



***ELB GROUP***

***ANNUAL REPORT***

***2009***

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# Chairman's statement

The ELB Group is 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 Australia.

ELB is an investment holding company owning 85 per cent of ELB Engineering Limited (ELB Engineering Group) with the remaining 15 per cent owned by the ELB Educational Trust established as the Group's BEE partner promoting the education of historically disadvantaged South Africans specifically in the areas of maths and science.

## 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 industrialised first-world standards. Operating in three specialised 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

### Earthmoving Equipment

- Furukawa Wheel Loaders
- 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 \*\*
- Pegson Mobile & Static Crushing Plants
- Oresizer Vertical Shaft Impact Crushers \*\*
- Powerscreen Mobile & Static Screens
- Tecman Underground and Surface Boom 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, Brits, George, Middleburg 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 centralised 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
- Stanley Hydraulic Power Packs and Tools
- Trenchmaster Mini Trencher
- Bedmaster Bed Defining Machines
- McLaughlin Case Boring Equipment, Augers and Cutter Heads
- Belle Concrete and Mortar Mixers and Compaction Equipment
- Tesmec Rock Trenching Equipment and Bucket Wheel Trenchers and Rock Milling Equipment
- Akkerman Inc. Microtunnelling, Pipe Jacking Tunnelling products.

Markets served in Australia are gas, water, sewage, electricity, communications, the Defence Forces, Oil and Gas Pipeline Industry.

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

**ELB ENGINEERING SERVICES** focuses on the supply of a total engineered solution 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.

### Bulk Materials Handling

Augmenting the in house expertise base, ELB Engineering Services has an exclusive licence 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, port equipment and simulation modelling.

THOR, based in Canada, work exclusively with ELB to provide a 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.

# Chairman's statement

(continued)

## Pneumatic Conveying

ELB Engineering Service's 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 industry. Claudius Peters is considered a world leader in providing total solutions into the above industries.

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

## Modular Plants

ELB Engineering Services have a joint venture with PBA, from Cape Town, to provide the 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. Over the past year ELB has been involved in the refurbishment of 8 machines.

## 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.

## FINANCIAL RESULTS

Sales of continuing operations increased by 16,5 percent from R1 069 million in 2008 to R1 246 million in 2009 and headline earnings from continuing operations decreased by 22,0 percent from R65,7 million in 2008 to R51,3 million in 2009.

These results, seen against the background of the financial turmoil experienced worldwide, reflect the excellent work done by all concerned to ensure ELB shares in the growth opportunities currently available in our sector.

## PROSPECTS

The ELB Engineering Group is well positioned to benefit from both the ongoing infrastructure spend in Southern Africa and Australia as well as the increase in capacities and efficiencies being implemented by the global resources and power industry sectors. This will be enhanced by the continued growth and development of our know how and skills base.

The coming twelve months are being approached with caution as it is anticipated that trading conditions will remain difficult.

## DIVIDENDS

The final dividend of 20 cents per share reflects the Board's confidence in the prospects for the ELB Group going forward.

The total dividend for the year is therefore 30 cents per share versus 60 cents per share for the 2008 financial year.

## SOCIAL RESPONSIBILITY

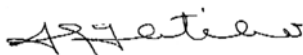
As mentioned above ELB's empowerment partner is the ELB Educational Trust established to promote education in maths and science for historically disadvantaged South Africans. To this end bursaries were awarded to students at various South African universities.

ELB has also made substantial donations to the St Vincent School for the Deaf, 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.

## CONCLUSION

I would like to thank all those who have contributed to the further improved performance of ELB over the past year.

Each year offers its own challenges which will need dedication and commitment from all those involved.



A G Fletcher  
21 October 2009



# Corporate governance

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 the principles embodied in the King II Report on Corporate Governance and has materially complied with the King Code throughout the accounting period under review save for guidelines regarding the composition of the board of directors as indicated below. The key principles underpinning the governance of the Group are set out in this statement.

## BOARD OF DIRECTORS

The Group has a unitary board structure. In line with 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 Anthony 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.

At the date of this report, the board of directors comprised six members of whom two are independent non-executive directors whilst the remaining four members are executive directors. Mr TJ Matsau was appointed to the board as an independent non-executive director but subsequently resigned from the board on 1 September 2009. The nominations committee continues to review the situation regarding the composition of the board of directors.

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 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 save for the remuneration committee which is chaired by Mr AG Fletcher. All committees have met their responsibilities during the year in compliance with their terms of reference.

## THE AUDIT COMMITTEE

The audit committee operates in terms of a mandate from the board to review 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 committee is also responsible for considering the appropriateness of the expertise and experience of the financial director 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 Spencer Steward Services (Pty) Ltd (BDO) has been appointed to fulfil the role of internal auditor within the ELB Equipment Holdings Limited subgroup whilst experts in the field of contract management and accounting are utilised 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 profes-

sionals 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 committee are the independent non-executive directors, Mr T de Bruyn (chairman) and Dr JP Herselman. An executive director in the person of the chairman of the board, Mr AG Fletcher, attends meetings by invitation. Both the external auditors and the internal auditors and experts 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 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 committee met four times during the financial year.

## THE REMUNERATION COMMITTEE

The members of the Remuneration Committee are Messrs AG Fletcher and T de Bruyn and Dr JP Herselman. The committee determines the remuneration strategy of the Group and, more specifically, the remuneration of the non-executive and 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 remuneration committee met twice during the financial year.

## THE NOMINATIONS COMMITTEE

The members of the Nominations Committee are Dr JP Herselman (Chairman) and Mr T de Bruyn. The committee is responsible for the assessment and nomination of potential new directors 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 programme, 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.

The nominations committee met once during the financial year.

## 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 board and management meetings. Further explanation regarding the identification and management of risk is reflected below under the heading 'The internal audit function'.

## 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.

# Corporate governance

## THE INTERNAL AUDIT FUNCTION

The internal audit function of ELB Engineering Services (Proprietary) Limited is outsourced to experts in the fields of contract management and accounting whilst the internal audit function of the ELB Equipment Holdings Limited subgroup is outsourced to BDO. During the course of the June 2009 financial year, the Equipment subgroup continued its internal audit programme which integrates the identification and ranking of risks inherent in the different operations with an evaluation of the systems and internal controls employed in the operations. This process assists in the mitigation of major risks within the subgroup, wherever possible. These integrated risk identification and internal control audits are conducted on a systematic basis to ensure adequate coverage of business units and the reports are submitted to management and the audit committee.

Notwithstanding the application of this internal audit methodology within the Equipment subgroup and the use of experts in the case of ELB Engineering Services (Proprietary) Limited, all Group operations continue to identify, assess and monitor the risks to which their businesses are exposed.

The results of reports received and tabled to date are considered to be satisfactory. Where deficiencies have been identified, corrective action has been taken and follow up reviews are performed.

## 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.

## CODE OF ETHICS

A Code of Ethics, requiring all employees of the Group to maintain the highest ethical standards in their dealings with each other and other stakeholders, in line with the relevant recommendations of the King II Report, has been published and distributed throughout the Group.

## COMPANY SECRETARY

All 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. All the 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.

## 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 committee. The Company secretary retains a record of all such share dealings and approvals

## COMMUNICATION TO 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 stakeholders to attend the shareholders' meetings as these meetings present the ideal opportunity to voice their opinions.

## DISCLOSURE

The annual report deals fully with disclosures pertaining to the annual financial statements, auditors' responsibilities, accounting records, internal control, risk management, accounting policies, adherence to accounting standards, going concern issues and adherence to codes of governance and the JSE Listings Requirements.

## DIRECTORATE 1 JULY 2008 - 31 JULY 2009 : ATTENDANCE OF MEETINGS

NAME	BOARD						AUDIT COMMITTEE				REMUNERATION COMMITTEE		NOMINATIONS COMMITTEE
	2008			2009			2008		2009		2008	2009	2009
	July	Sept	Nov	Mar	May	July	Sept	Nov	Mar	May	Nov	June	June
AG Fletcher	√	√	√	√	√	√	o	o	o	o	√	√	o
PJ Blunden	√	√	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A
T de Bruyn	√	√	√	√	√	√	√	√	√	√	√	√	√
JP Herselman	√	√	√	x	x	√	x	√	x	x	√	√	√
TJ Matsau	√	√	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SJ Meijers	√	√	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A
MV Ramollo	√	√	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A Not applicable

o Attended meeting by invitation

x Submitted apologies and was granted a leave of absence in terms of the Company's Articles of Association

# Board of directors

## EXECUTIVE

### **Anthony Garth Fletcher (57)†‡**

*BCom, CA(SA)*

Appointed chairman of the board in May 2006.

Appointed to the board in 1996.

Served as chairman from 1998 - 2003.

### **Peter John Blunden (54)**

*BCom*

Chief executive - ELB Equipment.

Appointed to the board in 2002.

Joined the Group in 1978.

### **Dr Stephen John Meijers (48)**

*PhD (Mech Eng), BSc (Mech Eng), MAP (Wits),  
SEP (Wits/Harvard)*

Chief executive - ELB Engineering Services.

Appointed to the board in May 2006.

### **Mollo Victor Ramollo (54)**

*BSc (Elec Eng)*

Appointed to the board in 2003.

## NON EXECUTIVE

### **Theunis de Bruyn (41)†‡▲\***

*BCom, CA(SA)*

Appointed to the board in 2005.

### **Dr John Paul Herselman (66)†‡▲\***

*Dr Ing, Dipl Ing, BSc (Chem Eng)*

Appointed to the board in 1986.

† Member of the audit committee

‡ Member of the remuneration committee

▲ Member of the nominations committee

\* Independent

## Six year financial review

### FINANCIAL INFORMATION

	2009 R 000	2008 R 000	2007 R 000	2006 R 000	2005 R 000	2004 R 000
<b>Sales</b>	<b>1 245 817</b>	1 096 173	983 361	693 681	574 627	580 332
Operating costs excluding depreciation, amortisation and abnormal items	(1 170 147)	(993 579)	(915 304)	(663 333)	(556 770)	(548 841)
<b>Operating profit before depreciation, amortisation and abnormal items</b>	<b>75 670</b>	102 594	68 057	30 348	17 857	31 491
Depreciation and amortisation	(5 108)	(4 184)	(4 476)	(6 495)	(7 051)	(8 112)
<b>Operating profit before abnormal items</b>	<b>70 562</b>	98 410	63 581	23 853	10 806	23 379
Abnormal items (refer also to note 2 below)	4 232	1 206	(3 824)	(12 829)	3 631	–
<b>Operating profit</b>	<b>74 794</b>	99 616	59 757	11 024	14 437	23 379
Finance income	27 953	21 886	12 198	6 571	8 163	9 465
Finance expenses	(9 717)	(9 034)	(5 687)	(4 940)	(3 487)	(5 352)
<b>Profit before income tax</b>	<b>93 030</b>	112 468	66 268	12 655	19 113	27 492
Income tax expense	(29 562)	(34 709)	(27 618)	(10 776)	(3 983)	(13 480)
<b>Profit for the year</b>	<b>63 468</b>	77 759	38 650	1 879	15 130	14 012
<b>Attributable to:</b>						
Ordinary shareholders of ELB	55 526	68 007	30 386	1 871	14 486	11 855
Minority interest	7 942	9 752	8 264	8	644	2 157
	<b>63 468</b>	77 759	38 650	1 879	15 130	14 012
<b>Headline earnings</b>	<b>51 296</b>	66 757	30 207	12 079	7 558	11 782
<b>Ordinary dividends paid</b> (note 3 below)	<b>13 514</b>	10 969	5 455	2 725	6 829	8 507

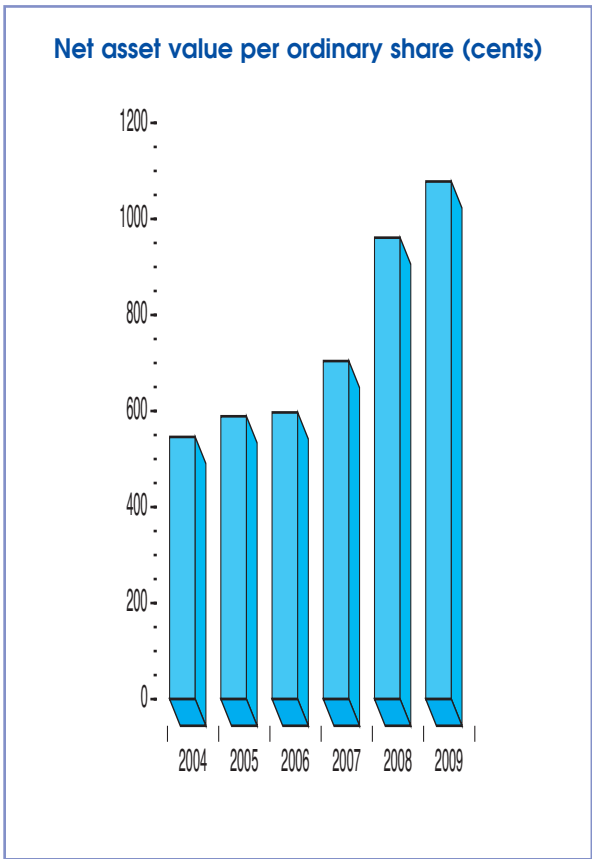
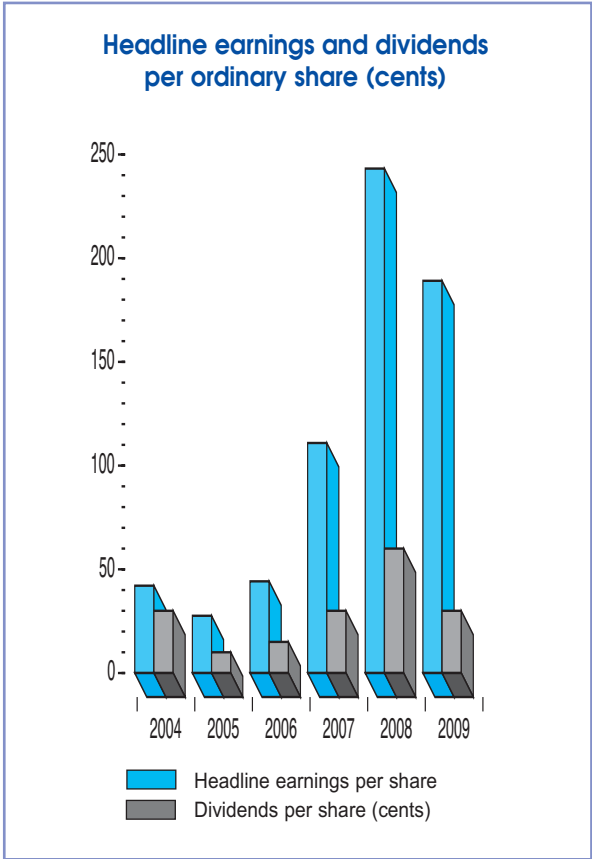
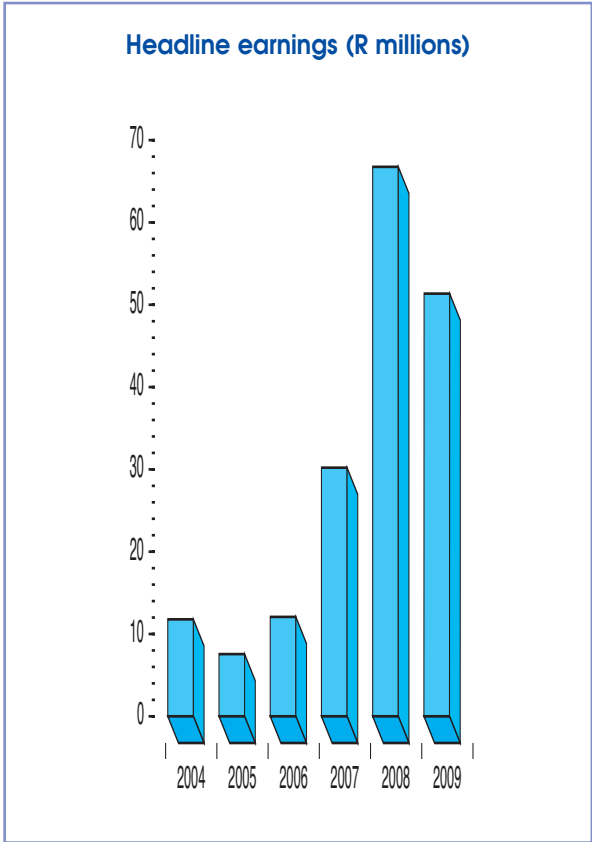
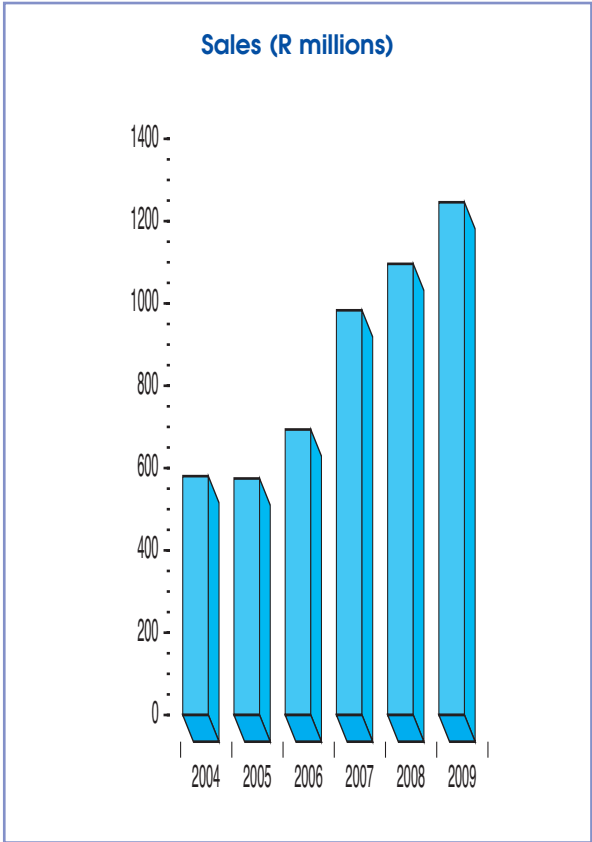
### OTHER STATISTICS

