



ELB GROUP

***INTEGRATED
ANNUAL REPORT
2011***

Integrated annual report



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Review of operations

SCOPE AND BOUNDARY

Following the recommendations of the King Report on Corporate Governance for South Africa 2009 ("King III"), the ELB board looks beyond the interests of the company and its shareholders, taking into account the concerns and issues of its wider stakeholder environment.

This integrated annual report covers the activities of ELB businesses based in Africa and Australasia focusing on group strategy, risks, opportunities and performance. The sustainability practices of ELB are integrated and managed consistently in all operations. The report of the audit and risk committee included in this integrated annual report confirms that the committee is satisfied that the sustainability information is reliable and consistent with the financial results.

This report deals fully with disclosures considered material to this report including the annual financial statements, auditors' responsibilities, accounting records, internal control, group strategy, risk management, accounting policies, adherence to accounting standards, going concern issues and adherence to codes of governance and the JSE Listings Requirements.

BOARD STATEMENT REGARDING THE ELB GROUP INTEGRATED ANNUAL REPORT

The board of directors ("board") of ELB Group Limited acknowledges its responsibility to ensure the integrity of the integrated annual report. The board has accordingly applied its mind to the integrated annual report and to the best of its knowledge and belief the integrated annual report addresses all material issues including sustainability, and presents fairly the integrated performance of the organisation. The integrated annual report has been prepared in line with best practice pursuant to the recommendations of King III. The board authorized the integrated annual report for release on 20 October 2011.

AG Fletcher

Executive Chairman

DG Jones

Financial Director

ELB GROUP STRATEGY AND ACTIVITIES

ELB Group's strategic focus is on being a total solutions provider to the mining, minerals, power, port, construction and industrial sectors in the field of materials handling and appropriate modular process plants. This is achieved through ELB generated innovation, in-house capability and the supply, with world class partners, of equipment and technology. The group operates in Africa and Australasia.

ELB is an investment holding company owning 85 percent of ELB Engineering Limited ("ELB Engineering Group") with the remaining 15 percent owned by the ELB Educational Trust established as the group's BEE partner promoting the education of historically disadvantaged South Africans, specifically in engineering disciplines.

ELB ENGINEERING GROUP

ELB EQUIPMENT has a number of locally designed and manufactured products and represents internationally renowned manufacturers whose products are designed to meet industrialized first-world standards. Operating in three specialized divisions, each with responsibility for specific products, it provides a streamlined and professional service that can offer the industry a wide selection of products.

Construction Equipment

- Ditch Witch Trenching & Directional Drilling Equipment
- MST Backhoe Loaders
- Mitsubishi Motor Graders
- Sakai Compaction Equipment
- Mustang Skid Steer Loaders
- Mustang Telescopic Handlers
- Terex Construction Equipment
- McGirr Brick Making Machines

Earthmoving Equipment

- Kawasaki Wheel Loaders
- Sumitomo Tracked Excavators

Mining/Quarrying Equipment

- Allu-SM Screener-Crusher Buckets
- Furukawa Drill Rigs
- Furukawa Hydraulic Breakers
- Taurus Heavy Duty Rotary Barrel Screens **
- ELB Static & Mobile Conveyors **
- Powerscreen-Pegson Mobile & Static Crushing Plants
- Oresizer Vertical Shaft Impact Crushers **
- Powerscreen Mobile & Static Screening Plants
- McGirr Brick Making Machines
- Tecman Underground and Surface Boom Systems
- Telestack conveyor systems

** Designed and manufactured by ELB Equipment

In order to service its customer base effectively, ELB Equipment based in Boksburg has branches in Cape Town, Durban, Kimberley, Kathu, Brits, George, Middelburg and Wolmaransstad as well as a well-established dealer network throughout South Africa and other Southern African states. In addition to offering parts and field service round-the-clock, a large centralized and fully equipped refurbishing facility is available for rebuilding and refurbishing of ELB Equipment products.

DITCH WITCH AUSTRALIA is an importer and distributor of underground and utility construction equipment.

Product lines include

- Ditch Witch Trenching and Directional Drilling Equipment, Compact Utility Equipment Vacuums and Electronic Pipe and Cable Locators.

Review of operations

(continued)

- Stanley Hydraulic Power Packs and Tools
- Trenchmaster Mini Trencher
- Bedmaster Bed Defining Machines
- Belle Concrete and Mortar and Compaction Equipment
- Akkerman Inc. Microtunnelling, Pipe Jacking Tunneling products
- Komptech GMBH commercial composting and alternative fuel processing machinery, mobile diesel and electric powered equipment to shred, sort, sift and windrow turn organic material for the production of compost and biomass alternative organic based fuel from green waste, forestry residue and organic industrial waste products.

Markets served in Australia are gas, water, sewage, electricity, communications, the Defence Forces, Green Waste Recycling, Commercial and Industrial Waste Disposal and Biomass Alternative Fuel Production.

Ditch Witch Australia distributes direct through sales and service offices in Sydney, Melbourne, Adelaide, Perth and Brisbane.

Ditch Witch New Zealand commenced operations in Mount Wellington, Auckland, New Zealand in May 2011 and is the importer and distributor of Ditch Witch, Akkerman and Komptech equipment. Ditch Witch New Zealand is a joint venture in which the Group has a 72% indirect interest. Ditch Witch New Zealand operates as an extension of the Australian operations with all head office functions based in Sydney, Australia.

ELB Equipment Pty Limited has purchased 7000 square metres of industrial land for development of a new head office and main warehouse for Ditch Witch Australia. Development of a new 2400 square metre tilt-up warehouse, workshop and office facility is expected to be completed and operating in February 2012. This facility will ease congestion in the Minchinbury facility which is the main import and distribution hub for Ditch Witch Australia operations.

ELB ENGINEERING SERVICES The business focuses on the supply of a total engineered materials handling solution and appropriate modular process plants to the mining, minerals, industrial, port and power sectors based on its own in-house capability as well as technology agreements with world class product and know how companies. The ability of providing a total logistics solution from mine to port has become an integral part of the business.

Bulk Materials Handling

Augmenting the in-house expertise base, ELB Engineering Services has an exclusive licence for sub equatorial Africa with FAM, Germany. The capability encompasses the supply of turnkey packages from run of mine tip to ship loading including all conveyor options, stockyard equipment, in plant infrastructure, port equipment and simulation modelling.

THOR, based in Canada, work exclusively with ELB in sub equatorial Africa to provide the world class mobile telescopic radial

luffing stacker. The capabilities of this equipment are unique in the Southern African region with regards to flexibility and capability.

Tasman Warajay Technology, based in Australia, provide world class design of chutes and bin flow to ELB via an exclusive agreement.

Fine Powder Handling

ELB Engineering Services' capability for the supply of most types of pneumatic conveying is supported by the world class technology from Claudius Peters. Claudius Peters provides the vast majority of equipment required for the grinding, handling, cooling, mixing, storing and out loading in the Cement, Lime, Ash, Alumina and Gypsum industries. Claudius Peters is considered a world leader in providing total solutions into the above industries.

Cyclonaire, from the USA, provide specialized pneumatic conveying booster technology via ELB in the region.

Modular Plants

EPE is a joint venture between ELB Engineering Services and PBA Projects (Pty) Limited from Cape Town, to provide the modular process plant into the total solution for this business.

Life extension Services

ELB Engineering Services have developed a leading capability into the assessment, engineering, and refurbishment of bulk materials handling equipment.

Ports of Africa

ELB Engineering Services formed a joint venture with A Cubed to address total port solutions to the African Market. This entity covers aspects from logistical studies through to the implementation of the total engineering port solution.

ELBCON

In order to support the projects department ELB established its in house construction company. ELB can now control the quality of its erection, a risk which has been increasing in the recent past.

AFTER SALES SERVICE

In order to further strengthen the group's ability to maintain and improve service levels in Africa it has been investing in new custom designed facilities. A second such service centre has recently been completed in Atlas Road, Boksburg, with an upgrade of a newly purchased service centre in Durban.

A property has recently been purchased in Middelburg and construction has commenced on a new service facility. It is expected to be finished in the second half of 2011 and will serve the growing demand for our products and services in the region.

PRODUCT DEVELOPMENT

ELB has recently developed a new "M" Range of modular plant comprising of a full range of modular/movable crushing, screening, conveying, stacking, beneficiation plants and control rooms.

Review of operations

(continued)

SEVEN YEAR FINANCIAL REVIEW

FINANCIAL INFORMATION

	2011 R 000	2010 R 000	2009 R 000	2008 R 000	2007 R 000	2006 R 000	2005 R 000
Sales	1 308 804	1 241 323	1 245 817	1 096 173	983 361	693 681	574 627
Operating costs excluding depreciation, amortisation, fair value adjustments to property, plant and equipment and abnormal items	(1 195 789)	(1 154 235)	(1 170 147)	(993 579)	(915 304)	(663 333)	(556 770)
Operating profit before depreciation, amortisation, fair value adjustments to property, plant and equipment and abnormal items	113 015	87 088	75 670	102 594	68 057	30 348	17 857
Depreciation, amortisation and fair value adjustments to property, plant and equipment	(6 402)	(4 837)	(5 108)	(4 184)	(4 476)	(6 495)	(7 051)
Operating profit before abnormal items	106 613	82 251	70 562	98 410	63 581	23 853	10 806
Abnormal items (refer also to note 2 below)	(8 212)	431	4 232	1 206	(3 824)	(12 829)	3 631
Operating profit	98 401	82 682	74 794	99 616	59 757	11 024	14 437
Finance income	25 267	11 894	27 953	21 886	12 198	6 571	8 163
Finance expenses	(6 272)	(5 162)	(9 717)	(9 034)	(5 687)	(4 940)	(3 487)
Profit before income tax	117 396	89 414	93 030	112 468	66 268	12 655	19 113
Income tax expense	(39 317)	(26 974)	(29 562)	(34 709)	(27 618)	(10 776)	(3 983)
Profit for the year	78 079	62 440	63 468	77 759	38 650	1 879	15 130
Attributable to:							
Ordinary shareholders of ELB	67 202	54 789	55 526	68 007	30 386	1 871	14 486
Non controlling interests in subsidiaries	10 877	7 651	7 942	9 752	8 264	8	644
	78 079	62 440	63 468	77 759	38 650	1 879	15 130
Headline earnings	67 350	51 042	51 296	66 757	30 207	12 079	7 558
Ordinary dividends paid (note 3 below)	11 188	8 371	13 514	10 969	5 455	2 725	6 829

OTHER STATISTICS

	2011	2010	2009	2008	2007	2006	2005
Ordinary shares in issue at the year end (excluding treasury shares)	25 058 969	24 746 269	27 017 602	27 456 862	27 406 133	27 151 554	27 354 649
Net asset value per ordinary share (cents)	1 550	1 286	1 078	961	704	597	589
Headline earnings per ordinary share (cents)	271,1	195,6	189,1	243,2	110,9	44,2	27,6
Interim and final dividends for the year per ordinary share (cents)	55	42	30	60	30	15	10
Ordinary dividend cover (times) (based on headline earnings)	4,9	4,7	6,3	4,1	3,7	2,9	2,8
Internal return to ordinary shareholders - dividends paid plus increase in net asset value per share (% per annum)	24,4	22,6	17,9	43,2	21,6	3,1	12,8

Notes

- The financial information in this review includes both continuing and discontinued operations.
- During the seven year period the following entities were sold:
 ELB Timber Products (Pty) Limited (ELB Timber Products) with effect from 31 May 2008 (2008 financial year)
 ELB Ultrabord (Pty) Limited (ELB Ultrabord) with effect from 29 February 2008 (2008 financial year)
 ELB McWade Electrical (Pty) Limited (ELB McWade) with effect from 30 September 2004 (2005 financial year)
 The results of those operations are included to their dates of disposal. Profits and losses on disposal are included in abnormal items.

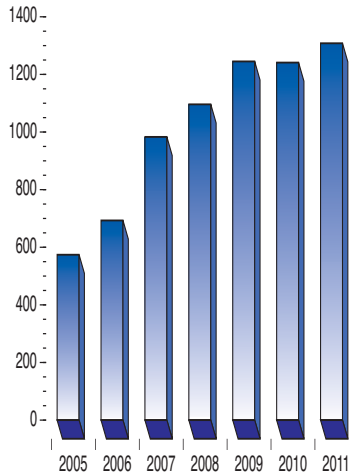
 In 2010 the abnormal items in the review above include profit on realisation of non current assets held for sale, R3 609 000, which is reported separately in the income statement.
- The amounts for ordinary dividends paid are the ordinary dividends declared and paid during the year.

Review of operations

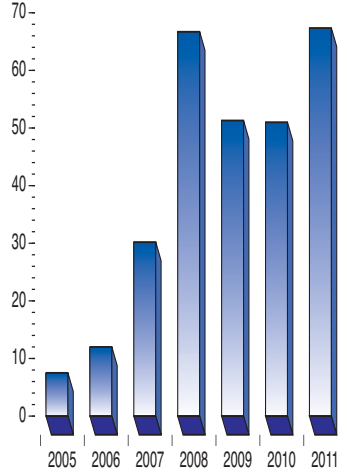
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FINANCIAL PERFORMANCE

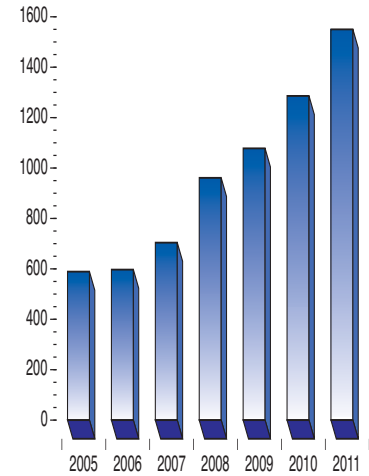
Sales (R millions)



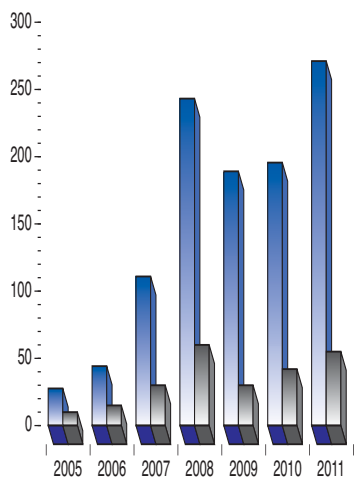
Headline earnings (R millions)



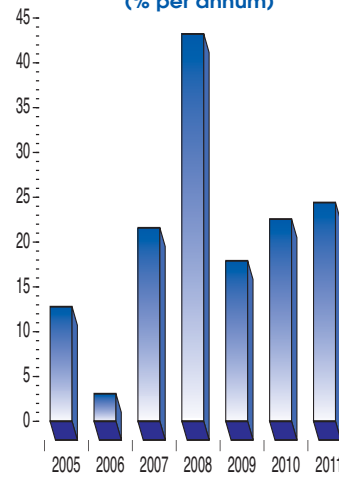
Net asset value per ordinary share (cents)



Headline earnings and dividends per ordinary share (cents)



Internal return to ordinary shareholders – dividends paid plus increase in net asset value (% per annum)



ENGINEERED TO DELIVER



Review of operations

(continued)

PERFORMANCE

Financial

Readers' attention is drawn to the financial information contained on pages 4 and 5 and forming part of this integrated annual report.

The ELB Group has once again produced satisfactory results considering that trading conditions remained difficult during the period.

The 5,4 percent increase in turnover for the year from R1 241 million in 2010 to R1 309 million in 2011 reflects the improved demand across the full range of products and services offered by ELB.

The net asset value (NAV) per share attributable to ordinary shareholders increased by 20,5 percent from 1 286 cents in 2010 to 1 550 cents in 2011.

Headline earnings per share for the year of 271,1 cents per share (2010 – 195,6 cents per share) represents an increase of 38,6 percent.

Attracting and retaining key executives remains a high priority for the ELB Group. To that end some 2,9 million new options were offered to key executives in terms of a new, recently approved, share option scheme. An abnormal cost is reported for the year of R8,2 million (2010 – R3,2 million) in respect of options granted. Although this charge had a 33,1 cents per share (2010 – 12,2 cents per share) effect on headline earnings it had no effect on NAV.

The balance sheet remains strongly liquid ensuring the going concern status of the group. Cash flow for the year was strongly positive and cash flow management remains a high priority for the group. ELB works closely with bankers, suppliers and customers to ensure we continue to retain a strong balance sheet at all times.

Dividends

ELB will retain its current conservative approach to dividend distribution until the service centre upgrades are completed and which are currently being funded largely from internal cash flow. Thereafter consideration will be given to reducing the dividend cover.

Your directors have agreed to declare a final dividend of 40 cents (2010 – 30 cents) per ordinary share. The total dividend for the year is therefore 55 cents per share versus 42 cents per share for the 2010 financial year, representing an increase of 31 percent.

RISKS AND OPPORTUNITIES

Risks

The principal risks facing group activities revolve around:-

- Cancellation of any of the group's product distribution agreements.
- Termination of any of the group's agreements with know how partners.

- Loss to the group of any of the key senior executives.
- Our client base being negatively affected for whatever reason and therefore no longer demanding our products and services.
- Our products or know how becoming obsolete.
- Health and safety.
- Incompetence or negligence on ELB's behalf.
- Failure of our clients to meet their financial obligations to ELB.

Opportunities

The principal opportunities revolve around:-

- The growing demand for material handling solutions in Africa and Australasia as a result of the increasing demand for natural resources.
- Assisting clients to improve their operational performance and therefore be better positioned to meet their sustainability targets.
- Identifying our client's future requirements and being able to respond with new or improved technologies.
- Providing excellent after sales service to our clients.

STRATEGIC OBJECTIVES

In response to ELB's risks and opportunities ELB has focused on:-

- Hiring competent, innovative executives capable of responding to the challenges facing our clients and prospective clients.
- Contributing to the education of historically disadvantaged South Africans.
- Continuing to add new products and know how to the group.
- Investing in the development of new innovative proprietary equipment and technologies.
- Maintaining appropriate health and safety standards.
- A strong liquid balance sheet enabling the group to withstand major financial dislocations and at all times be able to meet commitments to suppliers and customers.
- Maintain a long term (five years or more) internal rate of return to ordinary shareholders above 20% per annum.

FUTURE PERFORMANCE

Future performance will rely on continued investment by the group's traditional customer base in our products and services.

The strategy followed by the group over the last five years has provided stakeholders with excellent returns considering the significant down turn experienced since 2008. The strategy will, it is believed, continue to position ELB to take full advantage of the opportunities on offer during the next five years.

Notwithstanding the unusually high level of volatility and economic uncertainty that hangs over the world at present ELB is experiencing acceptable levels of activity both in Africa and Australasia and ELB is currently in negotiations for a number of large projects in Africa. The outcome of these negotiations will be known during the coming year.

Review of operations

(continued)

BOARD OF DIRECTORS

Executive

Anthony Garth Fletcher (59) ‡

BCom, CA(SA)

Chairman of the board

Appointed chairman of the board May 2006

Appointed to the board in 1996

Also served as chairman from 1998 – 2003

Peter John Blunden (56)

BCom

Chief executive – ELB Equipment

Appointed to the board in 2002

Joined the group in 1978

David Graham Jones (66)

HDip Tax, MBA, CA(SA), FCIS

Appointed financial director in May 2011

Joined the group in 1995

Dr Stephen John Meijers (50)

PhD (Mech Eng), BSc (Mech Eng), MAP (Wits)

SEP (Wits/Harvard)

Chief executive – ELB Engineering Services

Appointed to the board in 2006

Joined the group in 1990

Mollo Victor Ramollo (56)

BSc (Elec Eng)

Appointed to the board in 2003

Non Executive

Theunis de Bruyn (43) ¥ ‡ # ≠

BCom, CA(SA)

Appointed to the board in 2005

Dr John Paul Herselman (68) ¥ ‡ # ≠

Dr Ing, Dipl Ing, BSc (Chem Eng)

Appointed to the board in 1986

Ian Alan Richard Thomson (68) ¥ ≠

BCom, CA(SA)

Appointed to the board in September 2010

¥ Member of the audit committee

‡ Member of the remuneration committee

Member of the nominations committee

≠ Independent

GOVERNANCE STRUCTURE

The group is committed to the highest standards of business integrity, ethical values and professionalism in all its activities. As an essential part of this commitment the board endorses and complies with the principles embodied in the King Report on Corporate Governance for South Africa 2009 other than as disclosed. The group's approach to corporate governance seeks to balance conformance with governance principles while generating superior performance to justify shareholders' expectations. Where the board has assessed that recommended practices are not in the best interests of ELB or where the group has not fully implemented the principles, this report follows King III in explaining the reasons for an alternative approach to governance or indicates when the group is expected to comply with a principle. A list of these King III principles and the explanations are included on page 10 of the integrated annual report.

CODE OF ETHICS AND CORPORATE CONDUCT

A Code of Ethics, requiring all directors and employees of the group to maintain the highest ethical standards in their dealings with each other and other stakeholders in the conduct of its business has been endorsed by the board and distributed throughout the group.

BOARD OF DIRECTORS

The group has a unitary board structure. In line with the best practice and to meet the Listings Requirements of the JSE, essentially the roles of the chairman and the senior executive directors have been separated. The board is chaired by Mr AG Fletcher, whilst the executive management of the operations conducted by the group is the responsibility of the chief executive officers of the operating subsidiaries. This ensures a balance of authority and precludes any one director from exercising unfettered powers of decision-making. In May 2010 the board appointed Mr T de Bruyn to the position of lead independent director and in September 2010 the appointment of Mr IAR Thomson as an independent non-executive director was confirmed. Mr DG Jones was appointed financial director in May 2011 to comply with JSE Listings Requirements.

At the date of this report, the board of directors comprised eight members of whom three are independent non-executive directors whilst the remaining five members are executive directors. The nominations committee continues to review the situation regarding the composition of the board of directors. The search for suitable non-executive director candidates continues.

Meetings are held at least five times a year, appropriately timed to review quarterly results and the budget for the forthcoming year. The agenda includes, as necessary, strategic and sustainability considerations, identification, measurement and management of risk, acquisitions of significance, investment policy and areas of concern. Additional board meetings may be convened as and when necessary.

The board has established a number of committees in which the non-executive directors play an active role and which operate within the defined terms of reference laid down by the board. All committees are chaired by an independent non-executive director. All committees have met their responsibilities during the year in compliance with their terms of reference.

Review of operations

(continued)

BOARD MEETING ATTENDANCE

Name	Board					
	2010			2011		
	July	Sept	Nov	Mar	May	July
AG Fletcher	√	√	√	√	√	√
PJ Blunden	√	√	X	√	√	√
T de Bruyn	√	X	√	√	√	√
JP Herselman	√	√	√	√	√	√
DG Jones	0	0	0	0	√	√
SJ Meijers	√	√	√	√	√	√
MV Ramollo	√	√	√	√	√	√
IAR Thomson	N/A	N/A	√	√	√	√

- √ In attendance
 N/A Not applicable
 0 Attended meeting by invitation
 X Submitted apologies and was granted a leave of absence in terms of the Company's Memorandum of Incorporation

COMPANY SECRETARY

All the directors have access to the advice and services of the company secretary, who is responsible to the board for ensuring compliance with procedures and applicable statutes and regulations. The directors and company secretary may, in appropriate circumstances, take independent professional advice at the Company's expense.

All directors have full and timely access to all information that may be relevant to the proper discharge of their duties and obligations, thus enabling the board to function effectively.

THE AUDIT AND RISK COMMITTEE

The audit and risk committee operates in terms of a mandate from the board to review the integrated annual report inclusive of the financial statements, the appropriateness of the group's accounting and disclosure policies, compliance with International Financial Reporting Standards and the effectiveness of internal controls. The audit and risk committee is also responsible for considering the appropriateness of the expertise and experience of the financial director and the finance and accounting function on an annual basis, and has satisfied itself of such appropriateness.

In keeping with this policy, KPMG Inc (KPMG) has been appointed as external auditor whilst BDO Risk Advisory Services (Pty) Ltd (BDO) has been appointed to fulfill the role of internal auditor within the ELB Equipment Holdings Limited subgroup whilst experienced professionals in the field of contract management and accounting are utilized to evaluate the risks inherent in the business of ELB Engineering Services Proprietary Limited and conduct appropriate internal audit tests. Expert advice on non-audit issues is normally obtained from other third party professionals save where the use of either KPMG or BDO is deemed more appropriate and no conflict with the respective external and internal audit roles is evident.

The members of the audit and risk committee are the independent non-executive directors Messrs. T de Bruyn and IAR Thomson and Dr JP Herselman. Mr T de Bruyn served as chairman of the audit and risk committee until 28 September 2010 when Mr IAR Thomson assumed the role of chairman. Executive directors in the persons of the chairman of the board Mr AG Fletcher and the financial director Mr DG Jones, attend meetings by invitation. Both the external auditors and the internal auditors and experienced professionals have unrestricted access to this committee and attend meetings whenever necessary to report on their findings and to discuss accounting, auditing, risk identification, measurement and mitigation, internal and contract controls, information technology and financial reporting matters. Executive directors responsible for the sub-groups and members of the management teams are invited to attend such meetings whenever their presence is considered necessary.

The audit and risk committee met four times during the financial year. Refer to pages 12 to 13 for the Audit and Risk Committee Report.

THE REMUNERATION COMMITTEE

The members of the remuneration committee are Messrs AG Fletcher, T de Bruyn and Dr JP Herselman with Mr T de Bruyn as chairman. The committee determines the remuneration policy and strategy of the group and, more specifically, the remuneration of the executive directors and of those executives and managers who report directly to the chief executive officers of the operating subsidiaries. The committee also approves proposals in respect of certain incentive arrangements. The committee recommends the remuneration of the non-executive directors for consideration by shareholders at the annual general meeting of the company.

The remuneration committee met twice during the financial year. (Refer to pages 9 and 10 for the group's Remuneration Policy)

REMUNERATION COMMITTEE ATTENDANCE

Name	Remuneration	Committee
	2010	2011
	Nov	June
AG Fletcher	√	√
T de Bruyn	√	√
JP Herselman	√	√

- √ In attendance

THE NOMINATIONS COMMITTEE

The members of the nominations committee are Dr JP Herselman and Mr T de Bruyn with Dr JP Herselman acting as chairman. The committee is responsible for the assessment and nomination of potential new directors on a formal and transparent basis but does not have full authority to appoint such directors as such authority vests in the board of directors. Following the appointment of new directors to the board, an induction program, which includes visits to the group's businesses and meetings with senior management, is arranged. All directors are subject to retirement and re-election by shareholders every three years. In addition, all directors are subject to election by shareholders at the first opportunity after their initial appointment.

Review of operations

(continued))

The nominations committee met once during the financial year.

NOMINATIONS COMMITTEE ATTENDANCE

Name	Nominations Committee
	June 2011
T de Bruyn	√
JP Herselman	√
AG Fletcher	0

√ In attendance

0 Attended meeting by invitation

RISK MANAGEMENT

Operational and financial risk management is the responsibility of the boards of directors of the Company and of its subsidiaries. Where appropriate, risk management procedures and related controls have been implemented and are reported on regularly at audit and risk committee, board and management meetings.

