currencies other than the Rand. In addition, in respect of sales in South Africa, competitors are importers of product priced mainly in Euro and as a consequence of this, local sales pricing is also driven by the Rand/Euro exchange rate. Fluctuations in the Rand against especially the Euro and the US Dollar have a substantial impact on the group's results, both in respect of local sales and in respect of the translation of non-South African profits into Rand. Fortunately, the group also has substantial import commitments and to a large extent has a natural currency hedge. Forward exchange contracts are utilised to assist in the management of exchange rate volatility. During the year the average Rand/Euro and Rand/US Dollar exchange rates were very similar to the 2010 averages, but the Rand closed 18% weaker against the Euro and 22% weaker against the US Dollar than at the end of 2010.

Working capital

The group did not meet its working capital targets in 2011 and inventory ended the year higher than planned at 194 days. This does however need to be seen in the light of the higher production rate that has been continued from the second half of 2011 through to 2012. The ageing of receivables also deteriorated in 2011, with debts past due but not impaired of R127 million at year-end compared with R49 million in 2010. This credit risk, which is largely concentrated in Africa outside South Africa, is being carefully monitored and corrective action has been taken to ensure that this exposure reduces. The result of this increased investment in working capital was that profits outstripped cash flows and commercial bank debt increased by R101 million during 2011.

Financial performance

The primary ratio used to measure the group's financial performance is operating return on total assets, excluding cash (OROA). Due to inventory and receivables exceeding targets at year-end, the group's OROA target for the year was not met and this will receive focus in 2012. Other key measures include earnings per share, gearing and cash flow generation. The financial performance of the group in terms of these measures is reflected in the five-year review on pages 16 and 17 of this report.

Looking ahead

2012 will be a year of consolidation, with specific focus on the following:

- maximising operating return on assets;
- working capital and liquidity management;
- positive cash generation;
- increased focus on credit control and related policies and procedures; and
- further advancement on the group's Project 2014 initiatives.

Karen van Haght
Group Finance Director

13 March 2012

Group Executive Committee

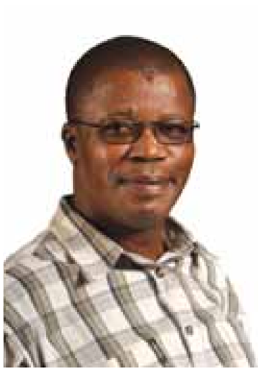
Gary Bell
Chairman
Committee and
Group Chief Executive
Mechanical Eng Diploma
(Natal Technikon)
Appointed as an employee in 1971
Age: 59

Karen van Haght
Group Finance Director
BCompt (Hons) (UNISA)
CA (SA)
Appointed as an employee in 2000
Age: 45

André McDuling
Managing Director:
Bell Equipment Company SA
NHDip Mechanical Engineering
(Durban Institute of Technology)
B Tech Business Management
(Durban Institute of Technology)
Appointed as an employee in 1988
Age: 43

Leon Goosen
Group Commercial Director
BAcc (Stellenbosch)
BCompt (Hons)
CTA (UOVS)
CA (Namibia)
CA (SA)
Appointed as an employee in 2007
Age: 39

Mike Dutton
Managing Director:
Bell Equipment International
Operations
NTC2/3/4
Appointed as an employee in 1988
Age: 46



Lucas Maloka
Executive: Group Human
Resources
BA University of Zululand
Masters of Management (Human
Resources) Wits Business School
Appointed as an employee in 2007
Age: 50

Marc Schürmann
Managing Director: Bell
Equipment European Operations
BIng (Mech) Prof Ing (Pretoria)
Appointed as an employee in 1994
Age: 43

Ryan Bland
Executive: Technical Services
Advanced Business Management
Diploma
NTSC 2/3/4
Appointed as an employee in 1994
Age: 37

Rino D'Alessandro
Executive: Group Information Systems
CPIM (APICS)
Senior Diploma (Datametrics) (UNISA)
Bachelor of Science (UNISA)
Appointed as an employee in 1996
Age: 48

Dominic Chinnapen
Executive: Group Sales and Operations Planning
BCom (Logistics) (UNISA)
CPIM (American Production and Inventory Control Society)
Appointed as an employee in 1987
Age: 43

Peter Bell
Executive: Engineering
Mech Fitting and Turner Dip (Natal Technikon)
Appointed as an employee in 1974
Age: 62

Avishkar Goordeen
Executive: Group Risk
BCompt (Hons) (UNISA)
CA (SA)
Appointed as an employee in 2006
Age: 32

Paul Bell
Executive: Communications and Advertising
Appointed as an employee in 1974
Age: 54

Derek Smythe
Executive: New Business Opportunities
BCompt
Appointed as an employee in 1987
Age: 59

Bokkie Coertze
Managing Director: Bell Equipment Sales South Africa
Post Graduate – Paper Technology (Robert Gordon's – Aberdeen, Scotland)
Appointed as an employee in 1986
Age: 60

Pieter van der Sandt
Group Company Secretary
LLB (Pretoria)
Appointed as an employee in 2012
Age: 36

Stakeholder engagement

Stakeholders are those groupings, organisations or persons who are directly impacted by the group's activities as well as those groupings, organisations or persons who can reasonably be foreseen to be impacted by the group's activities.

Stakeholder identification

Stakeholders are those groupings, organisations or persons who are directly impacted by the group's activities as well as those groupings, organisations or persons who can reasonably be foreseen to be impacted by the group's activities.

The group has put in place policies and procedures to ensure timely communication of accurate and relevant information to each stakeholder group in a consistent manner. Stakeholders and the optimum way of communicating with them are reviewed regularly by management.

Stakeholder engagement

The group recognises that its continued sustainability is dependent on its relationships with key stakeholders and will continue to improve communication channels and provide accurate and relevant information to these stakeholders. The board has adopted a stakeholder engagement policy as part of the Bell Code of Business Practice in the furtherance of this cause.

The board of directors is responsible for the implementation of a stakeholder-inclusive governance approach. The board delegates this responsibility to the Group Chief Executive and executive management is entrusted with the responsibility for the development of suitable stakeholder engagement policies and implementation of a transparent and consistent system of communication with identified stakeholder groups.

In accordance with the JSE's Listings Requirements, all corporate communications which appear on the JSE's Securities Exchange News Service (SENS) are approved by the group's corporate sponsor prior to posting the announcement.

The group produces integrated and interim reports and publishes these on the group's investor relations website (www.bellir.co.za). The group's external website (www.bellequipment.com) is an important means of effectively communicating with all stakeholders – keeping them abreast of developments within the group and providing essential information relating to the group and its operations.

This group's external website contains relevant information about the group, its products and services, governance structures, sustainability information and Bell as an investment destination. Stakeholders are encouraged to interact with the group to gain a better understanding of the group and to make suggestions on ways to improve its product and service offerings using the following channels:

- direct contact with the customer service centres or country or regional offices or head office for specific information or inputs;
- the independently monitored Tip-Offs Anonymous hotline; and
- the Group Company Secretary who will also provide access to publically available corporate information. The Group Company Secretary also deals with requests in terms of the Promotion of Access to Information Act – the group's manual in this regard is available on its website and directly from the Group Company Secretary.

The group holds annual conferences with its external business partners (primarily suppliers, customers and dealers) and uses these opportunities to communicate its strategic direction and plans so that these stakeholders are fully apprised of the group's expectations and requirements. At the same time Bell receives valuable feedback from its customers, suppliers and dealers, with regard to its products and services and where these can be improved. This feeds into the group's product and service development plans. The group attends and exhibits at the leading international trade fairs for construction, building and mining equipment, including Bauma, Conexpo and Intermat.

The group also produces an employee report and has other regular communications with its employees. High level engagement also occurs with employee representative entities to promote matters of mutual interest. The Bell intranet also plays an important role in keeping group employees around the world abreast of the group's activities and facilitates communication amongst its various operations.

The group also engages directly with various government entities at a national, provincial, regional and local government level. Some of this is direct and some via entities such as The Manufacturing Circle, the National Economic Development and Labour Council (NEDLAC), Business Unity South Africa (BUSA), Proudly South Africa, the South African Capital Equipment Export Council (SACEEC), as well as the Steel and Engineering Industries Federation of South Africa (SEIFSA) and other industry bodies.

Corporate governance report

The board of directors takes the ultimate responsibility for the group's adherence to sound corporate governance standards and ensures that all business judgements are made with reasonable care, skill and diligence.

Introduction

The board of directors takes the ultimate responsibility for the group's adherence to sound corporate governance standards and ensures that all business judgements are made with reasonable care, skill and diligence.

The board is also committed to and fully endorses the principles of the Code of Corporate Practices and Conduct as set out in the King Report on Corporate Governance for South Africa. Sound corporate governance structures and processes are applied at Bell and are considered by the board to be pivotal in delivering sustainable growth to the group.

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

An assessment of the group's compliance with the recommendations made in the King III Report confirms that it has complied with all material aspects of this report in 2011. It is the policy of the group that the board and management continuously review and enhance the group's systems of control and governance and ensure the group's business is managed ethically and within acceptable risk parameters.

During the year under review, a gap analysis and King III readiness self-assessment was performed which resulted in a number of initiatives being implemented to bridge the gap between the group's then existing corporate governance practices and the principles of the King III report. Furthermore, the group has embarked on a group wide compliance programme that will provide further assurances to shareholders and external stakeholders of the corporate governance standards maintained within the group. The IT Steering Committee established in the 2010 financial year continues to review, manage and address all matters pertaining to the improvement of all information technology related matters whilst also monitoring the implementation of the group's IT policy. The group's Code of Business Conduct was reviewed and amendments and improvements were successfully implemented.

Responsibility for the annual financial statements

The directors are responsible for preparing annual financial statements in a manner that fairly presents the state of affairs of the group. The external auditors are responsible for carrying out an independent examination of the financial statements in accordance with International Standards on Auditing and reporting their findings thereon. The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa. The directors' approval of the annual financial statements appears elsewhere in this report. The directors have no reason to believe that the group's business will not continue as a going concern in the year ahead.

GOVERNANCE FRAMEWORK

Board of directors	
Independent non-executive directors	**Executive directors**
Michael Mun-Gavin *Independent Non-executive Chairman*	Gary Bell *Group Chief Executive Officer*
Danie Vlok	Karen van Haght *Group Finance Director*
John Barton	Leon Goosen *Group Commercial Director*
Bharti Harie	André McDuling *Alternate Executive Director*
Tiisetso Tsukudu	Guy Harris *Alternate Executive Director*
Non-executive directors	
Kelan Manning	
Douglas Gage	
Richard Buchignani	
Tim Averkamp *Alternate Non-executive Director*	

Corporate governance report (continued)

Board committees
Audit Committee
John Barton *Chairman*
Danie Vlok
Bharti Harie
Risk and Sustainability Committee
Danie Vlok *Chairman*
Michael Mun-Gavin
Kelan Manning
John Barton
Leon Goosen
Karen van Haght
Nominations and Remuneration Committee
Danie Vlok *Chairman*
Tiisetso Tsukudu
Douglas Gage
John Barton

Executive management team
Gary Bell *Group Chief Executive Officer*
Leon Goosen *Group Commercial Director*
Karen van Haght *Group Finance Director*
Mike Dutton *MD Bell Equipment International Operations*
Bokkie Coertze *MD Bell Equipment Sales South Africa*
André McDuling *MD Bell Equipment Company SA*
Marc Schürmann *MD Bell Equipment European Operations*
Paul Bell *Executive: Communications and Advertising*
Dominic Chinnapen *Executive: Group Sales and Operations Planning*
Lucas Maloka *Executive: Group Human Resources*
Rino D'Allesandro *Executive: Group Information Systems*
Peter Bell *Executive: Engineering*
Pieter van der Sandt *Group Company Secretary*
Ryan Bland *Executive: Technical Services*
Derek Smythe *Executive: New Business Opportunities*
Avishkar Goordeen *Executive: Group Risk*

BOARD OF DIRECTORS

Board structure

The board of directors is a unitary board of eleven directors comprising three executive directors and eight non-executive directors, five of whom are independent. The Chairman of the board is an independent non-executive director.

In terms of the shareholders' agreement concluded between IA Bell and Company (Pty) Limited and John Deere Construction and Forestry Company (JDFC), these two principal shareholder parties are, in terms of their current shareholding in Bell Equipment Limited, both entitled to nominate three directors respectively. Tim Averkamp serves as alternate non-executive director nominated by JDFC and André McDuling as alternate executive director nominated by IA Bell and Company (Pty) Limited.

Mandate

The board is responsible for approving the strategic direction of the group and is governed by a charter that sets out the framework of its accountability, responsibility and duty to the company. The board conducts its business in the best interest of the company and fulfils its fiduciary duty to act in good faith, with due care and diligence, and in the best interests of all stakeholders, 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.

Board charter and responsibilities

The general powers of the board and the directors are conferred in the company's articles of association. The terms of reference for the board are set out in the board charter which is reviewed on a regular basis. The board charter has been re-modelled based on the principles recommended by King III and sets out the powers and authority of the board. It also provides a clear and concise overview of the roles and responsibilities of the board members. The revised charter is available on request from the Group Company Secretary.

The powers and responsibilities of the board include:

- approving the strategic direction of the group and the budget necessary for the implementation of the strategy, as set out by the charter's framework of accountability, responsibility and duty of the board to the company;
- being the guardian of the ethics and values of the group;
- retaining full and effective control of the group;
- appointing the Chief Executive Officer;
- monitoring and guiding management;
- implementing the group's vision and values;
- communicating with shareholders openly throughout the year; and
- affecting proper strategic measures for the safeguarding of the group's assets.

Board and committee evaluation

The board recognises the merits of annually evaluating its collective performance. During the financial period under review, the board performed a comprehensive evaluation of itself and its committees. During the board evaluation, each director was requested to complete questionnaires relating to the following:

- board self-evaluation;
- evaluation of each of the board's committees;
- evaluation of the Chairman's performance; and
- evaluation of each director.

The results of the questionnaires were collated for review by the board. The Chairman of the board held one-on-one discussions with board members to discuss the outcomes of the evaluations. Although no significant problems were identified during the process, weaknesses were identified and plans for improvement were discussed and put in place. The board and its committees will again conduct a formal performance evaluation during the 2012 financial year.

The roles and responsibilities of the independent non-executive Chairman and Group Chief Executive are strictly separated. The Chairman provides leadership and firm guidance to the board while encouraging proper deliberation on matters requiring the board's attention with input from other directors.

A lead independent director will be appointed and 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 Group Chief Executive and Group Executive Committee are responsible for implementing strategy and operational decisions in respect of daily group operations. The non-executive directors are individuals who objectively contribute a wide range of industry skills, knowledge and experience to the board and are not involved in the daily operations of the company. All non-executive directors have unrestricted access to management at any time. When required, non-executive directors are entitled to access the external auditors and, at the company's expense, are able to seek independent professional or expert advice on any matters pertaining to the group.

The board meets at least once every quarter and five board meetings were held during the year. Directors are fully briefed by the Group Company Secretary and provided with all necessary information sufficiently ahead of the scheduled board meetings to enable effective discharge of their responsibilities. The board has adopted an annual work plan to ensure all relevant matters for board consideration are prioritised and addressed. Members of senior management, assurance providers and professional advisers may attend meetings by invitation only and do not form part of the quorum of any meeting.

2011 BOARD MEETING ATTENDANCE

Director	Attended	Held
Michael Mun-Gavin	5	5
Tim Averkamp*	3	5
Tiisetso Tsukudu	4	5
Leon Goosen	5	5
Kelan Manning	4	5
Karen van Haght	5	5
John Barton	4	5
Gary Bell	5	5
Douglas Gage	5	5
Donald de Bastiani**	2	5
Danie Vlok	5	5
Bharti Harie	5	5
Richard Buchignani**	2	5

* *Mr Tim Averkamp attended the March, May and August meetings as alternate non-executive director.*

** *Mr Donald de Bastiani resigned as director during 2011 and was replaced by Mr Richard Buchignani who was duly elected as director of the board at the August 2011 board meeting.*

In accordance with Bell's articles of association, at least one-third of the directors has to retire by rotation each year and may stand for re-election. Details of those directors retiring by rotation and standing for re-election are reflected in the notice of the annual general meeting contained on pages 100 to 103 of this report.

Regulatory compliance

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

The focus in 2012 will be on the following issues:

- converting the group's current articles of association to a Memorandum of Incorporation;
- ensuring that the members of the Audit Committee are elected by the shareholders at annual general meetings;
- the establishment of a Social and Ethics Committee and the election of its members;
- continuous progress with regard to compliance with King III and other legislation relevant to the group with specific focus on:
  - adoption of a policy relating to dealing with securities and price sensitive issues; and
  - implementation of a group wide governance declarations programme.

Delegation of authority

The daily management of the group's affairs is the responsibility of the Chief Executive Officer, who co-ordinates the implementation of board policy through the Group Executive Committee which he chairs. The board charter outlines key responsibilities that are specifically reserved for the board.

Conflicts of interest and share dealings

Directors are obliged to disclose their shareholdings, additional directorships and any potential conflicts of interest, direct or indirect, that may arise at every meeting of the board. These are recorded in the minutes of the board meetings. Directors are also given the opportunity to submit an annual declaration of their interests and a list of directorships in terms of the Bell Code of Business Conduct and Section 75 of the Companies Act of South Africa. In line with the JSE's Listings Requirements and the prohibitions contained in the Insider Trading Act, all directors and senior management employees are barred from dealing in Bell's shares during "closed periods" as provided for in terms of the JSE's Listings Requirements.

Directors are compelled to disclose their intended share dealings and obtain written approval from the Chairman and Group Company Secretary, prior to dealing in the shares of the company. The Group Company Secretary, in conjunction with the corporate sponsor, publishes details of the transaction on the JSE's stock exchange news service. Directors' interests and shareholdings are disclosed on pages 97 and 98 of this integrated report.

Corporate governance report (continued)

Board sub-committees

The Audit Committee, Nominations and Remuneration Committee and the Risk and Sustainability Committee are established sub-committees which assist the board in performing its duties.

Each sub-committee is governed by formalised terms of reference which are reviewed from time to time to ensure adequate alignment with prevailing legislation, regulations and best corporate governance trends. The terms of reference for all sub-committees were updated and approved by the board during the year to reflect amendments made for King III compliance.

Audit Committee

The provisions of the new Companies Act of South Africa have transformed the Audit Committee from being a committee of the board into a separate statutory committee.

The Audit Committee has an independent role with accountability to both the board and shareholders. The board has reviewed and amended membership of the committee to reflect current legislation and recommendations by King III, which dictates that all members of the committee be independent non-executive directors. The board elects the Chairman of the Audit Committee. The committee was chaired by independent non-executive director John Barton, and further comprises two independent non-executive directors.

The board has assessed the experience and qualification of the committee members upon their appointment and has confirmed that they are sufficiently qualified and experienced in matters such as financial and sustainability reporting, internal financial controls, external and internal audit processes, corporate law, risk management, financial sustainability issues, IT governance as it relates to integrated reporting and governance processes within the group. The board has satisfied itself that all members of the committee act independently in compliance with the Corporate Laws Amendment Act. The committee members are recommended to the board for approval on an annual basis.