	2009	2008	2007	2006	2005	2004
Ordinary shares in issue at the year end (excluding treasury shares)	27 017 602	27 456 862	27 406 133	27 151 554	27 354 649	27 300 534
Net asset value per ordinary share (cents)	1 078	961	704	597	589	546
Headline earnings per ordinary share (cents)	189.1	243.2	110.9	44.2	27.6	42.1
Interim and final dividends for the year per ordinary share (cents)	30	60	30	15	10	30
Ordinary dividend cover (times) (based on headline earnings)	6.3	4.1	3.7	2.9	2.8	1.4

### NOTES

- The financial information in this review includes both continuing and discontinued operations.
- During the six 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.
- The amounts for ordinary dividends paid are the ordinary dividends declared and paid during the year

# Financial highlights



## Directors' responsibility statement

The directors are responsible for the preparation and presentation of the Group and Company annual financial statements of ELB Group Limited, comprising the balance sheets at 30 June 2009, and the directors' report, the income statements, the statements of changes in equity and the cash flow statements for the year then ended, the accounting policies, the explanatory notes to the annual financial statements and the schedule of subsidiaries and joint ventures; in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of South Africa, and as set out on pages 11 to 65. The Company's independent auditor is responsible for conducting an audit in accordance with International Standards on Auditing and for examining the annual financial statements in order to determine whether the financial statements are in accordance with IFRS, the Companies Act of South Africa; and for reporting to shareholders their opinion on the annual financial statements. The auditor's unmodified report appears on page 10.

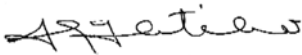
The directors' responsibility includes maintaining adequate accounting records and an effective system of risk management, selecting and applying appropriate accounting policies, making accounting estimates that are reasonable in the circumstances and the preparation of the supplementary schedules included in these annual financial statements.

The directors are also responsible for developing and maintaining effective systems of internal control to provide reasonable assurance as to the reliability of the annual financial statements and to prevent and detect material misstatement and loss. These systems and procedures are implemented and monitored by suitably trained, skilled personnel. The Group's internal audit function appraises independently the Group entities' internal controls and reports to the audit committee. The audit committee reviews matters concerning risk, risk management, accounting policies, internal control, auditing and financial reporting. Nothing has come to the attention of the directors to indicate any material breakdowns of the internal controls, systems and procedures during the year.

The directors have reviewed the budgets and forecasts of the businesses and have no reason to doubt the continued support of the Group's suppliers and bankers. Accordingly the directors believe that the Group and Company will continue in business for the foreseeable future and that the going concern basis of accounting remains appropriate.

### Approval of the Group and 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*

Boksburg  
21 October 2009



**T de Bruyn**  
*Director*

## Certificate by the company secretary

I, the undersigned DG Jones, hereby certify that to the best of my knowledge and belief, arrived at after due and careful enquiry, for the year ended 30 June 2009, the Company has lodged with the Registrar of Companies all returns as are required of a public company in terms of the South African Companies Act of 1973, as amended, and that all such returns are true, correct and up to date, and that all legal requirements have been fulfilled.



**DG Jones**  
*Company secretary*

21 October 2009

# Independent auditor's report

## To the members of ELB Group Limited

### *Independent auditor's report*

We have audited the Group annual financial statements and the annual financial statements of ELB Group Limited, which comprise the balance sheets at 30 June 2009, and the income statements, the statements of changes in equity and cash flow statements 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 11 to 65.

### *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 in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *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 2009, 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 in the manner required by the Companies Act of South Africa.

**KPMG Inc**



Per C Esslemont  
Chartered Accountant (SA)  
Registered Auditor  
Director

21 October 2009

# Directors' report

## To the shareholders

Your directors submit the annual financial statements for the Company and the Group for the year ended 30 June 2009 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 2009 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 experienced a difficult year but still managed to report creditable results. The Ditch Witch Australia joint venture operations, in which ELB Equipment Holdings has an 84.2% interest, produced reported profits in excess of those budgeted notwithstanding the difficult trading conditions. ELB Engineering Services continued to make inroads in its business sector and reported sales and profits ahead of budget, completing the hand over of several projects during the financial year under review.

Headline earnings attributable to the Company's investment in ELB Engineering Group amounted to R53,8 million (2008 – R67,6 million).

## DISCONTINUED OPERATIONS

All of the ELB Timbers segment, being the discontinued operations, was disposed of by 31 May 2008. There was thus no contribution from this segment in the current financial year. In 2008 the segment reported headline earnings of R1,0 million.

## ACCOUNTING POLICIES

The 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 2008 Annual Report apply to this Report.

## GENERAL

The Group continues to support the principles of good corporate governance contained in the first King Report and the subsequent King II Report. Further details are provided in the Corporate Governance statement on pages 4 and 5 of this report.

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 10 cents (2008 – 20 cents) per ordinary share was paid on 11 May 2009 and a final dividend in respect of the year

of 20 cents (2008 – 40 cents) per ordinary share was declared on 22 September 2009 and is payable on 26 October 2009.

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 2009 are set out in notes 33 and 34 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 2008, 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 2008 remained unchanged at the end of June 2009.

On 19 November 2007 shareholders approved a resolution which placed 5% of the authorised ordinary shares of the Company under the control of the directors for the purposes of the Company's Share Incentive Scheme. Since that date options totalling 2 215 000 ordinary shares (2008 – 2 100 000 ordinary shares) have been granted but no ordinary shares have been issued as grantees had not exercised any options at the date of this report.

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

## DIRECTORATE

The names as well as a brief history of the directors of the Company appear on page 6 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 68.

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

	<i>Appointed</i>	<i>Resigned</i>
TJ Matsau	8 July 2008	1 September 2009

In compliance with the JSE Listings Requirements, Mr AG Fletcher, the chairman of the Board, was also appointed as financial director on 25 May 2009.

In terms of the Company's Articles of Association, the following directors retire at the forthcoming Annual General Meeting and, being eligible, are available for re-election: Dr SJ Meijers and Mr T de Bruyn.

Details of directors' remuneration and directors' options in respect of ordinary shares in the Company are contained in note 9 to the annual financial statements. Details of directors' interests in the ordinary shares of the Company are provided on page 66.

## POST BALANCE SHEET DATE EVENTS

No material fact or circumstance has occurred after the financial year end, being 30 June 2009, and the date of this report.

# Accounting policies

ELB Group Limited (the Company) is a company domiciled in South Africa. The consolidated annual financial statements of the Company for the year ended 30 June 2009 comprise the Company and its subsidiaries and joint ventures, together referred to as the Group. The separate annual financial statements of the Company and the consolidated annual financial statements of the Company (the Group annual financial statements) are collectively referred to hereafter as the annual financial statements.

The annual financial statements were authorised for issue by the directors on 21 October 2009.

## Compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

## 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, modified by restatement of certain financial instruments to fair value. The annual financial statements are also prepared on the going concern basis since the directors believe that the Group has adequate resources to continue operating for the foreseeable future. Details supporting the going concern assessment are given in the directors' responsibility statement.

The accounting policies set out below have been applied consistently to all periods presented in these annual financial statements and have also been consistently applied 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, and construction contracts. 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 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.

## 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 are restated.

## 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 balances and unrealised profits and losses and income and expenses arising from intra group transactions are eliminated in preparing the Group annual financial statements. Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's interest, against the investment in these entities. Unrealised losses on transactions with joint ventures are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### 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.

Minority interests in the net assets of consolidated subsidiaries are shown separately from the Group equity therein. Minority interests consist of the amounts of those interests at acquisition plus the minorities' subsequent share of changes in equity of the subsidiaries. On acquisition the minorities' interest is measured at the proportion of the pre acquisition fair values of the identifiable assets and liabilities acquired. Losses applicable to minorities in excess of their interest in the subsidiaries equity are allocated against the Group's interest except to the extent that the minorities have a binding obligation and the financial ability to cover the losses.

### 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.

# Accounting policies

(continued)

## **Share trusts**

For purposes of 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 and increase the operating expenses. Ordinary shares under the control of the share trusts are included as a deduction from issued ordinary share capital in the Group annual financial statements.

## **Foreign currency translation**

Transactions in foreign currencies are translated 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.

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 have been included after translating the income statements at the weighted average rates of exchange for the appropriate periods, and the balance sheets at the rates of exchange ruling at the balance sheet date. The gains or losses on translation are taken directly to the foreign currency translation reserve through the Group statement of changes in equity.

## **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 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 recognised in full in profit or loss in the period in which the employees render the related services. Termination costs are recognised in full 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. The Group applies the corridor method in respect of the defined benefit retirement plan. There has been no spreading and the full gain or loss in excess of the corridor is recognised in each reporting period.

### **Share based payment transactions**

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 actual number of share options that vest.

# Accounting policies

(continued)

## Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee all the risks and rewards of ownership of the underlying asset, without transferring legal ownership, and operating leases under which 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.

Expenses under operating leases are recognised in profit or loss on a straight line basis over the terms of the leases.

## 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 necessary for separate classification 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 by an entity in the borrowing of funds. Borrowing costs are recognised in profit or loss in the period in which they are incurred.

## Income tax

Income tax on the profit or loss for the period comprises payable and deferred income tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, where such income tax is accordingly also so recognised. Payable income tax comprises income tax calculated on the basis of 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 that period; and any adjustments of income tax payable for previous periods. When an adjustment in respect of a previous 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 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. 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 directly to equity. 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 8 of 2007 on headline earnings.

## 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. STC expenses and STC credits are recognised in profit or loss in the period in which the dividends are declared.

## 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.

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 of the parties has performed under the contract.

# Accounting policies

(continued)

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 comprise 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.

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.

Property, plant and equipment, including capitalised leased assets, 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 the balance sheet date.

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.

## Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of businesses. The excess of the cost of investment in an operation and the fair value of the net identifiable assets (their net fair value) at acquisition is capitalised as goodwill in the Group annual financial statements and is stated at cost less accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment.

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

## 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 carrying amounts of the Group's non financial assets, other than inventories and deferred income tax assets, which are separately assessed and provided against where necessary, are reviewed 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.

Impairment losses are recognised whenever the carrying amount of an asset or its cash generating unit 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 assets, an impairment loss is reversed or reduced if there has been a change in the estimates used to determine the recoverable amount of any asset and there is an indication that the impairment loss may no longer exist or may be of reduced magnitude. An impairment loss is reversed or reduced only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

# Accounting policies

(continued)

## 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 represent 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.

## 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 market and are initially recognised 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. Impairments and impairment reversals and reductions 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 subsequently measured 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 initially recognised 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.

# Accounting policies

(continued)

## **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. All other financial liabilities, including trade and other payables, 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 dealing purposes.

Derivative instruments used are foreign currency forward exchange contracts (FECs) which are 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 amortised cost. Fair value adjustments are recognised in profit or loss.

## **Offset**

A financial asset and 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 included 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.

## **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.

## **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 expenses are not provided for.

## **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.

## **Segment reporting**

A segment is a distinguishable component of the Group that is engaged in providing products or services which are subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The Group's primary format for segment reporting is based on business segments and is representative of the internal structure used for management reporting.

Segment results include revenue and expenses directly attributable to a segment whether from external transactions or from transactions with other Group segments.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or that can be allocated to the segment on a reasonable basis.

# Income statements

for the year ended 30 June 2009

	Note	Group		Company	
		2009 R 000	2008 R 000	2009 R 000	2008 R 000
<b>Continuing operations</b>					
Revenue	1	1 279 055	1 092 327	20 405	14 701
Sales	2	1 245 817	1 069 408	660	684
Operating costs excluding depreciation	3	(1 170 147)	(968 020)	(7 414)	(2 910)
<b>Operating profit / (loss) before depreciation</b>		<b>75 670</b>	<b>101 388</b>	<b>(6 754)</b>	<b>(2 226)</b>
Depreciation	19	(5 108)	(4 099)	–	–
<b>Profit / (loss) from operations</b>		<b>70 562</b>	<b>97 289</b>	<b>(6 754)</b>	<b>(2 226)</b>
Profit / (loss) on realisation of non current assets held for sale	31	4 232	–	(533)	–
Finance income	10	27 953	21 886	3 636	4 185
Finance expenses	11	(9 717)	(8 814)	(13)	(11)
Dividends received from subsidiary				11 109	9 832
<b>Profit before income tax</b>		<b>93 030</b>	<b>110 361</b>	<b>7 445</b>	<b>11 780</b>
Income tax expense	12	(29 562)	(34 709)	(1 339)	(1 459)
<b>Profit from continuing operations</b>		<b>63 468</b>	<b>75 652</b>	<b>6 106</b>	<b>10 321</b>
<b>Discontinued operations</b>					
Profit from discontinued operations	13	–	2 107	–	11 242
<b>Profit for the year</b>		<b>63 468</b>	<b>77 759</b>	<b>6 106</b>	<b>21 563</b>
<b>Attributable to:</b>					
Ordinary shareholders of the Company					
Continuing operations		55 526	65 900	6 106	10 321
Discontinued operations	13	–	2 107	–	11 242
		55 526	68 007	6 106	21 563
Minority interest					
Continuing operations		7 942	9 752		
		63 468	77 759	6 106	21 563
<b>Earnings per ordinary share (cents)</b>					
Basic earnings per ordinary share	16	204.7	247.7		
Diluted earnings per ordinary share	16	204.7	247.5		
Basic earnings per ordinary share from continuing operations	16	204.7	240.0		
Diluted earnings per ordinary share from continuing operations	16	204.7	239.8		
Details of headline earnings and headline earnings per ordinary share are included in notes 15 and 16					
Details of dividends declared and paid on the ordinary shares are included in note 17					