INTERNAL CONTROL

Internal control systems for financial reporting and the safeguarding of assets have been implemented. These systems are designed to provide reasonable assurance to management and the board of directors that group assets are safeguarded and reliable information is provided in the financial statements.

THE INTERNAL AUDIT FUNCTION

The internal audit function of the ELB group is based on a combination of internal and external assurance providers. For both ELB Engineering Services Proprietary Limited and the ELB Equipment Holdings Limited subgroups the internal audit approach adopted integrates the identification and ranking of inherent risks with an evaluation of the systems and internal controls employed in the operations. This process assists in the mitigation of major risks within these sub-groups, wherever possible.

ELB Engineering Services Proprietary Limited internal audit is outsourced to experienced professionals in the fields of contract management and accounting whilst the internal audit function of the ELB Equipment Holdings Limited sub-group is outsourced to BDO. During the course of the June 2011 financial year, the Engineering Services sub-group was subjected to a number of internal audit checks and detailed reports were submitted to management. Appropriate executive summary reports were submitted to the audit and risk committee. For the Equipment sub-group no internal checks were conducted, but work was done in compiling the risk registers.

The Australasia operations, comprising approximately 14% of the ELB group by sales, has no formal internal audit function. However, the audit and risk committee is assured by management that an extended audit by the external auditors PKF provides adequate assurance that internal control systems provide reasonable assurance that assets are safeguarded and reliable information is provided in the financial statements.

INSIDER TRADING

The Company has closed periods prohibiting trade in ELB shares by directors and staff before the announcement of interim and year-end results and during any period where the Company is

trading under cautionary announcements or where they have knowledge of price sensitive information.

All share dealings of directors require the prior approval of the chairman whilst those of the chairman require the approval of the chairman of the audit and risk committee. The company secretary retains a record of all such share dealings and approvals.

REMUNERATION POLICY

The company's remuneration policy is determined by the remuneration committee of the board. The policy has been aligned to and now complies with the guidelines recommended in King III. The remuneration policies and practices are reviewed regularly to align them with ELB's strategic objectives. The aim is to ensure that executives create long-term value for the company in a sustainable manner.

ELB's remuneration philosophy is aimed at attracting and retaining motivated, high-calibre executives and management aligned with the interests of shareholders. Such alignment is achieved through an appropriate mix of guaranteed and performance-based remuneration ("variable pay"), which provides for differentiation between high, average and low performers.

ELB endeavours to reward its people fairly and consistently according to their role and individual contribution to the company. To achieve external equity and a competitive total remuneration position, ELB surveys the relevant markets continuously. The benchmark for guaranteed remuneration is the market median. The company's intent is to position remuneration, including short-term incentives, at the 75th percentile of the market for exceptional performance.

The pay mix of guaranteed and variable remuneration differs according to the level of the individual in the company. Executives are paid guaranteed remuneration packages (GRP), which include all fixed elements of remuneration and 20 working days' leave per annum, with the company having no contingent retirement or medical liabilities. Increases are determined annually and approved by the remuneration committee who are informed by remuneration surveys, to which the company subscribes, and, where necessary, independent advice.

The short term bonus scheme is to reward executives and senior management for satisfactory operational performance. The total pool available for distribution shall not exceed 15 percent of pre-tax profits and no participant shall receive more than 100 percent of his cost of employment in any one year. The incentive allocation to each participant is subject to a merit rating of between 0,3 and 1,5 to be determined annually.

The long term incentive share plan consists of a share incentive scheme for senior employees of ELB as well as a cash bonus paid annually which bonus is determined using a formula linked to the ordinary dividend distribution to ELB shareholders in any one financial year. These awards, a form of variable pay, have been designed to:

- Encourage senior and key employees to identify closely with the long-term objectives of ELB
- Align their interests with the continuing growth of the company and delivery of value to its shareholders
- Allow participants of the schemes to participate in the future financial success of ELB

Review of operations

(continued)

The remuneration for non-executive directors is dealt with in the Notice to Shareholders contained elsewhere in this document.

SOCIAL RESPONSIBILITY

As mentioned above ELB's empowerment partner is the ELB Educational Trust established to promote education of historically disadvantaged South Africans in engineering disciplines. To this end bursaries were awarded to students at various South African universities.

ELB also made substantial donations to the St Vincent School for the Deaf, the Masibambane College in Orange Farm, the John Wesley Community Centre in Benoni and the Ligbron Academy of Technology. These institutions have been identified as worthy of ELB's support and will further assist the historically disadvantaged in our community. In addition many smaller donations are made to various social welfare organisations.

HEALTH AND SAFETY

The board of directors and management at all levels regularly assess and address health and safety issues through appropriate committees and in accordance with group procedures and the relevant legislation.

KING III PRINCIPLES

The Company has reviewed its compliance with King III Principles and has identified the following principles which will receive further attention in the coming year –

COMMUNICATION WITH STAKEHOLDERS

ELB is proactive in the distribution of information to relevant parties through the JSE SENS communication system, printed and electronic media releases and the statutory publication of its financial results.

The board encourages all shareholders to attend shareholders' meetings as these meetings present the ideal opportunity to voice their opinions and receive explanations.

Furthermore it remains in constant contact with its principals and know how providers to ensure the best possible relationships are maintained enhancing ELB's ability to best serve its clients.

THIRD PARTY ASSURANCE

The report of the audit and risk committee on pages 12 and 13 confirms that the committee has considered the exposure of ELB to sustainability risks and concluded that it is not necessary to engage an external assurance provider to perform an assurance engagement on key sustainability performance information included in the integrated annual report.

Note	Principle	Explanation
1	Report on the effectiveness of the company's system of internal controls	The focus during the period under review was on compiling appropriate risk registers and as a result full reliance on internal audit has not been possible during the period. Refer to Note 6 below for further detail.
2	The chairman of the board is an independent non-executive director	The board has agreed to the separation of the roles of chairman and the senior executive directors. The board is chaired by Mr AG Fletcher, whilst the executive management of the operations conducted by the group is the responsibility of the chief executive officers of the operating subsidiaries.
3	The board comprises a balance of power, with a majority of non-executive directors who are independent	The board currently comprises of five executive and three independent non-executive directors. Each of the non-executive directors makes a significant contribution to board matters. The nominations committee continues its search for suitable non-executive director candidates.
4	Induction of and ongoing training and development of directors is conducted through formal processes	A formal process has not been adopted as the directors are all professionals in various fields. They continue to update their knowledge base either independently or through attendances at seminars and workshops, the costs of which are borne either by the company or the individual director in his personal capacity.
5	Regular evaluation of the board, its committees and the individual directors.	The board has yet to commence with this process on a formal basis. The matter will be reviewed in the new financial year.
6	Internal audit provides a written assessment of the effectiveness of the company's system of internal control and risk management	As indicated previously the concentration during the course of the period under review has been the compilation of appropriate risk registers prior to the development of new internal audit plans. Internal audit work based on approved plans will commence in the new financial period. Management continues to monitor adherence to internal controls. Internal checks were carried out by experienced professionals in the fields of contract management and accounting in ELB Engineering Services (Pty) Ltd and internal control checks were carried out by the external auditors throughout the group operations during the period.
7	Sustainability reporting and disclosure is independently assured.	The audit and risk committee as well as the board have considered the exposure of ELB to sustainability risks and concluded that it is not necessary to engage an external assurance provider to perform an assurance engagement on key sustainability performance information in the integrated annual report.

Directors' responsibility statement

The directors of ELB Group Limited are responsible for overseeing the preparation and integrity of the Group and Company annual financial statements, comprising the the audit and risk committee report and the directors' report for the year ended 30 June 2011, the accounting policies, the balance sheets at 30 June 2011, the income statements, the statements of comprehensive income, the statements of changes in equity and the cash flow statements for the year then ended, the notes to the annual financial statements and the schedule of subsidiaries and joint ventures; in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act of South Africa and the JSE Limited Listings Requirements for the Johannesburg Stock Exchange. The annual financial statements appear on pages 15 to 78. The annual financial statements, excluding the audit and risk committee report and the directors' report, were prepared by the group accountant, Ian Glass HDipBDP, HDipTaxLaw, MBL, CA(SA), ACMA.

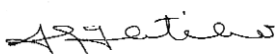
In order to fulfil this responsibility the Group maintains internal and administrative control systems designed to provide assurance that assets are safeguarded and that transactions are executed and recorded in accordance with the Group's policies and procedures. The audit and risk committee of the board of directors, chaired by a non executive, independent director, meets periodically with the auditor and management to discuss internal accounting controls and auditing and financial reporting matters. The independent auditor has unrestricted access to the audit and risk committee.

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead. Accordingly the Group and Company annual financial statements have been prepared on the going concern basis.

The annual financial statements are examined by the independent auditor in accordance with International Standards on Auditing. The independent auditor's report appears on page 14.

Approval of the Group and the Company annual financial statements

The Group and Company annual financial statements of ELB Group Limited, as identified in the first paragraph, have been approved by the board of directors and are signed on its behalf by:



AG Fletcher
Chairman



DG Jones
Financial director

Boksburg
20 October 2011

Certificate of the company secretary

In my capacity as the company secretary, I hereby confirm, in terms of the South African Companies Act of 2008, that for the year ended 30 June 2011 ELB Group Limited has lodged with the Companies and Intellectual Properties Commission all such returns as are required of a public company in terms of the South African Companies Act of 1973, or the South African Companies Act of 2008, as applicable, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.



DG Jones
Company secretary

20 October 2011

Audit and risk committee report

We are pleased to present our report for the financial year ended 30 June 2011.

Audit and risk committee mandate and terms of reference

The ELB audit and risk committee (the committee) has adopted a formal mandate and terms of reference [audit and risk committee charter] that has been approved by the board of directors. The committee has conducted its affairs in compliance with this mandate and terms of reference [charter] and has discharged its responsibilities contained therein. The mandate and terms of reference [charter] is available on request.

Audit and risk committee members and attendance at meetings

The committee consists of three independent, non-executive directors and meets at least four times per annum as per the committee mandate and terms of reference [charter].

The ELB executive chairman, financial director, group accountant, internal auditor, external auditor, chief executive officers and financial directors of subsidiary companies attend meetings by invitation.

The audit and risk committee met four times during the financial year.

Audit and risk committee attendance

Name	Audit and Risk Committee			
	2010		2011	
	Sept	Nov	Mar	May
IAR Thomson <i>BCom, CA(SA)</i> Year appointed 2010 Chairman (from 28 September 2010)	N/A	√	√	√
T De Bruyn <i>BCom, CA(SA)</i> Year appointed 2005 Chairman (until 28 September 2010)	√	√	x	√
JP Herselman <i>Dr Ing, Dipl Ing, BSc (Chem Eng)</i> Year appointed 1986	√	√	√	√

√ In attendance

N/A Not applicable

x Submitted apologies and was granted leave of absence in terms of the Company's Memorandum of Incorporation.

During the review period shareholders reappointed Mr Thomson as the chairman of the committee for a further period of one year with effect from 23 November 2010. This appointment will be subject to shareholders re-electing Mr Thomson as a member

of the committee at ELB's annual general meeting to be held on 22 November 2011 and follows a review by the board of Mr Thomson's and other committee members' performance, as well as any factors which could impair or appear to impair, their independence.

Roles and responsibilities

The committee's roles and responsibilities include its statutory duties as per the Companies Act 71 of 2008 and the responsibilities assigned to it by the board.

Statutory duties

In the conduct of its duties, the committee has performed the following statutory duties:

- Nominated for appointment as external auditor of the company, KPMG Inc, as registered auditor which, in the opinion of the committee, is independent of the group.
- Determined the fees to be paid to the external auditor and the terms of engagement.
- Ensured that the appointment of the external auditor complies with the Companies Act 71 of 2008 and any other legislation relating to the appointment of auditors.
- Determined the nature and extent of those non-audit services that the external auditor may provide to the company (and the ELB group).
- Preapproved any proposed agreement with the external auditor for the provision of non-audit services to the company (and the ELB group).
- Discharged those statutory obligations of an audit committee as prescribed by section 94 of the Companies Act 71 of 2008 acting in its capacity as the appointed audit committee of ELB Equipment Holdings Limited, ELB Engineering Services (Pty) Limited and the Australasian operations of Metquip Pty Limited and its controlled entities.

External auditor

The committee has satisfied itself that the external auditor, KPMG Inc., was independent of the company, as set out in section 90 of the Companies Act 71 of 2008, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the external auditor that internal governance processes within KPMG Inc. support and demonstrate their claim to independence.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2010/2011 year.

There is a formal written policy and procedure that governs the process whereby the external auditor is considered for non-audit-related services. The committee approved the terms of the written policy for the provision of non-audit services by the external auditor, and approved the nature and extent of non-audit services that the external auditor may provide.

Audit and risk committee report

(continued)

The committee has nominated, for approval at the annual general meeting, KPMG Inc. as the external auditor and Ms ML Watson as the designated auditor, for the 2011/2012 financial year. It has further satisfied itself that the audit firm and designated auditor are accredited to appear on the JSE List of Accredited Auditors. Furthermore, the committee has satisfied itself that the audit firms of ELB's major subsidiaries (KPMG Inc.) are accredited to appear on the JSE List of Accredited Auditors and that the designated auditors are not disqualified from acting as such.

Internal financial controls

Based on the results of the formal documented assessment of the strategic risks faced by the ELB group operating companies, the internal checks carried out by experienced professionals in the fields of contract management and accounting in ELB Engineering Services (Pty) Limited, and the limited internal control checks carried out as part of their statutory audit by the external auditors throughout the group operations during the 2010/2011 financial year and, in addition, considering information and explanations given by management plus discussions held with the external auditor on the results of the audit, the committee is of the opinion that the ELB group's system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements.

Financial statements (including accounting practices)

The committee has reviewed the financial statements of the company and the ELB group and is satisfied that they comply with International Financial Reporting Standards.

Going concern

The committee reviewed a documented assessment by management of the going-concern premise of the company and the ELB group before concluding to the board that the company, as well as the ELB group, will be a going concern for the foreseeable future.

Expertise and experience of financial director and finance function

The committee has satisfied itself that the financial director of ELB has appropriate expertise and experience.

The committee has considered, and has satisfied itself of the overall appropriateness of the expertise and adequacy of resources of the ELB group's finance function and experience of the senior members of management responsible for the financial function.

Duties assigned by the board

The committee fulfills an oversight role regarding the company's integrated annual report and the reporting process, including the system of internal financial control. It is responsible for ensuring that the ELB group's internal audit function which is outsourced is independent and has the necessary resources, standing and authority within the organization to enable it to effectively discharge its duties. Furthermore, the committee oversees cooperation between the internal and external auditors, and serves as a link between the board of directors and these functions.

During the year under review, the committee met with the external auditor and with the head of internal audit without management being present.

The committee is satisfied that it has complied with its legal, regulatory and other responsibilities.

Risk management

The board has assigned oversight of the company's (including the ELB group's) risk management function to this committee. The committee fulfills an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and information technology risks as they relate to financial reporting.

Internal audit

An internal audit charter has been approved by the committee and the board. The committee also intends to have an internal audit plan approved for the financial year ending 30 June 2012.

The internal audit function is to be outsourced to BDO Risk Advisory Services (Pty) Limited with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the ELB group's local operations. The head of internal audit will be responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the committee on a regular basis.

The head of internal audit has direct access to the committee, primarily through its chairman.

Sustainability report

The committee has considered the exposure of the ELB group to sustainability risks and has concluded that it is not necessary to engage an external assurance provider to perform an assurance engagement on key sustainability performance information included in the integrated annual report.

The committee considered the company's sustainability information as disclosed in the integrated annual report and has assessed its consistency with operational and other information known to committee members, and for consistency with the annual financial statements. The committee discussed the sustainability information with management. The committee is satisfied that the sustainability information is reliable and consistent with the financial results.

Recommendation of the integrated annual report for approval by the board

The committee recommended the integrated annual report for approval by the board of directors.



IAR Thomson
Audit and risk committee chairman
20 October 2011

Independent auditor's report

To the shareholders of ELB Group Limited

Report on the financial statements

We have audited the consolidated and separate annual financial statements of ELB Group Limited, which comprise the balance sheets at 30 June 2011, and the income statements, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 15 to 78.

Directors' responsibility for the financial statements

The company's 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 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 judgement, 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 ELB Group Limited at 30 June 2011, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

KPMG Inc

Registered Auditor



Per C Esslemont
Chartered Accountant (SA)
Registered Auditor
Director

20 October 2011

Directors' report

To the shareholders

Your directors submit the annual financial statements for the Company and the Group for the year ended 30 June 2011 with their report on the results and operations.

NATURE OF THE BUSINESS

The Company operates as an investment holding company deriving most of its distributable income from dividends. The major investment at the end of June 2011 is in ELB Engineering Limited (ELB Engineering Group) which supplies equipment and technical solutions through two sub-groups, ELB Equipment Holdings Limited (ELB Equipment Holdings) and ELB Engineering Services Proprietary Limited (ELB Engineering Services). ELB Equipment Holdings continues to administer the Group treasury.

ELB ENGINEERING GROUP

ELB owns 85% of the ordinary share capital as well as 100% of the cumulative convertible redeemable preference shares issued by ELB Engineering Group. The South African equipment operations housed in the division ELB Equipment Limited, the Ditch Witch Australia joint venture operations, in which ELB Equipment Holdings has an 84.2% interest, and ELB Engineering Services, reported creditable results for the financial year under review.

Headline earnings attributable to the Company's investment in ELB Engineering Group amounted to R58,1 million (2010 - R39,9 million).

DISMANTLING OF THE ELB PARTICIPANTS SHARE TRUST

Pursuant to an ELB board decision to restructure an ELB Executive Bonus Scheme and having obtained approval from the requisite number of executive participants, the ELB Participants Share Trust agreed to transfer the 6 772 000 ELB ordinary shares held by it to ELB Timber Holdings Proprietary Limited (ELB Timber Holdings), a wholly-owned subsidiary, and the ELB Share Incentive Trust in equal proportions.

ACCOUNTING POLICIES

The Integrated Annual Report has been prepared in accordance with the South African Companies Act and complies with International Financial Reporting Standards (IFRS). The same accounting policies outlined in the 2010 Annual Report apply to this Report.

GENERAL

The Group supports the principles of good corporate governance contained in the King III Report. Instances where the Group does not strictly apply the principles outlined in the Report are explained in the Integrated Annual Report on page 10. The operating entities within the Group have complied with the requirements of the Employment Equity Act and the Skills Development Act.

DIVIDENDS

An interim dividend of 15 cents (2010 - 12 cents) per ordinary share was paid on 6 June 2011 and a final dividend in respect of the year of 40 cents (2010 - 30 cents) per ordinary share was declared on 20 September 2011 and is payable on 31 October 2011.

Dividends in respect of the 6 per cent fixed cumulative preference shares were declared simultaneously with the interim and final ordinary dividends referred to above.

SHARE CAPITAL

Details of the authorised and issued share capital at 30 June 2011 are set out in notes 16 and 17 to the annual financial statements. There was no change in either the authorised ordinary share capital or the authorised preference share capital during the year. The issued preference share capital remained at the level of 3 800 6% fixed cumulative preference shares at the end of June 2011, as no redemption of such shares by the Company occurred on the open market during the year under review. Similarly, the issued ordinary share capital of 33 860 000 shares at 30 June 2010 remained unchanged at the end of June 2011.

On 8 March 2011 shareholders approved a resolution which placed 5% of the authorised ordinary shares of the Company under the control of the directors as a specific authority for the purposes of the Company's Share Incentive Schemes. Further options totalling 2 900 000 ordinary shares (2010 - nil ordinary shares) were granted in the year. Options totalling 2 784 000 ordinary shares (2010 - nil ordinary shares) were exercised in the year (including options granted in previous financial years) and 30 000 options lapsed through attrition. No ordinary shares are expected to be issued in respect of the options exercised or remaining to be exercised as the ELB Share Incentive Trust currently holds sufficient ordinary shares to meet such requirements.

ELB shares held by the Group's share trust and incentive shares not as yet paid for by participants are regarded as shares under the control of the trust and are eliminated on consolidation as treasury shares. ELB shares held by ELB Timber Holdings are also eliminated on consolidation as treasury shares.

DIRECTORATE

The names as well as a brief history of the directors of the Company appear on page 7 whilst the name of the company secretary in office at the date of this report, and the Company's business and postal addresses appear on page 81.

The following appointments, resignations and retirements occurred during the financial period under review and until the date of this report.

Appointments

IAR Thomson	28 September 2010
DG Jones	17 May 2011

In order to comply with the JSE Listings Requirements the Executive Chairman relinquished his Financial Director responsibilities to Mr DG Jones on the latter's appointment as Financial Director.

In terms of the Company's Memorandum of Incorporation, the following directors retire at the forthcoming Annual General Meeting and, being eligible, are available for re-election: Dr JP Herselman and Mr DG Jones.

Details of directors' remuneration and options in respect of ordinary shares in the Company are contained in note 34 to the annual financial statements. Details of directors' interests in the ordinary shares of the Company are provided on page 77.

POST BALANCE SHEET DATE EVENTS

No material fact or circumstance has occurred after the financial year end, being 30 June 2011, and the date of this report.

Accounting policies

Introduction

The reporting entity is ELB Group Limited (the Company), a company domiciled in South Africa. The Company and its subsidiaries, joint ventures and share trusts are collectively referred to as the Group. The annual financial statements for the year ended 30 June 2011 comprise the annual financial statements of the Company (the Company annual financial statements) and the consolidated annual financial statements which incorporate the annual financial statements of the Company and the annual financial statements of its subsidiaries, joint ventures and share trusts (the Group annual financial statements). The separate Company annual financial statements and Group annual financial statements are together referred to hereafter as the annual financial statements.

The annual financial statements were authorised for issue by the directors of the Company on 20 October 2011.

Compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of those standards, as issued by the International Accounting Standards Board (IASB); the South African statements and interpretations of Generally Accepted Accounting Practice (GAAP) as well as the accounting guides and circulars, all issued by The South African Institute of Chartered Accountants (SAICA); the requirements of the South African Companies Act, 2008, as amended, and Companies Regulations, 2011; and the JSE Limited Listings Requirements for the Johannesburg Stock Exchange.

Preparation

The annual financial statements are presented in South African Rands, which is the functional currency of the Company, rounded to the nearest thousand. They are prepared on the historical cost basis, excluding the aeroplane and certain financial instruments which are measured to fair value. Accrual accounting is used. The annual financial statements are also prepared on the going concern basis since the directors believe that the Company and the Group have adequate resources to continue operating for the foreseeable future.

New, revised or amended accounting standards, interpretations and pronouncements, that became effective for the Group's financial year ended 30 June 2011, were either not relevant to the operations of the Group, or had no effect on the Group's accounting policies, results or presentation.

The accounting policies set out below have been applied consistently to all periods presented in these annual financial statements and have also been applied consistently by all Group entities. Accounting policies are the specific principles, bases, conventions, rules and practices applied in preparing and presenting the annual financial statements. Changes in accounting policies are accounted for in accordance with the transitional provisions in the applicable standard. If no such guidance is given the change is applied retrospectively as if the accounting policy had been applied in the past, and comparative amounts are restated where applicable. Where it is impractical to apply a change retrospectively the change is applied prospectively to transactions, other events and conditions occurring after the date that the policy changed.

The preparation of the annual financial statements in accordance with IFRS requires management to make judgements, estimates

and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expense. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting policies involving a higher degree of complexity and where assumptions and estimates are significant to the financial statements are useful life, residual value and impairment of property, plant and equipment, the recognition of deferred income tax assets, construction contracts and the provision for trade back commitments. Further information is given in the accounting policies relating to these activities.

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, other than for trade back commitments as disclosed in note 20, that management have assessed as having a significant risk of causing material adjustment to the carrying amounts of assets and liabilities in the next financial year.

Foreign currency transactions

Transactions in foreign currencies are translated into the respective currencies of the group entities at the rates of exchange ruling at the dates of the transactions. Gains and losses on settlement, arising from fluctuations in exchange rates, are recognised in profit or loss. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to South African Rands at the rates ruling at that date. Gains or losses on translation are recognised in profit or loss. Non monetary assets and liabilities that are measured at historical cost in foreign currencies are translated using the exchange rates at the dates of the transactions. Non monetary assets and liabilities that are measured at fair value are translated at the exchange rate at the date the fair value was determined.

Prior period errors

Where an error relating to a prior period is sufficiently material so as to distort the presentation of the results or the financial position, then such error is reflected as a prior period correction in the statement of changes in equity, and the comparatives in the annual financial statements are restated. In addition, a third balance sheet would be presented disclosing the effect of the error on the earliest comparative period.

Consolidation

Basis

The annual financial statements show the financial position and results of the Company and the consolidated financial position and results of the Group. Intra group transactions and balances and unrealised profits and losses on intra group transactions are eliminated in the Group annual financial statements, on consolidation. Unrealised profits on transactions with joint ventures are eliminated to the extent of the Group's interest in those entities, and unrealised losses are similarly eliminated, but where there is evidence of impairment such impairment is not eliminated.

Accounting policies

(continued)

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the Group annual financial statements from the date that control commences until the date that control ceases.

Non controlling interests in the net assets of consolidated subsidiaries are shown separately from the Group equity therein. Non controlling interests consist of the amounts of those interests in subsidiaries at acquisition plus the non controlling interests' subsequent share of changes in equity of the subsidiaries. On acquisition the non controlling interests are measured at their proportion of the at acquisition date fair values of the identifiable assets and liabilities acquired.

Joint ventures

Joint ventures are entities over which the Group exercises joint control in terms of a contractual agreement. Joint ventures are proportionately consolidated, whereby the Group's share of the joint ventures' assets, liabilities, income, expenses and cash flows are combined with similar items on a line by line basis in the Group annual financial statements from the date that joint control commences until the date that joint control ceases.

Share trusts and treasury shares

The financial statements of the Group's share trusts are included in the Group annual financial statements. Ordinary shares in the Company under the control of the Group's share trusts are classified as treasury shares and reduce the number of ordinary shares in issue. The dividends on the treasury shares reduce the amounts of the ordinary dividends paid in the Group annual financial statements. Dividends received by participants in the share trusts are recognised in profit or loss in the Group annual financial statements as employee benefits in operating expenses. All costs relating to the acquisition of treasury shares as well as gains or losses on disposal or cancellation of treasury shares are recognised directly in equity through the Group statement of changes in equity.

Business combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Group. The cost of the acquisition of a subsidiary or interest in any other business entity is measured at the aggregate fair values, at the date of exchange, of the assets given, liabilities incurred, and equity instruments issued, and transaction costs are expensed.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non current assets classified as held for sale in accordance with IFRS 5 which are recognised and measured at fair value less costs to sell. On an acquisition-by-acquisition basis, the Group recognises any non controlling interest in the acquiree either at fair value or the non controlling interest's proportionate share of the acquiree's net assets.

Goodwill is measured initially as the excess of the fair value of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Where the Group's interest in the net assets recognised at the acquisition date is in excess of the cost of the acquisition, the Group reassesses the identification and measurement of the acquiree's net assets and the measurement of the cost of acquisition. If after reassessment the Group's interest in the net assets exceeds the cost of the acquisition, the excess is recognised in profit or loss as a bargain purchase price.