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

2011 AUDIT COMMITTEE MEETING ATTENDANCE

Director	Attended	Held
John Barton	4	4
Danie Vlok	4	4
Bharti Harie	4	4

The committee has unrestricted access to the external and internal auditors. The Group Company Secretary is the secretary of the committee. The Chairman of the committee represents the Audit Committee at the annual general meeting each year. The committee's terms of reference tasks the committee with overseeing all factors and risks that may impact on the integrity of the integrated report. Interim and annual results are reviewed to ensure that the financial results are valid, accurate and fairly represent the group's performance. The committee assists the board with all financial reporting and reviews the annual financial statements as well as the preliminary announcements and interim financial information. It further provides the board with its views on a bi-annual assessment of the going concern status of the group and regularly reviews the appropriateness of the capital structure. The committee also assesses internal controls governing accounting, auditing and financial reporting. The committee has the responsibility to review and monitor the structure, performance and activities of the internal audit department, the external auditors and the adoption of internal control procedures including accounting policies, legislative compliance, regulatory matters and governance. The committee is tasked with the responsibility of nominating the external auditors for appointment, approving the terms of engagement and remuneration for the external audit engagement and monitoring and reporting on the independence of the external auditors in the annual financial statements. It also sets the criteria for recommending the engagement of the external auditors for non-audit purposes. It approves the internal audit plan and oversees the external audit process.

The committee has representation on the Risk and Sustainability Committee, ensuring that key risks facing the group are brought to the attention of the Audit Committee. The committee specifically oversees financial reporting risks, internal financial controls and fraud and IT risks as they relate to financial reporting.

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

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

The Audit Committee recommended the annual financial statements for approval to the board.

External audit

The external auditors are responsible for reporting on whether the financial statements are fairly presented and whether they are prepared in compliance with International Financial Reporting Standards. 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 controls remains 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.

There are inherent limitations to the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and asset safeguarding. Furthermore, the effectiveness of internal control systems can change with circumstances and for this reason need to be, and are, reviewed and updated on a regular basis. Nothing has come to the attention of the directors, or of the internal auditors, to indicate that any material breakdown in the functioning of Bell's key internal controls and systems occurred during 2011.

Internal audit

Bell has a group internal audit function which enjoys the full support and cooperation of the board of directors, management and staff. Internal audit personnel have the requisite professional integrity, training and experience to perform their duties. Internal audit is performed using a risk-based methodology. The annual internal audit rotation plan is developed giving due consideration to the risks identified and business requirements and is approved by the Audit Committee. Bell's Group Executive Committee and the Bell Audit Services Committee are kept fully up to date with the internal audit function's activities through comprehensive reports that include the internal audit findings and recommendations, management comments and regular status updates.

Nominations and Remuneration Committee

The Nominations and Remuneration Committee is chaired by independent non-executive director, Danie Vlok, and further comprises three non-executive directors, two of whom are independent. The board has satisfied itself with the level of experience and competency of the committee members.

The committee met four times during the period under review:

2011 NOMINATIONS AND REMUNERATION COMMITTEE MEETING ATTENDANCE

Director	Attended	Held
Danie Vlok	4	4
Tiisetso Tsukudu	3	4
Douglas Gage	3	4
John Barton	4	4

The committee's terms of reference, which are reviewed and approved by the board on a regular basis, outline its composition, objectives and describes the committee's responsibilities and duties. The committee is responsible for ensuring that the company's executive directors and management are rewarded fairly in accordance with their individual contribution to the group's overall performance objectives.

The committee's responsibilities are aimed at ensuring that the board has sufficient resources with the prerequisite mix of expertise, experience and diversity to set the strategic direction for the group which, in turn, aims to secure the interests of stakeholders.

Remuneration policy

The group operates in a highly competitive market where 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 Nominations and 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 the group management. The group remunerates its executive directors based on reliable benchmarking data and seeks to achieve market-related cost to employer packages that are a combination of basic salaries augmented by incentives provided that the group achieves set returns on assets. As recognition for superior performance, the group's incentive schemes pay quarterly and annual bonuses provided that certain profit and performance hurdles are cleared. Incentive schemes have been structured to reward performance and to align managements' interest with the interests of shareholders.

In determining the salary increases of executives and the payment of incentives, the Nominations and Remuneration Committee evaluates the performance of each executive against the achievement of predetermined objectives. The performance of the Group Chief Executive is evaluated annually by the independent Chairman of the Nominations and Remuneration Committee in order to determine his salary package for the ensuing year. Likewise, the Group Chief Executive conducts an annual review of the performance of all senior executives. The remuneration of executive directors is detailed in the annual financial statements on page 95.

Share options have been allocated to certain members of middle and senior management in terms of the Bell Share Option Scheme 2 as part of the board's strategy to retain skilled and professional employees deemed to be critical to the future sustainable growth of Bell. Details of share option scheme allocations are contained on page 96.

Non-executive directors

The King III recommendations on the payment of a base or retainer fee to each non-executive director annually and a fee per meeting attended have been adopted and further fees are paid for the attendance of unscheduled meetings.

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

The Nominations and Remuneration Committee makes recommendations to the board on non-executive directors' fees. The board has resolved that these proposed fees be submitted to shareholders for approval at the annual general meeting in line with King III recommendations. Details of the non-executive directors' remuneration for the year under review are set out on page 95.

Board succession

The committee takes cognisance of the importance of balancing experience and the introduction of new ideas and concepts – this is done in a manner that ensures an acceptable measure of consistency and continuity in the direction given to the group. Succession planning will be addressed in the year to come, with reference to the group's adopted strategy. Due to the company's current shareholding structure in terms whereof the majority of its shares are held by two primary shareholders, the board has decided not to adopt the King III recommendation that the board be able to remove directors without shareholder approval – shareholder approval for such removals is therefore still required. As stated above, the Nominations and Remuneration Committee will be conducting an assessment of the independence of its non-executive directors to ensure that those directors who have been classified as independent meet the requirements for independence as set out in King III. The Group Chief Executive and other executive directors are employed on indefinite term service contracts. Bell promotes succession planning for all key

Corporate governance report (continued)

positions – succession plans are reviewed by the Nominations and Remuneration Committee and report-backs are given to the board at the subsequent meetings.

Appointments to the board of directors

Appointments to the board of directors are proposed by the Nominations and Remuneration Committee which takes into account the appropriate balance of skills, experience and diversity required in leading, controlling and best representing Bell. Appointments are formal, transparent and a matter for the board as a whole.

A formal induction programme is in place for new board members. This sets out directors' responsibilities, fiduciary duties and information relating to the relevant statutory and regulatory frameworks. This enables the new appointees to provide inputs from the onset and make informed decisions. The Group Company Secretary manages the implementation of this induction programme which includes introductions to key members of executive management and visits to Bell's local manufacturing and distribution sites. New appointees receive copies of the latest interim announcements and annual financial statements and are provided with details of the group's strategy, current budget, group structure, board and sub-committee composition as well as information on upcoming board meetings.

Risk and Sustainability Committee

In accordance with King III principles, the board approved the establishment of a Risk and Sustainability Committee in July 2010 – in terms of its terms of reference this committee's mandate is to focus on the group's risk management efforts and to give consideration to sustainability issues which relate to the long-term sustainability of the group. The Chairman of the Audit Committee is a member of this committee to ensure that all issues affecting both committees are considered. The Committee is chaired by an independent non-executive director, Danie Vlok. The committee further consists of three non-executive directors, two of whom are independent, and two executive directors, namely the Group Finance Director and the Group Commercial Director.

Four meetings were held during the year:

2011 RISK AND SUSTAINABILITY COMMITTEE MEETING ATTENDANCE

Director	Attended	Held
Danie Vlok	4	4
Michael Mun-Gavin	4	4
John Barton	4	4
Karen van Haght	4	4
Leon Goosen	4	4
Kelan Manning	1	4
Tim Averkamp*	2	4

* *Tim Averkamp attended two meetings of the Risk and Sustainability Committee as an Alternate Non-executive Director to Kelan Manning.*

Group Company Secretary

The Group Company Secretary plays a pivotal role in the corporate governance of the group. He acts as adviser to the board, guiding individual directors and committees in areas such as corporate governance, updates on legal and statutory amendments, and the effective execution of directors' responsibilities and fiduciary duties.

The Group Company Secretary attends board meetings, is responsible for compiling agendas and board packs and for accurately recording the minutes of these meetings for distribution to relevant members. The Group Company Secretary is further responsible for ensuring that directors are kept abreast of relevant information impacting the group's operating environment and that directors participate in continuing professional development programmes. Briefing sessions for directors are presented by senior management to keep directors updated on developments in the group and the territories in which it operates.

The board considers the Group Company Secretary qualified to perform his duties in accordance with applicable legislation and fit and proper for the position. All directors have access to the Group Company Secretary and are entitled to seek other independent professional advice with regard to the performance of their duties. The Group Company Secretary ensures compliance with applicable procedures and legislation and the removal from office of the Group Company Secretary is a matter for the board as a whole.

The Group Company Secretary also assists the Nominations and Remuneration Committee in ensuring that the correct procedure is followed for the appointment of directors. Whenever deemed necessary, the Group Company Secretary reviews the rules and procedures applicable to the conduct of the affairs of the board. If and when necessary, the services and guidance of the corporate sponsor and other experts are procured to ensure that the directors have adequate insight to discharge their responsibilities efficiently. Furthermore, the Group Company Secretary assists in the annual evaluation of the board, its sub-committees and individual directors. Mr Riaan Verster resigned as Company Secretary on 30 September 2011 and was replaced by Mrs Diana McIlrath as interim Company Secretary. Mrs McIlrath resigned as interim Company Secretary on 16 January 2012 and was replaced by Mr Pieter van der Sandt. A brief curriculum vitae of the Group Company Secretary can be found on page 31 of the integrated report.

Group compliance programme

The board is ultimately responsible for overseeing the group's compliance with laws, rules, codes and standards. The responsibility for the implementation of an effective compliance framework and processes as envisaged by King III has been delegated to management and, in this regard, the Group Company Secretary has been appointed as the Group Compliance Officer. In this role he will provide the board with assurance that the group is compliant with applicable laws and regulations.

The Group Compliance Officer's function includes:

- identifying and advising the group on existing and new legislation applicable to the group's business; and
- developing and implementing an annual group compliance programme to ensure the group's operations are compliant with legal and legislative requirements applicable to those operations.

A compliance procedure has been implemented and will be reviewed annually. The development and implementation of new legislation will be monitored by the Compliance Officer who will report quarterly on these matters to the Risk and Sustainability Committee and annually to the board.

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

Risk management

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

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

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

Senior managers or "risk champions" periodically carry out self-assessments of the risks impacting the organisation. This process identifies critical strategic, operational, financial and compliance exposures Bell may be faced with, as well as opportunities that may be available to the group. The adequacy and effectiveness of control factors at those levels are also regularly tested and reviewed. The assessment methodology takes into account the impact or severity and probability of occurrence and applies a rating based on the quality of control effectiveness, thereby ranking risks and setting priorities. The identified top risks are elevated to the Bell Group Executive Committee. All identified material risks, their possible implications for the group and management's action plans to mitigate and manage those risks are reported to the Risk and Sustainability Committee. The Group Executive Committee members are in attendance at the Risk and Sustainability Committee meetings to provide the committee with a comprehensive understanding of the risks and proposed mitigation plans.

Set out on page 40 are the strategic risks that the group is facing.

Management reporting

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

IT governance and compliance

The board recognises that IT is an integral part of conducting business at Bell, as IT is fundamental to the support, sustainability and growth of the organisation. IT serves all aspects, components and processes in the organisation and is therefore not only an operational enabler for the group, but a strategic business imperative which can be leveraged to create opportunities and to gain a competitive advantage. The board is cognisant of the fact that as much as IT is a strategic asset within the group, it also presents the organisation with significant risks. The latter, together with its related costs and constraints, should be well governed and controlled to ensure that it supports the group's strategic objectives.

The responsibility for IT governance ultimately resides with the board. The IT Steering Committee's charter has been adopted by the board and the oversight responsibility for the implementation and monitoring of the IT governance framework has been delegated to this Steering Committee which will oversee the adequate management of IT governance across the group.

A Chief Information Officer (CIO) has been appointed by the board in terms of the requirements of King III and is entrusted with the task of ensuring that the IT infrastructure supports the achievement of the group's operational objectives. The CIO will present 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 will contain an IT risk management process supported with an IT value management process.

Corporate governance report (continued)

STRATEGIC RISKS	
Strategic risk	**Risk mitigation factors**
Competitor risk	
The risk that the group's competitors' actions have a significant negative influence on the group's business.	Constantly exceed customer expectations through superior, innovative products and support.
	Maintain and enhance relations with all stakeholders, with particular focus on the group's customer base, supported by "the Bell Way" of doing business.
Currency risk	
Significant movement of currencies against the South African Rand (ZAR) create accounting (translational) and operating risk.	Manage the risk through effective use of hedging instruments in accordance with the approved Treasury policy. Pricing policies on exports facilitate hedging against movements of major currencies to the ZAR.
Strategic alliance partners and key supplier relations risk	
Being an integrated OEM has resulted in Bell establishing valuable strategic relations with various strategic alliance partners and suppliers globally. Due to the integral role they play within the business, the ability to generate value is directly linked to these relationships. As with any relationship there is a risk of breakdown in relations due to the action or inaction of one or both parties.	Continually build/improve the group's relationships with strategic alliance partners and suppliers at all levels within the organisation, supporting mutually beneficial objectives.
	There is a process of formal and regular communication that ensures issues that may arise are dealt with expediently and at the appropriate levels.
	Where possible, goal congruence with strategic alliance partners receives priority.
Political risks in the countries in which the group operates	
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 the group is susceptible to the associated political risks in certain regions in which it operates or plans to operate.	As a responsible corporate citizen that contributes to the well-being 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.
	The group minimises exposure in perceived high-risk countries through effective risk management practices.
	Develop business continuity plans catering for all eventualities the group may be susceptible to in the higher political risk regions it is exposed to.
Double-dip recession risk	
The risk of the so-called double-dip world recession cannot be discounted, particularly in light of the Eurozone debt crises.	Meeting OROA targets set for each business unit in line with the Project 2014 business improvements project.
	New business and growth opportunities are assessed and pursued in line with the TMP principles as strategically committed to.
	Secured adequate committed funding lines.
Regulatory risk	
Being a global company requires us to comply with a myriad of changing regulations applicable to particular geographic locations. Due to the increasingly sophisticated and ever-changing regulatory environment there is an increased risk of non-compliance with applicable regulations.	A group compliance programme has been implemented and product and operational restrictions are assessed on a periodic basis.
	Local management is tasked with keeping abreast of regulatory changes within their respective jurisdictions.
Key skills retention	
The group recognises that human capital is instrumental to its success and due to the locations it operates in and the fact that the world is becoming a so-called global village, Bell's ability to retain key skills is constantly under threat.	The group strives to be the employer of choice within its industry.
	Significant training and investment in the group's people assists in creating an increasing and enhanced skills base.
	All employees participate in the group incentive scheme which is directly linked to the group's strategic objectives.
	Implementation of performance management systems.

Funding of the group's IT strategy is managed on a year-to-year basis and provisioned based on risk, returns on previous investments and current affordability. Business continuity and disaster recovery procedures on critical business systems are well established and tested regularly to ensure minimal disruption to the business. The business enjoys high levels of availability of all services which has been achieved through investment in robust and reliable technologies.

While the "integration, consolidation and extension" strategy is being realised, the group's legacy system continues to provide adequate support to the remaining business units' requirements. Support solutions have been developed to support any shortfall until such time as the overall IT strategy can be realised.

Alternative dispute resolution

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

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

Human rights

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

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

Consequently, no incidents of human rights transgressions occurred and the group is not aware of any such actions committed by any of its local or international suppliers.

Fraud and ethics management

The group has a Code of Ethics which commits the group and its employees to the highest standards of ethical and professional integrity and has the full commitment of the board of directors and the Group Chief Executive. This code has been effectively communicated to all Bell operations worldwide and covers the interactive relationships between the group, its directors, management and employees amongst themselves and outside stakeholders, customers, shareholders and society at large.

Bell's board of directors and management remain intolerant of unethical behaviour and are committed to ensuring that the group and its employees uphold Bell's credible reputation – the Bell Code of Business Conduct, which is supplementary to the Bell Code of Ethics, is in place to provide further guidelines on expected standards of corporate conduct by all employees throughout the group. This code describes the expected behaviour and conduct of employees in relation to business integrity, prohibition of unethical conduct (such as bribery, fraud and theft), accountability and compliance with legislation, regulations and business controls. The safeguarding of confidential and price sensitive information is also specified in this code, with insider trading being strictly prohibited.

All employees above a certain task level 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 and as part of an annual scheduled certification to the Audit Committee.

Whistle-blowing: Tip-Offs Anonymous

As part of the efforts to enforce the Code of Business Conduct the group realises the importance of a facility for the reporting of any unethical or improper actions and to this extent the group has in conjunction with Tip-Offs Anonymous, established a reporting facility that is available 24 hours a day. All stakeholders are encouraged to report any unethical and improper behaviour via this facility and in this regard Bell maintained a concerted awareness drive to selected customers and suppliers during the year under review. All Tip-Offs Anonymous reports logged during the year were referred to the internal audit department for further investigation. Where required, the necessary control improvements were satisfactorily completed during the year. More information on this reporting facility is available from the company's official external website.

In addition, employees are encouraged to anonymously report incidents to line managers, senior executives, the group internal audit department or to Tip-Offs Anonymous.

**Compliance with regulations
and legislation relevant to the business**

No material fines or penalties were incurred during the reporting period for non-compliance with laws and regulations. Please refer to page 39 of this report for more information on the Bell Compliance Programme.

Sustainability report

This sustainability report presents a consolidated view of Bell's social and environmental performance for the year ended December 2011. The group aims to provide a balanced, understandable and comparable view of it's business by giving a frank account of its sustainability activities as well as challenges.

Overview

This sustainability report presents a consolidated view of Bell's social and environmental performance for the year ended December 2011. The group aims to provide a balanced, understandable and comparable view of it's business by giving a frank account of its sustainability activities as well as challenges.

Through this report, Bell recognises the principles of international sustainability best reporting practices, including the Global Reporting Initiative (GRI), considered internationally as the benchmark for sustainability reporting.

Bell acknowledges that the group still has some way to go in aligning our reporting processes to the GRI. However, in keeping with the GRI's vision, Bell will continue to improve our non-financial reporting processes over time, based on the principles of accountability and transparency.

Bell employees

The group's employees have contributed immensely to the growth of the enterprise over the last five decades. The majority of employees have been with the company for a long period which attests to progressive employee practices and policies. Bell regards its employees as the most important and strategic stakeholders in the business, hence endeavours to create a conducive environment that promotes retention.

Training and development

In line with national initiatives and the new National Skills Development Strategy under the leadership of Minister Blade Nzimande, the group invested time, money and resources in Public-Private Partnership (PPP) with Umfolozi College, in placing students with the National Certificate Vocational qualification. The group has been an active partner in a pilot project driven by the Swiss South African Co-Operative initiative on workplace based experience for electrical and mechanical students since 2008, and during 2011 the company took part in a project that provided six electrical students with a six-months workplace internship. These students performed so well that they were recruited on the Accelerated Artisan Development Programme through Merseta towards the end of 2011. Bell has extended its involvement in the National Certificate Vocational, offering six-months internships for 2012 to electrical, mechanical, IT and office administration students. The second PPP is with Durban and Mangosutho Universities of Technology in placing both mechanical and industrial engineering students for in-service training.

From an internal skills development perspective, Bell continues to invest in nurturing scarce and critical skills, and despite cost pressures has continued to invest 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. In line with Project 2014's lifetime revenue stream initiative, extensive customer service training has been provided to after-sales staff across the business.

Employment equity (EE)

A robust five-year employment equity plan was formulated in 2010 with the relevant stakeholders. With the company's financial situation showing some improvement, more funding will be allocated to EE interventions aimed at accelerating development of employees into supervisory and management roles with the view to meeting employment equity targets in 2015. Focus will also be given to attracting eligible EE candidates in the above categories outside the company where suitable candidates are unavailable internally.