# Balance sheets

at 30 June 2009

	Note	Group		Company	
		2009 R 000	2008 R 000	2009 R 000	2008 R 000
<b>ASSETS</b>					
<b>Non current assets</b>					
Property, plant and equipment	19	39 617	41 820	–	–
Interest in subsidiaries	20			137 854	140 973
Non current loans receivable	22	3 469	3 949	26 551	24 639
Deferred income tax assets	26.1	16 802	13 656	372	109
		<b>59 888</b>	<b>59 425</b>	<b>164 777</b>	<b>165 721</b>
<b>Current assets</b>					
Construction contract work not yet billed	27	30 209	24 975	–	–
Inventories	28	342 870	356 370	–	–
Trade and other receivables	29	143 936	73 346	2 050	107
Income tax recoverable		1 597	160	258	–
Other current assets	30	7 251	15 177	30	1 442
Non current assets held for sale	31	598	1 291	3 496	10 036
Cash and cash equivalents	32	290 289	315 234	61	90
		<b>816 750</b>	<b>786 553</b>	<b>5 895</b>	<b>11 675</b>
<b>Total assets</b>		<b>876 638</b>	<b>845 978</b>	<b>170 672</b>	<b>177 396</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to ordinary shareholders of the Company</b>					
Issued capital	33.3	25 192	25 192	25 192	25 192
Treasury shares	23 & 33.3	(31 161)	(24 758)	–	–
Reserves	35	902	9 163	6 855	1 647
Retained earnings		296 263	254 251	137 920	148 744
		<b>291 196</b>	<b>263 848</b>	<b>169 967</b>	<b>175 583</b>
<b>Preference shares</b>	34	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
<b>Total equity attributable to equity holders of the Company</b>		<b>291 204</b>	<b>263 856</b>	<b>169 975</b>	<b>175 591</b>
<b>Minority interests in subsidiaries</b>		<b>27 759</b>	<b>21 710</b>	<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>318 963</b>	<b>285 566</b>	<b>169 975</b>	<b>175 591</b>
<b>Non current liabilities</b>					
Interest bearing borrowings	36	7 606	9 891	–	–
Provision	37	11 107	7 403	–	–
Deferred income tax liabilities	26.2	620	430	–	–
		<b>19 333</b>	<b>17 724</b>	<b>–</b>	<b>–</b>
<b>Current liabilities</b>					
Construction contract liabilities	27	104 495	27 791	–	–
Trade and other payables - non interest bearing	38	216 120	220 846	574	576
Trade and other payables - interest bearing	39	150 158	228 719	–	–
Other financial liabilities	40	11 949	2 558	–	–
Current provision	37	942	1 226	–	–
Income tax payable		9 169	27 080	–	1 118
Other current liabilities	41	45 509	34 468	123	111
		<b>538 342</b>	<b>542 688</b>	<b>697</b>	<b>1 805</b>
<b>Total equity and liabilities</b>		<b>876 638</b>	<b>845 978</b>	<b>170 672</b>	<b>177 396</b>

# Statements of changes in equity

for the year ended 30 June 2009

Group	Note	Attributable to ordinary shareholders of the Company				Total R 000	Pref- erence shares R 000	Minority interests in subsidiaries R 000	Total equity R 000
		Issued capital R 000	Treasury shares R 000	Reserves R 000	Retained earnings R 000				
<b>Balance at 30 June 2007</b>		25 192	(23 215)	(6 208)	197 213	<b>192 982</b>	8	9 830	<b>202 820</b>
Profit for the year					68 007	<b>68 007</b>		9 752	<b>77 759</b>
Foreign currency translation adjustments for foreign entities	43.3			15 037		<b>15 037</b>		2 654	<b>17 691</b>
Total recognised income and expense for the year		–	–	15 037	68 007	<b>83 044</b>	–	12 406	<b>95 450</b>
Ordinary dividends paid	17				(10 969)	<b>(10 969)</b>		(586)	<b>(11 555)</b>
ELB Share Incentive Trust Increase in treasury shares held	43.7		(1 543)			<b>(1 543)</b>			<b>(1 543)</b>
Premium on buy out of minority interest in subsidiary				(853)		<b>(853)</b>		(150)	<b>(1 003)</b>
Share options recognised	7			1 187		<b>1 187</b>		210	<b>1 397</b>
Total changes for the year		–	(1 543)	15 371	57 038	<b>70 866</b>	–	11 880	<b>82 746</b>
<b>Balance at 30 June 2008</b>		25 192	(24 758)	9 163	254 251	<b>263 848</b>	8	21 710	<b>285 566</b>
Profit for the year					55 526	<b>55 526</b>		7 942	<b>63 468</b>
Foreign currency translation adjustments for foreign entities	43.3			(12 688)		<b>(12 688)</b>		(2 239)	<b>(14 927)</b>
Total recognised income and expense for the year		–	–	(12 688)	55 526	<b>42 838</b>	–	5 703	<b>48 541</b>
Ordinary dividends paid	17				(13 514)	<b>(13 514)</b>	–	(435)	<b>(13 949)</b>
ELB Share Incentive Trust Increase in treasury shares held	43.7		(6 403)			<b>(6 403)</b>			<b>(6 403)</b>
Share options recognised	7			4 427		<b>4 427</b>		781	<b>5 208</b>
Total changes for the year		–	(6 403)	(8 261)	42 012	<b>27 348</b>	–	6 049	<b>33 397</b>
<b>Balance at 30 June 2009</b>		25 192	(31 161)	902	296 263	<b>291 196</b>	8	27 759	<b>318 963</b>

## Statements of changes in equity

for the year ended 30 June 2009 (continued)

	Note	Attributable to ordinary shareholders			Pref- erence shares R 000	Total equity R 000
		Issued capital R 000	Reserves R 000	Retained earnings R 000		
<b>Company</b>						
<b>Balance at 30 June 2007</b>		25 192	250	140 725	8	166 175
Profit for the year				21 563		21 563
Total recognised income and expense for the year		–	–	21 563	–	21 563
Ordinary dividends paid	17			(13 544)		(13 544)
Share options recognised	7		1 397			1 397
Total changes for the year		–	1 397	8 019	–	9 416
<b>Balance at 30 June 2008</b>		25 192	1 647	148 744	8	175 591
Profit for the year				6 106		6 106
Total recognised income and expense for the year		–	–	6 106	–	6 106
Ordinary dividends paid	17			(16 930)		(16 930)
Share options recognised	7		5 208			5 208
Total changes for the year		–	5 208	(10 824)	–	(5 616)
<b>Balance at 30 June 2009</b>		25 192	6 855	137 920	8	169 975

# Cash flow statements

for the year ended 30 June 2009

	Note	Group		Company	
		2009 R 000	2008 R 000	2009 R 000	2008 R 000
<b>Continuing operations</b>					
<b>Cash flows from operating activities</b>					
Operating profit / (loss) before depreciation		75 670	101 388	(6 754)	(2 226)
Non cash adjustments	43.1	9 523	8 941	5 052	1 547
Changes in working capital	43.2	(39 875)	9 865	5 081	(1 337)
Foreign currency translation adjustments for foreign entities (excluding cash and cash equivalents)	43.3	(5 686)	6 026		
Profit / (loss) on realisation of non current assets held for sale	31	4 232	–	(533)	–
Provision for trade back commitments					
Costs charged against the provision	37	(338)	–	–	–
<b>Cash inflow / (outflow) from operating activities before interest, dividends received and income tax</b>					
		43 526	126 220	2 846	(2 016)
Interest received	10	27 385	21 886	3 636	4 185
Interest paid	11	(9 010)	(7 656)	(13)	(11)
Dividends received from subsidiary				11 109	9 832
Income tax paid	43.4	(52 557)	(32 042)	(2 978)	(1 026)
<b>Cash inflow from operating activities before dividends paid</b>					
		9 344	108 408	14 600	10 964
Dividends paid					
Ordinary shareholders	43.5	(13 514)	(10 969)	(16 930)	(13 544)
Minority shareholders		(435)	(586)		
<b>Cash (outflow) / inflow from operating activities (A)</b>					
		(4 605)	96 853	(2 330)	(2 580)
<b>Cash flows from investment activities</b>					
Additions and improvements to property	19	(836)	(11 841)	–	–
Net purchases of plant and equipment	43.6	(2 382)	(7 141)	–	–
Buy out of minority interest in subsidiary		–	(1 003)		
Decrease in amounts owing by subsidiaries				8 773	4 128
<b>Cash (outflow) / inflow from investment activities (B)</b>					
		(3 218)	(19 985)	8 773	4 128
<b>Cash flows from financing activities</b>					
Decrease in non current loan receivable		807	–	–	–
Increase in non current loans to the share trusts			–	(6 472)	(1 571)
(Decrease) / increase in non current borrowings on mortgage bonds		(2 158)	4 817	–	–
Decrease in non current borrowings on finance leases		(127)	(694)	–	–
Decrease in funding by ordinary shareholders	43.7	(6 403)	(1 543)	–	–
<b>Cash (outflow) / inflow from financing activities (C)</b>					
		(7 881)	2 580	(6 472)	(1 571)
<b>Cash (outflow) / inflow from continuing operations (A+B+C)</b>					
		(15 704)	79 448	(29)	(23)
<b>Discontinued operations</b>					
Cash inflow from discontinued operations	43.8	–	14 945	–	–
<b>Cash (outflow) / inflow for the year</b>					
		(15 704)	94 393	(29)	(23)
Cash and cash equivalents at the beginning of the year		315 234	209 176	90	113
Foreign currency translation adjustments of cash and cash equivalents of foreign entities	43.3	(9 241)	11 665		
<b>Cash and cash equivalents at the end of the year</b>					
		290 289	315 234	61	90
<b>Reconciliation to the balance sheet</b>					
Current assets - cash and cash equivalents		290 289	315 234	61	90

# Notes to the annual financial statements

for the year ended 30 June 2009

	Note	Group		Company	
		2009 R 000	2008 R 000	2009 R 000	2008 R 000
<b>1 Revenue</b>					
<b>Continuing operations</b>					
Sales	2	1 245 817	1 069 408	660	684
Interest received	10	27 385	21 886	3 636	4 185
Effective interest rate adjustment	10	568	–	–	–
Dividends received from subsidiary				11 109	9 832
Proceeds from the disposal of					
Plant and equipment	43.6	285	1 033	–	–
Non current assets held for sale	31	5 000	–	5 000	–
		<b>1 279 055</b>	<b>1 092 327</b>	<b>20 405</b>	<b>14 701</b>
<b>2 Sales</b>					
<b>Continuing operations</b>					
Sale of goods		758 049	898 518	–	–
Revenue recognised on construction contracts		485 552	170 879	–	–
Services – external		479	11	–	–
– inter company				660	684
Commission		1 737	–	–	–
		<b>1 245 817</b>	<b>1 069 408</b>	<b>660</b>	<b>684</b>
<b>3 Operating costs</b>					
<b>Continuing operations</b>					
Cost of sales		974 012	826 525	–	–
Other operating costs	3	196 135	141 495	7 414	2 910
		<b>1 170 147</b>	<b>968 020</b>	<b>7 414</b>	<b>2 910</b>

	Note	2009		2008	
		Continuing operations R 000	Discontinued operations R 000	Continuing operations R 000	Discontinued operations R 000
<b>Group</b>					
Operating costs include the following items of expense / (income):					
Inventories recognised as an expense		543 044	–	543 044	680 047
Research and development expenditure		3 103	–	3 103	104
Loss / (profit) on disposal of plant and equipment		313	–	313	(275)
Auditors remuneration – annual audit		2 266	–	2 266	2 099
– other services		330	–	330	204
Auditors expenses		20	–	20	21
Administration and technical services		6 844	–	6 844	7 190
Net operating lease expenses – premises		6 561	–	6 561	6 007
– equipment		216	–	216	177
There are no contingent rents payable under any operating leases					
There are no significant leasing arrangements					
Details of future minimum lease expenses and income is given in note 4					
Trade and other receivables adjustments	5	2 150	–	2 150	915
Foreign currency exchange adjustments (excluding foreign currency translation adjustments for foreign entities, disclosed in the statements of changes in equity)	6	20 437	–	20 437	14 891
Employee benefits expense	7	156 628	–	156 628	108 200
					6 743
					114 943

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

	Note	2009 R 000	2008 R 000
<b>3 Operating costs (continued)</b>			
<b>Company</b>			
Operating costs include the following items of expense / (income):			
Auditors remuneration – annual audit		213	213
Administration and technical services – external		102	55
Increase / (decrease) in impairments of non current loans receivable (these two intra group adjustments are eliminated in the Group consolidation)			
ELB Share Incentive Trust	22	4 560	(1)
ELB Timber Holdings (Pty) Limited (subsequent to the disposal of the discontinued operations)		(446)	1 158
Non current assets held for sale adjusted to fair value less costs to sell (this item is eliminated in the Group consolidation)	31	1 082	390
Employee benefits expense – short term benefits		350	270
– indirect benefits		4	3
Number of employees at the end of the financial year		3	2
<b>4 Future minimum operating lease expenses / (income)</b>			
<b>Group</b>			
Future minimum lease expenses / (income) at 30 June 2009 under non cancellable operating leases comprise:			
Payments under lease agreements:			
Not later than one year		4 811	7 225
Later than one year and not later than five years		1 692	6 628
Later than five years		–	–
Minimum future sub lease receipts		–	–
IAS 17 straight line adjustments		(207)	(390)
There are no contingent rents payable under any operating leases			
There are no significant leasing arrangements			

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

Note			2009		2008	
	Continuing operations R 000	Discontinued operations R 000	Total R 000	Continuing operations R 000	Discontinued operations R 000	Total R 000
<b>5 Trade and other receivables adjustments - expense / (income)</b>						
<b>Group</b>						
Net amounts written off	886	–	886	915	–	915
Increase / (decrease) in impairments	1 264	–	1 264	–	(246)	(246)
Expense / (income)	<b>2 150</b>	<b>–</b>	<b>2 150</b>	915	(246)	669
<b>6 Foreign currency exchange adjustments - loss / (gain)</b>						
(excluding foreign currency translation adjustments for foreign entities, disclosed in the statements of changes in equity)						
<b>Group</b>						
Trade and other receivables	55	–	55	(19)	–	(19)
Trade and other payables	8 283	–	8 283	14 571	–	14 571
Foreign currency forward exchange contracts (FECs)	9 322	–	9 322	347	–	347
Other currency exchange adjustments	2 777	–	2 777	(8)	–	(8)
Loss	<b>20 437</b>	<b>–</b>	<b>20 437</b>	14 891	–	14 891
<b>7 Employee benefits expense</b>						
<b>Group</b>						
Short term benefits	144 732	–	144 732	99 834	6 507	106 341
Post employment benefits						
Retirement fund contributions	8 254	–	9 254	6 077	278	6 355
Other	–	–	–	1	–	1
Termination benefits	–	–	–	70	(173)	(103)
Total direct benefits	<b>153 986</b>	<b>–</b>	<b>153 986</b>	105 982	6 612	112 594
Indirect benefits	2 642	–	2 642	2 218	131	2 349
Total employee benefits expense	<b>156 628</b>	<b>–</b>	<b>156 628</b>	108 200	6 743	114 943
Number of employees at the end of the financial year	406	–	406	328	–	328

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

	Note	Group	
		2009 R 000	2008 R 000
<b>7 Employee benefits expense (continued)</b>			
<b>Dividends on treasury shares included in short term employee benefits expense</b>		<b>3 047</b>	<b>2 503</b>

Dividends on treasury shares comprise:

Dividends received by the ELB Participants Share Trust and passed on to participants	24
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	25

In terms of the ELB Share Incentive Trust scheme, the directors may direct the trustees to offer shares or grant options in respect of shares to specified employees and executive directors. The maximum number of shares which may be issued or transferred or options that may be granted is limited to 3 500 000 shares, of which 313 252 shares or options were available for issue at 30 June 2009 (2008 – 862 512).