When control is achieved in stages, the fair value of the interest held immediately before acquiring control is measured. The carrying amount is adjusted to the fair value with any gain or loss from the adjustment recognised in profit or loss. The fair value immediately before acquiring control is included as part of the cost of acquisition.

Goodwill relating to subsidiaries and joint ventures is initially recognised as an asset at cost. Goodwill is not amortised but is reviewed annually at the balance sheet date for impairment. Impairments are recognised as a loss in profit or loss. Goodwill impairments are not reversed. After initial recognition goodwill is measured subsequently at cost less accumulated impairment losses.

The Group carried no goodwill at the dates of the current and comparative balance sheets.

Foreign entities

All foreign entities within the Group have functional currencies different to the presentation currency of the Group. The functional currency of an entity is determined based on the currency of the primary economic environment in which the entity operates. The results and financial positions of the foreign entities are included in the Group annual financial statements using the methods of translation described hereunder. The income statements are translated at the weighted average rates of exchange for the appropriate periods, except for material non recurring or material infrequent items which are translated at the exchange rate at the date of the transactions. The balance sheets are translated at the rates of exchange ruling at the balance sheet date. Items in the statements of comprehensive income and the statements of changes in equity of the foreign entities are translated at the weighted average rate of exchange for regularly recurring transactions or the rate of exchange at the date of the transaction for non recurring or infrequent transactions. The gains or losses on translation are recognised in the foreign currency translation reserve through the Group statement of comprehensive income and the Group statement of changes in equity. Items in the foreign currency translation that are no longer relevant to any operations or structures of the Group are transferred out of the reserve to retained earnings. Such redundant items usually arise from the disposal or restructure of operations, or from changes in accounting policies.

Recognition and derecognition of assets and liabilities

An asset is a resource controlled by an entity as a result of a past event and from which future economic benefits are expected to flow. An asset is recognised when it is probable that future economic benefits associated with it will flow to the Group and its cost or fair value can be measured reliably.

Accounting policies

(continued)

A liability is a present obligation of an entity arising from a past event the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. A liability is recognised when it is probable that future economic benefits associated with it will flow from the Group and its cost or fair value can be measured reliably.

A financial asset is any asset that is cash or cash equivalent; a contractual right to receive cash or cash equivalent or another financial asset; a contractual right to exchange financial instruments with another entity on potentially favourable terms; or a contract that will or may be settled in the entity's own equity instruments.

A financial liability is any liability that is a contractual obligation to deliver cash or cash equivalent or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or a contract that will or may be settled in the entity's own equity instruments.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial instrument is recognised when an entity within the Group becomes a party to the contractual provisions of the instrument. A financial asset and a financial liability as a result of a firm commitment is recognised only when one or both of the parties have performed under the contract.

Financial assets or parts thereof are derecognised and removed from the balance sheet when the contractual right to receive the cash flows or other financial assets have been transferred or have expired or if substantially all the risks and rewards of ownership have passed. Where substantially all the risks and rewards of ownership have not been transferred or retained, the financial assets are derecognised if they are no longer controlled. Where control is retained financial assets are recognised only to the extent of the continuing involvement in those assets.

All other assets are derecognised on disposal or when no future economic benefits are expected from their use.

Financial liabilities are derecognised when the relevant obligations have either been discharged or cancelled, or have expired.

Property, plant and equipment

Property, plant and equipment represent tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and are expected to be used during more than one reporting period.

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

Cost includes all expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly associated with bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost also includes, where applicable, the borrowing costs attributable to the asset, during such period where it is necessary to prepare the asset for its intended use, to the time that the asset is substantially ready for its intended use.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of maintaining property, plant and equipment is recognised in profit or loss.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount of an asset is the cost of the asset, or other amount substituted for cost, less its residual value. Residual value is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal; if the asset were already of the age and in the condition expected at the end of its useful life. Useful life is the period over which an asset is expected to be available for use or the number of production or similar units expected to be obtained from the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment, including capitalised leased assets but excluding the aeroplane mentioned below, are depreciated at rates intended to write them off on a straight line basis over their useful lives to their residual values. The depreciation expense is recognised in profit or loss. Depreciation methods, useful lives and residual values are reviewed annually at the balance sheet date.

The aeroplane is owned by a joint venture partnership in which the Group has a 34% interest. The aeroplane is not depreciated but is stated at its fair value at each balance sheet date. The fair value adjustment is recognised in profit or loss.

Profits and losses on disposals of property, plant and equipment are determined by comparing the proceeds from the disposals with the carrying amounts of the items sold, and are recognised in profit or loss.

Intangible assets

Intangible assets are identifiable non monetary assets without physical substance.

Intangible assets are stated at cost, less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to their residual values on a straight line basis over their useful lives, which are relatively short and usually five years.

The carrying amount of each intangible asset is reviewed at each reporting date and impairment losses are recognised where necessary.

The Group carried no intangible assets at the dates of the current and comparative balance sheets.

Research costs, arising from original and planned investigations undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognised in profit or loss as they are incurred.

Impairment of non financial assets

The Group's non financial assets, other than inventories and deferred income tax assets, which are separately reviewed and

Accounting policies

(continued)

provided against where necessary, are assessed annually at the balance sheet date to determine whether there are any indications of impairment. If any such indication exists for any asset, the recoverable amount of that asset is estimated in order to determine the extent of any impairment loss for the asset. The recoverable amount is the higher of the asset's fair value less expenses to sell, or the asset's value in use. Value in use is estimated taking into account future cash flows, forecast market conditions and the expected life of the asset. Such cash flows are discounted using pre tax discount rates that reflect current market assessments of the time value of money and the risks associated with the specific asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. An asset's cash generating unit is the smallest identifiable group of assets that include the asset and that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Impairment losses are recognised whenever the carrying amount of a non financial asset or its cash generating unit, as is applicable, exceeds the recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed or reduced. For other non financial assets the impairment loss is assessed at each balance sheet date for indications that the impairment loss has reduced or no longer exists. Where an impairment loss is reduced or reversed the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior periods. Reductions or reversals of impairment losses are recognised in profit or loss.

Interest in subsidiaries

The Company's interest in subsidiaries comprises equity investments in the subsidiaries and loans to the subsidiaries. These are carried at cost less impairments. Impairments are assessed with reference to the net equity and projected profitability of subsidiaries.

Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. A fixed price contract is a contract where the contractor agrees to a fixed contract price or a fixed rate per unit of output, and might be subject to cost escalation clauses. Escalation clauses allow amounts payable under such contracts to be adjusted for increases in items such as salary and wage rates, amended charges by statutory authorities, market prices of materials and commodities, currency exchange rates and delivery charges. A cost plus contract is a contract where the contractor is reimbursed for allowable or otherwise defined costs, plus a percentage of these costs or a fixed fee.

Revenue from fixed price construction contracts is recognised for each contract on the stage of completion method, based generally on the ratio of costs incurred to date to total estimated costs, or on completed manhours to date to estimated total manhours, or on the proportion of physical progress to date to the completed contract. All possible contingencies requiring additional costs or manhours, or which impede physical progress,

are reviewed in determining the stage of completion. In management's judgement and from historical experience, contracts which are not yet 30% complete are considered to be contracts where the outcome cannot be estimated with reasonable assurance, and revenue on these contracts is recognised only to the extent of contract costs incurred to date that are considered to be recoverable.

Revenue from cost plus construction contracts is recognised for the services rendered to date in terms of the contracts.

Terms and conditions negotiated with clients vary from one construction contract to another. These terms and conditions influence contract pricing and are inextricably interwoven with contract profitability.

When it is probable, for any contract, that total contract costs will exceed total contract revenue the expected loss is recognised immediately for all such contracts.

Construction contract work not yet billed represents costs incurred on construction contracts plus profits recognised that have not yet been included in billings to clients.

Construction contract liabilities comprise billings to clients in advance of the stage of completion and provisions for estimated costs relevant to the stage of completion. Charges from suppliers for goods delivered or services rendered to date on contracts, where these are not yet settled, and any additional accruals related thereto, are carried separately as trade payables.

Inventories

Inventories are assets held for sale in the normal course of business, or held in the process of production for such sale, or held in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are valued at the lower of cost, determined on the first in first out (FIFO) method or weighted average cost basis, and net realisable value. Production overheads are included in the cost of work in progress and manufactured finished goods.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated selling expenses.

When inventories are sold the carrying amount is recognised as part of the cost of sales. Any write downs of inventory to net realisable value and all losses of inventories or reversals of previous write downs or losses are recognised in cost of sales in the period the write down, loss or reversal occurs.

Financial instruments

Financial instruments are described in the accounting policy for the recognition and derecognition of assets and liabilities. The different categories of these instruments, their initial recognition and subsequent measurement, are outlined below. Fair value in the notes below is market value of the instrument if listed, or a value determined using an appropriate valuation model if unlisted.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active

Accounting policies

(continued)

market and are recognised initially at fair value plus transaction costs. Fair value adjustments are recognised in profit or loss. Subsequent to initial recognition loans and receivables are stated at amortised cost using the effective interest rate method, less impairments. Impairment is equal to the difference between the carrying amount of a loan or receivable and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairments are established when there is evidence that amounts will not be realised in accordance with the original terms of the loans and receivables. In addition collective impairments are made based on management's assessment of current trading and economic conditions. Impairments and impairment reductions and reversals are recognised in profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets classified as held for trading, derivative instruments and those financial assets designated at fair value through profit or loss on initial recognition. Financial assets at fair value through profit or loss are recognised initially at fair value and are measured subsequently also at fair value. Fair value gains and losses are recognised in profit or loss. Additional information on derivative instruments is included in a separate paragraph below.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call and term deposits and are recognised initially at fair value plus transaction costs. Fair value adjustments are recognised in profit or loss. Subsequent to initial recognition cash and cash equivalents are stated at amortised cost using the effective interest rate method.

Short term borrowings and bank overdrafts form an integral part of the Group's cash management and are included as a component of net cash and cash equivalents for purposes of the cash flow statement.

Financial liabilities

Financial liabilities at fair value through profit or loss, which includes derivative instruments, are recognised initially at fair value and are measured subsequently also at fair value. Trade and other payables and all other financial liabilities, except for those described above, are recognised initially at fair value plus transaction costs and thereafter stated at amortised cost using the effective interest rate method. Fair value adjustments are recognised in profit or loss.

Derivative instruments

The Group uses derivative financial instruments to manage its exposure to foreign currency exchange price risks arising from operating activities. The Group does not hold or issue derivative instruments for trading purposes.

Derivative instruments used are foreign currency forward exchange contracts (FECs) which are classified as held for trading and measured at fair value. Fair value adjustments are recognised in profit or loss. Fair value is determined by comparing the contractual value to the value of an equivalent FEC with the same maturity date but contracted at the balance sheet date.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to reimburse the holder for losses sustained by the holder where the debtor or debtors specified in the contract fails to make payments that are contractually due. Financial guarantee contracts that are issued by the Group are recognised initially at fair value plus transaction costs and are stated subsequently at the higher of the amount of the obligation under contract determined in accordance with IAS 37 and the amount initially recognised, less accumulated amortisation. Fair value adjustments and amortisation expenses are recognised in profit or loss.

Offset

A financial asset and a financial liability are offset and the net amount reported in the balance sheet only when the Group has a legally enforceable right to set off the recognised amounts, and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Non current assets held for sale and discontinued operations

Non current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Then, on initial classification as held for sale, non current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are recognised in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement. Gains are not recognised in excess of any cumulative impairment loss.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations. Classification as a discontinued operation occurs upon the earlier of disposal or when the operation meets the criteria to be classified as held for sale. Discontinued operations are separately recognised in the annual financial statements once management has made a commitment to discontinue the operation without a realistic possibility of withdrawal. The comparative income statement and comparative statement of comprehensive income are restated as if the operation had been discontinued from the start of the comparative period.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation. If the effect is material, a provision is determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The unwinding of the discount is recognised in profit or loss as a finance cost.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating losses are not provided for.

Accounting policies

(continued)

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established the Group recognises any impairment loss on the assets associated with that contract.

Revenue

Sales

Sales revenue comprises the fair value of the consideration received or receivable for the sale of goods, revenue recognised on construction contracts, and for other services rendered in the course of the Group's operating activities. Sales revenue excludes value added tax (VAT), goods and services tax (GST), and rebates and discounts. Sales within the Group are eliminated. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer. Revenue for services rendered is recognised as services are rendered. Revenue for services rendered includes commission, which is stated separately. Revenue is not recognised when it cannot be measured reliably or where there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods, or continuing management involvement with the goods delivered or services rendered.

The recognition of revenue on construction contracts is detailed in the accounting policy regarding that activity.

Interest received

Interest received is recognised on a time proportion basis using the effective interest rate method.

Dividends received

Dividends are recognised when the right to receive payment is established; with the exception of dividends on preference share investments which are recognised on a time proportion basis, using the effective interest rate method, in the period to which they relate.

Employee benefits

Employee benefits expense

All short term employee benefit expenses such as salaries, bonuses, allowances, leave pay entitlement and medical aid and other contributions are measured and recognised in full on an undiscounted basis in profit or loss in the period in which the employees render the related services. Termination costs are recognised in full on an undiscounted basis in profit or loss when the commitment to the termination plan is made. Dividends declared by the Company and received by the ELB Participants Share Trust and thereafter distributed to participants are classified as employee benefits expense; as are dividends on Company shares allocated to participants by the ELB Share Incentive Trust, but which are not yet paid up and remain under the control of the Trust.

Retirement benefits

The Group provides a defined contribution retirement plan and a defined benefit retirement plan (now closed to new entrants), the assets of which are held in separate funds, for the benefit of employees. The Group's contributions to the plans are recognised as an expense in the period to which they relate.

A defined contribution retirement plan is a post employment benefit plan under which an entity pays contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

A defined benefit retirement plan is a post employment benefit plan other than a defined contribution retirement plan. The Group's net obligation in respect of the defined benefit retirement plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and past periods. The benefit is discounted to its present value. Any unrecognised past service costs and the fair value of the plan assets are deducted. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the defined benefit retirement plan is in surplus, which is the position currently, and in the absence of imminent circumstances likely to eliminate the surplus, the Group would usually recognise no additional costs other than contributions.

Share based payment transaction

Equity settled share options

The fair value of share options granted to Group employees is recognised as an employee benefits expense in profit or loss, with a corresponding and compensating increase in equity reserves. The fair value is measured at grant date and expensed in profit or loss over the period during which the employee becomes unconditionally entitled to the equity instruments. The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non market vesting conditions are expected to be met, such that the total expense ultimately recognised is based on the actual number of share options that vest.

Leases

Leases are classified as finance leases or operating leases at the inception of the lease. A finance lease effectively transfers from the lessor to the lessee all the risks and rewards of ownership of the underlying asset, without transferring legal ownership. An operating lease is a lease where the lessor effectively retains substantially all the risks and rewards.

Where an asset is acquired under a finance lease the asset is capitalised at the beginning of the lease term at the lower of its fair value or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are raised as a non current interest bearing borrowing from the lessor. Each lease payment is allocated between the reduction of the borrowing and interest expense. Subsequent to initial recognition the asset is accounted for in accordance with the accounting policy applicable to the asset.

Accounting policies

(continued)

Minimum rental expenses under operating leases are recognised in profit or loss on a straight line basis over the terms of the leases. Contingent rentals, where applicable, are recognised in profit or loss as they accrue.

Abnormal items

Abnormal items are items of income and expense whose size, nature or incidence do not occur in the normal day to day operations of the Group and are reported separately so as to give a meaningful presentation of the operating performance of the Group.

Interest paid

Interest paid comprises interest paid on borrowings calculated on the principal outstanding and using the effective interest rate method.

Borrowing costs

Borrowing costs are interest paid and other costs incurred in the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a prolonged period of time to prepare 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. All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

Income tax

Income tax expense or credit on the profit or loss for the period comprises payable and deferred income tax. Income tax is recognised in profit or loss except when it relates to items recognised directly in other comprehensive income where such income tax is accordingly also so recognised. Payable income tax comprises income tax calculated on the expected taxable income for the period, using the income tax rates based on the laws that have been enacted or substantively enacted by the reporting date, and which are applicable for the period; and any adjustments of income tax payable for prior periods. When an adjustment in respect of a prior period arises from an error and is sufficiently material so as to misrepresent the results for the reporting period, then such error is treated in accordance with the accounting policy on prior period errors.

Deferred income tax is determined using the balance sheet method and is measured at the income tax rates based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax is recognised on taxable and deductible temporary differences, unutilised secondary tax on companies (STC) credits, other income tax credits and income tax losses carried forward. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their income tax bases. Deferred income tax is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the

transaction affects neither the accounting profit nor the taxable income; and

- temporary differences associated with investments in subsidiaries, joint ventures and branches where the entity is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The income tax rates applicable to temporary differences are those income tax rates, described above, that are expected to be applied to the temporary differences when they reverse. The effect on deferred income tax of any changes in income tax rates is recognised in profit or loss, except where it relates to items previously charged or credited to other comprehensive income or directly to equity where the deferred income tax effects are accordingly also so recognised.

Deferred income tax assets are recognised to the extent that it is probable that future taxable income will be available against which unused income tax credits, income tax losses carried forward and deductible temporary differences can be recovered. Deferred income tax assets are reduced to the extent that it is no longer probable that the related income tax benefits will be realised. Deferred income tax liabilities are amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred income tax assets and liabilities are offset when there is a legally enforceable right of offset and where the deferred income tax relates to the same fiscal authority with the same taxable entity.

Headline earnings

Headline earnings comprise the net profit attributable to ordinary shareholders of the Company after adjusting for profit or loss on the disposal of plant and equipment and material income and expense items excluded from headline earnings in accordance with The South African Institute of Chartered Accountants' circular 3 of 2009 on headline earnings.

Earnings per ordinary share and headline earnings per ordinary share

Basic earnings per ordinary share and basic headline earnings per ordinary share are calculated by dividing the profit attributable to ordinary shareholders of the Company and headline earnings, respectively, by the weighted average number of ordinary shares in issue for the year, excluding the treasury shares held by the Group's share trusts. Diluted earnings per ordinary share and diluted headline earnings per ordinary share, respectively, recognise the dilutory effect of the equity settled share options that have been awarded and vested, but not yet exercised.

Dividends paid and payable

Dividends declared to equity holders are included in the statement of changes in equity in the period in which they are declared. Secondary tax on companies (STC) expenses and STC credits are recognised in profit or loss in the period in which the dividends are declared.

Accounting policies

(continued)

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues (including revenues and expenses relating to transactions with other components of the Group) and for which discrete financial information is available. The operating results and financial information of the Group's segments is reported to the Group's chief operating decision maker to assess the performance of the segments and to make decisions regarding resources to be allocated to the segments.

Inter segmental transactions, where applicable, are made on an arms length basis.

The Group's format for segment reporting is based on operating segments and is representative of the internal structure used for management reporting. The Group reports its segments based on the location of its operating activities. Segment reports are made on operations in Africa and operations in Australasia.

Accounting standards, amendments and interpretations in issue but not yet effective

Certain new standards and amendments and interpretations to existing standards, mentioned below, have been published that are mandatory but not yet effective for the Group annual financial statements, and which the Group has not early adopted.

IFRS 11 – Joint Arrangements

Effective for financial periods commencing on or after 1 January 2013. IFRS 11 classifies joint arrangements into two types: joint operations whereby the jointly controlling parties, known as the joint operators, have rights to assets and obligations for the liabilities relating to the arrangement; and joint ventures whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement. All joint ventures will be equity accounted from the effective date. Proportionate consolidation, which is the current practice of the Group, will be replaced by equity accounting for joint ventures for purposes of presentation. The effect on the results is expected to be minimal.

IAS 28 – Investments in Associates and Joint Ventures (amendment). Effective for financial periods commencing on or after 1 January 2013. Following the introduction of IFRS 11, discussed above, this standard was amended to take into account the changes in accounting for joint arrangements whereby joint ventures are equity accounted.

The following amended and new standards, which apply to the Group, will not have a material effect on the Group's annual financial statements.

IAS 24 – Related Party Disclosures

Effective for financial periods commencing on or after 1 January 2011. This standard clarifies and simplifies the definition of a related party.

IFRS 9 – Financial Instruments

Effective for financial periods commencing on or after 1 January

2013. IFRS 9 is part of a wider project to replace IAS 39 – Financial instruments: recognition and measurement. The standard establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. Changes in the fair value of financial liabilities that are measured at fair value through profit or loss, that are attributable to changes in credit risk of the liability, will be recognised in other comprehensive income. Although having a minimal present effect for the Group, the new standard could simplify future classifications and measurements.

IFRS 10 – Consolidated Financial Statements

Effective for financial periods commencing on or after 1 January 2013. This standard introduces a single control model to assess whether an investee should be consolidated.

IAS 27 – Separate Financial Statements (amendment). Effective for financial years commencing on or after 1 January 2013. This standard was amended to be consistent with IFRS 10 mentioned above.

IFRS 12 – Disclosure of Interests in Other entities

Effective for financial periods commencing on or after 1 January 2013. IFRS 12 combines in a single standard the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities. The new standard increases the level of disclosure, in particular the risks associated with a reporting entity's interests in such other entities, and the effects of those interests on the reporting entity's financial position, financial performance and cash flows.

Other new standards, amendments and interpretations not yet effective are expected to have an insignificant effect on the Group annual financial statements. Those applicable to the Group are: Amended standards and amended interpretation:

IAS 1 – Presentation of Financial Statements (presentation of items of other comprehensive income),

IAS 12 – Income Taxes (defined benefit plans),

IFRS 7 – Financial Instruments: Disclosure (transfers of financial assets), and

IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (accounting treatment for prepayments when there is a minimum funding requirement).

New standard:

IFRS 13 – Fair Value Measurement

Balance sheets

at 30 June 2011

	Note	Group		Company	
		2011 R 000	2010 R 000	2011 R 000	2010 R 000
ASSETS					
Non current assets					
Property, plant and equipment	1	100 695	62 158	-	-
Interest in subsidiaries	2			187 047	121 458
Non current loans receivable	4	4 922	3 951	80 237	54 620
Deferred income tax assets	8.1	21 014	13 924	-	56
		126 631	80 033	267 284	176 134
Current assets					
Construction contract work not yet billed	9	5 249	34 141	-	-
Inventories	10	394 453	277 887	704	-
Trade and other receivables	11	112 542	183 428	2 642	4 132
Derivative financial assets	12	-	1 974	-	-
Income tax refundable		5 158	8 905	78	278
Other current assets	13	34 966	16 586	-	-
Non current assets held for sale	14	-	87	-	704
Cash and cash equivalents	15	592 412	352 145	1 395	62
		1 144 780	875 153	4 819	5 176
Total assets		1 271 411	955 186	272 103	181 310
EQUITY AND LIABILITIES					
Equity attributable to ordinary shareholders of the Company					
Issued capital	16.3	25 192	25 192	25 192	25 192
Treasury shares	5 & 16.4	(56 129)	(55 123)		
Reserves	18	18 501	13 580	43 611	10 033
Retained earnings		400 830	334 685	202 689	145 288
		388 394	318 334	271 492	180 513
Preference shares	17	8	8	8	8
Total equity attributable to equity holders of the Company		388 402	318 342	271 500	180 521
Non controlling interests in subsidiaries		48 726	35 738		
Total equity		437 128	354 080	271 500	180 521
Non current liabilities					
Interest bearing borrowings	19	20 588	10 543	-	-
Provision for trade back commitments	20	5 144	10 097	-	-
Deferred income tax liabilities	8.2	1 456	942	-	-
		27 188	21 582	-	-
Current liabilities					
Construction contract liabilities	9	319 031	161 739	-	-
Trade and other payables - non interest bearing	21	272 676	273 796	595	572
Trade and other payables - interest bearing	22	162 603	99 075	-	-
Other financial liabilities	23	3 340	85	-	-
Provision for trade back commitments - current portion	20	6 675	1 813	-	-
Income tax payable		3 508	538	-	-
Other current liabilities	24	39 262	42 478	8	217
		807 095	579 524	603	789
Total equity and liabilities		1 271 411	955 186	272 103	181 310

Income statements

for the year ended 30 June 2011

	Note	Group		Company	
		2011 R 000	2010 R 000	2011 R 000	2010 R 000
Sales	26	1 308 804	1 241 323	603	636
Operating costs excluding depreciation and fair value adjustments to property, plant and equipment	27	(1 195 789)	(1 154 235)	57 854	3 365
Operating profit before depreciation and fair value adjustments to property, plant and equipment		113 015	87 088	58 457	4 001
Depreciation and fair value adjustments to property, plant and equipment	28	(6 402)	(4 837)	-	-
Profit from operations before abnormal item		106 613	82 251	58 457	4 001
Abnormal item					
Equity settled share options expense	32	(8 212)	(3 178)	-	-
Profit from operations		98 401	79 073	58 457	4 001
Profit on realisation of non current assets held for sale	14	-	3 609	-	1 134
Finance income	35	25 267	11 894	829	1 850
Finance expenses	36	(6 272)	(5 162)	-	(11)
Dividends received from subsidiary				12 723	12 062
Profit before income tax		117 396	89 414	72 009	19 036
Income tax expense	37	(39 317)	(26 974)	(604)	(833)
Profit for the year		78 079	62 440	71 405	18 203
Profit for the year attributable to:					
Ordinary shareholders of the Company		67 202	54 789	71 405	18 203
Non controlling interests in subsidiaries		10 877	7 651		
		78 079	62 440	71 405	18 203
Earnings per ordinary share (cents)					
Basic earnings per ordinary share	39	270,5	209,9		
Diluted earnings per ordinary share	39	267,3	209,9		

Details of headline earnings and headline earnings per ordinary share are included in notes 38 and 39

Details of dividends declared and paid on the ordinary shares are included in note 40

Statements of comprehensive income

for the year ended 30 June 2011

	Note	Group		Company	
		2011 R 000	2010 R 000	2011 R 000	2010 R 000
Profit for the year		78 079	62 440	71 405	18 203
Other comprehensive income					
Foreign currency translation adjustments for foreign entities					
Adjustments	42.1	9 497	2 330		
Income tax effect		-	-		
Capital profit distributed by the ELB Participants Share Trust					
Capital profit distributed	5			30 822	-
Capital gains tax (CGT)	5			(4 223)	-
Total other comprehensive income		9 497	2 330	26 599	-
Total comprehensive income for the year		87 576	64 770	98 004	18 203
Total comprehensive income for the year attributable to:					
Ordinary shareholders of the Company		75 274	56 769	98 004	18 203
Non controlling interests in subsidiaries		12 302	8 001		
		87 576	64 770	98 004	18 203