Employee relations

Despite historically sound employee relations between the company and the unions, the national industrial action in the metal and engineering sector in 2011, had a negative impact at operations, mainly at the factory in Richards Bay and the Jet Park sales and distribution facilities.

While the situation has stabilised, there are plans to improve relations to a level prior to industrial action. Management will continue to work with NUMSA and Solidarity to ensure that the company is sustainable and there is security of employment for employees.

Black economic empowerment

The group's concerted efforts to effect positive transformation in Bell continues, and in 2011, PKF BEE Solutions (Pty) Limited rated the group's South African operations. This private sector rating exercise took place against the full scorecard covering not only ownership, but also management diversity, employment equity, skills development, preferential procurement, enterprise development and socio-economic development. Bell Equipment Company SA (Pty) Limited (BECSA) retained its rating as a level 6 contributor whilst Bell Equipment Sales South Africa Limited (BESSA) retained its rating as a level 4 contributor, resulting in 100% of customers' purchases from BESSA being classified as

BEE spend. This is particularly important when customers make large capital purchases.

Health and safety

Employee health and overall wellness is critical to a productive workforce. It is against this background that all scheduled employees receive 60% towards their medical contributions from the company.

The non-scheduled employees are required, in terms of the company's policy, to provide for their medical cover as part of their total cost to company packages. In Richards Bay, a world class medical facility manned by health professionals renders medical services to company employees on site. For other operations outside Richards Bay, the company has enlisted the services of medical professionals to provide medical services whenever a need arises.

A comprehensive Employee Assistance Programme is available for employees at the main operations within South Africa. The main focus of the programme is HIV/AIDS and awareness in managing and avoiding lifestyle diseases. The group is planning to rollout the programme to the rest of its African operations in the next three years.

Socio economic development

The group's socio economic policy advocates a hands on approach aimed at supporting educational infrastructure within close proximity of areas where it conducts its business. The following are amongst the key projects that were completed in 2011:

- Mphephose School project, in the rural north coast of KwaZulu-Natal, which was suspended at the height of the recession in 2009, was revived and an administration building was completed, as well as the installation of electricity to the classrooms which were built in 2007. The cost of this project was R260 000;
- Zululand/Investec Rugby Academy's relationship with Bell entered its second year during 2011, providing opportunity for high potential rugby students to attend the prestigious Rugby Academy run by Investec. Bursaries for two students amounted to more than R83 000;
- Thanda Royal Zulu Football Club (TRZFC) – the relationship between Bell and TRZFC has been beneficial to both Bell and the team. TRZFC has had an opportunity to develop as a team and also expand its socio-economic projects with Bell. The "Star for life" campaign run by TRZFC is aimed at the education of minors in the bid to highlight the plight of HIV/AIDS victims and raise awareness against the spread of the disease. The opportunity to partner with TRZFC enables Bell to contribute to its local communities.
- Recognising the critical need for investing in early childhood development, Bell scouted the Zululand area for a worthy partner. This was found in the Izulu Orphan Project, in a seriously impoverished area outside Empangeni, KwaZulu-Natal. The sustainability of this project is commendable as it provides support to hundreds of orphans and child headed households and elderly people.

Environment

Bell places environmental responsibility among its core values and recognises the importance of preserving the integrity of the natural heritage. It is the group's aim to comply with or exceed the environmental regulatory standards of all countries into which the group's products are sold and services delivered. The board of directors attaches great emphasis on caring for the environment and will ensure transparency in maintaining operations, which are recognised as role models in the earth-moving equipment industry. As part of the group's drive towards enhancing its approach to sustainable development, Bell remains committed to complying with environmental requirements for its Richards Bay factory, German assembly plant and all its distribution operations worldwide. All products distributed meet the required European eProjects standards and the group's Product Development Process is well positioned to ensure that its products will meet the more onerous engine eProjects requirements, which are to be implemented in Europe and the USA over the next few years. The group continues its efforts to reduce waste by increasing the use of recyclable materials such as packaging materials, oils and steel offcuts in applications which traditionally generate considerable waste.

Custom equipment

Contents to the annual financial statements

Approval of the annual financial statements

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

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

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

The annual financial statements of the group and the company which appear on pages 48 to 96 were approved by the directors on 13 March 2012 and are signed on their behalf by:

MA Mun-Gavin
Group Chairman

13 March 2012

GW Bell
Group Chief Executive

Certification by Group Company Secretary

I certify that the company has, in respect of the financial year reported upon, lodged with the Companies and Intellectual Property Commission (CIPC) all returns and notices required of a public company and that all such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.

P van der Sandt
Group Company Secretary

13 March 2012

Independent auditor's report

TO THE SHAREHOLDERS OF BELL EQUIPMENT LIMITED

We have audited the group annual financial statements and annual financial statements of Bell Equipment Limited, which comprise the consolidated and separate statements of financial position as at 31 December 2011, the consolidated and separate income statements, the statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report and the audit committee report as set out on pages 48 to 96.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Bell Equipment Limited as at 31 December 2011, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per **C Howard-Browne** CA (SA), RA
Partner

13 March 2012

Suite 4, Pinnacle Point
No 9 Lira Link
CBD
Richards Bay
3900

PO Box 351
Richards Bay
3900
South Africa

National Executive: GG Gelink *Chief Executive* AE Swiegers *Chief Operating Officer* GM Pinnock *Audit* DL Kennedy *Risk Advisory & Legal Services* NB Kader *Tax* L Geeringh *Consulting* L Bam *Corporate Finance* JK Mazzocco *Human Resources* CR Beukman *Finance* TJ Brown *Chairman of the Board* MJ Comber *Deputy Chairman of the Board*

Regional Leader: GC Brazier

A full list of partners and directors is available on request.

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

Member of Deloitte Touche Tohmatsu Limited

Directors' report

The directors submit the annual financial statements for the group and the company together with the reports thereon for the year ended 31 December 2011.

GENERAL REVIEW

The group manufactures and distributes a wide range of materials handling equipment, both locally and internationally, through an extensive wholly owned network of customer service centres, strategic alliances and independent dealers. Through its financing venture with WesBank it is able to offer financing to facilitate sales in southern Africa.

The group's principal products are Articulated Dump Trucks, Haulage Tractors, Tractor Loader Backhoes, Front-End Loaders, sugar cane and timber-loading equipment and construction equipment such as Graders, Dozers and Excavators, and related parts and service.

FINANCIAL RESULTS

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

STATED CAPITAL

The company's authorised share capital remains at 100 000 000 ordinary shares of no par value.

The stated capital account as at 31 December 2011 comprised 94 958 000 (December 2010: 94 958 000) ordinary shares of no par value.

DIVIDENDS

The directors have not declared a dividend for this year (2010: nil cents per share).

SHARE OPTION SCHEMES

The company currently has two operating employee share option schemes. Details of these schemes are set out in note 28 to the annual financial statements.

DIRECTORS

During the year under review the following changes in the composition of the board of directors took place:

- JW Kloet passed away on 14 January 2011;
- D de Bastiani resigned as a director on 25 July 2011; and
- R Buchignani was appointed as a director on 5 August 2011.

Details of the current directors and Group Executive Committee of the Bell Equipment group appear on pages 18 to 19 and pages 30 to 31 respectively.

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

	Number of shares held					
	Direct beneficial		Indirect beneficial		Associates	
	2011	2010	**2011**	2010	**2011**	2010
GW Bell	**120 600**	120 600	**8 671 264**	8 671 264	**–**	–
GP Harris	**–**	–	**1 800**	1 800	**–**	–
MA Mun-Gavin	**–**	–	**10 000**	10 000	**–**	–
L Goosen	**4 040**	4 040	**–**	–	**–**	–
AR McDuling	**–**	–	**–**	–	**148**	148
Total	**124 640**	124 640	**8 683 064**	8 683 064	**148**	148

There has been no change in the shareholding of directors as reflected above between the end of the financial year and 13 March 2012.

MAJOR SHAREHOLDERS

The major shareholders in Bell Equipment Limited as at 31 December 2011 were:

	2011 %	2010 %
IA Bell & Company (Proprietary) Limited	**37,62**	37,62
John Deere Construction and Forestry Company	**31,59**	31,59

GROUP COMPANY SECRETARY

Particulars of the Group Company Secretary and his business and postal addresses appear on the inside back cover of this report.

SUBSIDIARIES

Details of the company's interest in its subsidiary companies are contained on page 94 of this report. The principal subsidiaries are Bell Equipment Company SA (Proprietary) Limited and Bell Equipment Sales South Africa Limited, both of which are incorporated in South Africa.

SUBSEQUENT EVENTS

There is no material fact or circumstance that has arisen between the end of the reporting period and the date of this report.

Signed on behalf of the board

MA Mun-Gavin
Group Chairman

GW Bell
Group Chief Executive

13 March 2012

Audit Committee report

BACKGROUND

The committee is pleased to present its report for the financial year ended 31 December 2011 as required in terms of Section 94 of the Companies Act of South Africa (the Act).

The committee's operation is guided by a formal detailed terms of reference that is in line with the Act and is approved by the board. The committee has discharged all its responsibilities as contained in the charter.

The Audit Committee is constituted as a statutory committee and is appointed at the annual general meeting. It has an independent role with accountability to both the board and shareholders. The board has reviewed and amended membership of the committee to reflect current legislation and recommendations by King III, which dictates that all members of the committee be independent non-executive directors. The board elects the Chairman of the Audit Committee. The committee was chaired by independent non-executive director JR Barton, and further comprises two independent non-executive directors.

The board has assessed the experience and qualification of the committee members upon their appointment and has confirmed that they are sufficiently qualified and experienced in matters such as financial and sustainability reporting, internal financial controls, external and internal audit processes, corporate law, risk management, financial sustainability issues, IT governance as it relates to integrated reporting and governance processes within the group. The board has satisfied itself that all members of the committee act independently in compliance with the Act. The committee members are recommended to the annual general meeting for approval by the shareholders.

OBJECTIVE AND SCOPE

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

The committee carried out the following functions during the year:

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

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

MEMBERSHIP

During the course of the year, the membership of the committee comprised solely of independent non-executive directors. Memberships held on this committee were as follows:

JR Barton, *Chairman*

DJJ Vlok

B Harie

EXTERNAL AUDIT

The committee has satisfied itself through enquiry that the auditor of Bell Equipment Limited is independent as defined by the Act. The committee, in consultation with executive management, agreed to an audit fee for the 2011 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Audit fees are disclosed in note 25 to the financial statements.

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

Meetings were held with the auditor where management was not present, and no matters of concern were raised. The committee has reviewed the performance of the external auditors and nominated, for approval at the annual general meeting, Deloitte & Touche as the external auditor for the 2012 financial year, and C Howard-Browne as the designated partner.

GROUP FINANCE DIRECTOR'S REVIEW

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

ANNUAL FINANCIAL STATEMENTS

The Audit Committee has evaluated the integrated report for the year ended 31 December 2011 and considers that it complies, in all material aspects, with the requirements of the Act and International Financial Reporting Standards. The committee has therefore recommended the annual financial statements as set out on pages 48 to 96 for approval to the board. The board has subsequently approved the financial statements, which will be open for discussion at the forthcoming annual general meeting.

CONCLUSION

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

JR Barton
Chairman of the Audit Committee

13 March 2012

Statements of financial position as at 31 December 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
ASSETS					
Non-current assets		**735 704**	733 472	**377 292**	365 179
Property, plant and equipment	6	**529 037**	481 023	**–**	–
Intangible assets	7	**82 969**	70 775	**–**	–
Investments in subsidiary companies	8	**–**	–	**377 292**	365 179
Interest-bearing long-term receivables	9	**10 534**	34 378	**–**	–
Deferred taxation	10	**113 164**	147 296	**–**	–
Current assets		**3 134 505**	1 911 808	**1 964**	1 634
Inventory	11	**2 060 829**	1 355 613	**–**	–
Trade and other receivables	12	**882 170**	446 787	**1 964**	1 634
Current portion of interest-bearing long-term receivables	9	**44 447**	40 359	**–**	–
Prepayments		**16 676**	11 103	**–**	–
Other financial assets	13	**4 479**	–	**–**	–
Taxation		**3 508**	4 285	**–**	–
Cash resources		**122 396**	53 661	**–**	–
TOTAL ASSETS		**3 870 209**	2 645 280	**379 256**	366 813
EQUITY AND LIABILITIES					
Capital and reserves		**1 777 536**	1 418 709	**378 782**	366 255
Stated capital	14	**228 605**	228 605	**228 605**	228 605
Non-distributable reserves	15	**144 089**	90 488	**6 270**	1 764
Retained earnings		**1 371 285**	1 087 162	**143 907**	135 886
Attributable to equity holders of Bell Equipment Limited		**1 743 979**	1 406 255	**378 782**	366 255
Non-controlling interest	16	**33 557**	12 454	**–**	–
Non-current liabilities		**398 090**	255 540	**–**	–
Interest-bearing liabilities	17	**225 025**	84 175	**–**	–
Repurchase obligations and deferred leasing income	18	**79 582**	79 902	**–**	–
Deferred warranty income	19	**61 521**	66 735	**–**	–
Lease escalation	20	**25 196**	20 266	**–**	–
Provisions	21	**6 766**	4 462	**–**	–
Current liabilities		**1 694 583**	971 031	**474**	558
Trade and other payables	22	**1 210 210**	699 158	**474**	558
Current portion of interest-bearing liabilities	17	**21 845**	4 974	**–**	–
Current portion of repurchase obligations and deferred leasing income	18	**54 717**	61 926	**–**	–
Current portion of deferred warranty income	19	**24 178**	23 852	**–**	–
Current portion of lease escalation	20	**4 094**	1 156	**–**	–
Current portion of provisions	21	**47 808**	40 627	**–**	–
Other financial liabilities	23	**1 820**	4 271	**–**	–
Taxation		**48 093**	23 138	**–**	–
Short-term interest-bearing debt	33.2	**281 818**	111 929	**–**	–
TOTAL EQUITY AND LIABILITIES		**3 870 209**	2 645 280	**379 256**	366 813
Number of shares in issue ('000)		**94 958**	94 958		
Net asset value per share (cents)		**1 872**	1 494		

Income statements for the year ended 31 December 2011

		Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Revenue		24	**5 070 784**	3 410 691	**–**	–
Cost of sales			**(3 871 958)**	(2 684 220)	**–**	–
Gross profit			**1 198 826**	726 471	**–**	–
Other operating income			**142 715**	132 180	**12 921**	2 125
Distribution costs			**(655 640)**	(484 975)	**–**	–
Administration expenses			**(62 844)**	(52 989)	**(4 900)**	(15 017)
Other operating expenses			**(187 417)**	(196 050)	**–**	–
Profit (loss) from operating activities		25	**435 640**	124 637	**8 021**	(12 892)
Interest paid			**(44 940)**	(69 890)	**–**	–
Interest received			**11 434**	11 486	**–**	1 529
Profit (loss) before taxation			**402 134**	66 233	**8 021**	(11 363)
Taxation		26.1	**(105 249)**	(29 509)	**–**	5 498
Profit (loss) for the year			**296 885**	36 724	**8 021**	(5 865)
Profit for the year attributable to:						
– Equity holders of Bell Equipment Limited			**275 782**	25 576		
– Non-controlling interest			**21 103**	11 148		
Earnings per share						
Basic	(cents)	27.1	**290**	27		
Diluted	(cents)	27.2	**290**	27		

Statements of comprehensive income for the year ended 31 December 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Profit (loss) for the year		**296 885**	36 724	**8 021**	(5 865)
Other comprehensive income (loss) for the year, net of taxation		**57 436**	(40 214)	**–**	–
Exchange differences on translating foreign operations		**56 950**	(34 823)	**–**	–
Reclassification to profit or loss of foreign currency translation reserve on discontinued operations		**(4 036)**	–	**–**	–
Exchange differences on foreign reserves		**4 522**	(2 472)	**–**	–
Exchange differences arising during the period		**57 436**	(37 295)	**–**	–
Loss arising on revaluation of properties		**–**	(4 054)	**–**	–
Taxation relating to components of other comprehensive loss	26.2	**–**	1 135	**–**	–
Total comprehensive income (loss) for the year		**354 321**	(3 490)	**8 021**	(5 865)
Total comprehensive income (loss) attributable to:					
– Equity holders of Bell Equipment Limited		**333 218**	(14 638)		
– Non-controlling interest		**21 103**	11 148		

Statements of changes in equity for the year ended 31 December 2011

	Attributable to equity holders of Bell Equipment Limited					
	Stated capital R'000	Non-distributable reserves R'000	Retained earnings R'000	Total R'000	Non-controlling interest R'000	Total capital and reserves R'000
Group						
Balance at 31 December 2009	228 605	123 984	1 066 540	1 419 129	1 306	1 420 435
Recognition of share-based payments	–	1 764	–	1 764	–	1 764
Total comprehensive (loss) income for the year	–	(40 214)	25 576	(14 638)	11 148	(3 490)
Realisation of revaluation reserve on depreciation of buildings	–	(1 896)	1 896	–	–	–
Deferred taxation on realisation of revaluation reserve on depreciation of buildings	–	531	(531)	–	–	–
Transfer of debit foreign currency translation reserve to retained earnings	–	6 319	(6 319)	–	–	–
Balance at 31 December 2010	228 605	90 488	1 087 162	1 406 255	12 454	1 418 709
Recognition of share-based payments	**–**	**4 506**	**–**	**4 506**	**–**	**4 506**
Total comprehensive income for the year	**–**	**57 436**	**275 782**	**333 218**	**21 103**	**354 321**
Realisation of revaluation reserve on depreciation of buildings	**–**	**(2 808)**	**2 808**	**–**	**–**	**–**
Deferred taxation on realisation of revaluation reserve on depreciation of buildings	**–**	**786**	**(786)**	**–**	**–**	**–**
Reversal of prior year transfer of debit foreign currency translation reserve to retained earnings	**–**	**(6 319)**	**6 319**	**–**	**–**	**–**
Balance at 31 December 2011	**228 605**	**144 089**	**1 371 285**	**1 743 979**	**33 557**	**1 777 536**
Company						
Balance at 31 December 2009	228 605	–	141 751	370 356	–	370 356
Recognition of share-based payments	–	1 764	–	1 764	–	1 764
Total comprehensive loss for the year	–	–	(5 865)	(5 865)	–	(5 865)
Balance at 31 December 2010	228 605	1 764	135 886	366 255	–	366 255
Recognition of share-based payments	**–**	**4 506**	**–**	**4 506**	**–**	**4 506**
Total comprehensive income for the year	**–**	**–**	**8 021**	**8 021**	**–**	**8 021**
Balance at 31 December 2011	**228 605**	**6 270**	**143 907**	**378 782**	**–**	**378 782**

Statements of cash flows for the year ended 31 December 2011

	Notes	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
CASH FLOW FROM OPERATING ACTIVITIES					
Cash (utilised in) generated from operations	A	**(25 006)**	621 049	**(3 148)**	(3 464)
Interest paid		**(44 940)**	(69 890)	**–**	–
Interest received		**11 434**	11 486	**–**	1 529
Taxation (paid) refunded	B	**(45 386)**	1 624	**–**	6 962
Net cash (utilised in) generated from operating activities		**(103 898)**	564 269	**(3 148)**	5 027
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of additional property, plant and equipment and intangible assets		**(212 757)**	(144 376)	**–**	–
Purchase of replacement property, plant and equipment and intangible assets		**(8 327)**	(3 407)	**–**	–
Proceeds on disposal of property, plant and equipment and intangible assets		**60 728**	36 300	**–**	–
Decrease in interest-bearing long-term receivables		**12 967**	21 102	**–**	–
Net cash utilised in investing activities		**(147 389)**	(90 381)	**–**	–
CASH FLOW FROM FINANCING ACTIVITIES					
Repayments from (advances to) subsidiaries		**–**	–	**3 148**	(5 027)
Interest-bearing liabilities raised	C	**167 631**	4 514	**–**	–
Interest-bearing liabilities repaid	C	**(9 969)**	(186 188)	**–**	–
(Decrease) increase in repurchase obligations and deferred leasing income		**(7 529)**	45 465	**–**	–
Net cash generated from (utilised in) financing activities		**150 133**	(136 209)	**3 148**	(5 027)
Net (decrease) increase in cash for the year		**(101 154)**	337 679	**–**	–
Net short-term interest-bearing debt at beginning of the year		**(58 268)**	(395 947)	**–**	–
Net short-term interest-bearing debt at end of the year	D	**(159 422)**	(58 268)	**–**	–