## Share option scheme

Participants are entitled to exercise their options as follows:

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

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 2009 were:

Expiry date	Date granted	Exercise price (cents)	Number of options			
			Granted	Exercised	Lapsed	Outstanding
March 2018	March 2008	1,250	2 100 000	–	–	2 100 000
September 2018	September 2008	1,250	115 000	–	–	115 000
			<b>2 215 000</b>	<b>–</b>	<b>–</b>	<b>2 215 000</b>

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

	Number of options	
	2009	2008
Outstanding at the beginning of the year	<b>2 100 000</b>	–
Granted during the year	<b>115 000</b>	2 100 000
Outstanding at the end of the year	<b>2 215 000</b>	2 100 000

	Group	
	2009 R 000	2008 R 000
Equity settled share option expense recognised in profit or loss and included in short term employee benefits expense	<b>5 208</b>	1 397

The fair value of the share options granted is determined at grant date using the binomial option pricing model. Inputs to the model include the market price of the underlying shares at the grant date, the expected option lifetime, the projected volatility of the share price, the anticipated dividend yield, the risk free interest rate and the assumed employee turnover. 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 vest in March 2010 – 593 cents per option
Options that vest 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 vest in September 2009 – 554 cents per option
Options that vest 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

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

## 8 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 2007. The actuaries also perform a valuation at each year end in terms of the requirements of IAS 19. At the last valuation in June 2009 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.

	2009	2008	Group 2007	2006	2005
	R 000	R 000	R 000	R 000	R 000
<b>Valuation of the defined benefit pension fund</b>					
Fair value of fund assets (see below)	110 089	128 998	137 645	111 489	95 602
<i>Deduct:</i> Present value of funded obligation (see below)	103 889	122 672	129 172	88 527	84 858
Surplus	6 200	6 326	8 473	22 962	10 744
<b>Fair value of fund assets</b>					
Fair value at the beginning of the year	128 998	137 645	111 489	95 602	87 026
Contributions	221	209	213	269	333
Expected return	12 368	11 305	9 077	7 663	8 126
Benefit payments	(10 864)	(9 505)	(9 607)	(11 169)	(11 864)
Expected fair value at the end of the year	130 723	139 654	111 172	92 365	83 621
Actuarial (loss) / gain	(20 634)	(10 656)	26 473	19 124	11 981
Actual fair value at the end of the year	110 089	128 998	137 645	111 489	95 602
<b>Present value of funded obligation</b>					
Present value at the beginning of the year	122 672	129 172	88 527	84 858	86 764
Service cost	448	280	267	302	399
Interest cost	10 572	9 965	6 709	6 354	8 103
Benefit payments	(10 864)	(9 505)	(9 607)	(11 169)	(11 864)
Expected present value at the end of the year	122 828	129 912	85 896	80 345	83 402
Actuarial (gain) / loss	(18 939)	(7 240)	43 276	8 182	1 456
Actual present value at the end of the year	103 889	122 672	129 172	88 527	84 858
<b>Fund amendments</b>					
	-	-	-	-	-
<b>Actual return on fund assets</b> – amount	(8 266)	648	35 550	26 787	20 107
– percentage	(6,7)%	0,5%	28,9%	23,7%	17,6%

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

## 8 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.

	Group				
	2009	2008	2007	2006	2005
<b>Principal actuarial assumptions used in the valuations</b>					
Discount rate	9%	9%	8%	8%	8%
Expected return on plan assets	10%	10%	8,5%	8,5%	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%	7,5%	6%	6%	6%
Future pension increases	6%	6,5%	3,75%	3,75%	3,75%
<b>Employer contributions recognised in profit or loss</b>					
Contributions by group companies on behalf of members:	R 000	R 000	R 000	R 000	R 000
Defined benefit funds	184	192	189	177	173
Defined contribution funds	9 070	6 163	5 725	5 035	4 483
	<b>9 254</b>	<b>6 355</b>	<b>5 914</b>	<b>5 212</b>	<b>4 656</b>

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 7. Contributions by group companies on behalf of members to defined benefit funds in the financial year ending on 30 June 2010 is expected to be approximately R182 000.

### Medical

The Group currently pays a subsidy of R34 000 per annum in respect of three retired members of the ELB Group Limited Pension Fund. The subsidy, over the 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 2009 (continued)

## 9 Directors' remuneration

	Salaries R 000	Fees R 000	Performance bonuses R 000	Allowances R 000	Retirement fund contributions R 000	Medical aid contributions R 000	Dividends on treasury shares (a) R 000	Imputed interest (b) R 000	Total R 000
<b>Detail for 2009</b>									
<b>Executive directors</b>									
PJ Blunden	1 314	–	595	192	350	64	296	–	2 811
AG Fletcher	2 116	–	–	139	–	66	197	–	2 518
Dr SJ Meijers	1 465	–	–	196	147	40	202	20	2 070
MV Ramollo	591	85	–	–	68	42	–	–	786
Total paid by subsidiaries	5 486	85	595	527	565	212	695	20	8 185
<b>Non executive directors</b>									
T de Bruyn	–	145	–	–	–	–	–	–	145
Dr JP Herselman	–	145	–	–	–	–	–	–	145
TJ Matsau (c)	–	60	–	–	–	–	–	–	60
Total paid by the Company	–	350	–	–	–	–	–	–	350
<b>Total</b>	<b>5 486</b>	<b>435</b>	<b>595</b>	<b>527</b>	<b>565</b>	<b>212</b>	<b>695</b>	<b>20</b>	<b>8 535</b>
<b>Detail for 2008</b>									
<b>Executive directors</b>									
PJ Blunden	1 138	–	700	192	223	46	270	–	2 569
AG Fletcher	1 940	–	–	139	–	57	180	–	2 316
Dr SJ Meijers	1 534	–	–	195	137	34	184	12	2 096
MV Ramollo	531	80	–	–	59	15	–	–	685
Total paid by subsidiaries	5 143	80	700	526	419	152	634	12	7 666
<b>Non executive directors</b>									
T de Bruyn	–	135	–	–	–	–	–	–	135
Dr JP Herselman	–	135	–	–	–	–	–	–	135
Total paid by the Company	–	270	–	–	–	–	–	–	270
<b>Total</b>	<b>5 143</b>	<b>350</b>	<b>700</b>	<b>526</b>	<b>419</b>	<b>152</b>	<b>634</b>	<b>12</b>	<b>7 936</b>

(a) Dividends on treasury shares comprise participation in ELB dividends through the ELB Participants Share Trust, and dividends on shares allocated but not yet paid for in the ELB Share Incentive Trust. Details on the operations of the two Trusts are presented in notes 24 and 25.

(b) Imputed interest is on the unpaid balances of interest free loans granted by the ELB Share Incentive Trust in respect of incentive shares allocated to participants. These amounts are not recorded as expenses of the Group or the Company.

Dr SJ Meijers was allocated 9 900 scheme shares at 825 cents per share by the ELB Share Incentive Trust on 6 February 2007. An interest free loan of R81 675 was granted to Dr Meijers by the Trust as a result of the allocation. No repayment on the loan had been made by Dr Meijers by 30 June 2009. Refer to note 25 for details of the operation of the scheme.

(c) Mr TJ Matsau was appointed to the board on 8 July 2008 and resigned on 1 September 2009.

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.

### Directors' share options

Details regarding the share option scheme are contained in note 7.

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	Exercised	Lapsed	Outstanding
PJ Blunden	March 2008	1 250	500 000	–	–	500 000
Dr SJ Meijers	March 2008	1 250	500 000	–	–	500 000
MV Ramollo	March 2008	1 250	75 000	–	–	75 000
			1 075 000	–	–	1 075 000

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

	Number of options	
	2009	2008
Outstanding at the beginning of the year	1 075 000	–
Granted during the year	–	1 075 000
Outstanding at the end of the year	1 075 000	1 075 000
	<b>Group</b>	
	2009	2008
	R 000	R 000
Portion of the equity settled share option expense recognised in the income statement relating to directors	2 553	715

### Key management personnel

All key management personnel 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 2009 (continued)

	Note	Group		Company	
		2009 R 000	2008 R 000	2009 R 000	2008 R 000
<b>10 Finance income</b>					
<b>Continuing operations</b>					
Financial assets					
Interest received – external		27 385	21 886	–	–
– inter company				3 636	4 185
Effective interest rate adjustment	22	568	–	–	–
		<b>27 953</b>	21 886	<b>3 636</b>	4 185
<b>11 Finance expenses</b>					
<b>Continuing operations</b>					
Interest paid on financial liabilities		9 010	7 656	13	11
Unwinding of present value adjustments on provision for trade back commitments	37	707	–	–	–
Present value adjustment to non current loan receivable	22	–	1 158	–	–
		<b>9 717</b>	8 814	<b>13</b>	11

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

	Note	Group		Company	
		2009 R 000	2008 R 000	2009 R 000	2008 R 000
<b>12 Income tax expense / (credit)</b>					
<b>Continuing operations</b>					
South African income tax:					
Current year:					
Normal income tax payable		28 015	33 898	633	1 119
Secondary tax on companies (STC)		1 877	1 491	969	449
Deferred income tax:					
Current year credit		(4 249)	(5 765)	(263)	(109)
Income tax rate change		–	102	–	–
Prior years:					
Payable income tax		(524)	(849)	–	–
Deferred income tax		446	528	–	–
Foreign income tax:					
Current year:					
Payable		3 838	6 016	–	–
Deferred		163	(702)	–	–
Prior years:					
Payable		3	(10)	–	–
Deferred		(7)	–	–	–
		<b>29 562</b>	<b>34 709</b>	<b>1 339</b>	<b>1 459</b>
<b>Payable income tax</b>		<b>33 209</b>	<b>40 546</b>	<b>1 602</b>	<b>1 568</b>
<b>Deferred income tax</b>		<b>(3 647)</b>	<b>(5 837)</b>	<b>(263)</b>	<b>(109)</b>
		<b>29 562</b>	<b>34 709</b>	<b>1 339</b>	<b>1 459</b>
Deferred income tax for the year is accounted for as follows:					
Increase in deferred income tax assets	26.1	(3 975)	(4 834)	(263)	(109)
Increase / (decrease) in deferred income tax liabilities	26.2	328	(1 003)	–	–
		<b>(3 647)</b>	<b>(5 837)</b>	<b>(263)</b>	<b>(109)</b>
<b>Reconciliation of the rate of income tax</b>		%	%	%	%
Income tax as a percentage of profit or loss before tax		31.8	31.5	18.0	12.4
(Increase) / decrease in tax rate arising from:					
Secondary tax on companies (STC)		(2.0)	(1.4)	(13.0)	(3.8)
Income tax rate change		–	(0.1)	–	–
Prior year adjustments:					
South African income tax		0.1	0.3	–	–
Other non taxable income, non deductible expenses, incentives and foreign tax differentials		(1.9)	(2.3)	23.0	19.4
Standard income tax rate		<b>28.0</b>	<b>28.0</b>	<b>28.0</b>	<b>28.0</b>
<b>Other income tax information</b>		R 000	R 000	R 000	R 000
Estimated income tax losses at the year end to be carried forward		2 552	19 607	–	–
Amount of the above income tax losses that have not not been included in deferred income tax assets or deferred income tax liabilities		1 294	1 296	–	–
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 the deferred income tax assets of the Group.	26.1	526	385	–	–

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

	Note	ELB Timbers	
		2009 R 000	2008 R 000
<b>13 Profit from discontinued operations</b>			
<b>Group</b>			
<b>Revenue</b>			
Sales	13	–	26 765
Proceeds on disposal of property	43.8	–	1 955
Proceeds on disposal of plant and equipment		–	386
Proceeds on sale of subsidiaries	43.9	–	13 000
Interest received	13	–	10
		–	42 116
<b>Sales</b>			
Sale of goods		–	26 765
<b>Operating costs excluding depreciation</b>			
Cost of sales		–	(21 034)
Other operating costs		–	(4 525)
		–	(25 559)
<b>Operating profit before depreciation</b>		–	1 206
Depreciation		–	(85)
<b>Operating profit</b>		–	1 121
Interest received		–	10
Interest paid		–	(230)
		–	(220)
<b>Profit for the year</b>		–	901
Items consequent upon the discontinuance			
Retrenchment: reversal of expenses		–	200
Profit on sale of property		–	1 647
Loss on disposal of subsidiaries	43.9	–	(641)
		–	1 206
<b>Profit from discontinued operations</b>		–	2 107
<b>Attributable to:</b>			
Ordinary shareholders of the Company		–	2 107
<b>Calculation of headline earnings of discontinued operations</b>			
Profit of discontinued operations attributable to ordinary shareholders of the Company as above		–	2 107
<i>Deduct:</i> Items excluded from headline earnings (gross and net amounts are equal):			
Profit on sale of property		–	1 647
Profit on disposal of plant and equipment		–	77
Loss on disposal of subsidiaries	43.9	–	(641)
		–	1 083
<b>Headline earnings of discontinued operations attributable to ordinary shareholders of the Company</b>		–	1 024
The discontinued operations were sold before the previous year end, 30 June 2008			
<b>Company</b>			
<b>Decrease in impairment of loan to ELB Timber Holdings (Pty) Limited up to the date of the disposal of the discontinued operations</b>		–	11 242
(this item is eliminated in the Group consolidation)			

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

## 14 Taxed profits and losses of subsidiaries

The interest of the Company for the year ended 30 June 2009 in the aggregate after tax profits of subsidiaries amounted to R55 298 000 (2008 - R74 708 000) and in the aggregate losses to R1 207 000 (2008 - R5 980 000).

The losses comprise losses of continuing operations amounting to R1 207 000 (2008 - R5 339 000) and losses of discontinued operations amounting to nil (2008 - R641 000).

	Note	Group	
		2009 Net R 000	2008 Net R 000
<b>15 Headline earnings</b>			
<b>Calculation of headline earnings</b>			
Profit attributable to ordinary shareholders of the Company per the income statement		55 526	68 007
<i>Deduct:</i> Items excluded from headline earnings:			
Continuing operations:			
(Loss) / profit on disposal of plant and equipment:			
Gross amount included in operating profit	3	(313)	275
Income tax effect		87	(79)
Minority interest		34	(29)
		(192)	167
Profit on realisation of non current assets held for sale:			
Gross amount	31	4 232	–
Income tax effect		190	–
		4 422	–
		4 230	167
Discontinued operations:			
Gross amounts are equal to the net amounts:			
Profit on disposal of plant and equipment	13	–	77
Profit on sale of property	13	–	1 647
Loss on disposal of subsidiaries	13	–	(641)
		4 230	1 250
<b>Headline earnings</b>		<b>51 296</b>	<b>66 757</b>
<i>Deduct:</i> Headline earnings of discontinued operations	13	–	1 024
<b>Headline earnings of continuing operations</b>		<b>51 296</b>	<b>65 733</b>
Refer also to the note on primary segments.	46.1		

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

	Note	2009	Group 2008
<b>16 Earnings per ordinary share</b>			
<b>Weighted average number of ordinary shares in issue during the year</b>			
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		(6 732 040)	(6 406 168)
<hr/>			
Weighted average number of ordinary shares in issue for basic earnings per share calculations		27 127 960	27 453 832
Effect of outstanding share options		–	25 044
<hr/>			
Weighted average number of ordinary shares in issue for diluted earnings per share calculations.		27 127 960	27 478 876
<hr/>			
		Cents	Cents
<b>Earnings per share attributable to ordinary shareholders of the Company</b>			
Earnings per share calculated on the profit for the year attributable to ordinary shareholders of ELB Group Limited of R55 526 000 (2008 - R68 007 000). Refer to the income statement.			
Basic		204.7	247.7
Diluted		204.7	247.5
<b>Earnings per share from continuing operations, attributable to ordinary shareholders of the Company</b>			
Earnings per share from continuing operations, calculated on the profit of continuing operations attributable to ordinary shareholders of ELB Group Limited, of R55 526 000 (2008 - R65 900 000). Refer to the income statement			
Basic		204.7	240.0
Diluted		204.7	239.8
<b>Headline earnings per ordinary share</b>			
Headline earnings per ordinary share calculated on headline earnings of R51 296 000 (2008 - R66 757 000).			
	15		
Basic		189.1	243.2
Diluted		189.1	242.9
<b>Headline earnings per ordinary share from continuing operations</b>			
Headline earnings per ordinary share from continuing operations, calculated on earnings of R51 296 000 (2008 - R65 733 000)			
	15		
Basic		189.1	239.4
Diluted		189.1	239.2