Statements of changes in equity

for the year ended 30 June 2011

Group

Attributable to ordinary shareholders of the Company

	Note	Issued	Treasury	Reserves	Retained	Total	Pref-	Non	Total
		capital	shares	(note 18)	earnings		erence	controlling	
		(note 16.3)	(note 5)	(note 18)	R 000		share-	interests in	
		R 000	R 000	R 000	R 000	R 000	holders	subsidiaries	equity
		R 000	R 000	R 000	R 000	R 000	R 000	(note 17)	R 000
Balance at 30 June 2009		25 192	(31 161)	902	296 263	291 196	8	27 759	318 963
Comprehensive income for the year									
Profit for the year					54 789	54 789		7 651	62 440
Other comprehensive income									
Foreign currency translation adjustments for foreign entities									
Adjustments	42.1			1 980		1 980		350	2 330
Income tax effect				-		-		-	-
Total comprehensive income for the year				1 980	54 789	56 769		8 001	64 770
Ordinary dividends paid	40				(8 371)	(8 371)		(498)	(8 869)
Increase in share options reserve for equity settled share options expense recognised in profit or loss	32			2 702		2 702		476	3 178
Redundant items in the foreign currency translation reserve transferred to retained earnings				7 996	(7 996)	-		-	-
Increase in in the carrying amount of treasury shares held by Group entities									
Net treasury shares acquired	16.4 & 42.9		(23 962)			(23 962)			(23 962)
Balance at 30 June 2010		25 192	(55 123)	13 580	334 685	318 334	8	35 738	354 080
Comprehensive income for the year									
Profit for the year					67 202	67 202		10 877	78 079
Other comprehensive income									
Foreign currency translation adjustments for foreign entities									
Adjustments	42.1			8 072		8 072		1 425	9 497
Income tax effect				-		-		-	-
Total comprehensive income for the year				8 072	67 202	75 274		12 302	87 576
Ordinary dividends paid	40				(11 188)	(11 188)		(546)	(11 734)
Increase in share options reserve for equity settled share options expense recognised in profit or loss	32			6 980		6 980		1 232	8 212
Transfers from share options reserve to retained earnings									
Share options exercised and fully paid				(956)	956	-		-	-
Share options lapsed through attrition				(92)	92	-		-	-
Redundant items in the foreign currency translation reserve transferred to retained earnings				(9 083)	9 083	-		-	-
Changes in the carrying amount of treasury shares held by Group entities									
Treasury shares released	16.4 & 42.9		3 999			3 999			3 999
Capital gains tax (CGT) on treasury shares transferred	16.4 & 42.9		(5 005)			(5 005)			(5 005)
Balance at 30 June 2011		25 192	(56 129)	18 501	400 830	388 394	8	48 726	437 128

Statements of changes in equity

for the year ended 30 June 2011

Company

	Attributable to ordinary shareholders						
	Note	Issued capital	Reserves	Retained earnings	Total	Pref-erence share-holders	Total equity
		(note 16.3) R 000	(note 18) R 000	R 000	R 000	(note 17) R 000	R 000
Balance at 30 June 2009		25 192	6 855	137 920	169 967	8	169 975
Comprehensive income for the year							
Profit for the year				18 203	18 203		18 203
Total comprehensive income for the year				18 203	18 203		18 203
Ordinary dividends paid	40			(10 835)	(10 835)		(10 835)
Increase in share options reserve for equity settled share options expense recognised in profit or loss	32		3 178		3 178		3 178
Balance at 30 June 2010		25 192	10 033	145 288	180 513	8	180 521
Comprehensive income for the year							
Profit for the year				71 405	71 405		71 405
Capital profit distributed by the ELB Participants Share Trust							
Capital profit distributed	5		30 822		30 822		30 822
Capital gains tax (CGT)	5		(4 223)		(4 223)		(4 223)
Total comprehensive income for the year			26 599	71 405	98 004		98 004
Ordinary dividends paid	40			(15 237)	(15 237)		(15 237)
Increase in share options reserve for equity settled share options expense recognised in profit or loss	32		8 212		8 212		8 212
Transfers from share options reserve to retained earnings							
Share options exercised and fully paid			(1 125)	1 125	-		-
Share options lapsed through attrition			(108)	108	-		-
Balance at 30 June 2011		25 192	43 611	202 689	271 492	8	271 500

Cash flow statements

for the year ended 30 June 2011

	Note	Group		Company	
		2011 R 000	2010 R 000	2011 R 000	2010 R 000
Cash flows from operating activities					
Operating profit before depreciation and fair value adjustments to property, plant and equipment		113 015	87 088	58 457	4 001
<i>Deduct:</i> Foreign currency exchange adjustments to cash and cash equivalents included in net operating costs in the income statement but reflected as an adjustment to cash and cash equivalents in the cash flow statement	42.2	(5 034)	4 676	-	-
		118 049	82 412	58 457	4 001
Non cash adjustments	42.3	(875)	(384)	(59 869)	(6 198)
Changes in working capital	42.4	190 504	60 697	1 304	2 160
Profit on realisation of non current assets held for sale	14	-	3 609	-	1 134
Provision for trade back commitments					
Costs charged against the provision	20	(409)	(265)	-	-
Cash inflow / (outflow) from operating activities before interest, dividends received and income tax		307 269	146 069	(108)	1 097
Interest received	35	24 765	11 658	829	1 850
Interest paid	36	(4 731)	(4 617)	-	(11)
Dividends received from subsidiary				12 723	12 062
Income tax paid	42.5	(38 831)	(39 627)	(348)	(537)
Cash inflow from operating activities before dividends paid		288 472	113 483	13 096	14 461
Dividends paid					
Ordinary shareholders of the Company	42.6	(11 188)	(8 371)	(15 237)	(10 835)
Non controlling shareholders in subsidiaries		(546)	(498)	-	-
Cash inflow / (outflow) from operating activities (A)		276 738	104 614	(2 141)	3 626
Cash flows from investment activities					
Additions and improvements to property	1	(33 193)	(18 247)	-	-
Improvements to aeroplane (2010 - acquisition of aeroplane)	1	(2 266)	(3 866)	-	-
Net purchases of plant and equipment	42.7	(8 212)	(4 948)	-	-
Decrease in amounts owing by subsidiaries				2 457	19 919
Cash (outflow) / inflow from investment activities (B)		(43 671)	(27 061)	2 457	19 919
Cash flows from financing activities					
Increase in non current loan receivable	42.8	(1 184)	(534)	-	-
Increase in non current loans to the share trusts				(25 582)	(23 544)
Increase / (decrease) in non current borrowings					
Mortgage bonds		10 090	2 483	-	-
Finance leases		(83)	464	-	-
Treasury shares changes	42.9	(1 006)	(23 962)	26 599	-
Cash inflow / (outflow) from financing activities (C)		7 817	(21 549)	1 017	(23 544)
Cash inflow for the year (A + B + C)		240 884	56 004	1 333	1
Foreign currency exchange and translation adjustments to cash and cash equivalents	42.2	(617)	5 852	-	-
Increase in cash and cash equivalents		240 267	61 856	1 333	1
Cash and cash equivalents at the beginning of the year		352 145	290 289	62	61
Cash and cash equivalents at the end of the year		592 412	352 145	1 395	62
Reconciliation to the balance sheet					
Current assets - cash and cash equivalents		592 412	352 145	1 395	62

Notes to the annual financial statements

for the year ended 30 June 2011

1 Property, plant and equipment

Group

	Property R 000	Aeroplane R 000	Plant and machinery R 000	Vehicles R 000	Office furniture and equipment R 000	Computer equipment R 000	Total R 000
2010							
Carrying amounts at the beginning of the year	30 133	-	2 056	5 270	1 345	813	39 617
Additions and improvements at cost	18 247	3 866	363	3 060	693	1 344	27 573
Depreciation	(993)	-	(575)	(2 212)	(421)	(636)	(4 837)
Fair value adjustments to aeroplane	-	-	-	-	-	-	-
Disposals at carrying amounts	-	-	(58)	(208)	(14)	(7)	(287)
Foreign currency translation adjustments	-	-	12	73	(1)	8	92
Carrying amounts at the end of the year	47 387	3 866	1 798	5 983	1 602	1 522	62 158
Cost	51 259	3 866	3 944	14 800	3 503	6 194	83 566
Accumulated depreciation	(3 872)	-	(2 146)	(8 817)	(1 901)	(4 672)	(21 408)
Fair value adjustments	-	-	-	-	-	-	-
Carrying amounts as above	47 387	3 866	1 798	5 983	1 602	1 522	62 158
2011							
Carrying amounts at the beginning of the year	47 387	3 866	1 798	5 983	1 602	1 522	62 158
Additions and improvements at cost	33 193	2 266	2 756	5 035	683	958	44 891
Depreciation	(1 335)	-	(666)	(2 549)	(509)	(839)	(5 898)
Fair value adjustments	-	(504)	-	-	-	-	(504)
Disposals at carrying amounts	-	-	(3)	(925)	(15)	(8)	(951)
Foreign currency translation adjustments	496	-	52	406	14	31	999
Carrying amounts at the end of the year	79 741	5 628	3 937	7 950	1 775	1 664	100 695
Cost	84 948	6 132	6 819	17 585	4 179	7 240	126 903
Accumulated depreciation	(5 207)	-	(2 882)	(9 635)	(2 404)	(5 576)	(25 704)
Fair value adjustments	-	(504)	-	-	-	-	(504)
Carrying amounts as above	79 741	5 628	3 937	7 950	1 775	1 664	100 695

The aeroplane is owned by a joint venture partnership in which the Group has a 34% proportionate share. The amounts for the aeroplane reported above are the Group's proportionate share. The aeroplane is not depreciated but is stated at its fair value at each balance sheet date. The fair value was determined by an independent, skilled valuator by assessing the condition of the aeroplane, and taking into account enhancements and improvements and deficiencies and impairments, having regard to the market price of like aeroplanes.

Property, plant and equipment, excluding the aeroplane - see above, are depreciated at rates intended to write them off on a straight line basis over their useful lives to their residual values. Useful lives are usually twenty years for property, five years for plant and machinery, five years for vehicles, five years for office furniture and equipment, and three years for computer equipment. Land has an indefinite useful life and is not depreciated. Depreciation methods, useful lives and residual values are reviewed annually at each year end.

The approximate cost of land included in the carrying amount of property at 30 June 2011 is R28 050 000 (2010 - R12 497 000). Properties with carrying amounts totalling R53 324 000 (2010 - R44 528 000) have been encumbered as security for mortgage bonds, and vehicles with carrying amounts totalling R1 568 000 (2010 - R890 000) and computer equipment with a carrying amount of R151 000 (2010 - nil) have been secured in terms of finance lease and credit instalment agreements. Refer to note 19.

At the date of this report the transfer had not yet been registered of a property acquired during the year and which had a carrying amount of R13 856 000 at 30 June 2011.

Notes to the annual financial statements

for the year ended 30 June 2011

1 Property, plant and equipment (continued)

Group

Capital commitments

	Contracted or ordered R 000	Authorised but not yet contracted or ordered R 000	Total 2011 R 000	Total 2010 R 000
Property				
Additions and improvements to existing properties	8 569	679	9 248	10 523
Plant and machinery	89	–	89	–
Vehicles	481	–	481	192
Office furniture and equipment	21	–	21	9
Computer equipment	9	–	9	–
	9 169	679	9 848	10 724

The commitments totalling R 600 000 for purchases of plant and machinery, vehicles, office furniture and equipment will be funded from available cash and cash equivalents. The commitments of R9 248 000 for additions and improvements to existing properties will be funded by a combination of planned and existing mortgage bond draw downs over such properties as well as from the Group's available cash and cash equivalents.

Company

2011 R 000	2010 R 000
---------------	---------------

2 Interest in subsidiaries

Ordinary shares		
Cost	2	2
Equity contributions to subsidiaries in respect of equity settled share options granted	17 995	9 783
	17 997	9 785
Preference shares	90 000	90 000
	107 997	99 785
Loans to subsidiaries	84 726	87 183
Impairment	(5 676)	(65 510)
Carrying amount	79 050	21 673
Total carrying amount	187 047	121 458

Additional details are given on page 78.

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

Group

2011
R 000

2010
R 000

3 Joint ventures

The Company's 85% held subsidiary, ELB Engineering Limited, has the following indirect interests in joint ventures:

Ditch Witch Australia Pty Limited - 84,21053% (2010 - 84,21053%)
 Ditch Witch New Zealand Limited - 84,21053% (2010 - nil)
 ELB Flying Services - 34% (2010 - 34%)
 ELB PBA Engineering Solutions (Pty) Limited - 50% (2010 - 50%)
 Ports of Africa (Pty) Limited - 50% (2010 - 50%)

Proportionate share of joint venture operations included in the Group annual financial statements

Sales	248 002	111 090
Profit before income tax	19 029	6 253
Property, plant and equipment	11 171	7 541
Deferred income tax assets	41	-
Current assets	176 563	79 391
Total assets	187 775	86 932
Long term liabilities	181	455
Deferred income tax liabilities	1	-
Current liabilities	114 325	30 157
Total liabilities	114 507	30 612
Net assets	73 268	56 320
Cash inflow / (outflow):		
Operations	63 335	6 983
Distributions paid	(11 098)	(4 001)
Investment activities	(4 691)	(5 259)
Financing activities	(312)	465
	47 234	(1 812)

Additional information on joint ventures is given on page 78.

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

		Group	
	Note	2011 R 000	2010 R 000
4 Non current loans receivable			
4.1 Non current loan receivable arising from the sale of ELB Timber Products (Pty) Limited			
Carrying amount at the beginning of the year		4 853	4 843
Repayments		-	(500)
Interest received		286	346
Penalty interest (reduced) / received		(102)	188
Effective interest rate adjustment	35	502	236
Debt rescheduling loss	36	(617)	-
Impairments		-	(260)
Carrying amount at the end of the year		4 922	4 853
Current portion included in trade and other receivables	11	-	(902)
Non current amount receivable		4 922	3 951
The actual transactional statement of the loan is given below together with a listing of the non transactional IFRS adjustments.			
Actual amount receivable at the beginning of the year		5 727	5 693
Repayments		-	(500)
Interest received		286	346
Penalty interest (reduced) / received		(102)	188
Actual amount receivable at the end of the year		5 911	5 727
Non transactional cumulative IFRS adjustments			
Present value adjustment (at start of loan)		(1 158)	(1 158)
Effective interest rate adjustments		1 306	804
Debt rescheduling loss (at date of rescheduling)		(617)	
Impairments		(520)	(520)
IFRS carrying amount at the end of the year as above		4 922	4 853
Actual current portion of actual amount receivable		-	1 000

The loan to Craig Douglas Stanton arose from the sale at 31 May 2008, on credit, of the Company's indirect subsidiary, ELB Timber Products (Pty) Limited (ETP), to Mr Stanton.

The loan is carried in the books of the Company's wholly owned direct subsidiary, ELB Timber Holdings (Pty) Limited (ETH).

Delays and shortfalls occurred in the repayment schedule indicating impairment and necessitating reassessments of the expected future cash flows. Impairment losses were recognised. On 4 April 2011 the loan repayments were rescheduled by agreement between ETH and Mr Stanton. This agreement included the discontinuance of the penalty interest and changed the interest charged on the loan to the variable call deposit rate offered by the Company's principal banker, which was 4,7% per annum at 30 June 2011. The loan previously bore a fixed rate of 6% per annum. Interest is capitalised monthly.

For purposes of arriving at a fair value of the loan at its commencement an effective interest rate of 15% per annum was used. This effective interest rate was a market related rate for similar type loans. At the date of the rescheduling the effective interest rate was 9% per annum, and this latter rate has been applied from such date. Interest is recognised at the effective interest rate in accordance with the IFRS requirements, and this necessitates an effective interest rate adjustment to the actual interest received.

It was decided to reduce the penalty interest charged in the 2009 and 2010 financial years. The reduction has been recognised in the current financial year. Penalty interest was discontinued from the beginning of the 2011 financial year.

The loan is now repayable in quarterly instalments of R 250 000 starting on 1 July 2012. The last repayment is scheduled for 1 October 2019.

The shares in and loan receivable from ELB Timber Products (Pty) Limited (ETP) acquired by the purchaser on the sale of ETP, have been ceded to ETH as security for due performance in terms of the agreement of sale. The Company is also entitled to representation on the board of ETP.

The ELB name may be retained in the name of ETP and also in the trading name, ELB Timbers, until the settlement of the obligations by the purchaser in terms of the agreement of sale, whereupon the name ELB shall be removed from the names of ETP and ELB Timbers.

Refer also to note 25.

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Note	Company	
		2011 R 000	2010 R 000
4 Non current loans receivable (continued)			
4.2 Loans to the group share trusts			
ELB Share Incentive Trust	6	82 878	25 390
ELB Participants Share Trust	7	–	29 279
Gross amounts		82 878	54 669
Impairment of the ELB Share Incentive Trust		–	(35)
		82 878	54 634
Current portion of the ELB Share Incentive Trust loan receivable included in trade and other receivables	11	(2 641)	(14)
		80 237	54 620
The underlying securities of the loans to the two Trusts are ordinary shares in the Company, which are under the control of the Trusts.			
		Group 2011 R 000	2010 R 000
5 Treasury shares			
ELB Share Incentive Trust			
Amount receivable by the Company from the Trust	4.2	82 878	25 390
Loan repayments made by the Trust from dividends received on ELB shares held in its own name, and which are available for issue to participants in terms of the share incentive scheme operated by the Trust		1 460	454
Capital gains tax (CGT) on the issue of shares to participants		(368)	–
Fringe benefits tax to be recovered from participants		(1 808)	–
Income tax refundable by the South African Revenue Service (SARS) to the Trust; arising from the over payment of capital gains tax (CGT) on the issue of shares to participants		(229)	–
Amount owing by the Trust to participants		13	–
Amount representing loans by the Trust to participants, and the cost of shares held by the Trust and available for issue to participants	(A) 16.4	81 946	25 844
ELB Participants Share Trust			
Amount receivable by the Company from the Trust, equal to the investment by the Trust in ordinary shares of the Company	(B) & 4.2 & 16.4	–	29 279
ELB Timber Holdings (Pty) Limited (ETH)			
ELB shares transferred from the ELB Share Participants Trust at market value	42.9	60 102	–
Capital distribution from the ELB Participants Share Trust to ETH	42.9	(60 102)	–
CGT paid on the capital distribution (after offsetting CGT losses brought forward from previous years)	16.4 & 42.9	782	–
Carrying amount of treasury shares in the books of ETH	(C)	782	–
ELB Group Limited (the Company)			
Capital distribution from the ELB Participants Share Trust to ETH	42.9	(30 822)	–
CGT paid on the capital distribution (after offsetting a CGT loss brought forward from a previous year)	42.9	4 223	–
Treasury shares adjustment amount from the books of the Company	16.4 (D) & 18	(26 599)	–
Treasury shares as reflected for the Group	(A+B+C+D) 16.4	56 129	55 123

Refer also to notes 6 and 7.

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

6 ELB Share Incentive Trust

The Trust was established to enable certain employees and executive directors (collectively 'the participants') to acquire ordinary shares in the Company. The loan to the Trust is interest free and has no fixed terms of repayment. The loans granted by the Trust to the participants are correspondingly also interest free. The trustees of the share incentive scheme may not release shares until paid for in full.

		Number of shares	
	Note	2011	2010
Scheme share participations			
Scheme shares at the beginning of the year	16.2	2 341 731	971 748
Shares purchased in the open market	16.2	-	1 497 283
Shares transferred from the ELB Participants Share Trust	7	3 386 000	-
Shares paid for in full	16.2	(312 700)	(127 300)
		<hr/>	<hr/>
Scheme shares at the end of the year		5 415 031	2 341 731
Comprising:			
Shares not yet paid for by participants and represented by loans		2 515 400	49 600
Shares held for issue to participants		2 899 631	2 292 131
		<hr/>	<hr/>
		5 415 031	2 341 731

Participants are entitled to repay their loans, and thus take full ownership of the shares allocated to them, as follows:

	For loans granted after 20 March 2008 (covering 2 505 500 shares)	For a loan granted before 20 March 2008 (covering 9 900 shares)
After one year	- up to 20% of the loan	- up to 10% of the loan
After two years	- up to 40% of the loan	- up to 25% of the loan
After three years	- up to 60% of the loan	- up to 45% of the loan
After four years	- up to 80% of the loan	- up to 70% of the loan
After five years	- up to 100% of the loan	- up to 100% of the loan

Shares in respect of any loan, or portion of any loan, unpaid after ten years from the granting of the loan will be forfeited by the participant and will revert fully to the Trust.

If a participant retires on pension the participant may at the discretion of the directors nevertheless continue to have the same rights and obligations under the Scheme as if the participant had remained in the employ of the Group.

On resignation, retirement other than as described above, or death, the participant or his estate shall have one year from the date of resignation, retirement or death to exercise and pay for those shares to which the participant had become entitled to pay for and take full ownership of at the time of resignation, retirement or death.

7 ELB Participants Share Trust

The Trust was established to enable employees and executive directors (collectively 'the participants') to acquire a beneficial interest in the dividends of the Group. The scheme was discontinued in April 2011 and the Trust will be deregistered in the near future.

The treasury shares held by the Trust were transferred at market value in equal portions to the ELB Share Incentive Trust and to ELB Timber Holdings (Pty) Limited, a wholly owned direct subsidiary of the Company.

Refer to notes 5 and 6,

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Note	Group		Company	
		2011 R 000	2010 R 000	2011 R 000	2010 R 000
8 Deferred income tax					
Income tax rates used in the determination of deferred income tax assets and deferred income tax liabilities are:					
South African income tax - 28% (2010 - 28%)					
South African secondary tax on companies (STC) - 10% (2010 - 10%)					
Australian income tax - 30% (2010 - 30%)					
New Zealand income tax - 30% (2010 - not applicable)					
Amount of estimated income tax losses at the year end not included in deferred income tax assets or deferred income tax liabilities	37	1 034	1 211	-	-
8.1 Deferred income tax assets					
Analysis					
Temporary differences					
Aeroplane		(214)	(53)	-	-
Plant and equipment		(76)	(136)	-	-
Construction contract work not yet billed		1 620	(4 271)	-	-
Inventories		1 685	1 983	-	-
Client retentions on construction contracts		(167)	(78)	-	-
Professional indemnity insurance claim		(4 872)	-	-	-
Receivables and other assets		1 351	1 251	-	-
Prepaid expenses		(94)	(307)	-	-
Provision for trade back commitments		3 309	3 335	-	-
Construction contract liabilities		8 622	3 989	-	-
Accrual for anticipated costs related to sales of goods		484	1 213	-	-
Leave pay accrued		2 847	2 425	-	-
Other employee benefits accrued		2 376	1 902	-	-
Warranties		1 625	1 830	-	-
Provision for onerous contracts		920	-	-	-
Other payables and liabilities		495	323	-	-
Secondary tax on companies (STC) credit	37	481	518	-	56
Income tax losses carried forward		622	-	-	-
		21 014	13 924	-	56
Movement for the year					
Balance at the beginning of the year		13 924	16 802	56	372
Transfer from deferred income tax liabilities	8.2	(1)	-	-	-
Income tax credit / (expense)	37	6 667	(2 980)	(56)	(316)
Foreign currency translation adjustments	42.1	424	102	-	-
Balance at the end of the year		21 014	13 924	-	56
8.2 Deferred income tax liabilities					
Analysis					
Temporary differences					
Property		1 456	1 190	-	-
Aeroplane		-	1	-	-
Income tax losses carried forward		-	(249)	-	-
		1 456	942	-	-
Movement for the year					
Balance at the beginning of year		942	620	-	-
Transfer to deferred income tax assets	8.1	(1)	-	-	-
Income tax expense	37	515	322	-	-
Balance at the end of the year		1 456	942	-	-

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Note	Group		Company	
		2011 R 000	2010 R 000	2011 R 000	2010 R 000
9 Construction contracts					
Construction contract liabilities					
Provisions relevant to completion to date		25 649	4 780	-	-
Billings to clients in advance of completion to date		293 382	156 959	-	-
		319 031	161 739	-	-
Construction contracts additional information					
Revenue recognised for the year on construction contracts	26	511 218	608 970	-	-
Aggregate amount of costs incurred and recognised profits less recognised losses for construction contracts not yet complete at the year end		1 688 411	1 414 553	-	-
Costs incurred on construction contracts, plus profits recognised and not yet included in billings to clients at the year end, recorded separately under current assets in the balance sheet as construction contract work not yet billed, totalled		5 249	34 141	-	-
Amount receivable from construction contract clients at the year end	11	68 449	144 036	-	-
Retentions held by clients at the year end and included in the amount receivable from construction contract clients		596	279	-	-
10 Inventories					
Merchandise and components		113 679	71 684	-	-
Work in progress		19 620	13 592	-	-
Finished goods		261 067	192 611	-	-
Property, comprising a vacant stand, held as inventory	14	87	-	704	-
		394 453	277 887	704	-
Inventories recognised as an expense in the year		582 796	465 129	-	-
Inventories recognised as an expense includes: Write down of inventories to net realisable value		7 432	2 120	-	-

The property comprising a vacant stand is the remaining erf of four erven, previously referred to collectively as the Lydenburg property, that was transferred to the Company from a subsidiary which was then sold. The transfer to the Company was at market value. On transfer the Lydenburg property was classified as non current assets held for sale after the transfer. The remaining erf has been reclassified as inventory during the year, and will be sold in due course.

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Note	Group		Company	
		2011 R 000	2010 R 000	2011 R 000	2010 R 000
11 Trade and other receivables					
Amounts receivable from construction contract clients	9	68 449	144 036	-	-
Impairment of construction contract receivables		(249)	(180)	-	-
Other trade receivables		46 474	37 243	-	-
Impairment of other trade receivables		(5 335)	(4 297)	-	-
Total trade receivables		109 339	176 802	-	-
Current portion of non current loan receivable	4.1	-	902	-	-
Amount receivable from the realisation of non current assets held for sale		-	4 100	-	4 100
Other current receivables		3 498	2 607	1	8
Impairment of other current receivables		(295)	(983)	-	-
Amounts receivable from the Group share trusts					
Current portion of non current loans receivable	4.2			2 641	14
Current account				-	10
		112 542	183 428	2 642	4 132
Trade receivables					
Amounts receivable		114 923	181 279		
Impairment		(5 584)	(4 477)		
Total trade receivables as above		109 339	176 802		
Currency analysis					
South African Rands		102 521	171 022		
Australian Dollars		8 307	8 350		
United States Dollars		3 411	46		
New Zealand Dollars		633	-		
Euros		51	1 464		
Mozambique Meticals		-	397		
		114 923	181 279		
Ageing					
Not past due		90 826	136 420		
Past due 0 - 30 days		9 124	9 453		
Past due 30 - 60 days		4 836	5 359		
Past due 60 - 90 days		3 964	1 524		
Past due more than 90 days		6 173	28 523		
		114 923	181 279		
Impairment					
Balance at the beginning of the year		4 477	3 934		
Additional impairments					
Specific customers and clients		4 294	3 041		
Non specific		-	-		
Reversals of impairments					
Specific customers and clients		(663)	(1 695)		
Non specific		(116)	(135)		
Impairments applied to irrecoverable amounts		(2 430)	(689)		
Foreign currency translation adjustments		22	21		
Balance at the end of the year		5 584	4 477		
Impairments to specific customers and clients		5 133	3 915		
Non specific impairments		451	562		
		5 584	4 477		
Impairment ageing					
In respect of trade receivables					
Not past due		93	1 249		
Past due 0 - 30 days		273	164		
Past due 30 - 60 days		135	807		
Past due 60 - 90 days		2 700	965		
Past due more than 90 days		2 383	1 292		
		5 584	4 477		

The management of credit risk is outlined in the notes on financial risk management.