Notes to the statements of cash flows

for the year ended 31 December 2011

		Group		Company	
		2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
A	**Cash (utilised in) generated from operations**				
	Profit (loss) from operating activities	**435 640**	124 637	**8 021**	(12 892)
	Adjustments for:				
	Depreciation	**105 069**	93 746	**–**	–
	Amortisation of intangible assets	**15 636**	8 782	**–**	–
	(Reversal of) impairment loss recognised on investment in subsidiary	**–**	–	**(10 755)**	10 755
	Increase in warranty provision	**9 929**	5 178	**–**	–
	(Decrease) increase in provision for residual value risk	**(1 255)**	411	**–**	–
	Increase in lease escalation	**7 868**	6 689	**–**	–
	(Gain) loss arising on financial assets at fair value through profit or loss	**(4 479)**	430	**–**	–
	(Gain) loss arising on financial liabilities at fair value through profit or loss	**(2 451)**	349	**–**	–
	Expense recognised in respect of equity-settled share-based payments	**4 506**	1 764	**–**	–
	Net (surplus) loss on disposal of property, plant and equipment and intangible assets	**(1 202)**	180	**–**	–
	Exchange differences on translation of foreign subsidiaries	**38 952**	(23 782)	**–**	–
	Decrease in deferred warranty income	**(4 888)**	(16 059)	**–**	–
	Operating profit (loss) before working capital changes	**603 325**	202 325	**(2 734)**	(2 137)
	(Increase) decrease in inventory	**(705 216)**	263 115	**–**	–
	Increase in trade and other receivables and prepayments	**(440 956)**	(28 950)	**(330)**	(1 414)
	Increase (decrease) in trade and other payables	**511 052**	169 007	**(84)**	87
	Decrease in trade receivables recoverable beyond 12 months	**6 789**	15 552	**–**	–
	Total cash (utilised in) generated from operations	**(25 006)**	621 049	**(3 148)**	(3 464)
B	**Taxation (paid) refunded**				
	Net taxation (owing) receivable at beginning of the year	**(18 853)**	(4 576)	**–**	1 464
	Taxation (charge) credit for the year:				
	South African normal taxation	**(26 419)**	5 497	**–**	5 498
	Foreign taxation	**(41 370)**	(17 002)	**–**	–
	Withholding taxation	**(2 050)**	(249)	**–**	–
	Wealth taxation	**(860)**	(1 594)	**–**	–
	Translation differences	**(419)**	695	**–**	–
	Net taxation owing at end of the year	**44 585**	18 853	**–**	–
	Total taxation (paid) refunded	**(45 386)**	1 624	**–**	6 962
C	**Interest-bearing liabilities**				
	Long-term portion of interest-bearing liabilities at beginning of the year	**84 175**	218 404	**–**	–
	Add: current portion at beginning of the year	**4 974**	52 830	**–**	–
	Total interest-bearing liabilities at beginning of the year	**89 149**	271 234	**–**	–
	Translation differences	**59**	(411)	**–**	–
	Interest-bearing liabilities raised	**167 631**	4 514	**–**	–
	Interest-bearing liabilities repaid	**(9 969)**	(186 188)	**–**	–
	Total interest-bearing liabilities at end of the year	**246 870**	89 149	**–**	–
	Less: current portion at end of the year	**(21 845)**	(4 974)	**–**	–
	Long-term portion of interest-bearing liabilities at end of the year	**225 025**	84 175	**–**	–
D	**Net short-term interest-bearing debt**				
	Short-term interest-bearing debt	**(281 818)**	(111 929)	**–**	–
	Cash resources	**122 396**	53 661	**–**	–
	Net short-term interest-bearing debt at end of the year	**(159 422)**	(58 268)	**–**	–

Notes to the annual financial statements

for the year ended 31 December 2011

1 GENERAL INFORMATION

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the AC 500 standards as issued by the Accounting Practices Board and are consistent with those applied to the previous year, except for new and revised standards adopted per note 3 to the financial statements.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments.

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

The significant accounting policies adopted are set out below:

2.2 Basis of consolidation

The group annual financial statements incorporate the financial position and results of the company and of its subsidiaries. The results of subsidiaries are included from the dates effective control was acquired until the effective dates of their disposal. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

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

2.3 Business combinations

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Business combinations (continued)

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

- deferred tax assets or liabilities, and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with *IAS 12 Income Taxes* and *IAS 19 Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the group of an acquiree's share-based payment awards are measured in accordance with *IFRS 2 Share-based Payments*; and
- assets (or disposal groups) that are classified as held for sale in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

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

2.4 Goodwill

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

If, after reassessment, the group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

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

2.5 Property, plant and equipment

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

Revaluations, on the market value in continuation of existing use basis, are undertaken every three years. Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation of assets commences when the asset is available for use.

The depreciable values of leasehold buildings are depreciated over the shorter of their expected useful lives and the period of the lease. Rental assets under short-term rentals are depreciated based on the hours utilised while on rental. Rental assets under buy-back agreements are depreciated to the value of the buy-back over the buy-back period. Depreciation on other assets is provided on a straight-line basis over the anticipated useful lives of the assets taking residual values into account. Depreciation ceases on an asset only when the asset is derecognised or when it is classified as held for sale.

The annual rates of depreciation currently used are:

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

Useful lives and residual values are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The annual rate of amortisation currently used is 20%.

Internally generated intangible assets – research and development expenditure

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

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

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

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

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The annual rate of amortisation currently used varies from 2 to 10 years.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

2.7 Leases

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

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

The group as lessee

Assets classified as finance lease agreements are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Assets held under finance leases are depreciated on the straight-line basis over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are charged to operating profit when incurred, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's policy on borrowing costs (see note 2.20).

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

The group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial guarantee contracts

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

2.9 Financial instruments

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

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

Derivative financial instruments
Derivative financial instruments, principally forward foreign exchange contracts, are used by the group in its management of financial risks. These contracts are held for trading at fair value through profit or loss.

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

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

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

Trade and other payables
Trade and other payables are recognised at amortised cost.

Interest-bearing liabilities
Interest-bearing liabilities are measured at amortised cost, using the effective interest method.

Interest-bearing investments
Investments are initially recorded at cost and are adjusted for interest earned thereon and the group's share of the profits or losses of the investee after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment.

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

2.10 Inventory

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

Merchandise spares, components, raw materials, work-in-progress and finished goods are valued on the first-in first-out basis. Finished goods, work-in-progress and manufactured components include the cost of direct materials, and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Redundant and slow moving inventory is identified and written down with regard to their estimated economic or realisable values. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.11 Share-based payments

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Share-based payments (continued)

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 and vested after 1 January 2005 in terms of Scheme 2 (note 28). No amount has been recognised in the financial statements in respect of the equity-settled share-based payments granted in terms of Scheme 1 on 28 February 2002 as per note 28.

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

2.12 Taxation

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

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

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

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

2.13 Foreign currency translation

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

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

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

Surpluses and losses arising on translation of foreign currency transactions are dealt with in profit or loss.

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

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

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

Where a subsidiary reports in the currency of a hyperinflationary economy, its financial statements are restated by applying a general price index pertaining to that economy before they are translated and included in the consolidated financial statements. Translation of the restated financial statements of the subsidiary is performed at rates of exchange ruling at the year-end.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Revenue

Revenue comprises the invoiced value of sales, service income and rentals received. Sales to group companies are invoiced at cost plus a mark-up and are reversed on consolidation.

2.15 Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer. If the sale of goods is combined with a buy-back agreement or a residual value guarantee, the sale is accounted for as an operating lease transaction if significant risks of the goods are retained in the group. Revenue from services is recognised when the services have been rendered. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

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

2.16 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the group's obligation under the plans is equivalent to those arising in a defined contribution retirement benefit plan.

2.17 Impairment of tangible and intangible assets excluding goodwill

At the end of the reporting period, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase in other comprehensive income.

2.18 Provisions

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

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

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

2.19 Segmental information

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Borrowing costs

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

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

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

2.21 Government grants

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

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

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

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year the group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2011.

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

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

New

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

Revised

IFRS 1 – First-time Adoption of International Financial Reporting Standards: Limited exemption from comparative IFRS 7 disclosures for first-time adopters

IAS 24 – Related Party Disclosures: Revised definition of related parties and restructured

IAS 32 – Financial Instruments – Presentation: Amendments relating to classification of rights issues

IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Amendment with respect to voluntary prepaid contributions

Annual improvements to International Financial Reporting Standards (2010)

As part of the IASB's 2010 Annual Improvements Project, a collection of amendments have been made to the following Standards and Interpretations which have also been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in the financial statements:

IFRS 1 – First-time Adoption of IFRS

IFRS 3 – Business Combinations

IFRS 7 – Financial Instruments Disclosures

IAS 1 – Presentation of Financial Statements

IAS 27 – Consolidated and Separate Financial Statements

IAS 34 – Interim Financial Reporting

IFRIC 13 – Customer Loyalty Programmes

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

3.2 Standards and Interpretations in issue not yet adopted

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

			Effective date for annual periods beginning on or after:
New			
IFRS 10	–	Consolidated Financial Statements	1 January 2013
IFRS 11	–	Joint Arrangements	1 January 2013
IFRS 12	–	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	–	Fair Value Measurement	1 January 2013
IFRIC 20	–	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Revised			
IFRS 1	–	First-time Adoption of International Financial Reporting Standards: Replacement of “fixed dates” for certain exceptions with “the date of transition to IFRSs”	1 July 2011
IFRS 1	–	First-time Adoption of International Financial Reporting Standards: Additional exemption for entities ceasing to suffer from severe hyperinflation	1 July 2011
IFRS 7	–	Financial Instruments Disclosures: Amendments enhancing disclosures about transfers of financial assets	1 July 2011
IFRS 7	–	Financial Instruments Disclosures: Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	1 January 2013
IFRS 7	–	Financial Instruments Disclosures: Amendments requiring disclosures about the initial application of IFRS 9	1 January 2015
IFRS 9	–	Financial Instruments: Classification and measurement	1 January 2015
IAS 1	–	Presentation of Financial Statements: Amendments to revise the way other comprehensive income is presented	1 July 2012
IAS 12	–	Income Taxes: Limited scope amendment (recovery of underlying assets)	1 January 2012
IAS 19	–	Employee Benefits: Amended standard resulting from the post-employment benefits and termination benefits projects	1 January 2013
IAS 27	–	Separate Financial Statements: Reissued as IAS 27 Separate Financial Statements (as amended in 2011)	1 January 2013
IAS 28	–	Investments in Associates and Joint Ventures: Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)	1 January 2013
IAS 32	–	Financial Instruments Presentation: Amendments to application guidance on the offsetting of financial assets and financial liabilities	1 January 2014

The directors will in due course evaluate the impact that the adoption of these Standards and Interpretations will have on the financial statements of the group in future periods.

Notes to the annual financial statements (continued)

for the year ended 31 December 2011

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 Judgements made by management

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

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

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

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

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

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

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

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

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

Provisions for residual value risks and repurchase commitments
Residual value risks are attributable to operating lease contracts and sales transactions combined with buy-back agreements or residual value guarantees. Residual value risks are the risks that the group in the future would have to dispose of used products at a loss if the price realised for these products is less than what was expected when the contracts were entered into. If revenue is not recognised on a transaction which includes a buy-back, then the residual value risks are pertaining to products that are reported as rental assets in the statement of financial position and these risks are reflected by depreciation or write-down of the carrying value of these assets. If revenue is recognised on a transaction which includes a buy-back, then the residual value risks are pertaining to products which are not reported as assets in the statement of financial position and these risks are reflected under the line item provisions. Significant assumptions are made in estimating residual values. These are assessed based on past experience and take into account expected future market conditions and projected disposal values.

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

4.2 Key sources of estimation uncertainty

There are no other key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that management have assessed as having a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

5 OPERATING SEGMENTS

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

The group's reportable segments are as follows:

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

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

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

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

Group	South African sales operation R'000	South African manu-facturing and logistics operation R'000	European operation R'000	Rest of Africa and other inter-national operations R'000	All other operations R'000	Elimi-nations R'000	Con-solidated R'000
2011							
Revenue							
External revenue	2 471 916	550 976	796 331	1 251 561	–	–	5 070 784
Inter-segment revenue	40 548	2 396 367	51 551	16	–	(2 488 482)	–
Total revenue	2 512 464	2 947 343	847 882	1 251 577	–	(2 488 482)	5 070 784
Profit from operating activities	133 613	73 222	33 227	232 977	17 276	(54 675)	435 640
Net interest (paid) received	(35 221)	(314)	(7 546)	1 568	7 971	36	(33 506)
Taxation	(28 048)	(47 600)	(2 893)	(38 702)	(2 256)	14 250	(105 249)
Profit for the year	70 344	25 308	22 788	195 843	22 991	(40 389)	296 885
Segment assets	815 199	2 455 027	808 228	594 673	451 211	(1 254 129)	3 870 209
Segment liabilities	702 143	1 184 581	701 779	351 906	52 107	(899 843)	2 092 673
Other information							
Additions to property, plant and equipment and intangible assets	66 714	66 237	75 139	12 994	–	–	221 084
Depreciation and amortisation of intangibles	40 366	46 955	26 860	6 524	–	–	120 705
Other material items of income and expense:							
– net foreign currency losses (gains)	–	792	(526)	(13 342)	(1 066)	217	(13 925)
– staff costs (including directors' remuneration)	213 065	497 015	73 246	115 155	9 007	3 082	910 570
– (decrease) increase in warranty provision	(3 841)	13 623	724	(577)	–	–	9 929
– warranty expenditure	25 432	31 555	6 464	5 928	–	4 517	73 896

Notes to the annual financial statements (continued)

for the year ended 31 December 2011

5 OPERATING SEGMENTS (continued)

Group	South African sales operation R'000	South African manu-facturing and logistics operation R'000	European operation R'000	Rest of Africa and other inter-national operations R'000	All other operations R'000	Elimi-nations R'000	Con-solidated R'000
2010							
Revenue							
External revenue	2 028 997	402 266	438 499	540 929	–	–	3 410 691
Inter-segment revenue	20 626	1 753 299	93 996	–	–	(1 867 921)	–
Total revenue	2 049 623	2 155 565	532 495	540 929	–	(1 867 921)	3 410 691
Profit (loss) from operating activities	63 748	51 696	(34 006)	18 581	5 064	19 554	124 637
Net interest (paid) received	(14 407)	(46 479)	(67)	2 362	53	134	(58 404)
Taxation	(12 142)	(1 558)	(2 333)	(12 676)	3 676	(4 476)	(29 509)
Profit (loss) for the year	37 199	3 659	(36 406)	8 267	8 793	15 212	36 724
Segment assets	784 432	1 675 770	381 263	238 637	362 975	(797 797)	2 645 280
Segment liabilities	742 630	490 071	315 627	170 058	29 470	(521 285)	1 226 571
Other information							
Additions to property, plant and equipment and intangible assets	41 472	57 881	42 042	6 388	–	–	147 783
Depreciation and amortisation of intangibles	45 210	41 634	11 404	4 280	–	–	102 528
Other material items of income and expense:							
– Net foreign currency (gains) losses	–	(3 378)	(2 834)	26 961	225	(2 625)	18 349
– Staff costs (including directors' remuneration)	151 743	289 435	50 337	63 631	6 779	(638)	561 287
– Increase (decrease) in warranty provision	10 268	(6 035)	742	203	–	–	5 178
– Warranty expenditure	30 890	35 677	9 370	2 738	–	2 106	80 781

6 PROPERTY, PLANT AND EQUIPMENT

Group	Cost/ valuation 2011 R'000	Accumulated depreciation 2011 R'000	Net book value 2011 R'000	Cost/ valuation 2010 R'000	Accumulated depreciation 2010 R'000	Net book value 2010 R'000
Owned						
Freehold land and buildings	**191 119**	**6 053**	**185 066**	181 248	–	181 248
Leasehold buildings	**4 899**	**2 171**	**2 728**	4 313	1 572	2 741
Plant and equipment	**389 463**	**253 225**	**136 238**	355 357	229 470	125 887
Rental assets	**240 071**	**74 789**	**165 282**	208 677	64 101	144 576
Aircraft	**8 597**	**2 949**	**5 648**	8 130	2 322	5 808
Vehicles	**42 899**	**19 654**	**23 245**	25 490	12 193	13 297
Leased						
Plant and equipment	**17 280**	**7 167**	**10 113**	11 995	4 805	7 190
Vehicles	**944**	**227**	**717**	699	423	276
Total	**895 272**	**366 235**	**529 037**	795 909	314 886	481 023

Group	Freehold land and buildings R'000	Leasehold buildings R'000	Plant and equipment* R'000	Rental assets R'000	Aircraft R'000	Vehicles* R'000	Total R'000
Movement in property, plant and equipment							
2011							
Net book value at beginning of the year	**181 248**	**2 741**	**133 077**	**144 576**	**5 808**	**13 573**	**481 023**
Additions	**9 871**	**53**	**40 515**	**126 633**	**468**	**15 714**	**193 254**
Disposals	**–**	**–**	**(622)**	**(58 470)**	**–**	**(428)**	**(59 520)**
Depreciation	**(6 053)**	**(356)**	**(28 973)**	**(62 294)**	**(628)**	**(6 765)**	**(105 069)**
Translation differences	**–**	**290**	**2 354**	**14 837**	**–**	**1 868**	**19 349**
Net book value at end of the year	**185 066**	**2 728**	**146 351**	**165 282**	**5 648**	**23 962**	**529 037**
2010							
Net book value at beginning of the year	191 400	3 589	153 937	152 659	6 119	12 748	520 452
Loss on revaluation	(4 054)	–	–	–	–	–	(4 054)
Additions	291	77	11 828	86 267	288	9 348	108 099
Disposals	–	–	(797)	(32 786)	–	(2 874)	(36 457)
Depreciation	(6 831)	(158)	(29 689)	(51 556)	(599)	(4 913)	(93 746)
Transfers	442	(442)	–	–	–	–	–
Translation differences	–	(325)	(2 202)	(10 008)	–	(736)	(13 271)
Net book value at end of the year	181 248	2 741	133 077	144 576	5 808	13 573	481 023

Certain property, plant and equipment is encumbered as indicated in note 17.

The rental assets are subject to repurchase obligations as reflected in note 18.

* *Owned and leased.*

Notes to the annual financial statements (continued)

for the year ended 31 December 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
6 PROPERTY, PLANT AND EQUIPMENT (continued)				
Freehold land and buildings at cost/valuation comprise:				
Lot 1892 Alton Industrial Township, Richards Bay				
– at valuation on 31 December 2010	**21 118**	21 118	**–**	–
– subsequent additions at cost in 2011	**4**	–	**–**	–
Lot 1894 Alton Industrial Township, Richards Bay				
– at valuation on 31 December 2010	**53 344**	53 344	**–**	–
– subsequent additions at cost in 2011	**226**	–	**–**	–
Lot 10024 Alton Industrial Township, Richards Bay				
– at valuation on 31 December 2010	**106 786**	106 786	**–**	–
– subsequent additions at cost in 2011	**96**	–	**–**	–
Portions 16, 17 and 18 Lot 11063, Extension 33 Township JS Middelburg				
– at cost in 2011	**9 545**	–	**–**	–
Total freehold land and buildings at cost/valuation	**191 119**	181 248	**–**	–

The freehold land and buildings were valued by the Mills Fitchet group, independent qualified valuers, on the market value in continuation of existing use basis, on 31 December 2010.