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

## 17 Dividends paid on the ordinary shares

	Cents per share	Previous year final dividend - number of shares	Current year interim dividend - number of shares	Previous year final dividend R 000	Current year interim dividend R 000	Total R 000
<b>Year ended 30 June 2008</b>						
Previous year final dividend	20	33 860 000		6 772		6 772
Current year interim dividend	20		33 860 000		6 772	6 772
<b>Dividends paid disclosed by the Company</b>	<b>40</b>	<b>33 860 000</b>	<b>33 860 000</b>	<b>6 772</b>	<b>6 772</b>	<b>13 544</b>
Dividends on treasury shares included in operating costs as administration expense		(6 441 467)	(6 435 987)	(1 288)	(1 287)	(2 575)
<b>Dividends paid disclosed by the Group</b>		<b>27 418 533</b>	<b>27 424 013</b>	<b>5 484</b>	<b>5 485</b>	<b>10 969</b>
<b>Year ended 30 June 2009</b>						
Final dividend in respect of the previous year's earnings paid 27 October 2008	40	33 860 000		13 544		13 544
Interim dividend in respect of the current year's earnings paid 11 May 2009	10		33 860 000		3 386	3 386
<b>Dividends paid disclosed by the Company</b>	<b>50</b>	<b>33 860 000</b>	<b>33 860 000</b>	<b>13 544</b>	<b>3 386</b>	<b>16 930</b>
Dividends on treasury shares included in operating costs as administration expense		(6 829 598)	(6 842 398)	(2 732)	(684)	(3 416)
<b>Dividends paid disclosed by the Group</b>		<b>27 030 402</b>	<b>27 017 602</b>	<b>10 812</b>	<b>2 702</b>	<b>13 514</b>

A final dividend of 20 cents per share, amounting to R6 772 000 on the total 33 860 000 shares in issue at the date of declaration, in respect of the current year's earnings, was declared on 22 September 2009 and is payable on 26 October 2009 (2008 - 40 cents per share on 33 860 000 shares amounting to R13 544 000). Secondary tax on companies (STC) of R677 200 (2008 - R1 354 500) will be payable on the dividend, against which an STC credit of R525 808 (2008 - R385 329) is available in respect of dividends paid by a subsidiary. Neither the final dividend nor the tax thereon has been accrued by the Company in these annual financial statements. The STC credit available is included in the the deferred tax assets of the Group.

Together with the interim dividend of 10 (2008 - 20) cents per share the total dividends in respect of the current financial year amount to 30 (2008 - 60) cents per share.

## 18 Dividends on 6% preference shares

The dividends for the year on the 6% preference shares of R2 each amounted to R456 (2008 - R456).

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

## 19 Property, plant and equipment Group

	Property R 000	Plant and machinery R 000	Vehicles R 000	Office furniture and equipment R 000	Computer equipment R 000	Total R 000
<b>2008</b>						
Carrying amounts at the beginning of the year	19 083	780	4 500	921	1 378	26 662
Additions	11 841	1 587	3 968	359	1 317	19 072
Depreciation	(745)	(310)	(1 906)	(239)	(899)	(4 099)
Disposals	–	(2)	(728)	(25)	(3)	(758)
Foreign currency translation adjustments	–	74	731	11	127	943
Carrying amounts at the end of the year	30 179	2 129	6 565	1 027	1 920	41 820
Cost	32 177	4 499	12 842	2 764	7 245	59 527
Accumulated depreciation	(1 998)	(2 370)	(6 277)	(1 737)	(5 325)	(17 707)
Carrying amounts as above	30 179	2 129	6 565	1 027	1 920	41 820
<b>2009</b>						
Carrying amounts at the beginning of the year	30 179	2 129	6 565	1 027	1 920	41 820
Additions	836	565	1 744	702	421	4 268
Depreciation	(882)	(565)	(2 254)	(356)	(1 051)	(5 108)
Disposals	–	(2)	(192)	(5)	(399)	(598)
Foreign currency translation adjustments	–	(71)	(593)	(23)	(78)	(765)
Carrying amounts at the end of the year	30 133	2 056	5 270	1 345	813	39 617
Cost	33 013	4 704	13 121	3 256	6 323	60 417
Accumulated depreciation	(2 880)	(2 648)	(7 851)	(1 911)	(5 510)	(20 800)
Carrying amounts as above	30 133	2 056	5 270	1 345	813	39 617

Details of properties owned by the group are recorded in a register which is available for inspection at the registered address of the Company. The approximate cost of land included in the carrying amount of property at 30 June 2009 is R10 759 000 (2008 - R10 759 000).

Property with carrying amounts totalling R27 169 000 (2008 - R27 107 000) has been encumbered as security for mortgage bonds, and vehicles with carrying amounts totalling R359 000 (2008 - R1 140 000) have been secured in terms of finance lease and credit instalment agreements. Refer to note 36.

### Capital commitments

	Contracted or ordered R 000	Authorised but not yet contracted or ordered R 000	Total 2009 R 000	Total 2008 R 000
Property				
Additions to existing property	137	18 000	18 137	2 200
Purchase of additional property		5 200	5 200	–
Additions to additional property		500	500	–
Vehicles			–	724
	137	23 700	23 837	2 924

The contracted amount of R137 000 for additions to existing property will be funded from available cash and cash equivalents.

The authorised but not yet contracted amount of R18 million for additions to existing property will be funded by draw downs on current mortgage bonds over such property, and the purchase of and additions to the additional property will be financed by a new mortgage bond over the additional property.

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

	Company	
	2009 R 000	2008 R 000
<b>20 Interest in subsidiaries</b>		
Ordinary shares		
Cost	2	2
Equity based share options expenses	6 605	1 397
	<b>6 607</b>	1 399
Preference shares	<b>90 000</b>	90 000
	<b>96 607</b>	91 399
Loans to subsidiaries	<b>107 102</b>	115 875
Impairment	<b>(65 855)</b>	(66 301)
Carrying amount	<b>41 247</b>	49 574
Total carrying amount	<b>137 854</b>	140 973

Additional details are given on page 65.

	Group	
	2009 R 000	2009 R 000
<b>21 Joint ventures</b>		
The Company's 85% held subsidiary, ELB Engineering Limited, has the following indirect interests in joint ventures:		
Ditch Witch Australia Pty Limited - 84,21053% (2008 - 84,21053%)		
ELB PBA Engineering Services (Pty) Limited - 50% (2008 - 100%)		
Ports of Africa (Pty) Limited - 50% (2008 - nil)		
<b>Proportionate share of joint venture operations included in the Group annual financial statements</b>		
Sales	<b>130 329</b>	149 676
Profit before tax	<b>13 668</b>	19 685
Property, plant and equipment	<b>3 249</b>	4 738
Current assets	<b>71 018</b>	79 286
Total assets	<b>74 267</b>	84 024
Long term liabilities	-	127
Current liabilities	<b>28 837</b>	29 313
Total liabilities	<b>28 837</b>	29 440
Net assets	<b>45 430</b>	54 584
Cash inflow / (outflow):		
Operations	<b>4 917</b>	9 290
Distributions paid	<b>(13 051)</b>	(11 339)
Investment activities	<b>(398)</b>	(1 469)
Financing activities	<b>(464)</b>	1 049
	<b>(8 996)</b>	(2 469)

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

		Group	
	Note	2009 R 000	2008 R 000
<b>22 Non current loans receivable</b>			
<b>Non current loan receivable arising from the sale of ELB Timber Products (Pty) Limited</b>			
Carrying amount at the beginning of the year		4 842	–
Selling price of ELB Timber Products (Pty) Limited	43.9	–	6 000
Present value adjustment	11	–	(1 158)
Repayment		(500)	–
Interest receivable		193	–
Effective interest rate adjustment	10	568	–
Impairment		(260)	–
Carrying amount at the end of the year		<u>4 843</u>	4 842
Current portion included in trade and other receivables	29	<u>(1 374)</u>	(893)
Non current amount receivable		<u>3 469</u>	3 949

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		6 000	–
Selling price of ELB Timber Products (Pty) Limited	43.9	–	6 000
Repayment		(500)	–
Interest receivable		193	–
Actual amount receivable at the end of the year		<u>5 693</u>	6 000
Non transactional IFRS adjustments			
Present value adjustment	11	(1 158)	(1 158)
Effective interest rate adjustment	10	568	–
Impairment		(260)	–
IFRS carrying amount at the end of the year as above		<u>4 843</u>	4 842
Actual current portion of actual amount receivable		<u>1 500</u>	1 000

The loan is repayable in tranches of R1 million at six month intervals ending in October 2011 in terms of the agreement. A shortfall of R500 000 occurred in respect of the first tranche receivable in April 2009, indicating impairment and necessitating a reassessment of the expected future cash flows. The reassessment considered the prevailing economic conditions, which had deteriorated markedly from the year before. The reassessment indicated that final repayment could be a year later than stipulated in the agreement. However emphasis will be made on restoring and returning to the original repayment schedule, especially when the economic situation improves.

Interest at 6% per annum compounded monthly accrues on the actual balance outstanding. 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. 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 receivable.

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 a subsidiary of the Company 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 42.

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

	Note	Company	
		2009 R 000	2008 R 000
<b>22 Non current loans receivable</b> (continued)			
ELB Participants Share Trust	24	20 748	20 748
ELB Share Incentive Trust	25	10 407	3 991
Gross amounts		<b>31 155</b>	24 739
Impairment of the ELB Share Incentive Trust		<b>(4 560)</b>	–
		<b>26 595</b>	24 739
Current portion of the ELB Share Incentive Trust loan receivable included in trade and other receivables	29	<b>(44)</b>	(100)
		<b>26 551</b>	24 639

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	
		2009 R 000	2008 R 000
<b>23 Treasury shares</b>			
ELB Participants Share Trust			
Amount receivable from the Trust, equal to the investment by the Trust in ordinary shares of the Company	22 & 33.3	20 748	20 748
ELB Share Incentive Trust			
Amount receivable from the Trust	22	10 407	3 991
Amount owing by the Trust to participants		6	19
Amount representing loans by the Trust to participants, and the cost of shares held by the Trust and available for issue to participants	33.3	10 413	4 010
Treasury shares as reflected for the Group	33.3	<b>31 161</b>	24 758

Refer also to notes 24 and 25.

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

## 24 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, thereby ensuring that the Group continues to have the benefit of an identity of interest between its shareholders and its management.

An interest free loan of R20 747 963 was made to the Trust which enabled the Trust to acquire 5 870 650 ordinary shares in the Company to achieve the purpose outlined above. The loan has no fixed terms of repayment.

## 25 ELB Share Incentive Trust

The Trust was established to enable 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.

	Note	Number of shares	
		2009	2008
<b>Scheme share participations</b>			
Scheme shares at the beginning of the year		<b>532 488</b>	583 217
Shares purchased in the open market during the year	33.2	<b>520 000</b>	150 000
Shares paid for in full during the year	33.2	<b>(80 740)</b>	(200 729)
Scheme shares at the end of the year		<b>971 748</b>	532 488

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

After one year	– up to 10% of the loan
After two years	– up to 25% of the loan
After three years	– up to 45% of the loan
After four years	– up to 70% of the loan
After five years	– 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.

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

	Note	Group		Company	
		2009 R 000	2008 R 000	2009 R 000	2008 R 000
<b>26 Deferred income tax</b>					
Income tax rates used in the determination of deferred income tax assets and deferred income tax liabilities are:					
South African income tax – 28% (2008 - 28%)					
South African secondary tax on companies (STC) – 10% (2008 - 10%)					
Australian income tax – 30% (2008 - 30%)					
Amount of estimated income tax losses at the year end not included in deferred income tax assets or deferred income tax liabilities	12	<b>1 294</b>	1 296	–	–
<b>26.1 Deferred income tax assets</b>					
Analysis					
Temporary differences					
Plant and equipment		(81)	(68)	–	–
Construction contract work not yet billed		(1 425)	–	–	–
Inventories		1 593	3 930	–	–
Client retentions on construction contracts		(614)	–	–	–
Receivables and other assets		1 159	1 280	–	–
Prepaid expenses		(213)	–	–	–
Non current assets held for sale		–	–	372	109
Provision		3 374	2 416	–	–
Construction contract liabilities		3 570	–	–	–
Accrual for anticipated costs related to sales		541	–	–	–
Leave pay accrued		2 216	1 662	–	–
Other employee benefits accrued		1 963	–	–	–
Warranties		2 148	1 913	–	–
Other payables and liabilities		2 044	2 136	–	–
Secondary tax on companies (STC) credit		526	385	–	–
Income tax losses carried forward		1	2	–	–
		<b>16 802</b>	13 656	<b>372</b>	109
Movement for the year					
Balance at the beginning of the year		13 656	8 012	109	–
Transfer from deferred income tax liabilities		(138)	–	–	–
Income tax credit	12	3 975	4 834	263	109
Foreign currency translation adjustments		(691)	810	–	–
Balance at the end of the year		<b>16 802</b>	13 656	<b>372</b>	109
<b>26.2 Deferred income tax liabilities</b>					
Analysis					
Temporary differences					
Property		971	955	–	–
Client retentions on construction contracts		–	1 860	–	–
Prepaid expenses		–	145	–	–
Construction contract liabilities		–	(537)	–	–
Leave pay accrued		–	(318)	–	–
Revenue not yet recognised in taxable income		–	3 450	–	–
Income tax losses carried forward		(351)	(5 125)	–	–
		<b>620</b>	430		
Movement for the year					
Balance at the beginning of year		430	1 433	–	–
Transfer to deferred income tax assets		(138)	–	–	–
Income tax expense / (credit)	12	328	(1 003)	–	–
Balance at the end of the year		<b>620</b>	430		

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

	Note	Group		Company	
		2009 R 000	2008 R 000	2009 R 000	2008 R 000
<b>27 Construction contracts</b>					
<b>Construction contract liabilities</b>					
The amount shown separately under current liabilities in the balance sheet comprises:					
Provisions relevant to completion to date		2 191	2 117	–	–
Billings to clients in advance of completion to date		102 304	25 674	–	–
		<b>104 495</b>	<b>27 791</b>	<b>–</b>	<b>–</b>
<b>Construction contracts additional information</b>					
Revenue recognised for the year on construction contracts	2	485 552	170 879	–	–
At the year end, for construction contracts not yet complete, the aggregate amount of costs incurred and recognised profits, less recognised losses, amounted to		851 867	342 914	–	–
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		30 209	24 975	–	–
Amount receivable from construction contract clients at the year end	29	100 633	49 847	–	–
Retentions held by clients at the year end and included in the amount receivable from construction contract clients		2 195	6 641	–	–
<b>28 Inventories</b>					
Merchandise and components		67 194	58 329	–	–
Work in progress		13 294	15 802	–	–
Finished goods		262 382	282 239	–	–
		<b>342 870</b>	<b>356 370</b>	<b>–</b>	<b>–</b>
Inventories recognised as an expense in the year	3	543 044	680 047	–	–
Inventories recognised as an expense includes:					
Net write down of inventories to net realisable value		13 874	5 549	–	–

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

	Note	Group		Company	
		2009 R 000	2008 R 000	2009 R 000	2008 R 000
<b>29 Trade and other receivables</b>					
Amounts receivable from construction contract clients	27	100 633	49 847	–	–
Impairment of construction contract receivables		(414)	–	–	–
Other trade receivables		42 582	22 511	–	–
Impairment of other trade receivables		(3 520)	(2 723)	–	–
<b>Total trade receivables</b>		<b>139 281</b>	<b>69 635</b>	<b>–</b>	<b>–</b>
Current portion of non current loan receivable	22	1 374	893	–	–
Amount receivable from the realisation of non current assets held for disposal	31	2 000	–	2 000	–
Other current receivables		1 740	3 438	–	–
Impairment of other current receivables		(459)	(620)	–	–
Amounts receivable from the Group share trusts					
Current portion of non current loans receivable	22			44	100
Current account				6	7
		<b>143 936</b>	<b>73 346</b>	<b>2 050</b>	<b>107</b>
<b>Trade receivables</b>					
Amounts receivable		143 215	72 358		
Impairment		(3 934)	(2 723)		
<b>Total trade receivables as above</b>		<b>139 281</b>	<b>69 635</b>		
<b>Currency analysis</b>					
South African Rands		132 923	64 958		
Australian Dollars		10 292	7 400		
		<b>143 215</b>	<b>72 358</b>		
<b>Ageing</b>					
Not past due		65 277	37 106		
Past due 0 - 30 days		43 916	10 780		
Past due 30 - 60 days		5 311	4 410		
Past due 60 - 90 days		2 072	4 964		
Past due more than 90 days		26 639	15 098		
		<b>143 215</b>	<b>72 358</b>		
<b>Impairment</b>					
Balance at the beginning of the year		2 723	5 306		
Additional impairments					
Specific customers and clients		2 799	1 866		
Non specific		270	–		
Reversals of impairments					
Specific customers and clients		(1 107)	(4 150)		
Non specific		–	(18)		
Impairments applied to irrecoverable amounts		(721)	(316)		
Foreign currency translation adjustments		(30)	35		
Balance at the end of the year		<b>3 934</b>	<b>2 723</b>		
Impairments to specific customers and clients		<b>3 251</b>	<b>2 299</b>		
Non specific impairments		<b>683</b>	<b>424</b>		
		<b>3 934</b>	<b>2 723</b>		

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

45.5

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

	Group		Company	
	2009 R 000	2008 R 000	2009 R 000	2008 R 000
<b>30 Other current assets</b>				
Taxes recoverable (excluding income tax)	5 509	14 290	30	1 442
Prepaid expenses	1 723	812	–	–
Other	19	75	–	–
	<b>7 251</b>	<b>15 177</b>	<b>30</b>	<b>1 442</b>

## 31 Non current assets held for sale

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 an ELB Timbers subsidiary. Subsequent to the transfer, the ELB Timbers subsidiary was sold. The property originally comprised four erven. During the year ended 30 June 2009 two erven were sold. At 30 June 2009 the property held for sale comprised the remaining two erven, one erf of which consists of vacant land while the other erf includes buildings and other structures.