44.5

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Note	Group		Company	
		2011 R 000	2010 R 000	2011 R 000	2010 R 000
12 Derivative financial assets					
Foreign currency forward exchange contracts (FECs) marked to market by comparing with year end contract values of FECs with similar maturity dates		-	1 974	-	-
13 Other current assets					
Taxes refundable (excluding income tax)		7 229	7 414	-	-
Prepaid expenses		8 281	9 172	-	-
Professional indemnity insurance claim		17 400	-	-	-
Amounts recoverable under employee benefit plans		1 815	-	-	-
Other		241	-	-	-
		34 966	16 586	-	-
14 Non current assets held for sale					
<p>The non current assets held for sale consist of property, referred to as the Lydenburg property. The property was transferred at market value to the Company in May 2008 from a subsidiary which was then sold. The property originally comprised four erven. During the year ended 30 June 2009 two erven were sold and a further erf was sold in the year ended 30 June 2010. The remaining unsold erf at 30 June 2011 is vacant land. The unsold erf was reclassified as inventory during the year ended 30 June 2011 and is held for sale in due course. The property is carried by the Group at its original cost and by the Company at fair value less costs to sell.</p>					
Property held for sale					
Carrying amount at the beginning of the year		87	598	704	3 496
Reverse opening adjustment to fair value less costs to sell		-	-	-	1 328
Cost of erf / erven sold during the year		-	(511)	-	(4 120)
Raise closing adjustment to fair value less costs to sell		-	-	-	-
Reclassified as inventory	10	(87)	-	(704)	-
Carrying amount at the end of the year		-	87	-	704
Erf sold during the year ended 30 June 2010:					
Selling price		-	4 400	-	4 400
Cost as above		-	(511)	-	(4 120)
Selling expenses		-	(280)	-	(280)
Profit on sale		-	3 609	-	-
Reverse opening adjustment to fair value less costs to sell applicable to the erf / erven sold		-	-	-	1 134
Profit on sale according to IFRS		-	3 609	-	1 134
Adjustment to fair value less costs to sell:					
Reverse opening adjustment as above		-	-	-	1 328
Opening adjustment applicable to the erf / erven sold		-	-	-	(1 134)
Raise closing adjustment as above		-	-	-	-
Adjustment for the year according to IFRS		-	-	-	194

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Group		Company	
	2011 R 000	2010 R 000	2011 R 000	2010 R 000
15 Cash and cash equivalents				
Short term cash deposits, bank balances and cash on hand	592 412	352 145	1 395	62
Encumbered cash and cash equivalents				
Included in cash and cash equivalents are the following encumbered cash deposits:				
Call and term cash deposits with a South African bank, ceded and pledged to that bank to cover import letters of credit issued by the bank on behalf of ELB Equipment in South Africa	32 000	32 000	-	-
Cash deposits with an insurance company as a guarantee for due performance under certain construction contracts	39 240	39 240	-	-
	71 240	71 240	-	-
16 Ordinary share capital and premium				
16.1 Authorised ordinary share capital				
50 000 000 ordinary shares of 4 cents each	2 000	2 000	2 000	2 000
	2011 Number	2010 Number	2011 Number	2010 Number
16.2 Number of ordinary shares in issue				
Number of shares in issue at the beginning of the year				
Issued by the Company	33 860 000	33 860 000	33 860 000	33 860 000
Treasury shares				
ELB Participants Share Trust	7	(6 772 000)	(5 870 650)	
ELB Share Incentive Trust	6	(2 341 731)	(971 748)	
	24 746 269	27 017 602		
Transactions during the year				
ELB Participants Share Trust				
Shares purchased in the open market	7	-	(901 350)	
Transfers to				
ELB Share Incentive Trust		(3 386 000)	-	
ELB Timber Holdings (Pty) Limited		(3 386 000)	-	
ELB Share Incentive Trust				
Shares purchased in the open market	6	-	(1 497 283)	
Transfer from ELB Participants Share Trust		3 386 000	-	
Incentive scheme shares paid up by participants and released by the Trust	6	312 700	127 300	
ELB Timber Holdings (Pty) Limited				
Transfer from ELB Participants Share Trust		3 386 000	-	
Number of shares in issue at the end of the year	25 058 969	24 746 269	33 860 000	33 860 000
	R 000	R 000	R 000	R 000
16.3 Issued ordinary shares and premium				
33 860 000 (2010 - 33 860 000) shares of 4 cents each	1 354	1 354	1 354	1 354
Share premium account	23 838	23 838	23 838	23 838
	25 192	25 192	25 192	25 192

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Note	Group		Company	
		2011 R 000	2010 R 000	2011 R 000	2010 R 000
16 Ordinary share capital and premium (continued)					
16.4 Treasury shares					
Carrying amounts in the books of Group entities in respect of treasury shares					
ELB Share Incentive Trust	5	(81 946)	(25 844)		
ELB Participants Share Trust	5	-	(29 279)		
ELB Timber Holdings (Pty) Limited	5	(782)	-		
ELB Group Limited	5	26 599	-		
		<u>(56 129)</u>	<u>(55 123)</u>		
Treasury shares carrying amount increase during the year	42.9	<u>(1 006)</u>	<u>(23 962)</u>		

16.5 Authority to issue 4 200 000 of the unissued ordinary shares for purposes of the Company's share incentive scheme

An ordinary resolution at a general meeting held on 8 March 2011 placed 4 200 000 of the authorised ordinary shares of the Company under the control of the directors as a specific authority in terms of section 221(2) of the South African Companies Act of 1973, and authorised the directors to allot and issue such ordinary shares in the Company in accordance with the respective rules of the ELB Share Incentive Scheme, the ELB Executive Share Incentive Scheme 2010, the South African Companies Act of 1973 and the listings requirements for the Johannesburg Stock Exchange.

16.6 Capital management

The Group's policy is to maintain a strong capital base so as to preserve investor and market confidence and to sustain the future development of the business. The Group's objectives in managing capital are to maintain an optimal capital structure in order to safeguard the Group's going concern status, and to provide returns for shareholders and benefits for other stakeholders. The board reviews the capital structure on a regular basis. The reviews include the consideration of the risks associated with each class of capital, the Group's commitments and the availability of funding.

There were no major changes in the Group's approach to capital management during the year.

There are no externally imposed capital requirements.

The board monitors the spread of ordinary shareholders and the internal return to ordinary shareholders. Capital for this purpose is the equity attributable to ordinary shareholders of the Group. The internal return to ordinary shareholders comprises the ordinary dividends paid and the increase in net asset value (NAV) per ordinary share. For the year ended 30 June 2011 the internal return to ordinary shareholders was 24,4% (2010 - 22,6%). For the five years ended 30 June 2011 the return was 23,1% per annum. The Group has set a target of maintaining the internal return to ordinary shareholders to at least 20% per annum over the long term, which would be periods of five consecutive years and longer. In the short term the return could be affected by volatile economic factors, particularly foreign currency exchange rates.

	Note	Group		Company	
		2011 R 000	2010 R 000	2011 R 000	2010 R 000
17 Preference shares					
Authorised					
150 000 (2010 - 150 000) 6% fixed cumulative redeemable preference shares of 200 cents each		<u>300</u>	<u>300</u>	<u>300</u>	<u>300</u>
Issued					
3 800 (2010 - 3 800) 6% fixed cumulative redeemable preference shares of 200 cents each		<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>

The preference shares are redeemable by purchase on the open market out of a redemption reserve set aside by the appropriation of earnings of the Company which would otherwise have been available for distribution as dividends to the ordinary shareholders.

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Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Note	Group		Company	
		2011 R 000	2010 R 000	2011 R 000	2010 R 000
18 Reserves					
Capital redemption reserves		742	742	242	242
Reserve for redemption of preference shares	17	8	8	8	8
Share options reserve		14 248	8 316	16 762	9 783
Premium on buy out of non controlling interest in subsidiary		(853)	(853)		
Foreign currency translation reserve		4 356	5 367	-	-
Treasury shares transfer reserve	5 & 42.9			26 599	-
		18 501	13 580	43 611	10 033

Capital redemption reserve

On the redemption of preference shares, amounts equalling the carrying amounts of the equity redeemed, were transferred to this reserve. The transfers were from the reserve for redemption of preference shares in the case of the Company (see below) and from directly or indirectly retained earnings in the case of another Group company. The reserve was a requirement of the previous South African Companies Act of 1973.

Reserve for redemption of preference shares

The Company transferred an amount, equal to the carrying amount of the preference shares in issue at the time, from retained earnings to this reserve. As the preference shares were redeemed, amounts were transferred from this reserve to the capital redemption reserve (see above). The transfers were equal to the carrying amounts of the equity redeemed. The balance in the reserve is the same as the carrying amount of the preference shares in issue (refer to note 17) and will reduce to zero with the redemption in total of the preference shares.

Share options reserve

The share options reserve comprises the cumulative value of the equity settled share options granted to employees of the Group in terms of the Group's share incentive schemes. The reserve is reduced for options that are exercised and paid for in full, and for options that lapse through attrition. The reserve is carried by the Company and is reduced at Group level by any non controlling interest, direct and indirect, in the subsidiaries which employ the participants.

Premium on buy out of non controlling interest in subsidiary

The 21% non controlling interest in the Group entity, ELB Engineering Services (Pty) Limited (ELBES), was acquired in the 2008 financial year. The amount paid for the interest exceeded the equity attributable to the interest in the Group consolidation, by an amount referred to as a premium. ELBES is an indirectly held subsidiary of the Company. The premium reported above is the portion at Group level attributable to the ordinary shareholders of the Company, and reduces the equity attributable to these shareholders.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency exchange adjustments arising from the translation of the financial statements, in foreign currencies, of the foreign operations, to the presentation currency of the Company. The reserve is reduced for foreign currency exchange adjustments that become redundant.

Treasury shares transfer reserve

The treasury shares transfer reserve is carried by the Company. It arose from the transfer of a capital profit by a Group share trust to the Company. The capital profit received by the Company was placed in the reserve. Capital gains tax (CGT) has been paid by the Company on the capital profit, and this payment has reduced the balance in the reserve. The capital profit transferred to the Company was part of the total capital profit on the transfer of treasury shares by the trust to other Group entities.

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Note	Group		Company	
		2011 R 000	2010 R 000	2011 R 000	2010 R 000
19 Non current borrowings					
Interest bearing					
Mortgage bonds secured over properties with carrying amounts totalling R53 324 000 (2010 - R44 528 000)		22 182	12 200	-	-
Finance lease and credit instalment agreements secured over vehicles with carrying amounts totalling R1 568 000 (2010 - R890 000)		872	786	-	-
Finance lease and credit instalment agreements secured over computer equipment with carrying amounts totalling R151 000 (2010 - nil)		182	-	-	-
		23 236	12 986	-	-
Current portion included in trade and other payables – interest bearing	22	(2 648)	(2 443)	-	-
Non current portion		20 588	10 543	-	-
The interest rates, terms and maturity profiles of the interest bearing borrowings are indicated in the note on liquidity risk.	44.4				
20 Provision for trade back commitments					
Balance at the beginning of the year		11 910	12 049	-	-
Additional provisions at present values		1 120	468	-	-
Unused provisions reversed		(1 726)	(887)	-	-
Net reduction of sales revenue		(606)	(419)	-	-
Utilised during the year		(409)	(265)	-	-
Changes to present value amounts	36	98	-	-	-
Unwinding of present value adjustments	36	826	545	-	-
Balance at the end of the year		11 819	11 910	-	-
Current portion included in current liabilities		(6 675)	(1 813)	-	-
Non current portion included in non current liabilities		5 144	10 097	-	-

ELB Equipment in South Africa offers trade back agreements to certain customers, allowing a trade back of equipment purchased from ELB Equipment at guaranteed prices based on usage and time since initial sale but subject to specified equipment condition. Agreements are based on the usage level for the customer and are usually for one, two, three or four year periods, where the customer may trade back at any time within the period. The trade back price is fixed and offers an incentive to trade back.

In determining the provision it is assumed that the customer will trade back at the end of the period in the agreement. The amount provided is the present value of the incentive to trade back and the amount is recognised in profit or loss as a reduction of sales revenue. When the client trades back the equipment, the specific related incentive provision is reversed to the inventory value of the traded unit. Where the time limit of the given trade back period expires, the specific incentive provision is reversed from the provision and recognised in profit or loss as an increase in sales revenue.

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Note	Group		Company	
		2011 R 000	2010 R 000	2011 R 000	2010 R 000
21 Trade and other payables - non interest bearing					
Trade payables		190 673	220 613	-	-
Other payables		82 003	53 183	595	572
		272 676	273 796	595	572
22 Trade and other payables - interest bearing					
Interest bearing trade payables		159 955	96 632	-	-
Current portion of interest bearing non current borrowings	19	2 648	2 443	-	-
		162 603	99 075	-	-
The interest rates, terms and maturity profiles of the interest bearing trade and other payables are indicated in the note on liquidity risk.	44.4				
23 Other financial liabilities					
Derivative financial liabilities					
Foreign currency forward exchange contracts (FECs) marked to market by comparing with year end contract values of FECs with similar maturity dates		3 196	-	-	-
Financial guarantee liability					
Financial guarantee issued to the supplier of a former subsidiary, which has since been sold; measured initially at the present value, over the expected life of the guarantee, of the estimated commercial bank fees for a guarantee of similar risk; with subsequent amortisation over such expected life	25	144	85	-	-
		3 340	85	-	-
24 Other current liabilities					
Taxes payable (excludes Group and Company income tax payable and includes taxes collected on behalf of tax authorities)		4 386	10 378	8	137
Amounts payable under employee benefit plans		26 126	22 638	-	-
Insurance premiums and insurance claims excess accrued		561	592	-	-
Other accruals		8 189	8 870	-	80
		39 262	42 478	8	217
25 Contingent liabilities					
Group					

A Group entity has issued a guarantee of R830 000 in favour of a raw material supplier to ELB Timber Products (Pty) Limited, a former indirect subsidiary which has now been sold. The guarantee is cancellable by three calendar months notice. A financial guarantee liability of R144 000 (2010 - R85 000) has been accrued in respect of the guarantee.

Refer also to notes 4.1 and 23.

The Company's indirect subsidiary, ELB Engineering Services (Pty) Limited, operates in the engineering contracting business and is exposed to the risks associated with engineering contracts. These risks are managed on the basis of limited liability.

All known liabilities of the Group at the balance sheet date have been accrued.

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Note	Group		Company	
		2011 R 000	2010 R 000	2011 R 000	2010 R 000
26 Sales					
Sale of goods		797 583	631 645	-	-
Revenue recognised on construction contracts		511 218	608 970	-	-
Services – external		3	234	-	-
– inter company				603	636
Commission		-	474	-	-
		1 308 804	1 241 323	603	636
27 Operating costs					
Cost of sales		956 019	965 905	-	-
Other operating costs / (income)		239 770	188 330	(57 854)	(3 365)
		1 195 789	1 154 235	(57 854)	(3 365)
Operating costs include the following items of expense / (income):					
Inventories recognised as an expense	10	582 796	465 129	-	-
Research and development expenditure		802	785	-	-
Profit on disposal of plant and equipment		(269)	(225)	-	-
Auditors remuneration – annual audit		3 154	2 693	36	33
– other services		406	283	-	-
– auditors expenses		17	25	-	-
Net operating lease expenses – premises		8 242	7 278	-	-
– equipment		254	321	-	-
There are no contingent rents payable under any operating leases.					
Details of future minimum lease expenses and income is given in note 29					
Trade and other receivables adjustments	30	4 440	3 027	-	-
Foreign currency exchange adjustments (excluding foreign currency translation adjustments for foreign entities, disclosed in the Group statement of comprehensive income and the Group statement of changes in equity)	31	(2 296)	(10 041)	-	-
Employee benefits expense	32	191 397	165 514	729	421
Decrease in impairments of non current loans receivable (these two intra group adjustments are eliminated in the Group consolidation)					
ELB Share Incentive Trust				(35)	(4 525)
ELB Timber Holdings (Pty) Limited				(59 834)	(345)
(The reduction in the impairment of the loan to ELB Timber Holdings (Pty) Limited (ETH) was occasioned by the material reduction in the negative net equity of ETH. The reduction was brought about by the capital profit distribution to ETH by the ELB Participants Share Trust on the transfer of treasury shares which is reported in note 5. The loan to ETH is disclosed in the schedule of subsidiaries and joint ventures on page 78.)					
Non current assets held for sale adjusted to fair value less costs to sell (this item is eliminated in the Group consolidation)	14			-	(194)

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Note	Group		Company	
		2011 R 000	2010 R 000	2011 R 000	2010 R 000
28 Depreciation and fair value adjustments to property, plant and equipment					
Depreciation	1	5 898	4 837	-	-
Fair value adjustment to aeroplane	1	504	-	-	-
		6 402	4 837	-	-
29 Future minimum operating lease expenses / (income)					
Future minimum lease expenses / (income) at 30 June 2011 under non cancellable operating leases comprise:					
Payments under lease agreements:					
Not later than one year		6 808	7 250	-	-
Later than one year and not later than five years		3 899	8 651	-	-
Later than five years		-	-	-	-
Minimum future sub lease receipts		-	-	-	-
IAS 17 straight line adjustments		(315)	(150)	-	-
There are no contingent rents payable under any operating leases					
30 Trade and other receivables adjustments					
Net amounts written off		4 048	1 702	-	-
Increase in impairments		392	1 325	-	-
Net expense		4 440	3 027	-	-
31 Foreign currency exchange adjustments – (gain) / loss					
(excluding foreign currency translation adjustments for foreign entities, disclosed in the Group statement of comprehensive income and the Group statement of changes in equity)					
Trade and other receivables		(303)	119	-	-
Trade and other payables		(12 197)	8 370	-	-
Foreign currency forward exchange contracts (FECs)		5 170	(13 854)	-	-
Cash and cash equivalents held by group entities in currencies other than their functional currencies		5 034	(4 676)	-	-
		(2 296)	(10 041)	-	-

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Note	Group		Company	
		2011 R 000	2010 R 000	2011 R 000	2010 R 000
32 Employee benefits expense					
Short term benefits		183 382	157 015	723	417
Post employment benefits					
Retirement fund contributions	33	11 997	9 108	-	-
Total direct benefits		195 379	166 123	723	417
Indirect benefits		4 230	2 569	6	4
Total employee benefits expense		199 609	168 692	729	421
<i>Deduct: Amount reported separately as an abnormal item in the income statement:</i>					
Equity settled share options expense	32	8 212	3 178	-	-
Employee benefits expense included in operating costs		191 397	165 514	729	421
Number of employees at the end of the financial year		421	412	3	3

Remuneration of disclosed employees

(principle 180 of the King III report - three most highly paid employees in the Group who are not directors of the Company)

For the year ended 30 June 2011:

Disclosed employee one

Guaranteed package (salary, holiday pay, allowances, employer contributions to retirement funds and medical aid schemes, etc)	1 880	1 720
Commission	-	-
Performance and other bonuses	518	590
Dividends on treasury shares, comprising dividends allocated but not yet paid for in the ELB Share Incentive trust and participation in ELB dividends through the ELB Participants Share Trust. Refer to notes 6 and 7	128	127
Imputed benefits for income tax purposes on the Group's share incentive schemes (imputed interest on interest free loans for incentive shares, vesting benefits on share options granted)	-	-
	2 526	2 437

Disclosed employee two

Guaranteed package	1 717	470
Commission	-	-
Performance and other bonuses	127	-
Dividends on treasury shares	50	-
Imputed benefits for income tax purposes	147	-
	2 041	470

Disclosed employee three

Guaranteed package	709	635
Commission	800	800
Performance and other bonuses	126	31
Dividends on treasury shares	137	127
Imputed benefits for income tax purposes	192	-
	1 964	1 593

The remuneration of the directors of the Company is disclosed in note 34.

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Note	2011 R 000	Group 2010 R 000
32 Employee benefits expense (continued)			
Dividends on treasury shares included in short term employee benefits expense		2 537	2 009

Dividends on treasury shares comprise:

Dividends received by the ELB Participants Share Trust and passed on to participants 7

Dividends received by participants on shares allocated to them and not yet paid for and for which loans have been granted by the ELB Share Incentive Trust 6

In terms of the ELB Share Incentive Trust schemes, the directors may direct the trustees to offer shares or grant options in respect of shares to specified employees and executive directors. For shares or options granted from December 2010 onwards the maximum number of shares that may be issued or transferred or options that may be granted is limited to 4 200 000 shares or options of which 1 663 500 shares or options were available for issue at 30 June 2011 (2010 - not applicable). At 30 June 2011, for shares or options granted before December 2010, there were 2 279 900 options or unpaid shares held by participants (2010 - 2 264 600).

Share option schemes

Participants are entitled to exercise their options as follows:

For options granted before December 2010

After one year - up to 20% of the shares
 After two years - up to 40% of the shares
 After three years - up to 60% of the shares
 After four years - up to 80% of the shares
 After five years - up to 100% of the shares

For options granted in December 2010

participants are allowed to exercise in one or more tranches any portion at any time from the grant date to the tenth anniversary of the grant date.

If an option is not exercised within ten years from the grant date it will lapse.

If a participant retires on pension the participant may at the discretion of the directors nevertheless continue to have the same rights and obligations under the scheme as if the participant had remained in the employ of the Group.

On resignation, retirement other than as described above, or death, the participant or his estate shall have one year from the date of resignation, retirement or death to exercise and pay for those options which had vested at the time of resignation, retirement or death.

Details of outstanding share options at 30 June 2011 are:

Expiry date	Date granted	Exercise price (cents)	Number of options			
			Granted	Exercised	Lapsed	Out-standing
March 2018	March 2008	1 250	2 100 000	(562 000)	(30 000)	1 508 000
September 2018	September 2008	1 250	115 000	(32 000)	-	83 000
September 2020	September 2010	1 289	210 000	-	-	210 000
December 2020	December 2010	1 353	2 690 000	(2 190 000)	-	500 000
			5 115 000	(2 784 000)	(30 000)	2 301 000

Changes in the number of share options held by employees during the year are as follows:

	Number of options	
	2011	2010
Outstanding at the beginning of the year	2 215 000	2 215 000
Granted during the year	2 900 000	-
Exercised during the year	(2 784 000)	-
Lapsed during the year	(30 000)	-
Outstanding at the end of the year	2 301 000	2 215 000
	Group	
	2011	2010
	R 000	R 000
Equity settled share option expense recognised in the income statement and included in short term employee benefits expense	8 212	3 178

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

32 Employee benefits expense (continued)

The fair value of the share options granted is determined at grant date. For the options granted in March 2008 the fair value was determined by Alexander Forbes Financial Services using an actuarial binomial model. This was a stochastic model based on the standard binomial options pricing model, and was mathematically consistent with the Black Scholes model. For the options granted in September 2008 the fair value was taken to be the same as the fair value of the options granted in March 2008 since the share price and other input variables had remained consistent. The fair values of the options granted in September 2010 and December 2010 were determined using the Black Scholes model. Inputs to the models included the market price of the underlying shares at the grant date or the acceptance date, the expected option lifetime, the projected volatility of the share price, the anticipated dividend yield and the risk free interest rate. These inputs are quantified below:

	Expected option lifetime (years)	Volatility %	Risk free interest rate % per annum
Options granted in March 2008:			
Options vesting in March 2009	2	34,26	9,57
Options vesting in March 2010	3	35,55	9,16
Options vesting in March 2011	4	36,40	8,97
Options vesting in March 2012	5	36,56	8,98
Options vesting in March 2013	6	36,56	9,01

The market price of the shares on the grant date was 1 580 cents.

The Group advised Alexander Forbes to assume a dividend yield of 5% per annum over the full option lifetime.

Options granted in September 2008:

These inputs were the same as for the options granted in March 2008, as mentioned above

Options granted in September 2010:

Options vesting in September 2011	2	40	6,7
Options vesting in September 2012	3	40	6,8
Options vesting in September 2013	4	40	6,9
Options vesting in September 2014	5	40	7,1
Options vesting in September 2015	6	40	7,3

The weighted average market price of the shares on the acceptance dates was 1 433 cents.

The dividend was expected to increase by 10% per annum.

Options granted in December 2010:

These options vested on the date of acceptance

Options exercised in December 2010 (2 190 000 out of 2 690 000 options)	Nil	Nil	Not applicable
Options expected to be exercised in December 2011 (250 000 out of 2 690 000 options)	1	40	6,7
Options expected to be exercised in December 2012 (250 000 out of 2 690 000 options)	2	40	6,7

The weighted average market price of the shares on the acceptance dates was 1 540 cents.

The dividend was expected to increase by 10% per annum.

The grant date fair value of the options are:

Options granted in March 2008;

Options that vested in March 2009 - 554 cents per option
Options that vested in March 2010 - 593 cents per option
Options that vested in March 2011 - 618 cents per option
Options that vest in March 2012 - 631 cents per option
Options that vest in March 2013 - 635 cents per option

Options granted in September 2008:

Options that vested in September 2009 - 554 cents per option
Options that vested in September 2010 - 593 cents per option
Options that vest in September 2011 - 618 cents per option
Options that vest in September 2012 - 631 cents per option
Options that vest in September 2013 - 635 cents per option

Options granted in September 2010 (weighted average):

Options that vest in September 2011 - 288 cents per option
Options that vest in September 2012 - 366 cents per option
Options that vest in September 2013 - 419 cents per option
Options that vest in September 2014 - 460 cents per option
Options that vest in September 2015 - 492 cents per option

Options granted in December 2010:

These options vested in December 2010 and have a weighted average option value of 222 cents per option.

The weighted average exercise price of the share options granted is 1 306 cents, of the share options exercised is 1 331 cents, of the share options lapsed is 1 250 cents and of the share options remaining at 30 June 2011 is 1 276 cents. The estimated weighted average future contractual life of the share options at 30 June 2011 is nineteen months, assuming no further attrition and that the market price per share will remain above the exercise price such that the participants will exercise their options within a month of each of the remaining vesting dates; that for the unexercised options that vested in December 2010, one half will be exercised by December 2011 and the other half by December 2012; and that unexercised but vested options at 30 June 2011 in respect of the other grants will be exercised by 31 October 2011.

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

33 Post employment benefits

Retirement

The Group provides retirement benefits for all its permanent employees. Local group companies contribute to a defined benefit pension fund, a defined contribution pension fund and a defined contribution provident fund, all of which are governed by the South African Pensions Fund Act of 1956 as amended. Certain local employees are required by legislation to contribute to industrial schemes, to which group companies also contribute. Foreign group companies contribute to retirement funds registered in their countries of operation.

The funds are administered independently of the Group. The local defined benefit pension fund is actuarially valued every three years. The last actuarial valuation was performed in January 2010. The actuaries also perform a valuation at each year end in terms of the requirements of IAS 19. At the last valuation in June 2011 the fund was in a sound financial position.