The valuation was undertaken in accordance with the international guidelines for the valuation of public company assets laid down by the Royal Institution of Chartered Surveyors (RICS) in their Statement of Asset Valuation Practice and Guidance Notes handbook. The book values of these properties were adjusted to their valuations during the relevant financial period and the resultant net losses debited to the revaluation reserve.

The comparable amounts under the historical cost convention for the freehold land and buildings were:

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
Historical cost	**110 236**	100 367	**–**	–

		Group		Company	
		2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
7	**INTANGIBLE ASSETS**				
	Capitalised software				
	Cost				
	At beginning of the year	**41 256**	41 242	**–**	–
	Acquired	**1 333**	14	**–**	–
	At end of the year	**42 589**	41 256	**–**	–
	Accumulated amortisation				
	At beginning of the year	**23 163**	15 943	**–**	–
	Charge for the year	**7 173**	7 220	**–**	–
	At end of the year	**30 336**	23 163	**–**	–
	Carrying amount at end of the year	**12 253**	18 093	**–**	–
	Capitalised engineering development expenditure				
	Cost				
	At beginning of the year	**55 156**	15 486	**–**	–
	Capitalised – current year	**26 497**	39 670	**–**	–
	At end of the year	**81 653**	55 156	**–**	–
	Accumulated amortisation				
	At beginning of the year	**2 474**	912	**–**	–
	Charge for the year	**8 463**	1 562	**–**	–
	At end of the year	**10 937**	2 474	**–**	–
	Carrying amount at end of the year	**70 716**	52 682	**–**	–
	Total intangible assets	**82 969**	70 775	**–**	–
8	**INVESTMENTS IN SUBSIDIARY COMPANIES**				
	Local subsidiaries				
	Shares at cost	**–**	–	**14 164**	14 164
	Recognition of share-based payments	**–**	–	**5 378**	1 515
	Indebtedness by subsidiary*	**–**	–	**66 721**	69 869
	Total local subsidiaries	**–**	–	**86 263**	85 548
	Foreign subsidiaries				
	Shares at cost	**–**	–	**290 137**	290 137
	Impairment loss recognised**	**–**	–	**–**	(10 755)
	Recognition of share-based payments	**–**	–	**892**	249
	Total foreign subsidiaries	**–**	–	**291 029**	279 631
	Total investments in subsidiary companies	**–**	–	**377 292**	365 179

* *No interest is charged on the indebtedness by subsidiary. This is unsecured and the subsidiary has the right to defer settlement of the loan for a period of 12 months after 1 January 2012.*

Further details of investments in subsidiary companies are set out on page 94.

** *In the prior year the company impaired its investment in a subsidiary due to accumulated operating losses incurred in underlying sub-subsidiaries. This impairment provision was reversed in the current year following a return to profitability by these operations.*

Notes to the annual financial statements (continued)

for the year ended 31 December 2011

		Group		Company	
		2011 **R'000**	2010 R'000	**2011** **R'000**	2010 R'000
9	**INTEREST-BEARING LONG-TERM RECEIVABLES**				
	WesBank financing venture*	**19 182**	34 371	**–**	–
	Less: provision for non-recovery	**(500)**	(4 900)	**–**	–
		18 682	29 471	**–**	–
	Retention deposits**	**8 840**	11 018	**–**	–
	Trade receivables recoverable beyond 12 months	**27 459**	34 248	**–**	–
		54 981	74 737	**–**	–
	Less: current portion	**(44 447)**	(40 359)	**–**	–
	Total interest-bearing long-term receivables	**10 534**	34 378	**–**	–

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

In terms of this arrangement, the following categories of financing are provided for:

- *specific transactions, the risks and rewards of which are for the group. In respect of these transactions, the group is required to invest an amount equal to 25% of the value of the financing provided by WesBank to customers as collateral. A fee is paid to WesBank for administering this business. This investment, which earns interest at prime less 3,5%, is reflected as interest-bearing long-term receivables on the statement of financial position; and*
- *transactions for which WesBank requires support, either due to the credit risk profile of the customer or the specific structuring of the financing deal. The group is entitled to a share of the profits from these transactions. Applications from customers are categorised into WesBank's risk grading system, with the risk category determining the level of risk shared by the group. No collateral investment is required by the group to support these transactions.*

In respect of the first category above, in the event of default by a customer, the group is at risk for the full balance due to WesBank by the customer. This contingent liability is reflected in note 29.1.

** *Deposits held by financial institutions as security for residual values on units guaranteed by the group. The recoverability of these deposits is dependent on the units realising the guaranteed residual values at the end of the guarantee period. This contingent liability and the group's provision for non-recovery is included in note 29.3.*

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

	Group	Net deferred taxation asset at beginning of year R'000	Recognised in profit or loss for year R'000	Recognised in other compre-hensive income for year R'000	Net deferred taxation asset at end of year R'000
10	**DEFERRED TAXATION**				
	The deferred taxation analysed by major category of temporary difference and the reconciliation of the movement in the deferred taxation balance is as follows:				
	2011				
	Capitalised development expenditure	**(14 751)**	**(5 227)**	**–**	**(19 978)**
	Deferred income	**37 982**	**(10 644)**	**–**	**27 338**
	Excess taxation allowances over depreciation charge	**(39 634)**	**3 996**	**–**	**(35 638)**
	Finance leases	**132**	**28**	**–**	**160**
	Investment subsidies	**118**	**1**	**–**	**119**
	Import duty rebates	**(2 630)**	**(5 286)**	**–**	**(7 916)**
	Prepayments	**(1 255)**	**2**	**–**	**(1 253)**
	Accrual for bonuses	**–**	**20 457**	**–**	**20 457**
	Provision for doubtful debts	**2 481**	**(776)**	**–**	**1 705**
	Provision for lease escalation	**5 981**	**2 207**	**–**	**8 188**
	Accrual for leave pay	**4 092**	**2 508**	**–**	**6 600**
	Provision for residual value risk	**352**	**(352)**	**–**	**–**
	Accrual for unit additional costs	**2 713**	**(423)**	**–**	**2 290**
	Provision for warranty expenditure	**13 430**	**5 288**	**–**	**18 718**
	Future expenditure allowance	**(1 384)**	**622**	**–**	**(762)**
	Revaluation of properties	**(23 406)**	**801**	**–**	**(22 605)**
	Sales in advance	**3 406**	**1 709**	**–**	**5 115**
	Taxable losses	**128 512**	**(49 258)**	**–**	**79 254**
	Unrealised foreign currency gains and losses	**4 428**	**(9 974)**	**–**	**(5 546)**
	Unrealised profit in inventory	**26 729**	**10 189**	**–**	**36 918**
	Totals	**147 296**	**(34 132)**	**–**	**113 164**
	2010				
	Capitalised development expenditure	–	(14 751)	–	(14 751)
	Deferred income	29 450	8 532	–	37 982
	Excess taxation allowances over depreciation charge	(23 631)	(16 003)	–	(39 634)
	Finance leases	1 448	(1 316)	–	132
	Investment subsidies	162	(44)	–	118
	Import duty rebates	–	(2 630)	–	(2 630)
	Prepayments	(1 225)	(30)	–	(1 255)
	Accrual for bonuses	6	(6)	–	–
	Provision for doubtful debts	4 634	(2 153)	–	2 481
	Provision for lease escalation	4 134	1 847	–	5 981
	Accrual for leave pay	5 684	(1 592)	–	4 092
	Provision for residual value risk	236	116	–	352
	Accrual for unit additional costs	3 527	(814)	–	2 713
	Provision for warranty expenditure	11 488	1 942	–	13 430
	Future expenditure allowance	732	(2 116)	–	(1 384)
	Revaluation of properties	(24 751)	210	1 135	(23 406)
	Sales in advance	6 066	(2 660)	–	3 406
	Taxable losses	117 129	11 383	–	128 512
	Unrealised foreign currency gains and losses	(2 700)	7 128	–	4 428
	Unrealised profit in inventory	31 749	(5 020)	–	26 729
	Totals	164 138	(17 977)	1 135	147 296

Further information on the group's estimated taxation losses and the recognition of deferred taxation assets for these losses is set out in note 26.1.

Notes to the annual financial statements (continued)

for the year ended 31 December 2011

		Group		Company	
		2011	2010	**2011**	2010
		R'000	R'000	**R'000**	R'000
11	**INVENTORY**				
	Merchandise spares, components and raw materials	**878 710**	676 824	**–**	–
	Work-in-progress	**177 862**	150 013	**–**	–
	Finished goods	**1 004 257**	528 776	**–**	–
	Total inventory	**2 060 829**	1 355 613	**–**	–
	Included above is inventory of R197,0 million (2010: R240,9 million) carried at fair value less cost to sell.				
	Total inventory expensed, included in cost of sales, amounts to R3 809,7 million (2010: R2 632,7 million).				
	Cost of sales includes an amount of R78,6 million (2010: R59,6 million) in respect of write-downs of inventory to net realisable value, and has been reduced by R5,2 million (2010: R3,8 million) in respect of the reversal of such write-downs.				
12	**TRADE AND OTHER RECEIVABLES**				
	Amounts receivable from the sale of goods and services	**752 428**	411 450	**–**	–
	Allowance for estimated irrecoverable amounts	**(9 543)**	(20 234)	**–**	–
		742 885	391 216	**–**	–
	Sundry receivables	**139 285**	55 571	**1 964**	1 634
	Total trade and other receivables	**882 170**	446 787	**1 964**	1 634
	In assessing the amounts recoverable from trade receivables, assumptions are made based on past default experience, estimations of the value of any security, including security in the form of secondhand equipment, and the estimated costs of preparing the equipment for re-sale, including transport.				
	The directors consider that the carrying amount of trade and other receivables approximates their fair value.				
	Further information regarding the group's credit risk management is set out in note 33.3.				
13	**OTHER FINANCIAL ASSETS**				
	Financial assets carried at fair value through profit or loss				
	Forward foreign exchange contracts (Level 2)	**4 479**	–	**–**	–
	Level 2 fair value measurements are those derived from inputs other than quoted prices.				
14	**STATED CAPITAL**				
	Authorised:				
	100 000 000 (2010: 100 000 000) ordinary shares of no par value	**–**	–	**–**	–
	Issued:				
	94 958 000 (2010: 94 958 000) ordinary shares of no par value	**228 605**	228 605	**228 605**	228 605

At 31 December 2011, the company had granted options in terms of Share Option Scheme 1 to executive directors and employees to subscribe for 17 000 (2010: 17 000) shares in the company as set out in note 28.3

At 31 December 2011, the company had granted options in terms of Share Option Scheme 2 to executive directors and employees to subscribe for 4 062 500 (2010: 2 795 000) shares in the company as set out in note 28.3

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

		Net surplus arising from revaluation of freehold land and buildings R'000	Statutory reserves of foreign subsidiaries R'000	Foreign currency translation reserve of foreign subsidiaries R'000	Equity-settled employee benefits reserve R'000	Total R'000
15	**NON-DISTRIBUTABLE RESERVES**					
	Group					
	Balance at 31 December 2009	86 866	7 182	29 936	–	123 984
	Other comprehensive loss	(2 919)	(1 040)	(36 255)	–	(40 214)
	– loss on revaluation of properties	(4 054)	–	–	–	(4 054)
	– deferred taxation on revaluation of properties	1 135	–	–	–	1 135
	– exchange differences on foreign reserves	–	(1 040)	(1 432)	–	(2 472)
	– exchange differences on translating foreign operations	–	–	(34 823)	–	(34 823)
	Realisation of revaluation reserve	(1 896)	–	–	–	(1 896)
	Deferred taxation on realisation of revaluation reserve	531	–	–	–	531
	Transfer of debit foreign currency translation reserve to retained earnings	–	–	6 319	–	6 319
	Recognition of share-based payments*	–	–	–	1 764	1 764
	Balance at 31 December 2010	82 582	6 142	–	1 764	90 488
	Other comprehensive income	**–**	**1 161**	**56 275**	**–**	**57 436**
	– exchange differences on foreign reserves	**–**	**1 161**	**3 361**	**–**	**4 522**
	– exchange differences on translating foreign operations	**–**	**–**	**56 950**	**–**	**56 950**
	– reclassification to profit or loss of foreign currency translation reserve on discontinued operations	**–**	**–**	**(4 036)**	**–**	**(4 036)**
	Realisation of revaluation reserve	**(2 808)**	**–**	**–**	**–**	**(2 808)**
	Deferred taxation on realisation of revaluation reserve	**786**	**–**	**–**	**–**	**786**
	Reversal of prior year transfer of debit foreign currency translation reserve to retained earnings	**–**	**–**	**(6 319)**	**–**	**(6 319)**
	Recognition of share-based payments*	**–**	**–**	**–**	**4 506**	**4 506**
	Balance at 31 December 2011	**80 560**	**7 303**	**49 956**	**6 270**	**144 089**
	Company					
	Balance at 31 December 2009	–	–	–	–	–
	Recognition of share-based payments *	–	–	–	1 764	1 764
	Balance at 31 December 2010	–	–	–	1 764	1 764
	Recognition of share-based payments *	**–**	**–**	**–**	**4 506**	**4 506**
	Balance at 31 December 2011	**–**	**–**	**–**	**6 270**	**6 270**

* *Details of the employee share option plan are set out in note 28.*

		Group		Company	
		2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
16	**NON-CONTROLLING INTEREST**				
	Interest of Kagiso Strategic Investments 111 (Proprietary) Limited (Kagiso) (22,5%) and group employees in the South African, Namibian and Swazi operations (7,5%) in Bell Equipment Sales South Africa Limited (BESSA), which comprises the sales and customer service centres in South Africa as well as the investments in IA Bell Equipment Co Namibia (Proprietary) Limited and Bell Equipment Co Swaziland (Proprietary) Limited.				
	Balance at beginning of the year	**12 454**	1 306	**–**	–
	Share of total comprehensive income for the year	**21 103**	11 148	**–**	–
	Balance at end of the year	**33 557**	12 454	**–**	–

Kagiso has the option to put all of its shares in BESSA to the company and the company will be obliged to buy such shares in the following circumstances:

- at any time during a period of 135 days after finalisation of the audited financial statements of BESSA for the year ended 31 December 2012; or
- if at any time IA Bell & Company (Proprietary) Limited ceases to hold an effective interest of at least 26% of the issued share capital of the company; or
- if at any time IA Bell & Company (Proprietary) Limited and John Deere Construction and Forestry Company collectively cease to hold an effective interest of at least 51% of the issued share capital of the company.

If the option is exercised, the purchase price of the shares will be determined by applying a formula contained in an agreement between Kagiso, BESSA and the company. The major inputs into the formula are BESSA's future earnings before interest, taxation, depreciation and amortisation (EBITDA) and debt.

		Variable rate of interest (%)	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
17	**INTEREST-BEARING LIABILITIES**					
	Secured:					
	Finance lease liabilities repayable in instalments by:					
	November 2011	9,0	**–**	326	**–**	–
	May 2012	7,3	**134**	440	**–**	–
	August 2012	7,0	**1 072**	2 590	**–**	–
	July 2014	2,3	**887**	–	**–**	–
	August 2014	8,5	**1 820**	2 416	**–**	–
	May 2015	9,0	**222**	–	**–**	–
	December 2015	9,0	**2 676**	3 164	**–**	–
	November 2016	9,0	**5 799**	–	**–**	–
	Total secured liabilities		**12 610**	8 936	**–**	–
	Less: current portion		**(3 948)**	(3 624)	**–**	–
	Long-term portion		**8 662**	5 312	**–**	–
	Unsecured:					
	Industrial Development Corporation of South Africa – medium-term loan repayable in monthly instalments by:					
	July 2017	10,0	**151 849**	–	**–**	–
	Less: current portion		**(14 349)**	–	**–**	–
	Long-term portion		**137 500**	–	**–**	–
	Unsecured – no fixed repayment:					
	Loan – Kagiso Strategic Investments 111 (Proprietary) Limited	9,0	**82 411**	80 213	**–**	–
	Less: current portion		**(3 548)**	(1 350)	**–**	–
	Long-term portion		**78 863**	78 863	**–**	–
	Total current portion of interest-bearing liabilities		**21 845**	4 974	**–**	–
	Total long-term portion of interest-bearing liabilities		**225 025**	84 175	**–**	–

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

- plant and equipment in South Africa R10 112 838 (2010: R7 189 811); and
- vehicles in France R717 424 (2010: R275 808)

The medium-term loan from the Industrial Development Corporation of South Africa is repayable in equal monthly instalments, expiring on 31 July 2017. In terms of the loan agreement Bell Equipment Company SA (Proprietary) Limited is required to maintain a ratio of shareholders' interest to total assets of at least 40% (actual ratio at 31 December 2011 was 46%).

Nedbank Limited's consent is required prior to any repayment of the loan from Kagiso Strategic Investments 111 (Proprietary) Limited. Interest on this loan is determined annually.

The company has provided suretyship for the repayment of the secured and unsecured borrowings.

The directors have unlimited borrowing powers in terms of the articles of association of the holding company.

Notes to the annual financial statements (continued)

for the year ended 31 December 2011

		Group		Company	
		2011	2010	**2011**	2010
		R'000	R'000	**R'000**	R'000
18	**REPURCHASE OBLIGATIONS AND DEFERRED LEASING INCOME**				
	Total repurchase obligations and deferred leasing income	**134 299**	141 828	**–**	–
	Less: current portion	**(54 717)**	(61 926)	**–**	–
	Long-term portion of repurchase obligations and deferred leasing income	**79 582**	79 902	**–**	–
	Repurchase obligations and deferred leasing income are in respect of the rental assets reflected in note 6 and relate to sales transactions combined with buy-back agreements or residual value guarantees where the revenue was not recognised on the transaction.				
19	**DEFERRED WARRANTY INCOME**				
	Balance at beginning of the year	**90 587**	106 646	**–**	–
	Extended warranty contracts sold during the year	**40 720**	25 022	**–**	–
	Costs in excess of contract value	**1 990**	1 426	**–**	–
	Expired during the year	**(15 520)**	(9 680)	**–**	–
	Utilised during the year	**(7 108)**	(7 604)	**–**	–
	Revenue recognised during the year	**(24 970)**	(25 223)	**–**	–
		85 699	90 587	**–**	–
	Less: current portion	**(24 178)**	(23 852)	**–**	–
	Long-term portion of deferred warranty income at end of the year	**61 521**	66 735	**–**	–
	Deferred warranty income relates to extended warranty contracts sold.				
	The extended warranty contract periods commence after expiry of the standard warranty provided in the standard conditions of sale of machines and the liability is in respect of this extended period.				
20	**LEASE ESCALATION**				
	Total lease escalation	**29 290**	21 422	**–**	–
	Less: current portion	**(4 094)**	(1 156)	**–**	–
	Long-term portion of lease escalation	**25 196**	20 266	**–**	–

The lease escalation liability relates to rental and lease contracts with escalation clauses. Rentals payable under the contracts are charged to profit or loss on a straight-line basis over the term of the relevant lease.