Although the property market is still experiencing difficult trading conditions nevertheless it is anticipated that the remaining erven will be sold within a reasonable time period.

The property is carried by the Group at its original cost and by the Company at fair value less costs to sell.

### Property held for sale

Carrying amount at the beginning of the year	1 291	1 291	10 036	10 426
Reverse opening adjustment to fair value less costs to sell	–	–	390	–
Cost of erven sold during the year	(693)	–	(5 602)	–
Raise closing adjustment to fair value less costs to sell	–	–	(1 328)	(390)
Carrying amount at the end of the year	<b>598</b>	<b>1 291</b>	<b>3 496</b>	<b>10 036</b>
Erven sold during the year:				
Selling price	5 000	–	5 000	–
Cost as above	(693)	–	(5 602)	–
Selling expenses	(75)	–	(75)	–
Profit / (loss) on sale	4 232	–	(677)	–
Reverse opening adjustment to fair value less costs to sell applicable to the erven sold	–	–	144	–
Profit / (loss) on sale according to IFRS	<b>4 232</b>	<b>–</b>	<b>(533)</b>	<b>–</b>
Adjustment to fair value less costs to sell:				
Reverse opening adjustment as above	–	–	390	–
Opening adjustment applicable to the erven sold	–	–	(144)	–
Raise closing adjustment as above	–	–	(1 328)	(390)
Adjustment for the year according to IFRS	–	–	<b>(1 082)</b>	<b>(390)</b>

Included in the erven sold during the year is an erf that was sold for R2 million. Transfer of the erf into the name of the purchaser had not yet been effected at the date of this annual report. The profit for the year, and profit attributable to ordinary shareholders of the Company, includes a profit of R1 653 000 recognised by the Group on the sale of the erf, and a loss of R625 000 recognised by the Company.

## 32 Cession and pledge of particular cash and cash equivalents

Call and term deposits totalling R39 million (2008 - R25 million) with a South African bank have been ceded and pledged to that bank to cover import letters of credit issued on behalf of the South African equipment operation.

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

	Note	Group		Company	
		2009 R 000	2008 R 000	2009 R 000	2008 R 000
<b>33 Ordinary share capital and premium</b>					
<b>33.1 Authorised ordinary share capital</b>					
50 000 000 ordinary shares of 4 cents each		<b>2 000</b>	2 000	<b>2 000</b>	2 000
		Group		Company	
		2009 Number	2008 Number	2009 Number	2008 Number
<b>33.2 Number of ordinary shares in issue</b>					
Number of shares in issue at the beginning of the year					
Issued by the Company		<b>33 860 000</b>	33 860 000	<b>33 860 000</b>	33 860 000
Treasury shares					
ELB Participants Share Trust	24	<b>(5 870 650)</b>	(5 870 650)		
ELB Share Incentive Trust	25	<b>(532 488)</b>	(583 217)		
		<b>27 456 862</b>	27 406 133	<b>33 860 000</b>	33 860 000
Transactions of the ELB Share Incentive Trust					
Shares purchased by the Trust in the open market	25	<b>(520 000)</b>	(150 000)		
Incentive scheme shares paid up by participants and released by the Trust	25	<b>80 740</b>	200 729		
Number of shares in issue at the end of the year		<b>27 017 602</b>	27 456 862	<b>33 860 000</b>	33 860 000
		Group		Company	
		2009 R 000	2008 R 000	2009 R 000	2008 R 000
<b>33.3 Issued ordinary shares and premium</b>					
33 860 000 (2008 – 33 860 000) shares of 4 cents each		<b>1 354</b>	1 354	<b>1 354</b>	1 354
Share premium account		<b>23 838</b>	23 838	<b>23 838</b>	23 838
		<b>25 192</b>	25 192	<b>25 192</b>	25 192
<b>Treasury shares</b>					
Shares under the control of:					
ELB Participants Share Trust	23	<b>(20 748)</b>	(20 748)		
ELB Share Incentive Trust	23	<b>(10 413)</b>	(4 010)		
		<b>(31 161)</b>	(24 758)		
<b>Issued ordinary shares and premium</b>		<b>(5 969)</b>	434	<b>25 192</b>	25 192
Treasury shares increase during the year	43.7	<b>(6 403)</b>	(1 543)		

## 33.4 Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor and market confidence and to sustain future development of the business. The board of directors monitors the spread of shareholders, the level of dividends to shareholders and return on capital. The Group defines return on capital as the ratio of headline earnings to the average equity attributable to the ordinary shareholders of ELB, expressed as a percentage. The Group's target is to achieve a return on capital of 20 percent. In 2009 the return was 18,5% (2008 - 29,2% percent).

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

	Note	Group		Company	
		2009 R 000	2008 R 000	2009 R 000	2008 R 000
<b>34 Preference shares</b>					
<b>Authorised</b>					
150 000 (2008 - 150 000) 6% fixed cumulative redeemable preference shares of 200 cents each		<b>300</b>	300	<b>300</b>	300
<b>Issued</b>					
3 800 (2008 - 3 800) 6% fixed cumulative redeemable preference shares of 200 cents each		<b>8</b>	8	<b>8</b>	8
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.	35				
<b>35 Reserves</b>					
Capital redemption reserves		<b>742</b>	742	<b>242</b>	242
Reserve for redemption of preference shares	34	<b>8</b>	8	<b>8</b>	8
Share options reserve		<b>5 614</b>	1 187	<b>6 605</b>	1 397
Premium on buy out of minority interest in subsidiary		<b>(853)</b>	(853)		
Foreign currency translation reserve		<b>(4 609)</b>	8 079		
		<b>902</b>	9 163	<b>6 855</b>	1 647
<b>36 Non current borrowings</b>					
<b>Interest bearing</b>					
Mortgage bonds secured over property with carrying amounts totalling R27 169 000 (2008 - R27 107 000)		<b>10 049</b>	12 780		
Finance lease and credit instalment agreements secured over vehicles with carrying amounts totalling R359 000 (2008 - R1 140 000)		<b>75</b>	729		
		<b>10 124</b>	13 509		
Current portion included in trade and other payables – interest bearing		<b>(2 518)</b>	(3 618)		
Non current portion		<b>7 606</b>	9 891		
The interest rates, terms and maturity profiles of the interest bearing borrowings are indicated in the note on liquidity risk.	45.4				

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

	Note	Group		Company	
		2009 R 000	2008 R 000	2009 R 000	2008 R 000
<b>37 Provision</b>					
<b>Provision for trade back commitments</b>					
Balance at the beginning of the year		8 629	–	–	–
Additional provisions		4 016	8 629	–	–
Unused provisions reversed		(965)	–	–	–
Net reduction of sales revenue		3 051	8 629	–	–
Utilised during the year		(338)	–	–	–
Unwinding of present value adjustments	11	707	–	–	–
Balance at the end of the year		12 049	8 629	–	–
Current portion included in current liabilities		(942)	(1 226)	–	–
Non current portion included in non current liabilities		11 107	7 403	–	–
<p>ELB Equipment offers trade back agreements to certain customers, allowing a trade back of equipment purchased from ELB Equipment, at prices based on usage or time since initial sale. The amounts provided are present values of the sales revenue deferred on such agreements.</p>					
<b>38 Trade and other payables - non interest bearing</b>					
Trade payables		161 399	156 762	–	–
Other payables		54 721	64 084	574	576
		216 120	220 846	574	576
<b>39 Trade and other payables - interest bearing</b>					
Interest bearing trade payables		147 640	225 101	–	–
Current portion of interest bearing non current borrowings	36	2 518	3 618	–	–
		150 158	228 719	–	–
<p>The interest rates, terms and maturity profiles of the interest bearing trade and other payables are indicated in the note on liquidity risk.</p>					
	45.4				
<b>40 Other financial liabilities</b>					
<b>Derivative financial liabilities</b>					
Foreign currency forward exchange contracts (FECs) marked to market by comparing with year end contract values of FECs with similar maturity dates		11 879	2 558	–	–
<b>Financial guarantee liability</b>					
Financial guarantee issued to the supplier of a former subsidiary, which has since been sold; measured at the present value, over the expected life of the guarantee, of the estimated commercial bank fees for a guarantee with similar risk	42	70	–	–	–
		11 949	2 558	–	–

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

	Note	Group		Company	
		2009 R 000	2008 R 000	2009 R 000	2008 R 000
<b>41 Other current liabilities</b>					
Taxes payable (excluding income tax)		10 539	2 297	123	111
Amounts payable under employee benefit plans		19 279	17 144	–	–
Insurance premiums and insurance claims excess accrued		522	382	–	–
Other accruals		15 169	14 645	–	–
		<b>45 509</b>	<b>34 468</b>	<b>123</b>	<b>111</b>

## 42 Contingent liabilities

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 R70 000 has been accrued in respect of the guarantee. Refer also to notes 22 and 40

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 have been accrued. However a contractual dispute has arisen that the directors believe will be unlikely to result in a material loss.

	Note	Group		Company	
		2009 R 000	2008 R 000	2009 R 000	2008 R 000
<b>43 Notes to the cash flow statements</b>					
<b>43.1 Non cash adjustments</b>					
<b>Continuing operations</b>					
Loss / (profit) on disposal of plant and equipment	3	313	(275)	–	–
Increase / (decrease) in impairment of loans					
ELB Share Incentive Trust	3			4 560	(1)
ELB Timber Holdings (Pty) Limited	3			(446)	1 158
Non current loan receivable	22	260	–	–	–
Foreign currency translation adjustments of deferred tax assets	26.1	691	(810)	–	–
Non current assets held for sale - adjustment to fair value less costs to sell	3 & 31	–	–	938	390
Provision for trade back commitments					
Net reduction of sales revenue	37	3 051	8 629	–	–
Share options recognised		5 208	1 397	–	–
		<b>9 523</b>	<b>8 941</b>	<b>5 052</b>	<b>1 547</b>

## 43.2 Changes in working capital

### Continuing operations

Increase in construction contract work not yet billed	(5 234)	(4 326)	–	–
Decrease / (increase) in inventories	13 500	(166 921)	–	–
(Increase) / decrease in trade and other receivables	(70 609)	(15 446)	(1 943)	46
Decrease / (increase) in other current assets	7 926	(5 975)	1 412	(1 440)
Decrease in non current assets held for sale	693	–	5 602	–
Increase in construction contract liabilities	76 704	12 358	–	–
(Decrease) / increase in trade and other payables - non interest bearing	(4 726)	46 981	(2)	46
(Decrease) / increase in trade and other payables - interest bearing	(78 561)	138 577	–	–
Increase in other financial liabilities	9 391	347	–	–
Increase in other current liabilities	11 041	4 270	12	11
	<b>(39 875)</b>	<b>9 865</b>	<b>5 081</b>	<b>(1 337)</b>

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

	Note	Group		Company	
		2009 R 000	2008 R 000	2009 R 000	2008 R 000
<b>43 Notes to the cash flow statements (continued)</b>					
<b>43.3 Foreign currency translation adjustments for foreign entities</b>					
<b>Continuing operations</b>					
Foreign currency translation adjustments for foreign entities comprise:					
Translation adjustments of net external assets and liabilities of foreign entities, excluding cash and cash equivalents		(5 686)	6 026		
Translation adjustments of net cash and cash equivalents of foreign entities		(9 241)	11 665		
		<u>(14 927)</u>	<u>17 691</u>		
<p>The analysis of the foreign currency translation adjustments for foreign entities into the components above has been performed for the first time in this financial year. The analysis enhances compliance with IAS 7. The translation adjustment relating to the external cash and cash equivalents is reflected in the cash flow statement as a reconciling item between opening and closing cash for the year, and the translation adjustment relating to the net other external assets and liabilities is included in the cash flow statement in the section for cash flow from operations. Comparative amounts have been restated. In previous financial years the total foreign currency translation adjustment for foreign entities was included as cash flow from operations.</p>					
<b>43.4 Income tax paid</b>					
<b>Continuing operations</b>					
Balances at the beginning of the year					
Income tax recoverable		160	62	–	–
Income tax payable		(27 080)	(18 478)	(1 118)	(576)
Income tax expense for the year	12	(33 209)	(40 546)	(1 602)	(1 568)
Balances at the end of the year					
Income tax recoverable		(1 597)	(160)	(258)	–
Income tax payable		9 169	27 080	–	1 118
		<u>(52 557)</u>	<u>(32 042)</u>	<u>(2 978)</u>	<u>(1 026)</u>
<b>43.5 Dividends paid to ordinary shareholders</b>					
Dividends declared and paid in the year					
Final for the previous year	17	(10 812)	(5 484)	(13 544)	(6 772)
Interim for the current year	17	(2 702)	(5 485)	(3 386)	(6 772)
		<u>(13 514)</u>	<u>(10 969)</u>	<u>(16 930)</u>	<u>(13 544)</u>
<b>43.6 Net purchases of plant and equipment</b>					
<b>Continuing operations</b>					
Purchases at cost					
Plant and machinery	19	(565)	(1 587)	–	–
Vehicles	19	(1 744)	(3 968)	–	–
Office furniture and equipment	19	(702)	(359)	–	–
Computer equipment	19	(421)	(1 317)	–	–
Proceeds on disposals		285	1 033	–	–
Foreign currency translation adjustments	19	765	(943)	–	–
		<u>(2 382)</u>	<u>(7 141)</u>	<u>–</u>	<u>–</u>