In respect of the local defined benefit pension fund, which is in a positive funded status, no assets have been recognised by the Company or its subsidiaries. The disclosure given below of the funded status is for reporting purposes only, and does not necessarily indicate any assets available to the Company or its subsidiaries.

	2011	2010	Group 2009	2008	2007
	R 000	R 000	R 000	R 000	R 000
Valuation of the defined benefit pension fund					
Fair value of fund assets (see below)	132 536	122 486	110 089	128 998	137 645
Deduct: Present value of funded obligation (see below)	95 119	115 183	103 889	122 672	129 172
Surplus	37 417	7 303	6 200	6 326	8 473
Fair value of fund assets					
Fair value at the beginning of the year	122 486	110 089	128 998	137 645	111 489
Contributions	193	203	221	209	213
Expected return	11 804	10 611	12 368	11 305	9 077
Benefit payments	(9 083)	(8 153)	(10 864)	(9 505)	(9 607)
Expected fair value at the end of the year	125 400	112 750	130 723	139 654	111 172
Actuarial gain / (loss)	7 136	9 736	(20 634)	(10 656)	26 473
Actual fair value at the end of the year	132 536	122 486	110 089	128 998	137 645
Present value of funded obligation					
Present value at the beginning of the year	115 183	103 889	122 672	129 172	88 527
Service cost	478	431	448	280	267
Interest cost	9 979	9 002	10 572	9 965	6 709
Benefit payments	(9 083)	(8 153)	(10 864)	(9 505)	(9 607)
Expected present value at the end of the year	116 557	105 169	122 828	129 912	85 896
Actuarial (gain) / loss	(21 438)	10 014	(18 939)	(7 240)	43 276
Actual present value at the end of the year	95 119	115 183	103 889	122 672	129 172
Fund amendments	None	None	None	None	None
Actual return on fund assets – amount	18 940	20 347	(8 266)	649	35 550
– percentage	16,1%	19,2%	(6,7)%	0,5%	28,9%

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

33 Post employment benefits (continued)

Retirement (continued)

The South African Pension Funds Act of 1956 as amended precludes the Group from accessing a share of the surplus unless application so to do is lodged with the Financial Services Board. The Group has not lodged such application and the Group appointed trustees of the fund have indicated that the Group has no intention of accessing any portion of the surplus. Accordingly no amount of the surplus has been recognised in the Group balance sheet.

The defined benefit pension fund consists of pensioner members and a small number of employee members. This fund is closed to new entrants.

Since the defined benefit pension fund is in surplus there has been no need to recognise any costs other than contributions.

	2011	2010	Group 2009	2008	2007
Principal actuarial assumptions used in the valuations					
Discount rate	9%	9%	9%	9%	8%
Expected return on plan assets	10%	10%	10%	10%	8,5%
Consideration has been given to the rate of return currently being earned and the rates of return expected to be available for reinvestment over the future period until maturity of the pension benefits.					
Future salary increases	7%	7%	7%	7,5%	6%
Future pension increases	6%	6%	6%	6,5%	3,75%
Employer contributions recognised in profit or loss					
	R 000	R 000	R 000	R 000	R 000
Contributions by group companies on behalf of members:					
Defined benefit funds	199	205	184	192	189
Defined contribution funds	11 798	8 903	9 070	7 965	7 119
	11 997	9 108	9 254	8 157	7 308

The contributions are the Group contributions on behalf of employees to all the funds described above of which the employees are members. These contributions are included in employee benefits expense disclosed in note 32. Contributions by group companies on behalf of members to defined benefit funds in the financial year ending 30 June 2012 are expected to be approximately R213 000.

Medical

The Group currently pays a subsidy of R39 000 per annum in respect of three retired members of the ELB Group Limited Pension Fund. The subsidy, over the estimated life expectancy of the three members, has been fully accrued in the balance sheet. Apart from this subsidy, the Group carries no obligations in respect of post employment medical expenses.

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

34 Directors' remuneration

	Short term benefits								Total R 000
	Salaries R 000	Fees R 000	Performance bonuses R 000	Allowances R 000	Dividends on treasury shares (a) R 000	Imputed for income tax purposes (b) R 000	Medical aid contributions R 000	Retirement fund contributions R 000	
Detail for 2011									
Executive directors									
PJ Blunden	1 418	–	1 083	223	222	576	45	316	3 883
AG Fletcher	2 478	–	91	139	128	–	115	–	2 951
DG Jones (c)	142	–	–	9	14	9	5	30	209
Dr SJ Meijers	1 668	–	1 133	190	406	1 974	49	171	5 591
MV Ramollo	639	136	–	–	13	20	92	90	990
	6 345	136	2 307	561	783	2 579	306	607	13 624
Non executive directors									
T de Bruyn	–	271	–	–	–	–	–	–	271
Dr JP Herselman	–	218	–	–	–	–	–	–	218
IAR Thomson (d)	–	98	–	–	–	–	–	–	98
	–	587	–	–	–	–	–	–	587
Total	6 345	723	2 307	561	783	2 579	306	607	14 211
Paid by the Company		723							723
Paid by subsidiaries	6 345		2 307	561			306	607	10 126
Paid by the share trusts					783				783
Imputed for income tax purposes						2 579			2 579
	6 345	723	2 307	561	783	2 579	306	607	14 211
Detail for 2010									
Executive directors									
PJ Blunden	1 446	–	687	192	191	–	63	288	2 867
AG Fletcher	2 301	–	–	139	127	–	90	–	2 657
Dr SJ Meijers	1 528	–	700	209	194	25	48	158	2 862
MV Ramollo	621	92	–	–	–	–	68	72	853
	5 896	92	1 387	540	512	25	269	518	9 239
Non executive directors									
T de Bruyn	–	158	–	–	–	–	–	–	158
Dr JP Herselman	–	167	–	–	–	–	–	–	167
	–	325	–	–	–	–	–	–	325
Total	5 896	417	1 387	540	512	25	269	518	9 564
Paid by the Company		417							417
Paid by subsidiaries	5 896		1 387	540			269	518	8 610
Paid by the share trusts					512				512
Imputed for income tax purposes						25			25
	5 896	417	1 387	540	512	25	269	518	9 564

(a) Dividends on treasury shares comprise dividends on shares allocated but not yet paid for in the ELB Share Incentive Trust and participation in ELB dividends through the ELB Participants Share Trust. Details on the operations of the two trusts are presented in notes 6 and 7.

(b) Amounts imputed for income tax purposes comprise imputed interest on the unpaid balances of interest free loans granted by the ELB Share Incentive Trust in respect of incentive shares allocated to participants; and imputed benefits on the vesting of such incentive shares. These amounts are not recorded as expenses of the Group or the Company. Additional information on share loans and share options is given further on in this note.

(c) Mr DG Jones was appointed to the board on 17 May 2011 as financial director.

(d) Mr IAR Thomson was appointed to the board on 28 September 2010 as an independent director and chairman of the audit and risk committee.

Directors do not have service contracts. All executive directors have employment contracts and receive monthly remuneration. In cases of resignation or retirement a period of notice would be agreed between the director and management, which, in normal circumstances, could be expected to be between six and twelve months.

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

34 Directors' remuneration (continued)

Directors' share loans

Interest free loans granted by the ELB Share Incentive Trust in respect of incentive shares allocated to directors are as follows:

	Date loan granted	Amount of loan R 000	Repaid during the year R 000	Balance at 30 June 2011 R 000
PJ Blunden	6 December 2010	4 059	(1 353)	2 706
DG Jones	22 September 2010	500	-	500
	6 December 2010	677	-	677
Dr SJ Meijers	6 February 2007	82	-	82
	4 October 2010	2 500	-	2 500
	6 December 2010	10 824	-	10 824
MV Ramollo	1 October 2010	375	-	375
		19 017	(1 353)	17 664

Interest imputed for income tax purposes on the interest free loans:

	Year ended 30 June	
	2011 R 000	2010 R 000
PJ Blunden	18	-
DG Jones (since appointment on 17 May 2011)	9	-
Dr SJ Meijers	206	19
MV Ramollo	20	-
	253	19

Directors' share options

Details regarding the share option scheme are contained in note 32.

Included in outstanding share options are the following share options which have been granted to executive directors:

	Date granted	Exercise price (cents)	Number of options					
			Granted	Outstanding at 30 Jun 10	Granted	Changes during the year	Outstanding at 30 Jun 11	
					Granted	Exercised	Lapsed	
PJ Blunden	20 March 2008	1 250	500 000	500 000	n/a	-	-	500 000
	1 December 2010	1 353	700 000	n/a	700 000	(300 000)	-	400 000
DG Jones	20 March 2008	1 250	100 000	100 000	n/a	(40 000)	-	60 000
	1 December 2010	1 353	50 000	n/a	50 000	(50 000)	-	-
Dr SJ Meijers	20 March 2008	1 250	500 000	500 000	n/a	(200 000)	-	300 000
	1 December 2010	1 353	800 000	n/a	800 000	(800 000)	-	-
MV Ramollo	20 March 2008	1 250	75 000	75 000	n/a	(30 000)	-	45 000
			2 725 000	1 175 000	1 550 000	(1 420 000)	-	1 305 000

n/a = not applicable

Mr DG Jones was appointed a director on 17 May 2011. Therefore the 100 000 options awarded to him on 20 March 2008 would not have been included in the number of options reported as outstanding at 30 June 2010 in the 2010 annual financial statements.

	Group	
	Year ended 30 June 2011	2010
Portion of the equity settled share option expense relating to directors recognised in profit or loss	4 500	1 515
Vesting benefits imputed for income tax purposes on the share options:		
	Year ended 30 June	
	2011 R 000	2010 R 000
PJ Blunden	558	-
Dr SJ Meijers	1 768	6
	2 326	6

Prescribed officers

All prescribed officers in the Group are directors of the Company, and therefore no additional disclosure to that given above for directors is applicable.

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Note	Group		Company	
		2011 R 000	2010 R 000	2011 R 000	2010 R 000
35 Finance income					
Interest received on financial assets					
External		24 765	11 658	-	204
Inter company				829	1 646
Effective interest rate adjustment on a loan receivable	4.1	502	236	-	-
		25 267	11 894	829	1 850
36 Finance expenses					
Interest paid on financial liabilities		4 731	4 617	-	11
Provision for trade back commitments					
Changes to present value amounts	20	98	-	-	-
Unwinding of present value adjustments	20	826	545	-	-
Debt rescheduling loss	4.1	617	-	-	-
		6 272	5 162	-	11

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Note	Group		Company	
		2011 R 000	2010 R 000	2011 R 000	2010 R 000
37 Income tax expense / (credit)					
South African income tax					
Current year					
Payable		37 519	20 881	25	366
Secondary tax on companies (STC)		1 542	1 125	524	151
Deferred		(6 252)	3 570	56	316
Prior years					
Payable		(113)	(136)	(1)	-
Deferred		28	(85)	-	-
Foreign income tax					
Current year					
Payable		6 521	1 801	-	-
Deferred		43	(183)	-	-
Prior years					
Payable		-	1	-	-
Deferred		29	-	-	-
		39 317	26 974	604	833
Payable income tax		45 469	23 672	548	517
Deferred income tax		(6 152)	3 302	56	316
		39 317	26 974	604	833
Deferred income tax for the year is accounted for as follows:					
(Increase) / decrease in deferred income tax assets	8.1	(6 667)	2 980	56	316
Increase in deferred income tax liabilities	8.2	515	322	-	-
		(6 152)	3 302	56	316
Reconciliation of the rate of income tax		%	%	%	%
Income tax as a percentage of profit or loss before tax		33	30	1	4
(Increase) / decrease in the income tax rate arising from:					
Secondary tax on companies (STC)		(1)	(1)	(1)	(1)
Dividends received from subsidiary				5	18
Reduction of impairments on loans to					
Group entities				23	7
Employee benefits expenses					
Share options expense		(2)	(1)	-	-
Dividends from the ELB Participants					
Share Trust and on unpaid incentive shares		(1)	(1)	-	-
Other non taxable income, non deductible expenses, incentives and foreign tax differentials		(1)	1	-	-
Standard income tax rate		28	28	28	28
Other income tax information		R 000	R 000	R 000	R 000
Estimated income tax losses at the year end to be carried forward		1 074	2 102	-	-
Amount of the above income tax losses that have not been included in deferred income tax assets or deferred income tax liabilities	8	1 034	1 211	-	-
Secondary tax on companies (STC) credit available at the year end for set off against STC on future dividends of the Company. The STC credit is included in deferred income tax assets.	8.1	481	518	-	56

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Note	2011 R 000	Group	2010 R 000
38	Headline earnings			
Calculation of headline earnings				
Profit attributable to ordinary shareholders of the Company per the income statement				
		67 202		54 789
<i>Deduct:</i> Items excluded from headline earnings:				
Plant and equipment:				
Items included in profit from operations				
	27	269	225	
		(504)	-	
		61	(63)	
		26	(24)	
		(148)		138
Profit on realisation of non current assets held for sale:				
	14	-	3 609	
		-	-	
		-		3 609
		(148)		3 747
		67 350		51 042
Headline earnings				
Refer also to the segment information in note 45				

	Note	2011	Group	2010
39	Earnings per ordinary share			
Weighted average number of ordinary shares in issue during the year				
Issued ordinary shares at the beginning and end of the year				
		33 860 000		33 860 000
Effect of treasury shares under the control of the trusts				
		(9 015 254)		(7 758 983)
Weighted average number of ordinary shares in issue for basic earnings per share calculations				
		24 844 746		26 101 017
Effect of outstanding share options				
		295 345		-
Weighted average number of ordinary shares in issue for diluted earnings per share calculations				
		25 140 091		26 101 017
			Cents	Cents
Earnings per share attributable to ordinary shareholders of the Company				
Earnings per share calculated on the profit for the year attributable to ordinary shareholders of ELB Group Limited of R67 202 000 (2010 - R54 789 000).				
Refer to the income statement.				
		270,5		209,9
		267,3		209,9
Headline earnings per ordinary share				
Headline earnings per ordinary share calculated on headline earnings of R67 350 000 (2010 - R51 042 000).				
	38	271,1		195,6
		267,9		195,6

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

40 Dividends paid on the ordinary shares

	Cents per share	Final dividend in respect of previous year's earnings - number of shares	Interim dividend in respect of current year's earnings - number of shares	Final dividend in respect of previous year's earnings R 000	Interim dividend in respect of current year's earnings R 000	Total R 000
Year ended 30 June 2010						
Final dividend relating to earnings for the 2009 financial year	20	33 860 000		6 772		6 772
Interim dividend relating to earnings for the 2010 financial year	12		33 860 000		4 063	4 063
Dividends paid disclosed by the Company	32	33 860 000	33 860 000	6 772	4 063	10 835
Dividends on treasury shares		(6 846 554)	(9 120 531)	(1 369)	(1 095)	(2 464)
Dividends paid disclosed by the Group		27 013 446	24 739 469	5 403	2 968	8 371
Year ended 30 June 2011						
Final dividend in respect of the previous year's earnings paid 1 November 2010	30	33 860 000		10 158		10 158
Interim dividend in respect of the current year's earnings paid 6 June 2011	15		33 860 000		5 079	5 079
Dividends paid disclosed by the Company	45	33 860 000	33 860 000	10 158	5 079	15 237
Dividends on treasury shares		(9 103 731)	(8 801 031)	(2 730)	(1 319)	(4 049)
Dividends paid disclosed by the Group		24 756 269	25 058 969	7 428	3 760	11 188

A final dividend of 40 cents per ordinary share in respect of the current year's earnings, amounting to R13 544 000 on the total 33 860 000 ordinary shares in issue at the date of declaration, was declared on 20 September 2011 and is payable on 31 October 2011 (2010 - 30 cents per ordinary share on 33 860 000 ordinary shares amounting to R10 158 000). Secondary tax on companies (STC) of R 1 354 400 (2010 - R1 015 800) will be payable on the dividend, against which an STC credit of R481 439 (2010 - R517 675) is available in respect of dividends paid by a subsidiary.

Neither the final dividend nor the tax thereon has been accrued by the Company or the Group in these annual financial statements. The STC credit available is included in full in the the deferred tax assets of the Group. The Company accrues that portion of any STC credit that is carried forward from its last dividend cycle before the year end. At 30 June 2011 this was zero (2010 - R55 666). The accrual by the Company is included in the STC credit available, mentioned above.

Together with the interim dividend of 15 (2010 - 12) cents per ordinary share the total dividends in respect of the current financial year's earnings amount to 55 (2010 - 42) cents per ordinary share.

41 Dividends on the 6% preference shares

The dividends for the year on the 6% preference shares of R2 each amount to R456 (2010 - R456).

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Note	Group	
		2011 R 000	2010 R 000
42 Notes to the cash flow statements			
42.1 Foreign currency translation adjustments for foreign entities for the year			
Foreign currency translation adjustments for foreign entities for the year reported in the Group statement of comprehensive income and the Group statement of changes in equity		9 497	2 330
The allocation of the foreign currency translation adjustments for the year to the external assets and external liabilities of the foreign entities is as follows:			
Plant and equipment	1	999	92
Deferred tax asset	8.1	424	102
Income tax account	42.5	(79)	(16)
Non current liabilities		(38)	10
Working capital	42.4	3 774	966
Cash and cash equivalents	42.2	4 417	1 176
		9 497	2 330
The foreign currency translation adjustment for foreign entities for the year, appearing in the Group statement of comprehensive income and the Group statement of changes in equity, has been allocated in the cash flow statement to the various components above so as to offset the translation adjustment for those components.			
42.2 Foreign currency exchange and translation adjustments to cash and cash equivalents			
Foreign currency exchange adjustments to cash and cash equivalents held by operating entities in currencies other than the functional currency of the entities, reported in the income statement	31	(5 034)	4 676
Foreign currency translation adjustments to cash and cash equivalents of foreign entities for the year, reported in the Group statement of comprehensive income and the Group statement of changes in equity	42.1	4 417	1 176
Foreign currency translation and exchange adjustments to cash and cash equivalents as reported in the cash flow statement		(617)	5 852

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Note	Group		Company	
		2011 R 000	2010 R 000	2011 R 000	2010 R 000
42 Notes to the cash flow statements (continued)					
42.3 Non cash adjustments					
Profit on disposal of plant and equipment	27	(269)	(225)	-	-
Decrease in impairment of loans					
ELB Share Incentive Trust	27			(35)	(4 525)
ELB Timber Holdings (Pty) Limited	27			(59 834)	(345)
Non current loan receivable	4.1	-	260		
Non current assets held for sale - adjustment to fair value less costs to sell					
Reverse opening adjustment	14	-	-	-	(1 328)
Raise closing adjustment	14	-	-	-	-
Provision for trade back commitments					
Net reduction of sales revenue	20	(606)	(419)	-	-
		(875)	(384)	(59 869)	(6 198)
42.4 Changes in working capital					
Construction contract work not yet billed - decrease / (increase)		28 892	(3 932)	-	-
Inventories - (increase) / decrease		(108 931)	66 491	(704)	-
Trade and other receivables - decrease / (increase)		71 934	(39 076)	1 490	(2 082)
Derivative financial assets - decrease / (increase)		1 974	(1 974)	-	-
Other current assets - increase		(18 281)	(9 316)	-	30
Non current assets held for sale - decrease		87	511	704	4 120
Construction contract liabilities - increase		157 292	57 244	-	-
Trade and other payables: non interest bearing - (decrease) / increase		(5 443)	56 869	23	(2)
Trade and other payables: interest bearing - increase / (decrease)		63 479	(51 080)	-	-
Other financial liabilities - increase / (decrease)		3 255	(11 864)	-	-
Other current liabilities - decrease		(3 754)	(3 176)	(209)	94
		190 504	60 697	1 304	2 160
Net foreign currency translation adjustments to working capital of foreign entities allocated to and included in the individual components of working capital above	42.1	3 774	966		

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Note	Group		Company	
		2011 R 000	2010 R 000	2011 R 000	2010 R 000
42 Notes to the cash flow statements (continued)					
42.5 Income tax paid					
Balances at the beginning of the year					
Income tax refundable		8 905	1 597	278	258
Income tax payable		(538)	(9 169)	-	-
Payable income tax expense for the year	37	(45 469)	(23 672)	(548)	(517)
Foreign currency translation adjustments to the income tax accounts of foreign entities	42.1	(79)	(16)		
Balances at the end of the year					
Income tax refundable		(5 158)	(8 905)	(78)	(278)
Income tax payable		3 508	538	-	-
		(38 831)	(39 627)	(348)	(537)
42.6 Dividends paid to ordinary shareholders					
Dividends declared and paid in the year					
Final in respect of the previous year's earnings	40	(7 428)	(5 403)	(10 158)	(6 772)
Interim in respect of the current year's earnings	40	(3 760)	(2 968)	(5 079)	(4 063)
		(11 188)	(8 371)	(15 237)	(10 835)
42.7 Net purchases of plant and equipment (excluding the interest in the acquisition of and improvements to the aeroplane)					
Purchases at cost					
Plant and machinery	1	(2 756)	(363)	-	-
Vehicles	1	(5 035)	(3 060)	-	-
Office furniture and equipment	1	(683)	(693)	-	-
Computer equipment	1	(958)	(1 344)	-	-
Total purchases at cost		(9 432)	(5 460)	-	-
Proceeds on disposals					
Profit / (loss) on disposals	27	269	225	-	-
Carrying amounts of disposals	1	951	287	-	-
Proceeds on disposals		1 220	512	-	-
Net purchases of plant and equipment		(8 212)	(4 948)	-	-
42.8 (Increase) / decrease in non current loan receivable					
Repayments during the year	4.1	-	500		
Interest received on the loan for the year	4.1	(286)	(346)		
Penalty interest reduced / (received)	4.1	102	(188)		
Decrease in amount allocated to current portion, before discounting	4.1	(1 000)	(500)		
		(1 184)	(534)		

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

	Note	Group		Company	
		2011 R 000	2010 R 000	2011 R 000	2010 R 000
42 Notes to the cash flow statements (continued)					
42.9 Treasury shares changes					
ELB Participants Share Trust					
ELB shares purchased by the Trust in the open market		-	(8 531)		
Treasury shares transferred at market value					
ELB Share Incentive Trust		60 102	-		
ELB Timber Holdings (Pty) Limited		60 102	-		
Capital profit distributions					
ELB Timber Holdings (Pty) Limited		(60 102)	-		
ELB Group Limited		(30 822)	-		
ELB Share Incentive Trust					
Treasury shares acquired at market value					
ELB Participants Share Trust		(60 102)	-		
ELB shares purchased by the Trust in the open market		-	(15 810)		
ELB shares paid up by participants and released by the Trust		3 996	384		
Adjustments to participants loan accounts		3	(5)		
ELB Timber Holdings (Pty) Limited					
Treasury shares acquired at market value					
ELB Participants Share Trust	5	(60 102)	-		
Capital profit distribution received					
ELB Participants Share Trust	5	60 102	-		
Capital gains tax (CGT) paid on the capital distribution received	5	(782)	-		
ELB Group Limited					
Capital profit distribution received					
ELB Participants Share Trust	5	30 822	-	30 822	-
Capital gains tax (CGT) paid on the capital profit distributed by the ELB Participants Share Trust	5	(4 223)	-	(4 223)	-
	16.4	(1 006)	(23 962)	26 599	-

Refer also to note 18

Summary of Group changes

Treasury shares acquired in the open market	-	(24 341)
Treasury shares paid up by participants and released to them	3 996	384
Adjustment to participants loan accounts	3	(5)
Net treasury shares released/(acquired)	3 999	(23 962)
Capital gains tax (CGT) paid on treasury shares transferred	(5 005)	-
Increase in carrying amount as above	(1 006)	(23 962)

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

43 Related party transactions

Related party relationships exist between group companies. All buying and selling transactions are concluded at arm's length and are eliminated upon consolidation.

Inter company current accounts do not bear interest. Short and long term inter company loans bear interest at market rates. The loan by the Company to its wholly owned subsidiary, ELB Timber Holdings (Pty) Limited (ETH), is interest free.

A former subsidiary of ETH, ELB Timber Products (Pty) Limited (ETP), was sold on credit to the chief executive officer of ETP with effect from 31 May 2008. Details of the consequent loan are reported in note 4.1.

Directors' remuneration is reported in note 34.

Material transactions of the Company with its subsidiaries are:

Management and administration services rendered to indirect subsidiary,

ELB Equipment Holdings Limited, - reported in note 26.

Loans to subsidiaries - reported in note 2 and on page 78.

The Group has entered into a joint venture partnership together with an executive director of the Company and another to acquire and operate an aeroplane. The Group's interest in the joint venture is 34%. Group companies will from time to time charter the aeroplane on an arm's length basis.

Information on joint venture operations is contained in note 3, and the principal group entities are listed on page 78.

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

44 Financial risk management

Exposure to currency, interest rate, liquidity and credit risk arises in the normal course of the Group's business. Derivative instruments are used as a means of reducing exposure to fluctuations in foreign currency exchange rates. While these derivatives are subject to the risk of market rates changing subsequent to acquisition, such changes should generally be offset by opposite effects on the hedged items.

Potential risks to which the Group might be exposed are identified, and existing risks to which the Group is exposed are monitored on an ongoing basis. Attention is given continuously to market and analysts forecasts for foreign currency exchange rates, interest rates and commodity prices.

44.1 Financial instruments

At 30 June 2011 the following financial instruments were held:

	Note	Group		Company	
		2011 R 000	2010 R 000	2011 R 000	2010 R 000
Financial assets					
Loan receivable at fair value					
Non current loan receivable	4.1	4 922	3 951		
Loans and receivables at amortised cost					
Loans to the group share trusts	4.2			80 237	54 620
Trade and other receivables	11	112 542	183 428	2 642	4 132
Financial assets held for trading					
Derivative financial assets	12	–	1 974	–	–
Cash and cash equivalents	15	592 412	352 145	1 395	62
Total financial assets		709 876	541 498	84 274	58 814
Financial liabilities					
Financial liabilities at amortised cost					
Non current interest bearing borrowings	19	20 588	10 543	–	–
Trade and other payables					
Non interest bearing	21	272 676	273 796	595	572
Interest bearing	22	162 603	99 075	–	–
Financial guarantee liability	23	144	85	–	–
Financial liabilities held for trading					
Derivative financial liabilities	23	3 196	–	–	–
Total financial liabilities		459 207	383 499	595	572
Excess of financial assets over financial liabilities		250 669	157 999	83 679	58 242

Fair value hierarchy of financial instruments measured at fair value through profit or loss

Level one		–	–	–	–
Level two					
Derivative financial assets					
Foreign currency forward exchange contracts	12	–	1 974	–	–
Derivative financial liabilities					
Foreign currency forward exchange contracts	23	3 196	–	–	–
Level three					
Non current loan receivable	4.1	4 922	3 951	–	–

IFRS 7 in paragraph 27A classifies the fair value hierarchy as follows:

level one: fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

level two: fair value measurements derived from inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices); and

level three: fair value measurements derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

44 Financial risk management (continued)

44.1 Financial instruments (continued)

Fair value of financial instruments

The carrying amounts of financial instruments are either at fair value based on the methods and assumptions for determining fair value as stated in the accounting policies or at values which approximate fair value based on the nature or maturity period of the financial instrument.