	Group			Company		
	Warranty provision R'000	Provision for residual value risk R'000	Total R'000	Warranty provision R'000	Provision for residual value risk R'000	Total R'000
21 PROVISIONS						
Balance at 31 December 2009	39 101	844	39 945	–	–	–
Raised during the year	85 514	411	85 925	–	–	–
Utilised during the year	(80 781)	–	(80 781)	–	–	–
Balance at 31 December 2010	43 834	1 255	45 089	–	–	–
Less: current portion	(39 372)	(1 255)	(40 627)	–	–	–
Long-term provisions at 31 December 2010	4 462	–	4 462	–	–	–
Balance at 31 December 2010	43 834	1 255	45 089	–	–	–
Raised during the year	**84 636**	**–**	**84 636**	**–**	**–**	**–**
Utilised during the year	**(73 896)**	**(1 255)**	**(75 151)**	**–**	**–**	**–**
Balance at 31 December 2011	**54 574**	**–**	**54 574**	**–**	**–**	**–**
Less: current portion	**(47 808)**	**–**	**(47 808)**	**–**	**–**	**–**
Long-term provisions at 31 December 2011	**6 766**	**–**	**6 766**	**–**	**–**	**–**

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

The provision for residual value risk relates to sales transactions combined with buy-back agreements or residual value guarantees where the revenue was recognised on the transaction. Residual value risk is the risk that the group in the future will have to dispose of used products at a loss if the price realised for these products is less than what was expected when the contracts were entered into. The provision represents the discounted value of management's best estimate of the group's liability.

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
22 TRADE AND OTHER PAYABLES				
Trade creditors	**819 763**	399 596	**5**	14
Industrial Development Corporation of South Africa – trade finance*	**151 719**	150 111	**–**	–
Accruals	**238 728**	149 451	**469**	544
Total trade and other payables	**1 210 210**	699 158	**474**	558

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

* *The trade finance is unsecured and is a rolling credit facility, repayable six-monthly, with an ultimate repayment date of 31 December 2012. The interest rate is linked to prime and is charged at 9,0% (2010: 9,0%) per annum.*

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
23 OTHER FINANCIAL LIABILITIES				
Financial liabilities carried at fair value through profit or loss				
Forward foreign exchange contracts (Level 2)	**1 820**	4 271	**–**	–

Level 2 fair value measurements are those derived from inputs other than quoted prices.

	Group		Company	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
24 REVENUE				
Revenue represents:				
Sale of machines	**3 693 840**	2 413 361	**–**	–
Sale of parts	**1 042 917**	748 018	**–**	–
Service income	**228 334**	177 315	**–**	–
Rental income	**105 693**	71 997	**–**	–
Total revenue	**5 070 784**	3 410 691	**–**	–

Related party sales are disclosed in note 34.

Notes to the annual financial statements (continued)

for the year ended 31 December 2011

		Group		Company	
		2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
25	**PROFIT (LOSS) FROM OPERATING ACTIVITIES**				
	Profit from operating activities is arrived at after taking into account:				
	Income				
	Currency exchange gains	**177 440**	113 868	**85**	–
	Deferred warranty income	**47 598**	42 507	**–**	–
	Import duty rebates	**44 385**	44 845	**–**	–
	Royalties	**7 996**	2 677	**–**	–
	Utilisation of provision for residual value risk	**1 255**	–	**–**	–
	Net surplus on disposal of property, plant and equipment and intangible assets	**1 202**	–	**–**	–
	Reversal of impairment loss recognised on investment in subsidiary	**–**	–	**10 755**	–
	Expenditure				
	Amortisation of intangible assets				
	– capitalised software	**7 173**	7 220	**–**	–
	– capitalised development expenditure	**8 463**	1 562	**–**	–
	Auditors' remuneration				
	– audit fees – current	**7 378**	6 099	**456**	597
	– prior	**10**	90	**–**	–
	– other services	**1 149**	2 412	**–**	–
	– expenses	**–**	28	**–**	–
	Consulting fees	**14 728**	10 767	**212**	642
	Currency exchange losses	**163 515**	132 217	**–**	119
	Depreciation				
	– freehold buildings	**6 053**	6 831	**–**	–
	– leasehold buildings	**356**	158	**–**	–
	– plant and equipment	**28 973**	29 689	**–**	–
	– rental assets	**62 294**	51 556	**–**	–
	– aircraft	**628**	599	**–**	–
	– vehicles	**6 765**	4 913	**–**	–
	Directors' remuneration				
	Paid by company:				
	– non-executive directors' fees	**1 764**	1 227	**1 764**	1 227
	Paid by subsidiaries:				
	– executive directors – salaries	**7 198**	7 217	**–**	–
	– benefits	**4 116**	3 568	**–**	–
	Equity-settled share-based payments	**4 506**	1 764	**–**	–
	Impairment loss recognised on investment in subsidiary	**–**	–	**–**	10 755
	Increase in provision for residual value risk	**–**	411	**–**	–
	Increase in warranty provision	**9 929**	5 178	**–**	–
	Net loss on disposal of property, plant and equipment and intangible assets	**–**	180	**–**	–
	Operating lease charges				
	– equipment and vehicles	**22 521**	20 623	**–**	–
	– land and buildings	**63 118**	59 500	**–**	–
	Research expenses (excluding staff costs)	**28 328**	16 093	**–**	–
	Staff costs	**892 986**	547 511	**–**	–
	Number of employees at the end of the year	**3 294**	2 639	**–**	–

Details of remuneration paid to directors and prescribed officers of the company are set out on pages 95 to 96.

		Group		Company	
		2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
26 TAXATION					
26.1 Taxation recognised in profit (loss)					
South African normal taxation					
Current taxation					
– current year		**32 822**	–	**–**	–
– prior year		**(6 403)**	(5 497)	**–**	(5 498)
Deferred taxation					
– current year		**28 928**	10 162	**–**	–
– prior year		**7 108**	6 001	**–**	–
Foreign taxation					
Current taxation					
– current year		**34 945**	12 515	**–**	–
– prior year		**6 425**	4 487	**–**	–
Deferred taxation					
– current year		**(1 486)**	(1)	**–**	–
– prior year		**–**	(1)	**–**	–
Withholding taxation		**2 050**	249	**–**	–
Wealth taxation		**860**	1 594	**–**	–
Total taxation charge (credit) recognised in profit (loss)		**105 249**	29 509	**–**	(5 498)
Reconciliation of rate of taxation					
Standard rate of taxation	(%)	**28**	28	**28**	28
Adjustment for:					
Disallowable expenditure	(%)	**1**	1	**–**	(27)
Special allowances for taxation	(%)	**(4)**	(16)	**(38)**	–
Prior year taxation	(%)	**2**	8	**–**	48
Wealth and withholding taxation	(%)	**1**	3	**–**	–
Taxation loss	(%)	**–**	(2)	**10**	(1)
Different taxation rates of subsidiaries operating in other jurisdictions and the effect of unused taxation losses not recognised as deferred taxation assets by these subsidiaries	(%)	**(2)**	23	**–**	–
Effective rate of taxation	(%)	**26**	45	**–**	48

The group's estimated taxation losses amount to approximately R394 million (2010: R619 million) Included in this amount are losses of R3 million that will expire in 2016, R8 million in 2020 and R27 million in 2024. Other losses may be carried forward indefinitely. A deferred taxation asset of R79 million (2010: R129 million) has been recognised in respect of such losses as reflected in note 10, as future taxable income of sufficient amount is expected to be earned. Unused taxation losses for which no deferred taxation assets have been recognised are revenue in nature and amount to R111 million (2010: R159 million).

	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
26.2 Taxation recognised in other comprehensive income (loss)				
Deferred taxation				
– property revaluation	**–**	(1 135)	**–**	–
Total taxation recognised in other comprehensive income (loss)	**–**	(1 135)	**–**	–

Notes to the annual financial statements (continued)

for the year ended 31 December 2011

			Group 2011	2010
27	**EARNINGS PER SHARE**			
27.1	**Earnings per share (basic)**			
	Profit attributable to equity holders of Bell Equipment Limited	(R'000)	**275 782**	25 576
	Weighted average number of shares in issue	('000)	**94 958**	94 958
	Earnings per share (basic)	(cents)	**290**	27
27.2	**Earnings per share (diluted)**			
	Profit attributable to equity holders of Bell Equipment Limited	(R'000)	**275 782**	25 576
	Fully converted weighted average number of shares	('000)	**95 154**	94 960
	Earnings per share (diluted)	(cents)	**290**	27
	The number of shares in issue for this calculation has been adjusted for the effect of the dilutive potential ordinary shares relating to the unexercised options in employee Share Option Schemes 1 and 2 as set out in note 28.3			
27.3	**Headline earnings per share**			
	Profit attributable to equity holders of Bell Equipment Limited	(R'000)	**275 782**	25 576
	Net (surplus) loss on disposal of property, plant and equipment and intangible assets	(R'000)	**(1 202)**	180
	Taxation effect of net (surplus) loss on disposal of property, plant and equipment and intangible assets	(R'000)	**337**	(50)
	Reclassification to profit or loss of foreign currency translation reserve on discontinued operations	(R'000)	**(4 036)**	–
	Headline earnings	(R'000)	**270 881**	25 706
	Weighted average number of shares in issue	('000)	**94 958**	94 958
	Headline earnings per share (basic)	(cents)	**285**	27
27.4	**Headline earnings per share (diluted)**			
	Profit as calculated in 27.3 above	(R'000)	**270 881**	25 706
	Fully converted weighted average number of shares per 27.2 above	('000)	**95 154**	94 960
	Headline earnings per share (diluted)	(cents)	**285**	27

28 SHARE-BASED PAYMENTS

28.1 Employee share option plan

The company currently has two operating employee share option schemes for executives and senior employees. The directors in their sole discretion may from time to time, after giving due consideration to the purpose of the scheme, grant options to employees. The allocation is done according to a formula that recognises responsibility levels and is at the discretion of the chief executive and the board.

The maximum number of shares any employee may acquire in terms of the existing schemes may not exceed 200 000 shares. The options of both schemes have a maximum contractual life of 10 years from the date of award.

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

The options on Scheme 1 are equity-settled, vest immediately and are forfeited on leaving the company. Scheme 2 was approved by the board in December 2009 and share options were granted to employees on 15 February 2010 and 15 April 2011. Five million ordinary shares have been reserved for this scheme. The options on Scheme 2 are equity-settled, each year's allocation of options will vest one third in each period after three years, five years and seven years respectively after the date of grant, and are forfeited on leaving the company.

28 SHARE-BASED PAYMENTS (continued)

28.1 Employee share option plan (continued)

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

Options tranches	Number	Grant date	Expiry date	Exercise price	Fair value at grant date
Scheme 1 – Granted 28 February 2002	17 000	28/02/2002	28/02/2012	R9,00	N/A
Scheme 2 – Granted 15 February 2010 (tranche 1)	993 333	15/02/2010	14/02/2020	R10,48	R5,39
Scheme 2 – Granted 15 February 2010 (tranche 2)	993 333	15/02/2010	14/02/2020	R10,48	R5,83
Scheme 2 – Granted 15 February 2010 (tranche 3)	993 333	15/02/2010	14/02/2020	R10,48	R6,18
Scheme 2 – Granted 15 April 2011 (tranche 1)	510 000	15/04/2011	14/04/2021	R13,06	R7,12
Scheme 2 – Granted 15 April 2011 (tranche 2)	510 000	15/04/2011	14/04/2021	R13,06	R7,71
Scheme 2 – Granted 15 April 2011 (tranche 3)	510 000	15/04/2011	14/04/2021	R13,06	R8,17

28.2 Fair value of share options granted in the year

The fair value of the share options is determined once-off at grant date and is expensed on a straight-line basis over the vesting period. The weighted average fair value of Scheme 2 share options granted on 15 April 2011 was R7,67 (2010: R5,80). Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate of exercise restrictions and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 10 years. It was assumed that executives and senior employees would exercise the options after vesting date when the share price is 2,2 times the exercise price.

Inputs into the model		Grant date 15/02/2010	Grant date 15/04/2011
Grant date share price	(R)	10,30	13,10
Exercise price of the option	(R)	10,48	13,06
Expected volatility of the share price	(%)	41,59	45,26
Contractual life of the option	(years)	10	10
Dividend yield	(%)	0,79	0,67
Risk-free interest rate for the life of the option	(%)	8,88	8,42

28.3 Movements in share options during the period

The following reconciles the share options outstanding at the beginning and end of the year.

	Group			
	2011		2010	
Scheme 1	**Number of options**	**Weighted average exercise price R**	Number of options	Weighted average exercise price R
Balance at beginning of the year	**17 000**	**9,00**	34 000	8,30
Expired during the year	–	–	(17 000)	7,60
Balance at end of the year	**17 000**	**9,00**	17 000	9,00
Scheme 2				
Balance at beginning of the year	**2 795 000**	**10,48**	–	–
Granted and accepted during the year	**1 530 000**	**13,06**	2 980 000	10,48
Forfeited during the year	**(262 500)**	**11,29**	(185 000)	10,48
Balance at end of the year	**4 062 500**	**11,40**	2 795 000	10,48

The share options outstanding at the end of the year under Scheme 1 had a weighted average remaining contractual life of 0,2 years (2010: 1,2 years).

The share options outstanding at the end of the year under Scheme 2 had a weighted average remaining contractual life of 8,5 years (2010: 9,1 years).

Notes to the annual financial statements (continued)

for the year ended 31 December 2011

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
29 CONTINGENT LIABILITIES				
29.1 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 is liable for the full balance due to WesBank by default customers with regard to Bell-backed deals and a portion of the balance with regard to Bell-shared risk deals.				
At year-end the amount due by customers to WesBank for which the group is liable totalled	**67 037**	124 110	**–**	–
In the event of default, the units financed would be recovered and it is estimated that they would presently realise the following towards the above liability	**59 525**	117 294	**–**	–
	7 512	6 816	**–**	–
Less: provision for non-recovery	**500**	4 900	**–**	–
Net contingent liability	**7 012**	1 916	**–**	–
Where customers are in arrears with WesBank and there is a shortfall between the estimated realisation values of units and the balances due by the customers to WesBank, an assessment of any additional security is done and a provision for any shortfall is made.				
29.2 The repurchase of units sold to customers and financial institutions has been guaranteed by the group for an amount of	**1 158**	3 105	**–**	–
In the event of repurchase, it is estimated that these units would presently realise	**1 850**	9 512	**–**	–
Net contingent liability	**–**	–	**–**	–
29.3 The residual values of certain equipment sold to financial institutions have been guaranteed by the group.				
In the event of a residual value shortfall, the group would be exposed to an amount of	**10 316**	12 985	**–**	–
Less: provision for residual value risk	**–**	1 255	**–**	–
Net contingent liability	**10 316**	11 730	**–**	–
The provision for residual value risk is based on the assessment of the probability of return of units.				
29.4 The company provided unlimited suretyship for the overdrafts, short-term borrowings and loans made to subsidiaries	**–**	–	**847 234**	813 290
29.5 Letters of support have been issued by the company to certain of the subsidiaries to the effect that financial assistance would be provided should the subsidiaries be unable to meet their commitments.				
29.6 Retention guarantees have been provided to certain customers for an amount of	**–**	715	**–**	–
29.7 Guarantees have been provided to certain suppliers for an amount of	**–**	10 629	**–**	–

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
30 CAPITAL EXPENDITURE COMMITMENTS				
Contracted	**13 924**	1 135	**–**	–
Authorised, but not contracted	**175 223**	58 240	**–**	–
Total capital expenditure commitments	**189 147**	59 375	**–**	–
This capital expenditure is to be financed from internal resources and long-term facilities.				
31 OPERATING LEASE ARRANGEMENTS				
31.1 Operating lease commitments				
The group has commitments under non-cancellable operating leases as set out below:				
Land and buildings				
Less than one year	**53 883**	45 571	**–**	–
One to five years	**173 473**	148 578	**–**	–
More than five years	**201 084**	200 555	**–**	–
Equipment and vehicles				
Less than one year	**10 768**	9 848	**–**	–
One to five years	**10 452**	6 097	**–**	–
Total operating lease commitments	**449 660**	410 649	**–**	–
31.2 Operating lease receivables				
Non-cancellable operating lease receivables are set out below:				
Equipment and vehicles				
Less than one year	**50 662**	34 588	**–**	–
One to five years	**17 815**	19 913	**–**	–
Total operating lease receivables	**68 477**	54 501	**–**	–

32 RETIREMENT BENEFIT INFORMATION

South African group employees in certain scheduled occupations are required by legislation to join an industrial defined benefit plan. The pension fund is governed by the Pension Funds Act and retirement benefits are determined with reference to the employees' pensionable remuneration and years of service. Sufficient information regarding this multi-employer plan is not available to enable the group to identify its share of the underlying financial position and performance and to account for the plan as a defined benefit plan. The last actuarial review as at 31 March 2008 found the fund to be in a sound financial position.

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

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

The employer contributions to retirement benefit funds were R56 million during the current year (2010: R45 million) and were charged to staff costs in profit and loss.

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

33 FINANCIAL INSTRUMENTS

Financial instruments as disclosed in the statement of financial position include long and short-term borrowings, interest-bearing investments, cash resources, interest-bearing long-term receivables, trade receivables, trade payables and forward foreign exchange contracts.

	Group	
Categories of financial instruments	**2011 R'000**	2010 R'000
Financial assets		
Loans and receivables at amortised cost		
– interest-bearing long-term receivables (including current portion)	**54 981**	74 737
– trade and other receivables	**882 170**	446 787
– cash resources	**122 396**	53 661
Financial assets at fair value through profit or loss	**4 479**	–
Total financial assets	**1 064 026**	575 185
Financial liabilities		
Financial liabilities at amortised cost		
– interest-bearing liabilities (including current portion)	**246 870**	89 149
– trade and other payables	**1 210 210**	699 158
– short-term interest-bearing debt	**281 818**	111 929
Financial liabilities at fair value through profit or loss	**1 820**	4 271
Total financial liabilities	**1 740 718**	904 507

The indebtedness of the subsidiary to the holding company, which amounted to R67 million (2010: R70 million), is categorised as loans and receivables at amortised cost.

Financial risk management

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

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

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

33.1 Capital risk management

The group's overall strategy is to secure the long-term sustainability of the group and to generate cash. This is consistent with the prior year.

The capital structure of the group consists of debt, which includes short-term and long-term borrowings as disclosed in note 17, cash and cash equivalents, all components of equity, comprising issued capital, reserves and non-controlling interest, as disclosed in notes 14 to 16, and retained earnings.

Gearing ratio

The board reviews the capital structure on a regular basis. As part of this review, the board considers the cost of capital and the risks associated with the capital structure.

	Group	
	2011 R'000	2010 R'000
The gearing ratio at the year-end was as follows:		
Short-term and long-term borrowings	**528 688**	201 078
Cash resources	**(122 396)**	(53 661)
Net debt	**406 292**	147 417
Total equity	**1 777 536**	1 418 709
Equity attributable to holders of Bell Equipment Limited	**1 743 979**	1 406 255
Non-controlling interest	**33 557**	12 454
Net debt-to-equity ratio (%)	**23**	10

33 FINANCIAL INSTRUMENTS (continued)

33.2 Liquidity risk

The group manages liquidity risk by management of working capital and cash flows. Banking facilities are constantly monitored for adequacy. The general banking facilities are repayable on demand and their utilisation at 31 December 2011 is as follows:

	Group			
	Facilities 2011 R'000	**Utilisation 2011 R'000**	Facilities 2010 R'000	Utilisation 2010 R'000
General banking facilities	**603 985**	**281 818**	513 290	111 929
Short-term interest-bearing debt comprising bank overdrafts and borrowings on call are unsecured and floating interest rates linked to prime are charged. There are no covenants in place on short-term interest-bearing debt.				
The utilisation at 31 December 2011 on other facilities made available by the Industrial Development Corporation of South Africa are as follows:				
Industrial Development Corporation of South Africa				
Trade finance	**150 000**	**150 000**	150 000	149 150
Interest accrued	**–**	**1 719**	–	961
	150 000	**151 719**	150 000	150 111
Medium-term loan	**150 000**	**150 000**	150 000	–
Interest accrued	**–**	**1 849**	–	–
Total	**300 000**	**303 568**	300 000	150 111

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

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

	Group				
Non-derivative financial liabilities	**Less than one year R'000**	**One to two years R'000**	**Two to three years R'000**	**More than three years R'000**	**Total R'000**
2011					
Secured interest-bearing liabilities	**4 619**	**3 474**	**3 100**	**3 583**	**14 776**
Unsecured interest-bearing liabilities	**32 764**	**121 219**	**38 920**	**87 801**	**280 704**
Trade and other payables	**1 210 210**	**–**	**–**	**–**	**1 210 210**
Short-term interest-bearing debt	**281 818**	**–**	**–**	**–**	**281 818**
Total	**1 529 411**	**124 693**	**42 020**	**91 384**	**1 787 508**
2010					
Secured interest-bearing liabilities	3 911	2 847	1 616	2 159	10 533
Unsecured interest-bearing liabilities	1 350	78 863	–	–	80 213
Trade and other payables	699 158	–	–	–	699 158
Short-term interest-bearing debt	111 929	–	–	–	111 929
Total	816 348	81 710	1 616	2 159	901 833

The following details the group's maturity analysis for its derivative financial instruments.