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

		Group	
	Note	2009 R 000	2008 R 000
<b>43 Notes to the cash flow statements (continued)</b>			
<b>43.7 Funding by ordinary shareholders</b>			
<b>Treasury shares</b>			
<b>ELB Share Incentive Trust</b>			
ELB shares purchased by the Trust in the open market		(7 026)	(2 326)
ELB shares paid up by participants and released by the Trust		249	713
Dividends received on shares held for issue		369	73
Adjustments to participants loan accounts		5	(3)
Decrease in funding by ordinary shareholders	33.3	<u>(6 403)</u>	<u>(1 543)</u>
<b>43.8 Cash flow from discontinued operations</b>			
<b>Cash flow from operating activities</b>			
Operating profit before depreciation	13	–	1 206
Non cash adjustments			
Profit on disposal of plant and equipment	3	–	(77)
Item consequent upon the discontinuance			
Retrenchment: reversal of expenses	13	–	200
Interest received	13	–	10
Interest paid	13	–	(230)
Changes in working capital		–	7 670
<b>Cash inflow from operating activities (A)</b>		<u>–</u>	<u>8 779</u>
<b>Cash flow from investment activities</b>			
Net disposals of plant and equipment		–	34
Proceeds on sale of property		–	1 955
Proceeds on disposal of subsidiaries	43.9	–	13 000
<b>Cash inflow from investment activities (B)</b>		<u>–</u>	<u>14 989</u>
<b>Cash flow from financing activities</b>			
Decrease in long term borrowings			
Inter company		–	(14 945)
External		–	(1 827)
Increase in long term loan receivable		–	(6 000)
Change in inter company loan after fixing the amount ceded by the holding company to the purchaser	43.9	–	(1 371)
<b>Cash outflow from financing activities (C)</b>		<u>–</u>	<u>(24 143)</u>
<b>Cash outflow for the year (A+B+C)</b>		<u>–</u>	<u>(375)</u>
Cash and cash equivalents at the beginning of the year		–	2 097
Cash and cash equivalents on disposal	43.9	–	(1 722)
<b>Cash flow before changes in financing by the Group</b>		<u>–</u>	<u>–</u>
Decrease in financing by the Group, as above		–	14 945
<b>Group cash inflow from discontinued operations</b>		<u>–</u>	<u>14 945</u>

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

	<b>Total</b> <b>R 000</b>	<b>Group</b>	
		ELB Ultrabord (Pty) Limited R 000	ELB Timber Products (Pty) Limited R 000
<b>43 Notes to the cash flow statements (continued)</b>			
<b>43.9 Disposal of subsidiaries</b>			
<b>Discontinued operations</b>			
<b>Year ended 30 June 2008</b>			
Property, plant and equipment	8 618	4 486	4 132
Inventories	4 919	125	4 794
Trade and other receivables	5 714		5 714
Other current assets	183	13	170
Cash and cash equivalents	1 722		1 722
Interest bearing non current payables	(331)		(331)
Non current loan payable to the holding company, ELB Timber Holdings (Pty) Limited:			
Amount fixed in the agreement	(54 764)	(21 997)	(32 767)
Change from the amount fixed in the agreement to the date of sale	1 371		1 371
Trade and other payables	(4 631)		(4 631)
Other current liabilities	(3 924)		(3 924)
<b>Net assets of subsidiaries on disposal</b>	<b>(41 123)</b>	<b>(17 373)</b>	<b>(23 750)</b>
Loans receivable by the holding company, ELB Timber Holdings (Pty) Limited, ceded to the purchasers	54 764	21 997	32 767
(Loss) / profit on disposal	(641)	2 376	(3 017)
<b>Proceeds on disposal</b>	<b>13 000</b>	<b>7 000</b>	<b>6 000</b>

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

## 44 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 (ELB Timber Holdings), is interest free. The latter company was the holding company for the operations in the discontinued ELB Timbers segment, which operations have now been sold.

ELB Timber Products (Pty) Limited, a subsidiary in the discontinued ELB Timbers segment, was sold to the chief executive officer of that company with effect from 31 May 2008. Further details are reported in note 22.

Directors remuneration is reported in note 9.

Material transactions of the Company with its subsidiaries are:

Management and administration services rendered - reported in note 2.

Loans to subsidiaries - reported on page 65.

## 45 Financial risk management

Exposure to currency, interest rate 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.

### 45.1 Financial instruments

At 30 June 2009 the following financial instruments were held:

	Note	Group		Company	
		2009 R 000	2008 R 000	2009 R 000	2008 R 000
<b>Financial assets</b>					
Loans and receivables					
Non current loans receivable	22	3 469	3 949	26 551	24 639
Trade and other receivables	29	143 936	73 346	2 050	107
Cash and cash equivalents		290 289	315 234	61	90
Total financial assets		<b>437 694</b>	392 529	<b>28 662</b>	24 836
<b>Financial liabilities</b>					
Financial liabilities at amortised cost					
Non current interest bearing borrowings	36	7 606	9 891	–	–
Trade and other payables					
Non interest bearing	38	216 120	220 846	574	576
Interest bearing	39	150 158	228 719	–	–
Financial guarantee liability	40	70	–	–	–
Financial liabilities held for trading					
Derivative financial liabilities	40	11 879	2 558	–	–
Total financial liabilities		<b>385 833</b>	462 014	<b>574</b>	576
<b>Net exposure</b>		<b>51 861</b>	(69 485)	<b>28 088</b>	24 260

### 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 has been measured at the present value, over the expected life of the guarantee, of the estimated commercial bank fees for a guarantee with similar risk. Derivative financial 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 2009 (continued)

## 45 Financial risk management (continued)

### 45.2 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 and Australian Dollars.

In the South African equipment operation, 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 2009 the Group had the following uncovered foreign currency denominated amounts in the balance sheets of its South African operations.

	<b>2009</b>	2008
	<b>R 000</b>	R 000
Current assets		
Cash and cash equivalents		
United States Dollars	<b>42 720</b>	–
Euros	<b>15</b>	–
	<b>42 735</b>	–
Current liabilities		
Trade payables - non interest bearing		
United States Dollars	<b>2 704</b>	139
Euros	<b>16 923</b>	9 524
Japanese Yen	<b>3 043</b>	25 987
British Pounds	<b>2 732</b>	2 819
Australian Dollars	<b>37</b>	1 082
Trade payables - interest bearing		
Japanese Yen	<b>58 652</b>	49 854
British Pounds	<b>–</b>	55 501
	<b>84 091</b>	144 906

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

## 45 Financial risk management (continued)

### 45.2 Foreign currency management (continued)

The contract values of FECs of South African operations at 30 June 2009 are summarised below.  
No FECs are designated as cash flow hedges.

	FEC Foreign amounts		FEC Rand amounts		FEC Fair value amounts	
	2009	2008	2009	2008	2009	2008
	000	000	R 000	R 000	R 000	R 000
Trade imports - specific						
United States Dollars	344	–	2 982	–	2 678	–
Euros	48	1 122	690	14 525	536	14 126
Japanese Yen	971 647	1 094 847	88 621	85 715	78 675	83 168
British Pounds	870	5 246	12 582	83 096	11 164	83 096
			<b>104 875</b>	<b>183 336</b>	<b>93 053</b>	<b>180 390</b>
Trade imports - general						
British Pounds	99	–	1 358	–	1 300	–
Total trade imports			<b>106 233</b>	<b>183 336</b>	<b>94 353</b>	<b>180 390</b>
Total trade exports			–	–	–	–

The differences between FEC contract values and fair values at 30 June 2009 have been 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	
	2009	2008	2009	2008
Number of South African Rands to one:				
United States Dollar	7.77318	7.86769	8.82359	7.27386
Euro	10.91512	12.31453	12.10379	10.75026
British Pound	12.87781	15.68268	14.28501	14.61874
Australian Dollar	6.29565	7.56599	6.60491	6.55885
Number of Japanese Yen to one South African Rand	12.35435	13.46673	11.42620	15.29317

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

## 45 Financial risk management (continued)

### 45.2 Foreign currency management (continued)

#### Exposure to currency risk

	United States Dollar USD 000	Euro EUR 000	Japanese Yen JPY 000	British Pound GBP 000	Australian Dollar AUD 000
The Group's exposure to foreign currency risk was:					
<b>At 30 June 2009</b>					
Trade and other receivables					1 633
Cash and cash equivalents	6 293	248		3	6 479
Trade and other payables					
Non interest bearing	(1 098)	(1 543)	(7 227)	(77)	(1 897)
Interest bearing		(2)	(1 686 010)	(867)	(1 327)
Gross balance sheet exposure	5 195	(1 297)	(1 693 237)	(941)	4 888
FECs	1 167	48	971 647	969	
Net exposure	6 362	(1 249)	(721 590)	28	4 888

#### At 30 June 2008

Trade and other receivables					1 065
Cash and cash equivalents	749	6			7 023
Non current borrowings					(17)
Trade and other payables					
Non interest bearing	(476)	(1 899)	(933 823)	(180)	(2 682)
Interest bearing			(1 179 430)	(8 769)	(80)
Gross balance sheet exposure	273	(1 893)	(2 113 253)	(8 949)	5 309
FECs		1 122	1 094 847	5 246	
Net exposure	273	(771)	(1 018 406)	(3 703)	5 309

#### Sensitivity analysis

Based on the net exposure of the Group's South African operations to currency risk at 30 June 2009, a 10% weaker Rand at this date would have reduced profit for the year, before income tax, by the amount shown below, assuming all other variables remained constant.

	Group	
	2009	2008
	R 000	R 000
Decrease in profit for the year before income tax	3 429	14 444

Using the same basis of calculation, a 10% stronger rand would have had an equal but opposite effect.

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

## 45 Financial risk management (continued)

### 45.3 Interest rate management

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 the cases of short term cash shortages.

The Group uses the cash management system provided by its principal local banker, whereby most 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
<b>At 30 June 2009</b>				
Interest bearing financial assets				
Non current loan receivable	22	4 843	Fixed	6,0
Cash and cash equivalents				
South Africa		240 481	Floating	4,1
Australia		40 787	Floating	2,5
Other		9 021	Floating	0,0
		<b>295 132</b>		
Interest bearing financial liabilities				
Mortgage bonds	36	10 049	Floating	10,0
Finance lease and credit instalment agreements				
Australia	36	75	Fixed	7,9
Trade payables	39	147 640	Fixed	3,6
		<b>157 764</b>		
<b>At 30 June 2008</b>				
Interest bearing financial assets				
Non current loan receivable	22	4 842	Fixed	6,0
Cash and cash equivalents				
South Africa		256 129	Floating	10,9
Australia		53 135	Floating	7,4
Other		5 970	Floating	2,0
		<b>320 076</b>		
Financial liabilities				
Mortgage bonds	36	12 780	Floating	14,5
Finance lease and credit instalment agreements				
Australia	36	729	Fixed	7,6
Trade payables	39	225 101	Fixed	6,2
		<b>238 610</b>		
			<b>Group</b>	
			<b>2009</b>	<b>2008</b>
			<b>R 000</b>	<b>R 000</b>
Should interest rates have been 1% lower during the year and assuming that all other variables remained constant, it is estimated that after income tax profit of the Group would have been lower by approximately			<b>741</b>	<b>674</b>

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

## 45 Financial risk management (continued)

### 45.4 Liquidity risk

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 articles of association restrict the amount that the Group may borrow on the authority of the directors. At 30 June 2009 the maximum permissible Group borrowings amounted to R319 million (2008 - R286 million).

#### Maturities of financial liabilities

	Note	Carrying amount R 000	Maturities		
			Within one year R 000	One to five years R 000	Beyond five years R 000
<b>Maturity profile at 30 June 2009</b>					
Non current borrowings					
Mortgage bonds	36	10 049	2 443	4 651	2 955
Finance lease and credit instalment agreements	36	75	75		
Trade payables					
Non interest bearing	38	161 399	161 399		
Interest bearing	39	147 640	147 640		
Other current payables	38	54 721	54 721		
Derivative financial liabilities	40	11 879	11 879		
Financial guarantee liability	40	70	22	48	
		<b>385 833</b>	<b>378 179</b>	<b>4 699</b>	<b>2 955</b>
<b>Maturity profile at 30 June 2008</b>					
Non current borrowings					
Mortgage bonds	36	12 780	3 016	6 052	3 712
Finance lease and credit instalment agreements	36	729	602	127	
Trade payables					
Non interest bearing	38	156 762	156 762		
Interest bearing	39	225 101	225 101		
Other current payables	38	64 084	64 084		
Derivative financial liabilities	40	2 558	2 558		
		<b>462 014</b>	<b>452 123</b>	<b>6 179</b>	<b>3 712</b>

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

## 45 Financial risk management (continued)

### 45.4 Liquidity risk (continued)

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

#### Mortgage bonds

Two mortgage bonds with a carrying amount of R10 049 000 at 30 June 2009 (2008 - R12 780 000) are with a registered South African bank, and are secured over property with a carrying amount at the year end of R27 169 000 (2008 - R27 107 000).

The interest rate at 30 June 2009 on the mortgage bonds was 10,0% per annum (2008 - 14,5% per annum). The interest rate is a floating rate.

The estimated current portion (the portion to be repaid within a year) of the outstanding principal at 30 June 2009, was R2 443 000 (2008 current portion - R3 016 000), resulting in a non current portion of the bonds of R7 606 000 (2008 - R9 764 000).

Monthly repayments of the first bond, including interest, currently amount to R192 437 with a remaining repayment period at 30 June 2009 of fifteen months. Any residual amount thereafter still owing, up to 60% of the maximum amount drawn down, will be repayable over a further sixty months.

Monthly repayments of the second bond, including interest, currently amount to R83 494 with a remaining repayment period at 30 June 2009 of forty two months. Any residual amount thereafter still owing, up to 62% of the maximum amount drawn down, will be repayable over a further sixty months.

#### Finance lease and credit instalment agreements

Finance lease and credit instalment agreements with a carrying amount of R75 000 at 30 June 2009 (2008 - R729 000) are with Australian financial institutions, and are secured over vehicles with a carrying amount of R359 000 at the year end (2008 - R1 140 000).

The agreements bear interest at rates ranging between 7,39% per annum and 7,95% per annum (2008 - 6,99% and 7,95% per annum), with a weighted average rate of 7,85% per annum (2008 - 7,74% per annum).

Further information is given below.

	2009 R 000	2008 R 000
Repayments not later than one year	78	635
Repayments later than one year but not later than five years	-	131
Total repayments	78	766
Future finance charges included in repayments	(3)	(37)
Carrying amount at 30 June 2009	75	729
Principal to be repaid by 30 June 2010	(75)	(602)
Non current portion	-	127

#### Trade payables - interest bearing

Use is made of the extended credit facilities offered by foreign suppliers. The carrying amount of interest bearing trade payables of R147 640 000 at 30 June 2009 (2008 - R225 101 000) is repayable in monthly amounts from July 2009 with final repayments due in March 2010. The interest rates range between 2,0325% per annum and 8,12% per annum (2008 - 4% per annum and 8,12% per annum), with a weighted average rate of 3,55% per annum (2008 - 6,21% per annum). The interest rates compare very favourably with those for borrowings in South Africa.

### 45.5 Credit risk

Financial assets are tabled in note 45.1

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. The Group also has customers in Africa and Australia. There is no significant exposure to any individual client or customer. Accordingly the Group has no significant concentration of credit risk.

### 45.6 Price risk

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 2009 (continued)

## 46 Segment information

### 46.1 Primary segments

The group is structured into two segments.

#### Continuing operations

ELB Engineering supplies equipment and technical solutions and administers the Group treasury.

#### Discontinued operations

ELB Timbers manufactures and supplies peeled and sliced veneers, plywood products, furniture components and specialised packaging solutions. The ELB Timbers operations were sold in the previous financial year.

Certain Group income and expenses are non segmental and are not credited or charged to the segments.