The fair value of non current loans and receivables is estimated as the present value of future cash flows discounted at the market rate of interest at the balance sheet date. Trade and other receivables have not been discounted on account of their short term nature.

Non current interest bearing borrowings comprise mainly mortgage bonds at market related floating rates of interest, and therefore the fair value is insignificantly different to the carrying amount. Trade and other payables have not been discounted because of their short term nature. The financial guarantee liability was measured initially at the present value, over the expected life of the guarantee, of the estimated commercial bank fees for a guarantee with similar risk; with subsequent amortisation over such expected life. Derivative financial assets and liabilities consist of foreign currency forward exchange contracts (FECs) where the fair value is established by comparing with year end contract values of FECs with similar maturity dates.

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

44 Financial risk management (continued)

44.2 Foreign currency management

The Group incurs currency risk as a result of purchases, sales and borrowings that are denominated in a currency other than the Group's functional currency. The currencies in which the Group deals primarily are United States Dollars, Euros, Japanese Yen, British Pounds, Australian Dollars and Mozambique Meticais.

In the ELB Equipment operation in South Africa, unless the customer has accepted the currency risk, all imports into South Africa of equipment relating to specific customer orders are covered by foreign currency forward exchange contracts (FECs). Equipment imports not yet paid for are covered by FECs as soon as customer orders are obtained except, as before, where the customer is carrying the currency risk. When exchange rates are considered to be particularly favourable, management may cover by FECs certain equipment imports not yet paid for and not yet subject to customer orders.

Significant other trading transactions are usually covered by FECs.

At 30 June 2011 the Group had the following uncovered foreign currency denominated amounts in the balance sheets of its South African operations. The Company had no foreign currency denominated amounts in its balance sheets at 30 June 2011 and 30 June 2010.

	Group	
	2011	2010
	R 000	R 000
Current assets		
Trade receivables		
United States Dollars	3 411	46
Euros	51	1 464
Mozambique Meticais	-	397
Cash and cash equivalents		
United States Dollars	54 504	1 245
Euros	26 673	773
British Pounds	17	30
Angolan Kwanzas	1	1
Botswana Pulas	2	-
Mozambique Meticais	170	1 678
Namibian Dollars	2	1
Zambian Kwachas	-	1
	84 831	5 636
Current liabilities		
Trade payables - non interest bearing		
United States Dollars	4 458	199
Euros	6 279	1 790
Japanese Yen	13 086	13 564
British Pounds	5 102	3 831
Australian Dollars	6 436	143
Mozambique Meticais	1 341	5 452
Trade payables - interest bearing		
United States Dollars	1 461	2 165
Japanese Yen	45 599	13 480
British Pounds	18 103	7 645
	101 865	48 269
Net uncovered position: net liabilities	17 034	42 633

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

44 Financial risk management (continued)

44.2 Foreign currency management (continued)

The contract values of FECs of South African operations at 30 June 2011 are summarised below. No FECs are designated as cash flow hedges. The Company had no FECs.

Group

	FEC Foreign amounts		FEC Rand amounts		FEC Fair value amounts	
	2011	2010	2011	2010	2011	2010
	000	000	R 000	R 000	R 000	R 000
Trade imports - specific						
United States Dollars	411	-	2 853	-	2 813	-
Euros	67	594	671	5 922	662	5 636
Japanese Yen	712 613	896 222	61 537	75 600	60 951	79 153
British Pounds	5 575	2 527	63 500	30 672	60 940	29 370
			128 561	112 194	125 366	114 159
Trade imports - general						
United States Dollars		209		1 617		1 626
Total trade imports			128 561	113 811	125 366	115 785
Total trade exports			-	-	-	-

The differences between FEC contract values and fair values at the balance sheet date are accrued as FEC assets in current financial assets or FEC liabilities in current financial liabilities in respect of net gain adjustments or net loss adjustments respectively in the operating entities. The gains and losses are taken through operating costs in profit or loss.

The following exchange rates applied during the year:

	Closing rate		Average rate	
	2011	2010	2011	2010
Number of South African Rands to one:				
United States Dollar	6,78268	7,65172	7,01775	7,59645
Euro	9,81277	9,37263	9,54495	10,51595
British Pound	10,89166	11,47786	11,13188	12,02122
Australian Dollar	7,27033	6,49885	6,92060	6,65139
New Zealand Dollar	5,61682	5,28366	5,32567	5,30168
Number of foreign currency units to one South African Rand:				
Japanese Yen	11,87363	11,57714	11,82750	12,06181
Mozambique Metical	4,15028	4,42260	4,68393	3,88050

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

44 Financial risk management (continued)

44.2 Foreign currency management (continued)

Exposure to currency risk

The Group's exposure to foreign currency risk is set out below. The Company had no exposure.

Group

At 30 June 2011

	Australian Dollars AUD 000	New Zealand Dollars NZD 000	United States Dollars USD 000	Euros EUR 000	Japanese Yen JPY 000	British Pounds GBP 000	Mozam- bique Meticals MZN 000
Trade and other receivables	1 117	113	503	5			
Cash and cash equivalents	8 343	71	9 182	3 129		3	706
Non current borrowings	(25)						
Trade and other payables							
Non interest bearing	(8 372)	(792)	(994)	(724)	(308 952)	(1 534)	(5 566)
Interest bearing	(78)		(310)		(1 083 006)	(6 119)	
Gross balance sheet exposure	985	(608)	8 381	2 410	(1 391 958)	(7 650)	(4 860)
FECs	(5 288)		4 577	1 103	712 613	5 575	
Net exposure	(4 303)	(608)	12 958	3 513	(679 345)	(2 075)	(4 860)

At 30 June 2010

Trade and other receivables	1 296		6	156			
Cash and cash equivalents	6 520		951	514		3	7 421
Non current borrowings	(70)						
Trade and other payables							
Non interest bearing	(3 085)		(26)	(753)	(513 087)	(334)	(22 370)
Interest bearing	(487)		(287)	(6)	(686 073)	(3 068)	
Gross balance sheet exposure	4 174	–	644	(89)	(1 199 160)	(3 399)	(14 949)
FECs	(2 963)		1 654	1 469	896 222	2 527	
Net exposure	1 211	–	2 298	1 380	(302 938)	(872)	(14 949)

2011
R 000

2010
R 000

Sensitivity analysis

Based on the net exposure of the Group's South African operations to foreign currency at 30 June 2011, it is estimated that a 5% (2010 - 5%) change in the Rand exchange rate at this date would have affected profit for the year by approximately the amounts indicated below, assuming all other variables remained constant.

Estimated approximate increase / (decrease) in profit for the year:

5% strengthening in the exchange rate (5% stronger Rand)	551	1 392
5% weakening in the exchange rate (5% weaker Rand)	(551)	(1 392)

Based on the net exposure of the Group to foreign currency at 30 June 2011, it is estimated that a 5% (2010 - 5%) change in the Rand exchange rate at this date would have affected total comprehensive income for the year by approximately the amounts indicated below, assuming all other variables remained constant.

Estimated approximate (decrease) / increase in total comprehensive income for the year:

5% strengthening in the exchange rate (5% stronger Rand)	(548)	(482)
5% weakening in the exchange rate (5% weaker Rand)	548	482

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

44 Financial risk management (continued)

44.3 Interest rate management

Group

Financial instruments that are sensitive to interest rate risk are term and call cash deposits, bank accounts, interest bearing non current liabilities, interest bearing trade payables, short term borrowings and bank overdrafts. The interest rates applicable to these financial instruments compare favourably with those available in the market. The interest rate risk is moderate and is mitigated by the substantial surplus of funds within the Group, and by arrangement with financial institutions for borrowing facilities to be available at market rates in cases of short term cash shortages.

The Group uses the cash management system provided by its principal local banker, whereby a substantial portion of the Group's local bank balances and overdrafts are pooled each day, with the bank charging or crediting interest on the net balance. This facility affords a considerable advantage in controlling interest charged and received.

Interest rate profile of interest bearing financial instruments

	Note	Carrying amount R 000	Fixed or floating rate	Estimated weighted average rate at the year end % per annum
At 30 June 2011				
Interest bearing financial assets				
Loan receivable	4.1	4 922	Fixed	4,7
Cash and cash equivalents				
South Africa		519 352	Floating	4,0
Australia and New Zealand		61 053	Floating	4,3
Other		12 007	Floating	0,0
		<u>597 334</u>		
Interest bearing financial liabilities				
Mortgage bonds	19	22 182	Floating	8,5
Finance lease and credit instalment agreements				
South Africa - vehicles	19	122	Fixed	10,5
Australia - vehicles	19	750	Fixed	8,2
South Africa - computer equipment	19	182	Floating	10,0
Trade payables	22	159 955	Fixed	5,4
		<u>183 191</u>		
At 30 June 2010				
Interest bearing financial assets				
Loan receivable	4.1	4 853	Fixed	6,0
Cash and cash equivalents				
South Africa		299 476	Floating	4,7
Australia		42 371	Floating	4,8
New Zealand		-	Not applicable	n/a
Other		10 298	Floating	0,0
		<u>356 998</u>		
Interest bearing financial liabilities				
Mortgage bonds	19	12 200	Floating	9,4
Finance lease and credit instalment agreements				
Australia - vehicles	19	786	Fixed	8,0
Trade payables	22	96 632	Fixed	5,0
		<u>109 618</u>		
			2011 R 000	2010 R 000
Should interest rates have been 1% per annum (2010 - 1% per annum) lower or higher during the year and assuming all other variables remained constant, it is estimated that the profit for the year after income tax of the Group would have (decreased) / increased by approximately the amounts indicated below:				
Interest rates 1% per annum lower			(2 342)	(1 346)
Interest rates 1% per annum higher			2 342	1 346

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

44 Financial risk management (continued)

44.4 Liquidity risk

Group

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. These obligations are associated with trading activities which includes the Group's ability to achieve and maintain the necessary inventory turns.

The Group manages liquidity risk by compiling and monitoring cash flow forecasts and by arranging appropriate repayment terms with suppliers. The risk is reduced by the Group's substantial cash and cash equivalents, as well as bank facilities available to the Group.

The Company's memorandum of incorporation restricts the amount that the Group may borrow on the authority of the directors. At 30 June 2011 the maximum permissible Group borrowings amounted to R437 million (2010 - R354 million).

Estimated maturities of financial liabilities

	Note	Carrying amount R 000	Estimated approximate maturities		
			Within one year R 000	Later than one year but within five years R 000	Beyond five years R 000
Maturity profile at 30 June 2011					
Non current borrowings					
Mortgage bonds	19	22 182	2 003	20 179	
Finance lease and credit instalment agreements					
Vehicles - South Africa	19	122	31	91	
Vehicles - Australia	19	750	569	181	
Computer equipment	19	182	45	137	
Trade payables					
Non interest bearing	21	190 673	190 673		
Interest bearing	22	159 955	159 955		
Other current payables	21	82 003	82 003		
Derivative financial liabilities	23	3 196	3 196		
Financial guarantee liability	23	144	38	106	
		459 207	438 513	20 694	-
Maturity profile at 30 June 2010					
Non current borrowings					
Mortgage bonds	19	12 200	2 111	7 939	2 150
Finance lease and credit instalment agreements					
Vehicles - Australia	19	786	332	454	-
Trade payables					
Non interest bearing	21	220 613	220 613		
Interest bearing	22	96 632	96 632		
Other current payables	21	53 183	53 183		
Financial guarantee liability	23	85	23	62	-
		383 499	372 894	8 455	2 150

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

44 Financial risk management (continued)

44.4 Liquidity risk (continued)

The profiles of the Group's interest bearing financial liabilities are summarised below.

Mortgage bonds

Three mortgage bonds with a carrying amount of R22 182 000 at 30 June 2011 (2010 - three mortgage bonds with a carrying amount of R12 200 000) are with a registered South African bank, and are secured over property with a carrying amount at the year end of R53 324 000 (2010 - R44 528 000).

The estimated weighted average interest rate on the mortgage bonds at 30 June 2011 was approximately 8,51% per annum (2010 - 9,39% per annum). The interest rates are floating rates.

The estimated approximate current portion (the portion to be repaid within a year) of the outstanding principal at 30 June 2011, was R2 003 000 (2010 current portion - R2 111 000), resulting in a non current portion of the bonds of R20 179 000 (2010 - R10 089 000).

Monthly repayments of the first bond, including interest, currently amount to R181 920 with a remaining repayment period at 30 June 2011 of fifty six months. The interest rate on the bond at 30 June 2011 was 8,5% per annum (2010 - 9% per annum). Interest is compounded monthly.

Monthly repayments of the second bond, including interest, currently amount to R75 774 with a remaining repayment period at 30 June 2011 of eighteen months. The interest rate on the bond at 30 June 2011 was 8% per annum (2010 - 9% per annum). Interest is compounded monthly.

Monthly repayments of the third bond, including interest, currently amount to R54 760 with a remaining repayment period at 30 June 2011 of forty five months. The interest rate on the bond at 30 June 2011 was 9,25% per annum (2010 - 10,25% per annum). Interest is compounded monthly.

Further information is given below.

	2011	2010
	R 000	R 000
Estimated cash repayments		
Not later than one year	3 749	3 101
Later than one year but not later than five years	23 951	10 331
Later than five years	-	2 472
Total estimated cash repayments	27 700	15 904
Estimated future finance charges included in repayments	(5 518)	(3 704)
Carrying amount at 30 June 2011	22 182	12 200
Estimated principal to be repaid by 30 June 2012	(2 003)	(2 111)
Non current portion	20 179	10 089

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

44 Financial risk management (continued)

44.4 Liquidity risk (continued)

Group

Finance lease and credit instalment agreements

Vehicles - South Africa

A finance lease and credit instalment agreement with a carrying amount of R122 000 at 30 June 2011 (2010 - nil) is with a South African financial institution, and is secured over a vehicle with a carrying amount of R104 000 at the year end (2010 - nil).

The agreement bears interest at a fixed rate of 10,5% per annum with an estimated date of final repayment of November 2014.

	2011 R 000	2010 R 000
Estimated cash repayments		
Not later than one year	43	-
Later than one year but not later than five years	103	-
Total estimated cash repayments	146	-
Estimated future finance charges included in repayments	(24)	-
Carrying amount at 30 June 2011	122	-
Estimated principal to be repaid by 30 June 2012	(31)	-
Non current portion	91	-

Vehicles - Australia

Finance lease and credit instalment agreements with a carrying amount of R750 000 at 30 June 2011 (2010 - R786 000) are with Australian financial institutions, and are secured over vehicles with a carrying amount of R1 464 000 at the year end (2010 - R890 000).

The agreements bear interest at rates ranging between 7,79% per annum and 8,59% per annum (2010 - 7,79% and 8,54% per annum), with a weighted average rate of 8,21% per annum (2010 - 8,02% per annum).

	2011 R 000	2010 R 000
Estimated cash repayments		
Not later than one year	607	383
Later than one year but not later than five years	186	483
Total estimated cash repayments	793	866
Estimated future finance charges included in repayments	(43)	(80)
Carrying amount at 30 June 2011	750	786
Estimated principal to be repaid by 30 June 2012	(569)	(332)
Non current portion	181	454

Computer equipment

A finance lease and credit instalment agreement with a carrying amount of R182 000 at 30 June 2011 (2010 - nil) is with a South African financial institution, and is secured over computer equipment with a carrying amount of R151 000 at the year end (2010 - nil).

The agreement bears interest at a floating rate which was 10,0% per annum at 30 June 2011 (2010 - not applicable), and has an estimated date of final repayment of January 2015.

	2011 R 000	2010 R 000
Estimated cash repayments		
Not later than one year	60	-
Later than one year but not later than five years	156	-
Total estimated cash repayments	216	-
Estimated future finance charges included in repayments	(34)	-
Carrying amount at 30 June 2011	182	-
Estimated principal to be repaid by 30 June 2012	(45)	-
Non current portion	137	-

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

44 Financial risk management (continued)

44.4 Liquidity risk (continued)

Group

Trade payables - interest bearing

Use is made of the extended credit facilities offered by foreign suppliers. The carrying amount of interest bearing trade creditors of R159 955 000 at 30 June 2011 (2010 - R96 632 000) is repayable with due dates between July 2011 and March 2012.

The interest rates range between 4,0% per annum and 6,8% per annum (2010 - 4,0% per annum and 6,8% per annum), with a weighted average rate of 5,42% per annum (2010 - 5,02% per annum). The interest rates compare favourably with those for borrowings in South Africa.

44.5 Credit risk

Group

Financial assets are tabled in note 44.1.

Credit policies are in operation and exposure to credit risk is monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit above certain amounts.

Ageing analyses are used and special credit allowances are monitored on a regular basis.

Reputable financial institutions are used where necessary for effecting cash transfers.

At the balance sheet date there were no significant concentrations of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

The Group has a diverse number of clients and customers in Africa and Australasia.

There is no significant exposure to any individual client or customer on a consistent basis over time.

Accordingly the Group has no significant concentration of credit risk.

44.6 Price risk

Group

The Group's exposure to commodity prices is minimal. Where any commodity is a significant cost in a fixed price construction contract undertaken by the Group, the possibility of inserting a cost escalation clause relating to such commodity, in such contract, would be carefully researched and assessed.

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

45 Segment information

The Group is structured into two segments: the entities that operate in Africa and the entities that operate in Australasia. The segment analysis adheres to the requirements of IFRS 8: Operating Segments. This standard requires the segment information to be consistent with the internal reports regularly reviewed by the Group's chief operating decision maker in order to assess each segment's performance and to allocate resources to each segment.

The Africa operations derive sales revenue primarily from the supply of construction, earthmoving and mining and quarrying equipment, which includes the supply of total engineered materials handling solutions to the mining, minerals, industrial, port and power sectors. The Australasia operations derive sales revenue mainly from the supply of construction, earthmoving and mining and quarrying equipment.

	Total R 000	Africa operations R 000	Australasia operations R 000
30 June 2011			
Assets			
Non current assets			
Property, plant and equipment	100 695	84 853	15 842
Non current loan receivable	4 922	4 922	–
Deferred income tax assets	21 014	17 061	3 953
	126 631	106 836	19 795
Current assets			
Construction contract work not yet billed	5 249	5 249	–
Inventories	394 453	307 778	86 675
Trade receivables	109 339	100 717	8 622
Inter company current accounts	–	–	–
Other current receivables	3 203	3 069	134
Income tax refundable	5 158	5 158	–
Other current assets	34 966	33 927	1 039
Non current assets held for sale	–	–	–
Cash and cash equivalents	592 412	519 352	73 060
	1 144 780	975 250	169 530
Total assets	1 271 411	1 082 086	189 325
Liabilities			
Non current liabilities			
Interest bearing borrowings	20 588	20 407	181
Provision for trade back commitments	5 144	5 144	–
Deferred tax liabilities	1 456	1 456	–
	27 188	27 007	181
Current liabilities			
Construction contract liabilities	319 031	319 031	–
Trade payables			
Non interest bearing	190 673	148 473	42 200
Interest bearing	159 955	159 955	–
Other interest bearing payables	2 648	2 079	569
Inter company current accounts	–	–	–
Other current payables and accruals	82 003	65 139	16 864
Other financial liabilities	3 340	3 340	–
Provision for trade back commitments - current portion	6 675	6 675	–
Income tax payable	3 508	510	2 998
Other current liabilities	39 262	33 141	6 121
	807 095	738 343	68 752
Total liabilities	834 283	765 350	68 933

There were no inter segment eliminations at 30 June 2011.

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

45 Segment information (continued)

	Total	Africa	Australasia	Inter
	R 000	operations	operations	segment
		R 000	R 000	eliminations
				R 000
30 June 2010				
Assets				
Non current assets				
Property, plant and equipment	62 158	58 493	3 665	-
Non current loan receivable	3 951	3 951	-	-
Deferred income tax assets	13 924	10 323	3 601	-
	80 033	72 767	7 266	-
Current assets				
Construction contract work not yet billed	34 141	34 141	-	-
Inventories	277 887	222 444	55 443	-
Trade receivables	176 802	168 623	8 179	-
Inter company current accounts	-	-	20 136	(20 136)
Other current receivables	6 626	6 552	74	-
Derivative financial assets	1 974	1 974	-	-
Income tax refundable	8 905	8 126	779	-
Other current assets	16 586	15 925	661	-
Non current assets held for sale	87	87	-	-
Cash and cash equivalents	352 145	299 476	52 669	-
	875 153	757 348	137 941	(20 136)
Total assets	955 186	830 115	145 207	(20 136)
Liabilities				
Non current liabilities				
Interest bearing borrowings	10 543	10 089	454	-
Provision for trade back commitments	10 097	10 097	-	-
Deferred tax liabilities	942	942	-	-
	21 582	21 128	454	-
Current liabilities				
Construction contract liabilities	161 739	161 739	-	-
Trade payables				
Non interest bearing	220 613	200 705	19 908	-
Interest bearing	96 632	96 632	-	-
Other interest bearing payables	2 443	2 111	332	-
Inter company current accounts	-	20 136	-	(20 136)
Other current payables and accruals	53 183	50 460	2 723	-
Other current financial liabilities	85	85	-	-
Provision for trade back commitments - current portion	1 813	1 813	-	-
Income tax payable	538	462	76	-
Other current liabilities	42 478	36 236	6 242	-
	579 524	570 379	29 281	(20 136)
Total liabilities	601 106	591 507	29 735	(20 136)

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

45 Segment information (continued)

	Total R 000	Africa operations R 000	Australasia operations R 000
30 June 2011			
Income statement			
Sales			
Sale of goods	797 583	615 045	182 538
Revenue recognised on construction contracts	511 218	511 218	–
Services	3	3	–
Total sales	1 308 804	1 126 266	182 538
Operating costs excluding depreciation and fair value adjustments to property, plant and equipment	(1 195 789)	(1 033 637)	(162 152)
Operating profit before depreciation and fair value adjustments to property, plant and equipment	113 015	92 629	20 386
Depreciation and fair value adjustments to property, plant and equipment	(6 402)	(4 992)	(1 410)
Profit from operations before abnormal item	106 613	87 637	18 976
Abnormal item			
Equity settled share options expense	(8 212)	(8 212)	–
Profit from operations	98 401	79 425	18 976
Finance income	25 267	22 698	2 569
Finance expenses	(6 272)	(5 940)	(332)
Profit before income tax	117 396	96 183	21 213
Income tax expense	(39 317)	(33 663)	(5 654)
Profit for the year	78 079	62 520	15 559
Profit for the year attributable to:			
Ordinary shareholders of the Company	67 202	53 977	13 225
Non controlling interests in subsidiaries	10 877	8 543	2 334
	78 079	62 520	15 559
Calculation of headline earnings			
Profit attributable to ordinary shareholders of the Company, as above	67 202	53 977	13 225
Deduct: Items excluded from headline earnings as detailed below	(148)	(292)	144
Headline earnings	67 350	54 269	13 081
Items excluded from headline earnings			
Profit on disposal of plant and equipment	269	27	242
Fair value adjustment to aeroplane	(504)	(504)	–
Income tax effect of excluded items	61	134	(73)
Non controlling interests in excluded items	26	51	(25)
	(148)	(292)	144

There were no inter segment eliminations in the year.

A major client in the Africa operations segment accounted for 14,3% of the Group's sales in the year and 16,7% of that segment's sales, respectively.

Operating costs excluding depreciation include the following significant non cash items:

Provision for trade back commitments

Net increase in sales revenue

606

606

–

Included in the income tax expense of the Africa operations is an income tax charge of R1 080 000 relating to income of the Australian operations and which is taxed in the hands of a South African group entity by the South African tax authority.

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

45 Segment information (continued)

	Total R 000	Africa operations R 000	Australasia operations R 000
30 June 2010			
Income statement			
Sales			
Sale of goods	631 645	522 453	109 192
Revenue recognised on construction contracts	608 970	608 970	–
Services	234	234	–
Commission	474	–	474
Total sales	1 241 323	1 131 657	109 666
Operating costs excluding depreciation and fair value adjustments to property, plant and equipment	(1 154 235)	(1 050 346)	(103 889)
Operating profit before depreciation and fair value adjustments to property, plant and equipment	87 088	81 311	5 777
Depreciation and fair value adjustments to property, plant and equipment	(4 837)	(3 773)	(1 064)
Profit from operations before abnormal item	82 251	77 538	4 713
Abnormal item			
Equity settled share options expense	(3 178)	(3 178)	–
Profit from operations	79 073	74 360	4 713
Profit on realisation of non current assets held for sale	3 609	3 609	–
Finance income	11 894	10 185	1 709
Finance expenses	(5 162)	(5 132)	(30)
Profit before income tax	89 414	83 022	6 392
Income tax expense	(26 974)	(25 355)	(1 619)
Profit for the year	62 440	57 667	4 773
Profit for the year attributable to:			
Ordinary shareholders of the Company	54 789	50 732	4 057
Non controlling interests in subsidiaries	7 651	6 935	716
	62 440	57 667	4 773
Calculation of headline earnings			
Profit attributable to ordinary shareholders of the Company, as above	54 789	50 732	4 057
<i>Deduct: Items excluded from headline earnings as detailed below</i>	3 747	3 747	–
Headline earnings	51 042	46 985	4 057
Items excluded from headline earnings			
Profit on disposal of plant and equipment	225	225	–
Profit on realisation of non current assets held for sale	3 609	3 609	–
Income tax effect of excluded items	(63)	(63)	–
Non controlling interests in excluded items	(24)	(24)	–
	3 747	3 747	–

There were no inter segment eliminations in the year.

A major client in the Africa operations segment accounted for 15,8% of the Group's sales in the year and 17,4% of that segment's sales, respectively.

Operating costs excluding depreciation include the following significant non cash item:

Provision for trade back commitments			
Net decrease in sales revenue	419	419	–

Included in the income tax expense of the Africa operations is an income tax charge of R338 000 relating to income of the Australian operations and which is taxed in the hands of a South African group entity by the South African tax authority.

Notes to the annual financial statements

for the year ended 30 June 2011 (continued)

45 Segment information (continued)

	Total R 000	Africa operations R 000	Australasia operations R 000
Capital expenditure			
Refer to cash flows from investment activities in the cash flow statement			
Year ended 30 June 2011			
Additions and improvements to property	33 193	23 382	9 811
Improvements to aeroplane	2 266	2 266	–
Net purchases of plant and equipment	8 212	5 678	2 534
	43 671	31 326	12 345
Year ended 30 June 2010			
Additions and improvements to property	18 247	18 247	–
Acquisition of interest in aeroplane	3 866	3 866	–
Net purchases of plant and equipment	4 948	3 563	1 385
	27 061	25 676	1 385

There were no inter segment eliminations.