The table has been drawn up based on the undiscounted gross cash inflows/(outflows) on the derivative instruments that settle on a gross basis.

	Group	
Derivative financial instruments	**2011 R'000**	2010 R'000
Less than one year		
Gross settled forward foreign exchange contracts – imports	**(188 394)**	(141 128)
Gross settled forward foreign exchange contracts – exports	**104 655**	31 987
Total	**(83 739)**	(109 141)

Notes to the annual financial statements (continued)

for the year ended 31 December 2011

33 FINANCIAL INSTRUMENTS (continued)

33.3 Credit risk

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

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

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

The average credit period on sales of goods and services is 30 days (2010: 30 days). Other than in specific circumstances, no interest is charged on overdue balances. An allowance has been made for estimated irrecoverable amounts from the sale of goods and has been determined by reference to past default experience and the value of the underlying security.

With the exception of the credit risk disclosed in note 29.1, the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's and the company's maximum exposure to credit risk. At 31 December 2011, the group and company do not consider there to be any material credit risk that has not been adequately provided for.

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

Included in the group's trade receivable balance are debtors with a carrying amount of R126,6 million (2010: R48,6 million) which are past the original expected collection date (past due) at the reporting date for which the group has not provided against as there has not been a significant change in credit quality and the amounts are still considered recoverable.

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

	Group	
	2011 R'000	2010 R'000
Ageing of past due but not impaired		
60 to 90 days	**42 752**	18 441
90 to 120 days	**39 116**	15 253
120+ days	**44 764**	14 938
Total	**126 632**	48 632
Movement in the allowance for doubtful debts		
Balance at beginning of the year	**20 234**	25 921
Amounts written off as uncollectible	**(7 586)**	(6 654)
Amounts recovered during the year	**(833)**	(420)
(Decrease) increase in allowance	**(2 272)**	1 387
Balance at end of the year	**9 543**	20 234

33.4 Market risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the group's exposure to market risks or the manner in which it manages and measures the risks.

33.4.1 Currency risk

The group undertakes certain transactions denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. The group follows a policy of matching import and export cash flows where possible. The foreign subsidiaries do not hedge their intra-group purchases. The majority of any remaining inward or outward trade exposure is covered forward. In this regard the group has entered into certain forward exchange contracts which do not relate to specific items appearing in the statement of financial position, but which were entered into to cover foreign commitments not yet due.

33 FINANCIAL INSTRUMENTS (continued)

33.4 Market risk (continued)

33.4.1 Currency risk (continued)

The details of contracts held at 31 December 2011 are listed below. These contracts will be utilised during the next six months.

These contracts have been fair valued at the year end as follows:

Group	Foreign amount '000	Rate	Market value in Rands R'000	Fair value gain (loss) R'000
2011				
Import contracts				
Euro	**7 865**	**10,79**	**82 871**	**(2 018)**
Japanese Yen	**179 719**	**9,59**	**18 927**	**193**
United States Dollar	**10 111**	**8,15**	**82 481**	**26**
British Pound	**183**	**12,69**	**2 295**	**(21)**
Export contracts				
Euro	**1 534**	**10,66**	**16 663**	**700**
United States Dollar	**10 519**	**8,39**	**87 543**	**3 779**
2010				
Import contracts				
Euro	1 510	9,23	13 937	(562)
Japanese Yen	558 985	11,99	46 621	(732)
United States Dollar	7 527	6,72	50 581	(460)
British Pound	2 711	11,07	30 011	(1 803)
Export contracts				
Euro	3 514	8,86	31 134	(192)
British Pound	81	10,36	839	3

The group is mainly exposed to the United States Dollar and the Euro. The analysis below details the group's sensitivity to a 20% strengthening or weakening in the South African Rand against all currencies. The analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates. A 20% strengthening or weakening in the South African Rand represents management's assessment of the reasonably possible change in foreign exchange rates.

For a 20% weakening in the South African Rand against all currencies and if all other variables were held constant, the group's:

- profit before taxation for the year ended 31 December 2011 would have increased by R25 million (2010: profit decrease of R13 million); and
- other equity at the year-end would have increased by R34 million (2010: R18 million).

For a 20% strengthening, there would have been an equal and opposite impact on the profit and other equity.

33 FINANCIAL INSTRUMENTS (continued)

33.4 Market risk (continued)

33.4.2 Interest rate risk

The group is exposed to interest rate risk as entities in the group borrow funds at floating interest rates.

Exposure to interest rate risk on borrowings and investments is monitored on a proactive basis.

The group's interest rate profile of borrowings at 31 December 2011, is as follows:

Group	Net overdraft and call balances	Trade finance	Long-term borrowings	Long-term borrowings	Total borrowings
2011					
Borrowings (R'000)	**159 422**	**151 719**	**–**	**246 870**	**558 011**
Rate profile	**Floating**	**Floating**	**Fixed**	**Floating**	
% of total borrowings	**29**	**27**	**–**	**44**	
2010					
Borrowings (R'000)	58 268	150 111	80 213	8 936	297 528
Rate profile	Floating	Floating	Fixed	Floating	
% of total borrowings	20	50	27	3	

The sensitivity analysis below has been determined based on the exposure to interest rates on borrowings at the end of the reporting period.

For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the period was outstanding for the whole year. A 100 basis points increase or decrease is used and presents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher and all other variables were held constant, the group's:

- profit before taxation for the year ended 31 December 2011 would have decreased by R5,6 million (2010: decrease in profit of R1,9 million).

For a 100 basis points decrease, there would have been an equal and opposite impact on the profit.

	Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
34 RELATED PARTY TRANSACTIONS				
Details of transactions between the group and other related parties are disclosed below.				
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.				
Related party relationships exist between certain directors and trading partners. All transactions are carried out on an arm's length basis. The nature and value of the transactions concluded during the year and balances at the year-end are detailed below:				
Shareholders				
IA Bell & Company (Proprietary) Limited				
– interest paid	**–**	15 662	**–**	–
John Deere Construction and Forestry Company				
– sales	**164 250**	61 367	**–**	–
– purchases	**463 444**	398 967	**–**	–
– royalties received	**7 996**	2 677	**–**	–
– royalties paid	**5 697**	2 670	**–**	–
– interest paid	**290**	3 185	**–**	–
– interest received	**132**	–	**–**	–
– amounts owing to – trade and other payables	**78 060**	66 501	**–**	–
– amounts owing by – trade and other receivables	**19 899**	4 235	**–**	–
Enterprises over which directors and shareholders are able to exercise significant influence and/or in which directors and shareholders have a beneficial interest				
Loinette Company Limited				
– property rental paid	**4 650**	4 491	**–**	–
Loinette Company Leasing Limited				
– commission (paid) received	**(1 809)**	851	**–**	–
– amounts owing by	**1 375**	905	**–**	–
Minosucra SARL				
– sales	**8 342**	14 102	**–**	–
– amounts owing to	**–**	43	**–**	–
– amounts owing by	**630**	2 847	**–**	–
Triumph International Madagascar SARL				
– sales	**1 096**	1 534	**–**	–
– amounts owing by	**5**	240	**–**	–
Triumph International Trading Limited				
– sales	**7 563**	10 836	**–**	–
– amounts owing by	**1**	4 057	**–**	–
Tractor and Equipment (Mauritius) Limited				
– sales	**3 889**	3 668	**–**	–
– commission received	**–**	100	**–**	–
– amounts owing by	**617**	892	**–**	–

Notes to the annual financial statements (continued)

for the year ended 31 December 2011

		Group 2011 R'000	Group 2010 R'000	Company 2011 R'000	Company 2010 R'000
34	**RELATED PARTY TRANSACTIONS** (continued)				
	Enterprises over which directors and shareholders are able to exercise significant influence and/or in which directors and shareholders have a beneficial interest (continued)				
	Buttery Family Investments (Proprietary) Limited				
	– management fees paid	**48**	71	**–**	–
	– commission paid	**1**	–	**–**	–
	Ruthbut Investments (Proprietary) Limited				
	– property rental paid	**157**	120	**–**	–
	Castle Crest Properties 33 (Proprietary) Limited				
	– property rental paid	**481**	481	**–**	–
	– amounts owing by	**–**	49	**–**	–
	Matriarch Trading Close Corporation				
	– sales	**–**	14	**–**	–
	– aircraft hire paid	**77**	134	**–**	–
	– other income	**6**	–	**–**	–
	– amounts owing to	**5**	5	**–**	–
	BAC Aviation (Proprietary) Limited				
	– property rental received	**186**	186	**–**	–
	– aircraft hire and related income	**31**	55	**–**	–
	– aircraft rebuild expenses	**467**	279	**–**	–
	– aircraft hangar, maintenance and related expenses	**318**	322	**–**	–
	– amounts owing by	**1**	19	**–**	–
	Bravo Equipment Rental Close Corporation				
	– transport revenue received	**–**	27	**–**	–
	Latin Equipment Group				
	– sales	**28 380**	–	**–**	–
	– amounts owing by	**8 116**	–	**–**	–
	Subsidiaries				
	Bell Equipment Company SA (Proprietary) Limited				
	– management fee received	**–**	–	**150**	150
	– administration fee paid	**–**	–	**476**	471
	– amounts owing to	**–**	–	**233**	–
	– amounts owing by	**–**	–	**66 954**	69 869
	Bell Equipment (Deutschland) GmbH				
	– bank guarantee fee received	**–**	–	**7**	–
	– amounts owing by	**–**	–	**7**	–
	Bell Equipment International SA				
	– bank guarantee fee received	**–**	–	**936**	847
	– amounts owing by	**–**	–	**933**	789
	Bell Equipment Switzerland SA				
	– bank guarantee fee received	**–**	–	**169**	148
	– amounts owing by	**–**	–	**168**	138
	Bell Equipment UK Limited				
	– bank guarantee fee received	**–**	–	**817**	739
	– amounts owing by	**–**	–	**800**	688

Amounts owing by related parties that are in respect of the sale of equipment by the group, are secured by the underlying secondhand equipment. Other amounts outstanding are unsecured. Amounts will be settled in cash.

No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

34 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

The remuneration of executive directors and prescribed officers is reflected on pages 95 to 96.

The remuneration of executive directors and key management is determined by the board having regard to the performance of individuals and market trends.

35 SUBSEQUENT EVENTS

No fact or circumstance material to the appreciation of these annual financial statements has occurred between the financial year-end and the date of this report.

Subsidiaries as at 31 December 2011

SUBSIDIARIES	Business type	Issued share capital 2011 R	Effective holding 2011 %	Interest of Bell Equipment Limited Share of profit (loss) 2011 R'000	Share of profit (loss) 2010 R'000	Book value of shares 2011 R'000	Book value of shares 2010 R'000	Amounts owing by 2011 R'000	Amounts owing by 2010 R'000
Southern Africa									
Bell Equipment Company SA (Proprietary) Limited	O	**2**	**100**	**136 568**	16 037	**16 320**	13 293	**66 721**	69 869
Bell Equipment Sales South Africa Limited	O	**3 000 000**	**70**	**48 279**	22 274	**3 222**	2 386	**–**	–
Bell Equipment Group Insurance Brokers (Proprietary) Limited	D	**–**	**100**	**(10)**	–				
IA Bell Equipment Co Namibia (Proprietary) Limited	O	**4**	**70**	**2 641**	3 697				
Bell Equipment Co Swaziland (Proprietary) Limited	O	**2**	**70**	**(1 679)**	68				
Bell Equipment Finance Company (Proprietary) Limited	D	**–**	**100**	**–**	–				
Other Africa									
Bell Equipment (Zambia) Limited	O	**13 156 134**	**100**	**31 741**	(117)				
Bell PTA (Pvt) Limited	O	**3 903 085**	**100**	**9 901**	5 854				
Bell Equipment (Malawi) Limited	O	**2**	**100**	**(892)**	82				
Bell Equipment Mozambique Limitada	O	**902 792**	**100**	**12 856**	(2 406)				
Bell Equipment (DRC) SPRL	O	**79 355**	**100**	**14 964**	3 063				
Europe									
Bell Equipment International SA	H	**314 361 000**	**100**	**18 305**	(15 371)	**291 029**	279 631	**933**	789
Bell France SAS	O	**35 768 980**	**100**	**2 599**	(2 675)				
Bell Equipment UK Limited	O	**59 720 060**	**100**	**16 839**	(21 274)	**–**	–	**800**	688
Heathfield Haulamatic Limited	D	**–**	**100**	**–**	–				
Bell Equipment Switzerland SA	O	**1 190 883**	**100**	**15 202**	(5 485)	**–**	–	**168**	138
Bell Equipment (Deutschland) GmbH	O	**47 154 150**	**100**	**13 795**	(6 012)	**–**	–	**7**	–
Bell Equipment Spain SA	O	**1 047 870**	**100**	**(2 681)**	(2 472)				
LLC Bell Equipment Russland	O	**1 574 288**	**100**	**4 661**	(515)				
United States of America									
Bell Equipment North America Inc	O	**50 297 760**	**100**	**(1 429)**	(4 782)				
Asia									
Bell Equipment (SEA) Pte Limited	D	**–**	**100**	**(2 996)**	475				
Australasia									
Bell Equipment (NZ) Limited	D	**–**	**100**	**(649)**	117				
Bell Equipment Australia (Proprietary) Limited	O	**25**	**100**	**1 184**	218				
Interest in subsidiary companies						**310 571**	295 310	**68 629**	71 484

D – *Dormant companies*

H – *Holding companies*

O – *Operating companies*

Directors' and prescribed officers' remuneration

for the year ended 31 December 2011

	Salary R	Bonuses R	Pension/ provident fund R	Other benefits and allowances R	2011 Total R	2010 Total R
Paid to directors and prescribed officers of the company by the company and its subsidiaries:						
Executive directors						
GW Bell	**2 099 448**	**824 471**	**120 000**	**139 752**	**3 183 671**	2 083 758
HJ Buttery (retired 6 May 2010)	**–**	**–**	**–**	**–**	**–**	3 225 000
L Goosen	**1 677 452**	**703 129**	**230 549**	**107 496**	**2 718 626**	1 903 969
GP Harris	**563 982**	**260 122**	**85 018**	**97 800**	**1 006 922**	682 800
AR Mc Duling	**1 522 933**	**611 676**	**201 787**	**36 724**	**2 373 120**	1 550 516
KJ van Haght	**1 334 407**	**494 256**	**176 593**	**26 711**	**2 031 967**	1 338 480
Total	**7 198 222**	**2 893 654**	**813 947**	**408 483**	**11 314 306**	10 784 523
Prescribed officers						
Executive A	**2 212 766**	**791 641**	**66 428**	**–**	**3 070 835**	2 071 062
Executive B	**1 205 880**	**530 275**	**174 522**	**136 598**	**2 047 275**	1 415 822
Executive C	**1 486 210**	**633 380**	**206 217**	**129 914**	**2 455 721**	1 662 643
Total	**4 904 856**	**1 955 296**	**447 167**	**266 512**	**7 573 831**	5 149 527

	Retirement grant R	Fees R	2011 Total R	2010 Total R
Non-executive directors				
PJC Horne (retired 7 May 2008)	**147 000**	**–**	**147 000**	147 000
MA Mun-Gavin	**–**	**361 500**	**361 500**	320 000
TO Tsukudu	**–**	**211 000**	**211 000**	171 000
DJJ Vlok	**–**	**404 000**	**404 000**	291 000
JR Barton	**–**	**416 500**	**416 500**	297 500
B Harie (appointed 19 November 2010)	**–**	**224 000**	**224 000**	–
Total	**147 000**	**1 617 000**	**1 764 000**	1 226 500

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

Directors' and prescribed officers' remuneration (continued)

for the year ended 31 December 2011

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

2011	**Balance at beginning of year**		**Granted and accepted 15 April 2011**		**Closing balance at end of year**	
Executive directors and prescribed officers	**Number of options**	**Exercise price**	**Number of options**	**Exercise price**	**Number of options**	**Exercise price**
L Goosen	**100 000**	**10,48**	**–**	**–**	**100 000**	**10,48**
	–	**–**	**50 000**	**13,06**	**50 000**	**13,06**
Total	**100 000**		**50 000**		**150 000**	
GP Harris	**50 000**	**10,48**	**–**	**–**	**50 000**	**10,48**
	–	**–**	**25 000**	**13,06**	**25 000**	**13,06**
Total	**50 000**		**25 000**		**75 000**	
AR McDuling	**15 000**	**9,00**	**–**	**–**	**15 000**	**9,00**
	100 000	**10,48**	**–**	**–**	**100 000**	**10,48**
	–	**–**	**50 000**	**13,06**	**50 000**	**13,06**
Total	**115 000**		**50 000**		**165 000**	
KJ van Haght	**100 000**	**10,48**	**–**	**–**	**100 000**	**10,48**
	–	**–**	**50 000**	**13,06**	**50 000**	**13,06**
Total	**100 000**		**50 000**		**150 000**	
Executive A	**100 000**	**10,48**	**–**	**–**	**100 000**	**10.48**
	–	**–**	**50 000**	**13,06**	**50 000**	**13,06**
Total	**100 000**		**50 000**		**150 000**	
Executive B	**100 000**	**10,48**	**–**	**–**	**100 000**	**10,48**
	–	**–**	**50 000**	**13,06**	**50 000**	**13,06**
Total	**100 000**		**50 000**		**150 000**	
Executive C	**100 000**	**10,48**	**–**	**–**	**100 000**	**10,48**
	–	**–**	**50 000**	**13,06**	**50 000**	**13,06**
Total	**100 000**		**50 000**		**150 000**	
Grand total	**665 000**		**325 000**		**990 000**	

2010	Balance at beginning of year		Granted and accepted 15 February 2010		Closing balance at end of year	
Executive directors and prescribed officers	Number of options	Exercise price	Number of options	Exercise price	Number of options	Exercise price
L Goosen	–	–	100 000	10,48	100 000	10,48
Total	**–**		**100 000**		**100 000**	
GP Harris	–	–	50 000	10,48	50 000	10,48
Total	**–**		**50 000**		**50 000**	
AR McDuling	15 000	9,00	–	–	15 000	9,00
	–	–	100 000	10,48	100 000	10,48
Total	**15 000**		**100 000**		**115 000**	
KJ van Haght	–	–	100 000	10,48	100 000	10,48
Total	**–**		**100 000**		**100 000**	
Executive A	–	–	100 000	10,48	100 000	10,48
Total	**–**		**100 000**		**100 000**	
Executive B	–	–	100 000	10,48	100 000	10,48
Total	**–**		**100 000**		**100 000**	
Executive C	–	–	100 000	10,48	100 000	10,48
Total	**–**		**100 000**		**100 000**	
Grand total	**15 000**		**650 000**		**665 000**	