Directors' interests in ordinary shares

Name	Beneficial holdings at 30 June 2011			Beneficial holdings at 30 June 2010		
	Total	Direct	Indirect	Total	Direct	Indirect
PJ Blunden	479 418	279 418	200 000	179 418	179 418	–
T de Bruyn	10 100	100	10 000	10 100	100	10 000
AG Fletcher	4 294 712	100	4 294 612	4 294 712	100	4 294 612
Dr JP Herselman	158 600	–	158 600	158 600	–	158 600
DG Jones (see note below)	188 600	98 600	90 000	Not applicable		
Dr SJ Meijers	1 010 000	100	1 009 900	10 000	100	9 900
MV Ramollo	30 100	100	30 000	100	100	–
IAR Thomson (see notes below)	100	100	–	Not applicable		
	6 171 630	378 518	5 793 112	4 652 930	179 818	4 473 112

No non beneficial shares were held by any director in the current or the previous financial year.

Mr DG Jones was appointed a director on 17 May 2011 and Mr IAR Thomson was appointed on 28 September 2010.

Mr IAR Thomson purchased a further 2 500 ordinary shares in the open market on 22 September 2011.

Subsidiaries and joint ventures

at 30 June 2011

Name	Currency	Issued ordinary capital 000's	Company's interest in subsidiaries and joint ventures					
			Effective interest		Equity investment		Loans receivable	
			2011 %	2010 %	2011 R 000	2010 R 000	2011 R 000	2010 R 000
Direct interest in South African subsidiaries								
ELB Engineering Limited	ZAR	2	85	85	107 997	99 785	14 316	16 814
ELB Timber Holdings (Pty) Limited	ZAR	-	100	100	-	-	70 410	70 369
Indirect interest in South African subsidiaries (principal subsidiaries only)								
Batmon Nominees (Pty) Limited	ZAR	1	85	85				
BEP (Pty) Limited	ZAR	-	85	85				
ELB Engineering Services (Pty) Limited	ZAR	-	85	85				
ELB Equipment Holdings Limited	ZAR	30 000	85	85				
ELB Equipment Limited	ZAR	-	85	85				
Elbex (Pty) Limited	ZAR	-	85	85				
ELB Power Systems Limited	ZAR	4	85	85				
ELB Process Equipment Limited	ZAR	4	85	85				
Elbquip (Pty) Limited	ZAR	-	85	85				
ELB Trident Equipment (Pty) Limited	ZAR	-	85	85				
Equipment Industrial Supplies (Pty) Limited	ZAR	-	63	63				
Indirect interest in foreign subsidiaries (only principal operating subsidiaries)								
Incorporated in the Cayman Islands:								
Bel Finance Limited	USD	4	85	85				
Incorporated in Australia:								
ELB Equipment Pty Limited	AUD	-	85	85				
Elbquip Holdings Pty Limited	AUD	3 000	85	85				
Metquip Pty Limited	AUD	2 650	85	85				
Indirect interest in joint ventures								
Incorporated in South Africa:								
ELB PBA Engineering Solutions (Pty) Limited	ZAR	-	43	43				
Ports of Africa (Pty) Limited	ZAR	100	43	43				
Partnership registered in South Africa:								
ELB Flying Services	ZAR	-	29	29				
Incorporated in Australia:								
Ditch Witch Australia Pty Limited	AUD	1 425	72	72				
Ditch Witch New Zealand Limited	NZD	-	72	-				
Carrying amounts before impairment					107 997	99 785	84 726	87 183
Impairment of loan to ELB Timber Holdings (Pty) Limited					-	-	(5 676)	(65 510)
Carrying amounts after impairment					107 997	99 785	79 050	21 673

The equity investment of ELB Group Limited (the Company) in ELB Engineering Limited comprises R1 700 in the issued ordinary shares of ELB Engineering Limited, being 85% thereof, and R17 994 758 equity contribution in respect of share options, totalling R17 996 458; and R90 000 000 in the issued preference shares, being 100% thereof. The non controlling 15% interest in the issued ordinary shares of ELB Engineering Limited is held by the ELB Educational Trust for Historically Disadvantaged South Africans.

The equity investment of the Company in ELB Timber Holdings (Pty) Limited is an amount of R100 in the issued ordinary shares of ELB Timber Holdings (Pty) Limited.

The equity investment has been fully impaired.

The amount of R14 316 000 (2010 - R16 814 000) owing by ELB Engineering Limited to the Company bears interest at market rates.

The amount of R70 410 000 (2010 - R70 369 000) owing by ELB Timber Holdings (Pty) Limited (ELB Timber Holdings) to the Company is a long term loan and is interest free. The loan has been subordinated by the Company for the benefit of the other creditors of ELB Timber Holdings. Refer also to note 27 for details of the substantial reduction in the impairment of the loan to ELB Timber Holdings.

All subsidiaries and joint ventures have 30 June financial year ends, the same as the Company.

The currencies listed above are:

ZAR - South African Rands, USD - United States Dollars, AUD - Australian Dollars, NZD - New Zealand Dollars

Analysis of ordinary shareholders

at 30 June 2011

	Number of shareholders	Number of shares	% of shares issued
Public shareholders	770	21 254 897	62,8
Non public shareholders	13	6 319 472	18,6
Holders of treasury shares	2	6 285 631	18,6
	785	33 860 000	100,0
Directors (direct and indirect holdings)	8	6 171 630	18,1
ELB Group entities (treasury shares excluding shares issued to share incentive scheme participants and which are not yet paid up)	2	6 285 631	18,6
Major shareholders			
Tanjo One (Pty) Limited		4 294 612	12,7
ELB Timber Holdings (Pty) Limited (treasury shares)		3 386 000	10,0
ELB Share Incentive Trust (treasury shares held for issue to participants)		2 899 631	8,6
Golden Hind Partnership		2 745 896	8,1

Ordinary share statistics

for the year ended 30 June 2011

	2011	2010
Listed on the JSE in 1951		
Market price (cents per share)		
High	2 100	1 200
Low	1 099	580
Year end closing	2 100	1 100
Total number of shares traded	5 169 165	8 006 946
Total value of shares traded (Rands)	80 481 594	81 016 540
Number of shares traded as a percentage of total shares issued	15,27	23,65
Treasury shares transferred between ELB Group entities (excluded from the above statistics):		
Total number of shares transferred	6 772 000	–
Total value of shares transferred (Rands)	120 203 000	–
Number of shares transferred as a percentage of total shares issued	20,00	–

Shareholders' diary

Financial year end		30 June
Annual general meeting		November
Financial reports		
Interim report for the half year		March
Provisional report for the year		September
Annual report		October
Dividends	Declared	Paid
Ordinary dividends		
Interim	March	May
Final	September	October
6% fixed cumulative redeemable preference shares		
Six months ending 31 December	March	May
Six months ending 30 June	September	October

Administration

ELB Group Limited

Incorporated in the Republic of South Africa
Registration number: 1930/002553/06

Ordinary shares

Share code: ELR
International Security Identification Number
(ISIN): ZAE000035101

Preference shares

Share code: ELRP
ISIN: ZAE000035333

Company secretary

DG Jones
HDipTax, MBA, CA(SA), FCIS

Registered office

ELB Equipment Limited
14 Atlas Road
Anderbolt
Boksburg
1459

Postal address

PO Box 565
Boksburg
1460

Website

www.elb.co.za

Telephone

+27 11 306 0700

Fax

+27 11 918 7285

Share transfer secretaries

Computershare Investor Services (Pty)
Limited
(Registration number: 2004/003647/07)
70 Marshall Street
Johannesburg
2001
(PO Box 61051
Marshalltown
2107)
Telephone: +27 11 370 5000

Independent auditor

KPMG Inc
KPMG Crescent
85 Empire Road
Parktown
Johannesburg
2193
(Private Bag 9
Parkview
2122)

Principal commercial bankers

First National Bank
(a division of FirstRand Bank Limited)

The Standard Bank of South Africa Limited

Australia and New Zealand Banking Group
Limited (ANZ Bank)

Sponsor

Rand Merchant Bank
(a division of FirstRand Bank Limited)
(Registration number: 1929/001225/06)
1 Merchant Place
corner Fredman Drive and Rivonia Road
Sandton
2196

Notice of annual general meeting

The Board of directors of the Company has determined that the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the Annual General Meeting is Friday, 21 October 2011, and the record date for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the Annual General Meeting is Friday, 18 November 2011.

Accordingly, only shareholders who are registered in the securities register of the Company on Friday, 18 November 2011, will be entitled to attend, speak and vote at the Annual General Meeting. The last day to trade to be eligible to participate and vote at the meeting is Friday, 11 November 2011.

Until the Companies Act, No 71 of 2008 (as amended) ("the Companies Act"), came into effect on 1 May 2011, the memorandum of incorporation ("MOI") of the Company comprised of its memorandum of association and its articles of association. From the date that the Companies Act came into effect, the memorandum of association and articles of association of the Company are automatically deemed to be 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).

Electronic participation in the Annual General Meeting

Shareholders or their proxies may participate in the meeting by way of a teleconference call provided that, if they wish to do so:

- they should contact the Company Secretary by email at the address grahamj@elb.co.za by no later than 12:00 on Friday, 18 November 2011, in order to obtain a pin number and dial-in details for that conference call;
- they will be required to provide reasonably satisfactory identification; and
- they will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

This notice of meeting includes the attached proxy form.

Notice is hereby given that the eighty-first Annual General Meeting of shareholders of ELB Group Limited (the Company) will be held in the Board Room, ELB Equipment Limited, 14 Atlas Road, Anderbolt, Boksburg, on Tuesday, 29 November 2011 at noon (12h00) to pass the following resolutions with or without amendment:

1. ORDINARY BUSINESS

- 1.1 To present the audited annual financial statements of the Company for the year ended 30 June 2011 together with the reports of the directors, the auditors and the Audit and Risk Committee contained therein.
- 1.2 To re-appoint KPMG Inc as the independent auditors of the Company and appoint Ms ML Watson as the individual designated auditor of the Company for the ensuing financial year. This appointment has been recommended by the Company's Audit and Risk Committee.
- 1.3 To re-elect Dr JP Herselman as a director. Dr Herselman retires in accordance with the Company's MOI, but, being eligible, offers himself for re-election.
- 1.4 To re-elect Mr DG Jones as a director. Mr Jones retires in accordance with the Company's MOI, but, being eligible, offers himself for re-election.
Biographical details of all directors of the Company are set out on page 7 of the integrated annual report.
- 1.5 To re-elect Mr T de Bruyn who is an independent non-executive director of the Company as a member of the Audit and Risk Committee of the Company.
- 1.6 To re-elect Dr JP Herselman who is an independent non-executive director of the Company as a member of the Audit and Risk Committee of the Company.
- 1.7 To re-elect Mr IAR Thomson who is an independent non-executive director of the Company as a member of the Audit and Risk Committee of the Company.
- 1.8 To ratify the non-executive directors' remuneration for the calendar year 2010 as set out on page 52 of the integrated annual report in accordance with article 37 of the Company's MOI.
- 1.9 To consider the remuneration policy as described on pages 9 and 10 of the integrated annual report by way of a non-binding advisory vote as recommended in the King Report on Governance for South Africa 2009, commonly referred to as King III.
- 1.10 To transact any other business that may be transacted at an annual general meeting.

2. SPECIAL BUSINESS

Shareholders will be asked to consider, and if deemed fit, pass the following resolutions with or without amendments:

2.1 Special resolution – General authority to provide financial assistance to related and inter-related companies

Resolved that the Board of the Company is hereby authorised in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval (which approval will be in place for a period of two years from the date of adoption of this Special resolution Number 2.1), to authorise the Company to provide any direct or indirect financial assistance ("financial assistance" will herein have the meaning contemplated in section 45(1) of the Companies Act) that the Board may deem fit to any related or inter-related company of the Company ("related" and "inter-related" will herein have the meanings attributed to those terms in section 2 of the Companies Act), on the terms and conditions and for the amounts that the Board may determine from time to time.

Notice of annual general meeting

(continued)

The purpose of this authority is to grant the Board the authority to provide intra-group loans and other financial assistance for purposes of funding the activities of the Group. The Board undertakes that:

- it will not adopt a resolution to authorise such financial assistance, unless the directors are satisfied that –
 - immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
 - the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company; and
- written notice of any such resolution by the Board shall be given to all shareholders of the Company and to any trade union representing its employees –
 - within 10 business days after the Board adopted the resolution, if the total value of the financial assistance contemplated in that resolution, together with any previous such resolution during the financial year, exceeds 0.1% of the Company's net worth at the time of the resolution; or
 - within 30 business days after the end of the financial year, in any other case.

Additional information in respect of Special Resolution Number 2.1

The reason for and the effect of the special resolution is to provide a general authority to the Board of the Company to grant direct or indirect financial assistance to any company forming part of the Company's group of companies, including in the form of loans, the guaranteeing of their debts or the subordination of intra-company loans (particularly in favour of third parties). Prior to the commencement of the Companies Act on 1 May 2011, it was not a requirement to obtain shareholder approval for such financial assistance. The Board of the Company had, prior to the Companies Act coming into force, provided such intra-group financial assistance to subsidiaries, as disclosed in the annual financial statements in note 2 on page 32 of the integrated annual report of which this notice forms part.

2.2 Special resolution – Approval of financial assistance in connection with acquisition of shares or options

Resolved that the Board of the Company is hereby authorised in terms of section 44(3)(a)(ii) of the Companies Act, as a general approval (which approval will be in place for a period of two years from the date of adoption of this Special resolution Number 2.2), to authorise the Company to provide any direct or indirect financial assistance ("financial assistance" will herein have the meaning contemplated in section 44 of the Companies Act) that the Board may deem fit, to any person (including a trust), in connection with the acquisition of shares or options for shares in the Company or in any related or inter-related company ("related" and "inter-related" will herein have the meanings attributed to those terms in section 2 of the Companies Act) pursuant to the Company's employee share schemes ("schemes"). If and to the extent that the provisions of section 44(3)(a)(i) do not apply to exempt such financial assistance, on the terms and conditions and for the amounts required or contemplated pursuant to the schemes.

The purpose of this authority is to grant the Board the authority to provide loans and other financial assistance to any person for the acquisition of shares or options, pursuant to the schemes. The shareholders' approval is required only if and to the extent that the exemption pertaining to employee share schemes in section 44(3)(a)(i) of the Companies Act does not apply at any time to the schemes. In terms of the said exemption, financial assistance pursuant to employee share schemes that are compliant with section 97 of the Companies Act does not require shareholder approval. Currently the schemes comply with section 97 and thus qualify or exemption. The Board undertakes that:

- it will not adopt a resolution to authorise such financial assistance, unless the directors are satisfied that –
 - immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
 - the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

2.3 Special resolution – Approval of non-executive directors' remuneration – calendar year ending 31 December 2011

Resolved that the following fees be approved as the basis for calculating the remuneration payable by the Company to the non-executive directors for their services as directors of the Company in respect of the calendar year ending 31 December 2011.

Meeting	Proposed fee for the calendar year ending 31 December 2011
Board	R145000
Chairperson: Audit and Risk Committee	R155000
Member: Audit and Risk Committee	R55000
Member: Remuneration and Nominations Committees	R45000
Meeting fee in respect of any additional meetings above annual requirement	R25000

Notice of annual general meeting

(continued)

Additional information in respect of Special Resolution Number 2.3

The reason for and the effect of the special resolution is to approve the basis for calculating the remuneration payable by the Company to its non-executive directors for their services as directors of the Company in respect of the calendar year ending 31 December 2011. This is required in terms of section 66(8) and (9) of the Companies Act. The fees payable to the non-executive directors are based on an annual fee, irrespective of the number of meetings attended.

2.4 Special resolution – Approval of amendments of articles of association: electronic payments

Resolved that, subject to approval by the JSE Limited (“JSE”), the Company’s articles of association which form part of the MOI be amended by substituting article 55 in its entirety with the following:

- “55 Dividends, interest or any other sum payable in cash to any holder of the company’s shares shall be transmitted in the following manner –
- 55.1 Dividends, interest or any other sum payable in cash to any holder of the company’s shares shall be paid by way of an electronic funds transfer only, unless agreed to otherwise at the discretion of the company, into the selected bank account of:
- 55.1.1 the holder; or
- 55.1.2 in the case of joint holders, to the holder whose name stands first in the register in respect of the share(s); or
- 55.1.3 such person as the holder or joint holders may in writing direct.
- 55.2 The electronic funds transfer of the dividends, interest or other sum made into such account shall discharge the company of any further liability in respect of the amount concerned. The company shall not be responsible for a holder’s loss arising from any fraudulent, diverted or incorrect electronic funds transfer of dividends, interest or other sum payable to a holder unless such loss was due to the company’s gross negligence or wilful default.
- 55.3 For the purpose of this article, no notice of change of bank account or instructions as to payment being made at any other bank account which is received by the company after the date on which a member must be registered in order to qualify for a dividend or other payment and which would have the effect of changing the currency in which such payment would be made, shall be effective in respect of such payment.
- 55.4 A member who is a South African resident shall only be entitled to supply a Rand denominated bank account of a bank registered to operate such account in South Africa.
- 55.5 In the event that a member has failed to supply a valid bank account as envisaged herein, the dividends, interest or other moneys shall be deemed unclaimed dividends in terms of article 56.
- 55.6 Dividends, interest or any other sum may be paid in any other way determined by the directors, and if the directives of the directors in that regard are complied with, the company shall not be liable for any loss or damage which a member may suffer as a result thereof.”

Additional information in respect of Special Resolution Number 2.4

The reason for and the effect of the special resolution is to amend the Company’s articles of association which form part of the MOI to allow for the electronic payment of dividends, interest and other sum payable to a holder of shares in the Company. This resolution is proposed due to the increasing number of attempted fraud with cheque payments. The effect of the resolution, which is subject to the approval of the JSE, is that payments will in future only be made by way of electronic funds transfer into the bank accounts supplied by shareholders to the Company’s transfer secretaries, Computershare Investor Services (Pty) Limited.

2.5 Special resolution – General authority to repurchase shares

Resolved that the Board is hereby authorised by a way of a renewable general authority, in terms of the provisions of the JSE Listings Requirements and as permitted in the Company’s MOI, to approve the purchase of its own ordinary shares by the Company, and the purchase of ordinary shares in the Company by any of its subsidiaries, upon such terms and conditions and in such amounts as the Board may from time to time determine, but subject to the MOI of the Company, the provisions of the Companies Act and the Listings Requirements of the JSE Limited (“JSE”), when applicable, and provided that:

- the general repurchase by the Company and/or any subsidiary of the Company of ordinary shares in the aggregate in any one financial year do not exceed 10% of the Company’s issued ordinary share capital as at the beginning of the financial year, provided that the acquisition of shares as treasury stock by a subsidiary of the Company shall not be effected to the extent that in aggregate more than 10% of the number of issued shares in the Company are held by or for the benefit of all the subsidiaries of the Company taken together;
- any 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);

Notice of annual general meeting

(continued)

- this authority shall only be valid until the Company's next Annual General Meeting, provided that it shall not extend beyond 15 months from the date this resolution is passed;
- the Company will only appoint one agent to effect any repurchase(s) on its behalf;
- general repurchases by the Company and/or any subsidiary of the Company in terms of this authority, may not be made at a price greater than 10% above the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 business days immediately preceding the date of the repurchase of such ordinary shares by the Company and/or any subsidiary of the Company.
- any such general repurchases are subject to exchange control regulations and approvals at that point in time, where relevant;
- a resolution has been passed by the Board of the Company and/or any subsidiary of the Company confirming that the Board has authorised the repurchase, that the Company satisfied the solvency and liquidity test contemplated in the Companies Act, and that since the test was done there have been no material changes to the financial position of the Group;
- the Company and/or any subsidiary of the Company may not repurchase securities during a prohibited period, as defined in the JSE Listings Requirements, unless the Company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed and not subject to any variation and full details of the programme have been disclosed in an announcement over SENS (the Securities Exchange News Service) prior to the commencement of the prohibited period; and
- a press announcement will be published giving such details as may be required in terms of the JSE Listings Requirements as soon as the Company and/or any subsidiary has cumulatively repurchased 3% of the number of shares in issue at the date of the passing of this resolution, and for each 3% in aggregate of the initial number of shares acquired thereafter.

The Board is of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase in the future, in particular the repurchase of shares by a subsidiary of the Company for purposes of employee share schemes. The Board undertakes that it will not implement the proposed authority to repurchase shares, unless the directors are of the opinion that, for a period of 12 months after the date of the repurchase:

- The Company and the Group will be able in the ordinary course of business to pay its debts;
- The assets of the Company and the Group, fairly valued in accordance with International Financial Reporting Standards, will be in excess of the liabilities of the Company and the Group;
- The share capital and reserves of the Company and the Group will be adequate for ordinary business purposes; and
- The working capital of the Company and the Group will be adequate for ordinary business purposes.

The Company will ensure that its sponsor has confirmed the adequacy of the Company's working capital in writing to the JSE in terms of the JSE Listings Requirements, prior to entering the market to proceed with a repurchase.

Additional information in respect of Special Resolution Number 2.5

The reason for and the effect of the special resolution is to grant the Company's Board a general authority, up to and including the date of the following Annual General Meeting of the Company, to approve the Company's purchase of shares in itself, or to permit a subsidiary of the Company to purchase shares in the Company. Please refer to the additional disclosure of information contained in this notice, which disclosure is required in terms of the JSE Listings Requirements.

Other disclosure in terms of the JSE Listings Requirements Section 11.26

The JSE Listings Requirements require the following disclosure, some of which are elsewhere in the integrated annual report, of which this notice forms part, as set out below;

- Directors and management – page 7;
- Major shareholders of the Company – page 79;
- Directors' interests in securities – page 77; and
- Share capital of the Company – page 40;

Litigation statement

In terms of section 11.26 of the Listings Requirements of the JSE, the directors, whose names are given on page 7 of the integrated annual 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 12 months, a material effect on the Group's financial position.

Notice of annual general meeting

(continued)

Directors' responsibility statement

The directors, whose names are given on page 7 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this resolution 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.

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

Approvals required for resolutions

Ordinary resolutions numbers 1.1 to 1.8 contained in this notice of Annual General Meeting require the approval by more than 50 percent of the votes exercised on the resolutions by shareholders present or represented by proxy at the Annual General Meeting, subject to the provisions of the Companies Act, the MOI of the Company and the JSE Listings Requirements. Ordinary resolution number 1.9 is subject to a non-binding advisory vote as recommended in the King Report on Governance for South Africa 2009.

Special resolutions numbers 2.1 to 2.5 contained in this notice of Annual General Meeting require the approval by at least 75 percent of the votes exercised on the resolutions by shareholders present or represented by proxy at the Annual General Meeting, subject to the provisions of the Companies Act, the MOI of the Company and the JSE Listings Requirements.

Voting and proxies

Shareholders of the Company who have not dematerialised their shares in the Company, or who have dematerialised their shares with "own name" registration, are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead at the meeting. The person so appointed need not be a shareholder.

Proxy forms must be forwarded, to reach the registered office of the Company, or the transfer secretaries, Computershare Investor Services Proprietary Limited, at the address given below no later than noon (12h00) on Thursday, 24 November 2011.

Proxy forms must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration. Any forms of proxy not received by this time must be handed to the Chairperson of the Annual General Meeting immediately prior to the commencement of the Annual General Meeting.

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

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, should contact their CSDP or broker in the manner and time stipulated in their agreements in order to furnish them with their voting instructions and to obtain the necessary authority to attend the meeting should such shareholder wish to do so.

Equity shares held by a share trust or scheme as well as other shares regarded as treasury shares will not have their votes at the Annual General Meeting taken into account for resolutions proposed, in terms of the JSE Listings Requirements.

By order of the Board

DG Jones

Company Secretary
Boksburg 1459

Computershare Investor Services (Pty) Limited

70 Marshall Street
Johannesburg 2001
PO Box 61051
Marshalltown 2107
Johannesburg

20 October 2011



ELB GROUP LIMITED

(Incorporated in the Republic of South Africa)
Registration No. 1930/002553/06
ISIN : ZAE000035101 Share Code ELR
("the Company")

For completion by shareholders who have not dematerialised their shares or who have dematerialised their shares but with "own name" registration.

Proxy Form

For use by certificated shareholders and "own name registered" dematerialised shareholders, at the annual general meeting of the Company to be held at noon (12h00) on Tuesday, 29 November 2011, at the premises of ELB Equipment Limited which are located at 14 Atlas Road, Anderbolt, Boksburg.

Dematerialised shareholders (other than "own name registered" dematerialised shareholders) who wish to attend the annual general meeting should obtain from their CSDP or broker the necessary authorisation to attend the annual general meeting or advise their CSDP or broker as to what action they wish to take in respect of voting at the annual general meeting.

FORM OF PROXY FOR THE EIGHTY FIRST ANNUAL GENERAL MEETING OF ELB GROUP LIMITED

I/We (please print)
of address (please print)
being the holder/s of shares in the Company, do hereby appoint
1. or failing him/her
2. or failing him/her
3. the Chairman of the annual general meeting

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting which will be held for the purposes of considering and, if deemed fit, for the passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against such resolutions and/or abstain from voting in respect of the shares registered in my/our name(s), in accordance with the following (see note 4):

Ordinary Resolutions	In Favour	Against	Abstain
1.1 Presentation of the annual financial statements			
1.2 Re-appoint KPMG Inc as external auditors			
Appoint Ms ML Watson as individual designated auditor			
Re-election of directors:			
1.3 Dr JP Herselman			
1.4 Mr DG Jones			
Re-election of members of the audit and risk committee:			
1.5 Mr T de Bruyn			
1.6 Dr JP Herselman			
1.7 Mr IAR Thomson			
1.8 Ratify non-executive directors' remuneration – calendar year 2010			
1.9 Consideration of remuneration policy (non-binding vote)			
Special Resolutions			
2.1 General authority to provide financial assistance to related and inter-related companies			
2.2 Approval of financial assistance in connection with acquisition of shares or options			
2.3 Approval of non-executive directors' remuneration – calendar year 2011			
2.4 Approval of amendment to articles of association : electronic payments			
2.5 General authority to repurchase shares			

Signed at on2011

Signature (see note 6)

Assisted by me where applicable (see note 9)

Please read the notes on the reverse side hereof.

Notes to the proxy form

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the Company. Satisfactory identification must be presented by any person wishing to attend the meeting.
2. A form of proxy is only to be completed by those shareholders who hold shares in certificated form or are recorded on sub-register electronic form in "own name". All other beneficial owners who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker and wish to attend the meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
3. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the spaces provided, with or without deleting "the Chairman of the meeting", but any such deletion must be initialed by the shareholder. The person whose name is first on this form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.
4. Please insert an "X" in the relevant spaces indicating how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the meeting as he/she deems fit in respect of all the shareholders' votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
5. The form of proxy appointing a proxy must reach the registered office of the Company or the transfer secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by not later than noon (12h00) on Thursday, 24 November 2011. Any forms of proxy not received by this time must be handed to the Chairman of the meeting immediately prior to the meeting.
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the Chairman of the meeting.
8. Any alteration or correction made to this form of proxy must be initialed by the signatory/ies.
9. A minor must be assisted by his/her parents or guardian unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries.
10. The Chairman of the meeting may reject or accept any form of proxy which is completed other than in accordance with these instructions provided he is satisfied as to the manner in which the shareholder wishes to vote.



ELB GROUP LIMITED

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