Shareholder information as at 31 December 2011

Combined register	Number of shareholders	Percentage of total shareholders	Number of shares	Percentage of total issued share capital
ANALYSIS OF SHAREHOLDINGS				
1 – 5 000	1 011	79,29	1 440 290	1,52
5 001 – 10 000	108	8,47	824 870	0,87
10 001 – 50 000	104	8,16	2 415 318	2,54
50 001 – 100 000	14	1,10	998 197	1,05
100 001 – 1 000 000	26	2,04	8 818 865	9,29
1 000 001 – And more	12	0,94	80 460 460	84,73
Total	1 275	100,00	94 958 000	100,00
MAJOR BENEFICIAL SHAREHOLDERS (5% and more of the shares in issue)				
John Deere Construction and Forestry Company			30 000 000	31,59
IA Bell and Company (Proprietary) Limited-pled			17 861 785	18,81
IA Bell and Company (Proprietary) Limited No 2			17 861 784	18,81
In terms of Section 56 of the Companies Act, No 71 of 2008 and Rule 8.63(e) of the JSE Limited, it is confirmed that the above major beneficial shareholders are the direct or indirect beneficial holders.				
TOP TEN HOLDERS INCLUDING FUND MANAGERS				
John Deere Construction and Forestry Company			30 000 000	31,59
IA Bell and Company (Proprietary) Limited-pled			17 861 785	18,81
IA Bell and Company (Proprietary) Limited No 2			17 861 784	18,81
PIC			5 542 766	5,84
Old Mutual			4 480 364	4,72
SBSA			3 682 196	3,88
Discovery			1 619 431	1,71
RMB			1 451 119	1,53
Basfour 3014 CC			1 200 000	1,26
JP Morgan			907 244	0,96
NON-RESIDENTS	52	4,08	32 383 678	34,10
SHAREHOLDER SPREAD				
Non-public	8	0,63	74 531 421	78,49
Directors	4	0,31	8 807 704	9,28
Associates	1	0,08	148	0,00
10% of issued capital or more	3	0,24	65 723 569	69,21
Public	1 267	99,37	20 426 579	21,51
Total	1 275	100,00	94 958 000	100,00
DISTRIBUTION OF SHAREHOLDERS				
Individuals	989	77,57	3 226 280	3,40
Private companies	25	1,96	36 454 617	38,39
Public companies	3	0,24	99 928	0,11
Nominees and trusts	95	7,45	1 106 153	1,16
Close corporations	18	1,41	2 197 720	2,32
Other corporate bodies	44	3,45	30 789 266	32,42
Banks	5	0,39	1 568 085	1,65
Insurance companies	14	1,10	4 493 437	4,73
Pension funds and medical aid societies	27	2,12	6 263 910	6,60
Collective investment schemes and mutual funds	55	4,31	8 758 604	9,22
Total	1 275	100,00	94 958 000	100,00

Shareholder information (continued)

as at 31 December 2011

	Number of shares held Direct beneficial 2011	Indirect beneficial 2011	Associates 2011
DIRECTORS			
GW Bell	120 600	8 671 264	–
GP Harris	–	1 800	–
MA Mun-Gavin	–	10 000	–
L Goosen	4 040	–	–
AR McDuling	–	–	148
Total	124 640	8 683 064	148
TEN PERCENT OR MORE OF SHARES			
John Deere Construction and Forestry Company			30 000 000
IA Bell and Company (Proprietary) Limited-Pled			17 861 785
IA Bell And Company (Proprietary) Limited No 2			17 861 784
Total			65 723 569

STOCK MARKET STATISTICS

		2011	2010
Market price of shares at year-end	(cents)	1 590	1 012
Highest	(cents)	1 610	1 196
Lowest	(cents)	1 000	890
Net asset value per share	(cents)	1 872	1 494
Number of shares traded	('000)	12 597	10 075
Value of shares traded	(R'000)	174 124	102 274

EXCHANGE RATES

The following rates of exchange were used in the preparation of the financial statements:

	31 December 2011 Weighted average	31 December 2011 Year-end	31 December 2010 Weighted average	31 December 2010 Year-end
United States Dollar:Australian Dollar	1,03	1,02	0,92	1,02
United States Dollar:British Pound	1,61	1,54	1,54	1,55
United States Dollar:Euro	1,40	1,29	1,32	1,34
Japanese Yen:United States Dollar	79,50	77,51	87,27	81,40
Malawian Kwacha:United States Dollar	155,73	162,11	149,36	150,00
Mozambique Meticais:United States Dollar	28,54	26,50	34,30	32,15
United States Dollar:New Zealand Dollar	0,80	0,77	0,72	0,77
Russian Ruble:United States Dollar	29,40	32,21	40,91	40,91
South African Rand:United States Dollar	7,25	8,11	7,30	6,64
Singapore Dollar:United States Dollar	1,25	1,30	1,36	1,28
Swiss Franc:United States Dollar	0,88	0,94	1,04	0,94
Zambian Kwacha:United States Dollar	4 848	5 115	4 819	4 780

Glossary

ADT	Articulated Dump Truck
“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
BEEO	Bell Equipment European Operations
BEIO	Bell Equipment International Operations
BESSA	Bell Equipment Sales South Africa Limited
BRIC	Brazil, Russia, India and China
CRM	Customer Relations Management
CSC	Customer Service Centre
CSDP	Central Securities Depository Participant
DRC	Democratic Republic of the Congo
GDP	Gross Domestic Product
IDC	Industrial Development Corporation
IPAP2	Industrial Policy Action Plan 2
ISO	International Standards Organisation
John Deere	John Deere Construction and Forestry Company, a Delaware corporation
LTIFR	Lost Time Injury Frequency Rate
LTRS	Lifetime Revenue Stream
MIDP	Motor Industry Development Programme
NUMSA	National Union of Metalworkers of South Africa
NVC	National Vocational Curriculum
OROA	Operating Return on Assets
SVA	Shareholder Value Add
TMP cycle	Trough, Mid and Peak cycle
TRZFC	Thanda Royal Zulu Football Club

Notice of annual general meeting

BELL EQUIPMENT LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1968/013656/06)
ISIN: ZAE000028304
Share code: BEL
("Bell Equipment" or "the company" or "the group")

Notice is hereby given that the 44th annual general meeting of members of Bell Equipment will be held at the company's registered office, 13 – 19 Carbonode Cell Road, Alton, Richards Bay, KwaZulu-Natal on Monday, 7 May 2012 at 11:00 to attend to the following matters, with or without modification.

The board of directors of the company has determined that the record date for the purposes of determining which shareholders of the company are entitled to receive a notice of the 44th annual general meeting was Friday, 23 March 2012 and the record date for purposes of determining which shareholders can participate in and vote at the annual general meeting is Thursday, 26 April 2012. Accordingly, the last day to trade in the company's shares in order to be recorded on the securities register of the company in order to be able to participate and vote at the annual general meeting is Thursday, 19 April 2012.

MEMORANDUM OF INCORPORATION
Until the Companies Act, No 71 of 2008, as amended, ("Act") came into effect on 1 May 2011, the memorandum of incorporation ("MOI") of the company comprised its memorandum of association and its articles of association. On the date that the Act came into effect, the memorandum of association and articles of association of the company automatically converted into the company's MOI.

Accordingly, for consistency of reference in this notice of annual general meeting, the term "MOI" is used throughout to refer to the company's memorandum of association and its articles of association (which now form the company's MOI, as aforesaid). All references to a provision in the company's MOI in this notice of annual general meeting (including all of the relevant ordinary and special resolutions contained herein) refer to provisions of that portion of the company's MOI that was previously called the company's articles of association.

ORDINARY BUSINESS

1. ORDINARY RESOLUTION 1: Financial statements
To adopt and approve the annual financial statements of the company and the group for the year ended 31 December 2011 that accompanied the notice to the annual general meeting, together with the auditors' and directors' reports therein.

2. ORDINARY RESOLUTION 2: Election of director
To confirm the appointment of R Buchignani who has been appointed by the board of the company since the previous annual general meeting. Brief particulars of the qualification and experience of the abovementioned director are available on page 18 of this report.

3. ORDINARY RESOLUTION 3: Re-election of directors
Re-election of directors in terms of article 94.1 of the company's articles of association by way of separate resolutions:

3.1 To re-elect B Harie as a director.

3.2 To re-elect L Goosen as a director.

3.3 To re-elect K Manning as a director.

who retire by rotation in terms of the company's articles of association at this annual general meeting and, being eligible, make themselves available for re-election. Brief particulars of the qualifications and experience of the abovementioned directors are available on pages 18 to 19 of this report.

4. ORDINARY RESOLUTION 4: Appointment of the members of the audit committee
"Resolved that, pursuant to the requirements of Section 94 of the Companies Act, 2008, as amended, the following non-executive, independent directors of the company be and they are hereby appointed as members of the Audit Committee until the next annual general meeting:

4.1 JR Barton (Chairman).

4.2 DJJ Vlok.

4.3 B Harie.

Brief particulars of the qualifications and experience of the abovementioned directors are available on page 18 to 19 of this report.

5. ORDINARY RESOLUTION 5: Appointment of auditors
To re-appoint Deloitte & Touche as the independent auditors of the company and C Howard-Browne as the individual registered auditor who will undertake the audit for the company for the ensuing year.

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

6. SPECIAL RESOLUTION 1: Financial assistance to related or inter-related companies
"Resolved that the directors, in terms of and subject to the provisions of Section 45 of the Companies Act, No 71 of 2008 ("the Act"), are hereby authorised to cause the company to provide any financial assistance, whether by lending money, guaranteeing a loan or other obligation and/or securing any debt or obligation, to any of its subsidiary companies or other related or inter-related companies, during the period 1 January 2013 to 31 December 2013."

Reason and effect
This resolution is required in order to comply with the requirements of Section 45 of the Act as read with Section 7(6) of the transitional arrangements which are set out in Schedule 5 of the Act. In terms of the said provisions, a company cannot render financial assistance to a related or inter-related company or corporation unless the board of the company is authorised thereto either in terms of an employee share scheme that satisfies the requirements of Section 97 of the Act, or pursuant to a special resolution of the shareholders. It is the intention that the company should be authorised to render financial assistance to its subsidiary companies or other related or inter-related companies from time to time and to facilitate this by way of a general authority, for which a special resolution is required.

7. **SPECIAL RESOLUTION 2: Basis of remuneration payable to non-executive directors for the period 1 January 2013 to 31 December 2013**

"Resolved that the directors' fees payable to the non-executive directors of the company, for the period 1 January 2013 to 31 December 2013, will be determined by reference to the following:

MA Mun-Gavin	R255 440
JR Barton	R140 400
B Harie	R61 020
TO Tsukudu	R61 020
DJJ Vlok	R140 400

Fees to be paid per meeting:	
Board	R23 760
Audit Committee	R15 120
Risk and Sustainability Committee	R11 880
Nominations and Remuneration Committee	R15 120
Bell Audit Services Committee	R7 560

In addition to the board meeting fee of R23 760, the Chairman shall be entitled to an additional fee of R14 040 per board meeting.

The three other non-executives on the board are John Deere Construction and Forestry Company representatives and have waived the payment of directors' fees to them.

Reasons and effect
This special resolution is required in order to comply with the requirements of the Act which came into effect on 1 May 2011. In this respect, Section 65(11) (h) provides that a special resolution is required to authorise the basis for compensation to directors of a profit company, as required by Section 66(9). Section 66(9) provides that remuneration may be paid to its directors for their services as directors only in accordance with a special resolution approved by the shareholders within the previous 2 (two) years.

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

The company's annual general meeting is held in 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.

8. **SPECIAL RESOLUTION 3: Repurchase of shares**

"Resolved that the board of directors of the company is hereby 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, No 71 of 2008 ("the Act"), as the case may be, the MOI of the company and the Listings Requirements of the JSE Limited ("JSE") being that:

- the general repurchase of ordinary shares in the aggregate in any one financial year may not exceed 20% (twenty per cent) of the company's issued ordinary share capital as at the beginning of the financial year;
- the general repurchase of securities will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party (reported trades are prohibited);
- authorisation thereto has been given by the company's MOI;
- this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- general repurchases may not be made at a price greater than 10% above the weighted average of the market value for the securities for the 5 (five) business days immediately preceding the date on which the transaction is effected. The JSE should be consulted for a ruling if the applicant's securities have not traded in such five day 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 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% in aggregate of the number of issued shares in the company at the relevant times;
- the company or its subsidiary may not repurchase securities during a prohibited period as defined in the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period; and
- when the company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement will be made.

The directors undertake that the company will not commence a general repurchase of shares as contemplated above unless the following can be met:

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

Reason and effect
The reason and effect for special resolution 3 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 effect the provisions of special resolution 3 but will, however, continually review the company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of special resolution 3.

Other disclosures in terms of Section 11.26 of the JSE Listings Requirements
The JSE Listings Requirements require the following disclosures for purposes of the general authority to repurchase the company's shares, some of which appear elsewhere in the integrated report of which this notice forms part.

Directors and management – pages 18, 19, 30 and 31;

Major shareholders of the company – page 97;

Directors' interests in securities – page 98;

Share capital of the company – page 97.

Litigation statement
In terms of Section 11.26 of the JSE Listings Requirements, the directors, whose names are given on page 33 of the integrated report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous twelve months, a material effect on the group's financial position.

Directors' responsibility statement
The directors, whose names are given on page 33 of the integrated report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution 3 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 law and the JSE Listings Requirements.

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

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

INFORMATION SCHEDULE

Proxies/representation at the meeting

Members who have not dematerialised their shares or who have dematerialised their shares with "own name" registration who are unable to attend the meeting, are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a member. Proxy forms must be received by the Group Company Secretary at the registered office of the company at 13 – 19 Carbonode Cell Road, Alton, Richards Bay or posted to Private Bag X20046, Empangeni, 3880 or the company's share transfer secretaries, Link Market Services SA (Proprietary) Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein or posted to PO Box 4844, Johannesburg, 2000 by 11:00 on Friday, 4 May 2012. Proxy forms must only be completed by members who have not dematerialised their shares or who have dematerialised their shares with "own name" registration. Any forms of proxy not received by this time must be handed to the Chairperson of the annual general meeting immediately prior to the meeting.

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

Members who have dematerialised their shares, other than those members who have dematerialised their shares with "own name" registration, should contact their Central Securities Depository Participant ("CSDP") or broker in the manner and time stipulated in their agreement:

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

Equity securities held by a share trust or scheme will not have their votes taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

IDENTIFICATION

Pursuant to the requirements of Section 62(3) of the Companies Act, No 71 of 2008, as amended ("the Act"), notice is hereby given that in terms of Section 63(1) of the Act, shareholders and proxies who attend the annual general meeting will be required to provide satisfactory identification.

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.

ELECTRONIC COMMUNICATION

With regard to Section 61(10) of the Act, any shareholder or proxy eligible to attend the annual general meeting but unable to do so, may make arrangements with the company to be connected to the meeting via a teleconference facility. Should any shareholder or proxy wish to use this facility, they should contact the Group Company Secretary, P van der Sandt, telephone +27 35 907 9212 by no later than 11:00 on Friday, 4 May 2012, so as to be advised of the relevant dial-in requirements.

P van der Sandt
Group Company Secretary

13 March 2012

Notes

Form of proxy

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")

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

An ordinary shareholder entitled to attend and vote at the annual general meeting to be held in the visitors' centre of Bell Equipment Limited, 13 – 19 Carbonode Cell Road, Alton, Richards Bay, KwaZulu-Natal on Monday, 7 May 2012 at 11:00, 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.

All forms of proxy must be received by the Group Company Secretary at the registered office of the company at 13 – 19 Carbonode Cell Road, Alton, Richards Bay or posted to Private Bag X20046, Empangeni, 3880 or by the company's share transfer secretaries, Link Market Services SA (Proprietary) Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein or posted to PO Box 4844, Johannesburg, 2000 by 11:00 on Friday, 4 May 2012.

I/ We (please print full names)

of (address)

being an ordinary shareholder(s) of the company holding ordinary shares in the company, hereby appoint:

1. or failing him/her

2. or failing him/her

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

		For	Against	Abstain
1.	**Ordinary resolution 1** Adoption of annual financial statements			
2.	**Ordinary resolution 2** To elect R Buchignani who has been appointed as a director by the board of the company since the previous annual general meeting			
3.	**Ordinary resolution 3** To re-elect directors who retire in terms of article 94.1 of the company's articles of association: **3.1** B Harie **3.2** L Goosen **3.3** K Manning			
4.	**Ordinary resolution 4** Appointment of the following independent non-executive directors as members of the Audit Committee until the next annual general meeting: **4.1** JR Barton (Chairman); **4.2** DJJ Vlok; **4.3** B Harie			
5.	**Ordinary resolution 5** Appointment of auditors			
6.	**Special resolution 1** Approval for the granting of financial assistance in terms of Section 45 of the Companies Act, No 71 of 2008, as amended			
7.	**Special resolution 2** Approval of the fees of non-executive directors			
8.	**Special resolution 3** General authority to repurchase shares			

* *Please indicate with an "X" in the appropriate spaces above how you wish your votes to be cast. Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.*

Signed at (place) on (date) 2012

Member's signature assisted by (if applicable)

Notes to the form of proxy

In accordance with Section 59 of the Companies Act, No 71 of 2008, a person who holds ordinary shares in Bell Equipment ("member") is entitled to attend and vote at the annual general meeting and to appoint one or more proxies to attend, speak and vote in his/her stead or give or withhold written consent on behalf of the shareholder to a decision contemplated in Section 60 of the Act.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Chairperson of the annual general meeting shall be entitled to decline or accept the authority of a person signing the proxy form:

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

unless his power of attorney or authority is deposited at the offices of the Group Company Secretary or that of the transfer secretaries not 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
Bell Equipment Limited
Private Bag X20046
Empangeni
3880

or the company's share transfer secretaries:

Link Market Services SA (Pty) Limited
PO Box 4844
Johannesburg
2000

by no later than 11:00 on Friday, 4 May 2012.

Any forms of proxy not received by this time must be handed to the Chairperson of the annual general meeting immediately prior to the meeting.

Shareholders' diary

Financial year-end	31 December
Integrated report	March 2012
Annual general meeting	Monday, 7 May 2012
Interim results announcement	August 2012

Corporate information

GROUP CHIEF EXECUTIVE
Gary Bell
Tel: +27 (0)35 907 9111
garyb@bell.co.za

GROUP COMPANY SECRETARY
Pieter van der Sandt
Tel: +27 (0)35 907 9212
pieterv@bell.co.za

BUSINESS ADDRESS
13 – 19 Carbonode Cell Road
Alton
Richards Bay, 3900

AUDITORS
Deloitte & Touche
Tel: +27 (0)35 789 1912
Fax: +27 (0)35 789 1919

ATTORNEYS
Chapman Dyer Inc

SHARE CODE
BEL

WEB ADDRESS
www.bellequipment.com

INVESTOR RELATIONS
www.bellir.co.za

COMPANY REGISTRATION NUMBER
1968/013656/06

ISIN CODE
ZAE000028304

GROUP FINANCE DIRECTOR
Karen van Haght
Tel: +27 (0)35 907 9111
karenv@bell.co.za

POSTAL ADDRESS
Private Bag X20046
Empangeni, 3880
South Africa

SHARE TRANSFER SECRETARIES
Link Market Services South Africa (Proprietary) Limited
13th Floor
Rennie House
19 Ameshoff Street
Braamfontein
PO Box 4844
Johannesburg, 2000

Tel: +27 (0)11 713 0800
Fax: +27 (0)86 674 4381

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