	ELB Engin- eering R 000	ELB Timbers R 000	ELB Group non seg- mental R 000	Eliminate inter company R 000	Total R 000
<b>Segment sales revenue and segment results for the year ended 30 June 2009</b>					
<b>Segment sales revenue - external</b>	1 245 817	–	–	–	<b>1 245 817</b>
Operating costs excluding depreciation and abnormal items:					
Cost of sales	(974 012)	–	–	–	<b>(974 012)</b>
Other operating costs	(190 915)	–	(5 220)	–	<b>(196 135)</b>
	(1 164 927)	–	(5 220)	–	<b>(1 170 147)</b>
<b>Operating profit / (loss) before depreciation and abnormal items</b>	80 890	–	(5 220)	–	<b>75 670</b>
Depreciation	(5 108)	–	–	–	<b>(5 108)</b>
<b>Operating profit / (loss) before abnormal item</b>	75 782	–	(5 220)	–	<b>70 562</b>
Profit on realisation of non current assets held for sale	–	–	4 232	–	<b>4 232</b>
<b>Operating profit / (loss)</b>	75 782	–	(988)	–	<b>74 794</b>
Finance income	27 185	–	4 404	(3 636)	<b>27 953</b>
Finance expenses	(13 340)	–	(13)	3 636	<b>(9 717)</b>
<b>Segment results</b>	89 627	–	3 403	–	<b>93 030</b>
Income tax expense	(28 044)	–	(1 518)	–	<b>(29 562)</b>
<b>Profit for the year</b>	61 583	–	1 885	–	<b>63 468</b>
<b>Attributable to:</b>					
Ordinary shareholders of the Company	53 641	–	1 885	–	<b>55 526</b>
Minority interest	7 942	–	–	–	<b>7 942</b>
	61 583	–	1 885	–	<b>63 468</b>
<b>Calculation of headline earnings</b>					
<b>Profit attributable to ordinary shareholders of the Company, as above</b>	53 641	–	1 885	–	<b>55 526</b>
<i>Deduct:</i> Items excluded from headline earnings as detailed below	(192)	–	4 422	–	<b>4 230</b>
<b>Headline earnings / (loss)</b>	53 833	–	(2 537)	–	<b>51 296</b>
<b>Items excluded from headline earnings</b>					
Loss on disposal of plant and equipment	(313)	–	–	–	<b>(313)</b>
Profit on realisation of non current assets held for sale	–	–	4 232	–	<b>4 232</b>
Income tax effect of excluded items	87	–	190	–	<b>277</b>
Minority interest in excluded items	34	–	–	–	<b>34</b>
	(192)	–	4 422	–	<b>4 230</b>

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

## 46 Segment information (continued)

### 46.1 Primary segments (continued)

	ELB Engin- eering R 000	ELB Timbers R 000	ELB Group non seg- mental R 000	Eliminate inter company R 000	Total R 000
<b>Segment sales revenue and segment results for the year ended 30 June 2008</b>					
<b>Segment sales revenue - external</b>	1 069 408	26 765	–	–	<b>1 096 173</b>
Operating costs excluding depreciation and abnormal items:					
Cost of sales	(826 525)	(21 034)	–	–	<b>(847 559)</b>
Other operating costs	(138 260)	(4 525)	(3 235)	–	<b>(146 020)</b>
	(964 785)	(25 559)	(3 235)	–	<b>(993 579)</b>
<b>Operating profit / (loss) before depreciation and abnormal items</b>	104 623	1 206	(3 235)	–	<b>102 594</b>
Depreciation	(4 099)	(85)	–	–	<b>(4 184)</b>
<b>Operating profit / (loss) before abnormal items</b>	100 524	1 121	(3 235)	–	<b>98 410</b>
Abnormal items as detailed below	–	1 206	–	–	<b>1 206</b>
<b>Operating profit / (loss)</b>	100 524	2 327	(3 235)	–	<b>99 616</b>
Finance income	21 878	10	4 193	(4 195)	<b>21 886</b>
Finance expenses	(11 830)	(230)	(1 169)	4 195	<b>(9 034)</b>
<b>Segment results</b>	110 572	2 107	(211)	–	<b>112 468</b>
Income tax expense	(33 046)	–	(1 663)	–	<b>(34 709)</b>
<b>Profit / (loss) for the year</b>	77 526	2 107	(1 874)	–	<b>77 759</b>
<b>Attributable to:</b>					
Ordinary shareholders of the Company	67 774	2 107	(1 874)	–	<b>68 007</b>
Minority interest	9 752	–	–	–	<b>9 752</b>
	77 526	2 107	(1 874)	–	<b>77 759</b>
<b>Calculation of headline earnings</b>					
<b>Profit / (loss) attributable to ordinary shareholders of the Company, as above</b>	67 774	2 107	(1 874)	–	<b>68 007</b>
<i>Deduct:</i> Items excluded from headline earnings as detailed below	167	1 083	–	–	<b>1 250</b>
<b>Headline earnings / (loss)</b>	67 607	1 024	(1 874)	–	<b>66 757</b>
<b>Abnormal items</b>					
Retrenchment: reversal of expense	–	200	–	–	<b>200</b>
Profit on sale of property	–	1 647	–	–	<b>1 647</b>
Loss on disposal of subsidiaries	–	(641)	–	–	<b>(641)</b>
	–	1 206	–	–	<b>1 206</b>
<b>Items excluded from headline earnings</b>					
Profit on sale of property	–	1 647	–	–	<b>1 647</b>
Profit on disposal of plant and equipment	275	77	–	–	<b>352</b>
Loss on disposal of subsidiaries	–	(641)	–	–	<b>(641)</b>
Income tax effect of excluded items	(79)	–	–	–	<b>(79)</b>
Minority interest in excluded items	(29)	–	–	–	<b>(29)</b>
	167	1 083	–	–	<b>1 250</b>

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

## 46 Segment information (continued)

### 46.1 Primary segments (continued)

#### Segment assets and liabilities

	ELB Engin- eering R 000	ELB Timbers R 000	ELB Group non- segmental R 000	Eliminate inter company R 000	Total R 000
<b>30 June 2009</b>					
Non current assets	39 617	–	20 271	–	<b>59 888</b>
Current assets					
Non current assets held for sale	–	–	598	–	<b>598</b>
Other current assets	811 073	–	5 079	–	<b>816 152</b>
<b>Total assets</b>	<b>850 690</b>	<b>–</b>	<b>25 948</b>	<b>–</b>	<b>876 638</b>
Minority interests in subsidiaries	27 759	–	–	–	<b>27 759</b>
Non current liabilities					
External	18 713	–	620	–	<b>19 333</b>
Inter company	36 458	–	–	(36 458)	–
Current liabilities	528 470	–	9 872	–	<b>538 342</b>
<b>Total liabilities</b>	<b>583 641</b>	<b>–</b>	<b>10 492</b>	<b>(36 458)</b>	<b>557 675</b>
Capital expenditure during the year	3 218	–	–	–	<b>3 218</b>
<b>30 June 2008</b>					
Non current assets	41 820	–	17 605	–	<b>59 425</b>
Current assets					
Non current assets held for sale	–	–	1 291	–	<b>1 291</b>
Other current assets	782 660	–	2 602	–	<b>785 262</b>
<b>Total assets</b>	<b>824 480</b>	<b>–</b>	<b>21 498</b>	<b>–</b>	<b>845 978</b>
Minority interests in subsidiaries	21 710	–	–	–	<b>21 710</b>
Non current liabilities					
External	17 294	–	430	–	<b>17 724</b>
Inter company	44 732	–	–	(44 732)	–
Current liabilities	514 887	–	27 801	–	<b>542 688</b>
<b>Total liabilities</b>	<b>576 913</b>	<b>–</b>	<b>28 231</b>	<b>(44 732)</b>	<b>560 412</b>
Capital expenditure during the year	19 985	(34)	–	–	<b>19 951</b>

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

## 46 Segment information (continued)

### 46.2 Geographic segments

	2009 R 000	2008 R 000
<b>Segment sales revenue – external</b>		
South Africa		
Continuing operations	1 115 488	919 732
Discontinued operations	–	26 765
International	130 329	149 676
	<u>1 245 817</u>	<u>1 096 173</u>
<b>Non current assets</b>		
South Africa		
Continuing operations	36 371	37 082
Discontinued operations	–	–
International	3 246	4 738
	<u>39 617</u>	<u>41 820</u>
<b>Current assets</b>		
South Africa		
Continuing operations	699 999	666 767
Discontinued operations	–	–
International	111 074	115 893
	<u>811 073</u>	<u>782 660</u>
<b>Segment assets</b>		
	850 690	824 480
Non current loan receivable	3 469	3 949
Deferred income tax assets	16 802	13 656
Income tax recoverable	1 597	160
Other non segment assets	4 080	3 733
	<u>876 638</u>	<u>845 978</u>
<b>Capital expenditure during the year</b>		
South Africa		
Continuing operations	2 823	18 516
Discontinued operations	–	(34)
International	395	1 469
	<u>3 218</u>	<u>19 951</u>
<b>Non current liabilities</b>		
South Africa		
Continuing operations	18 713	17 167
Discontinued operations	–	–
International	–	127
	<u>18 713</u>	<u>17 294</u>
<b>Current liabilities</b>		
South Africa		
Continuing operations	499 063	485 292
Discontinued operations	–	–
International	29 407	29 595
	<u>528 470</u>	<u>514 887</u>
<b>Segment liabilities</b>		
	547 183	532 181
Deferred income tax liabilities	620	430
Income tax payable	9 169	27 080
Other non segment liabilities	703	721
	<u>557 675</u>	<u>560 412</u>

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

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

Certain new standards and amendments and interpretations to existing standards have been published that are mandatory for financial years beginning on or after 1 October 2008, and which the Group has not early adopted. These standards will not have a material effect on the Group's financial results, balance sheet and cash flows when implemented. The standards are listed below.

### IFRIC 16 - Hedges of a net investment in a foreign operation

Effective for financial years commencing on or after 1 October 2008

This interpretation provides guidance on the accounting treatment for hedges of a net investment in a foreign operation. The interpretation will be applied prospectively. The Group currently does not hedge investments nor does the Group use hedge accounting.

### Amendments to IAS 1 - Presentation of financial statements

Effective for financial years commencing on or after 1 January 2009

The term 'total comprehensive income' is introduced by the revised IAS 1. The term covers all changes in equity during a period other than changes arising from transactions with owners in their capacity as owners. Total comprehensive income may be presented in an income statement, which arrives at profit for the period, as before, and a separate statement of comprehensive income detailing the other equity changes ('other comprehensive income') covered by the term. It is expected that the Group will adopt this presentation. The aforementioned other equity changes are currently presented in the statement of changes in equity and are listed separately therein to arrive at the 'total recognised income and expense for the year'.

Alternatively total comprehensive income may be presented in a single statement of comprehensive income, which effectively combines the income statement and all non owner equity changes in a single statement. Such a statement would have a significant effect on the presentation of the Group annual financial statements. It is not expected that the Group will adopt the alternative presentation.

### Amendments to IAS 23 - Borrowing costs

Effective for financial years commencing on or after 1 January 2009

The revised IAS 23 generally requires the capitalisation of borrowing costs which can be directly attributable to the acquisition, construction or production of a qualifying asset, as part of the cost of such asset. The revised standard does not permit the option, currently practised by the Group, of recognising all borrowing costs as an expense, which was the benchmark treatment of the previous version. The change in accounting policy will be applied prospectively to new qualifying assets acquired, constructed or produced after 30 June 2009.

### Amendments to IAS 32 - Financial instruments: presentation

Effective for financial years commencing on or after 1 January 2009

Amendments to IAS 32 require puttable financial instruments, and financial instruments that impose on the entity to deliver to another party a pro rata share of the net assets of the entity upon liquidation, to be classified as equity where certain conditions are met. The group currently carries no such instruments.

### Amendments to IFRS 2 - Share based payment

Effective for financial years commencing on or after 1 January 2009

The amendments clarify the definition of vesting conditions, introduces non vesting conditions and requires such non vesting conditions to be included in grant date fair value, and stipulates the accounting treatment for non vesting conditions and cancellations. The revised standard requires retrospective application. The financial effects of the amendments have yet to be determined by the Group, but is not expected to be material.

### Amendments to IFRS 7 - Financial instruments: disclosures

Effective for financial years commencing on or after 1 January 2009

The amendments require additional disclosures regarding fair value measurement and liquidity risk, for financial instruments.

### Amendments to IFRS 8 - Operating segments

Effective for financial years commencing on or after 1 January 2009

The revised standard introduces the 'management approach' to segment reporting. This approach requires segment reporting to be based on 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. It is not expected that the revised standard will result in material changes to the Group's existing presentation of segment results.

### IFRIC 15 - Agreements for the construction of real estate

Effective for financial years commencing on or after 1 January 2009

This standard is not relevant to the Group's operations.

### Amendments to AC 503 - Accounting for black economic empowerment transactions

Effective for financial years commencing on or after 1 January 2009

This standard has been revised to accommodate the amended definition of vesting conditions and the accounting treatment of non vesting conditions as contained in the revised IFRS 2 - Share based payments.

# Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

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

AC 504: IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction in the South African Pension Fund environment

Effective for financial years commencing on or after 1 April 2009

The interpretation provides guidance on the application of IFRIC 14 in South Africa regarding defined benefit pension obligations that are governed by the South African Pension Funds Act of 1956, within the scope of IAS 19.

Amendments to IAS 27 - Consolidated and separate financial statements

Effective for financial years commencing on or after 1 July 2009

The revised IAS 27 requires the effects of all transactions with minority interests in subsidiaries to be recorded directly in equity where there is no change in control. Such transactions will no longer give rise to goodwill or of items to be recognised in profit or loss. In addition the revised standard specifies the accounting treatment when control of an entity is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss.

The revised standard also stipulates that all losses attributable to minority interests included in 'total comprehensive income' (revised IAS 1) be allocated to minority interest in subsidiaries, even where such allocation results in a negative minority interest position. At present the Group recognises a negative minority interests in a subsidiary only where the minority has a binding obligation and the financial ability to cover the deficit. The accounting policies of the Group will be changed to accommodate the amendments.

No negative minority interest currently exists in the Group.

Amendments to IAS 39 - Financial instruments: recognition and measurement

Effective for financial years commencing on or after 1 July 2009

The amendments prohibit designating inflation as a hedgeable component of a fixed rate debt, and also prohibits including time value in the one sided hedged risk when designating options as hedges.

Amendments to IFRIC 9 - Reassessment of embedded derivatives

Effective for financial years commencing on or after 1 July 2009

The amendments clarify that where a financial asset is reclassified under the amendments to IAS 39 - Financial instruments: recognition and measurement and IFRS 7 - Financial instruments: disclosures, it must be assessed for embedded derivatives at the date of reclassification. In addition a contract that includes an embedded derivative which cannot be separately measured, is prohibited from being reclassified out of the 'at fair value through profit or loss' category.

Amendments to IFRS 3 - Business combinations

Effective for financial years commencing on or after 1 July 2009

The amended standard broadens the definition of a business. The acquisition method continues to be applied to business combinations, with some significant changes. All payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through profit or loss. Transaction costs will be expensed as incurred. Any pre existing interest in the business being acquired will be measured at fair value with a resulting gain or loss recognised through profit or loss. Any minority interest will be measured either at fair value; or at the minority interest's proportionate interest in the identifiable assets and liabilities of the business being acquired, on a transaction by transaction basis.

IFRIC 17 - Distribution of non cash assets to owners

Effective for financial years commencing on or after 1 July 2009

This interpretation provides guidelines on how an entity should account for and measure distributions of non cash assets to its owners as well as distributions that give owners a choice of receiving either cash or other assets. An entity should measure the distribution at the fair value of the net assets to be distributed. The difference between the value of the distribution so determined and the carrying amount of the net assets distributed should be accounted for in profit or loss.

IFRIC 18 - Transfers of assets from customers

Effective for financial years commencing on or after 1 July 2009

This interpretation clarifies the accounting treatment for the transfer of property, plant and equipment received from customers. The transfer from the customer should be recognised as an asset at fair value where the asset meets the definition of an asset in the International Accounting Standard Board's (IASB's) Framework for the Preparation and Presentation of Financial Statements. Revenue should be recognised separately for each performance obligation in accordance with IAS 18 - Revenue.

## 48 Special resolution

### Special resolution of indirect subsidiary

#### ELB PBA Engineering Services (Pty) Limited

Name changed from Elbcon (Pty) Limited

Change to objects clause in memorandum of association

## Subsidiaries and joint ventures

NAME	Currency	Issued ordinary capital 000's	Details of holding company's interest					
			Effective interest		Equity investment		Loans to subsidiaries	
			2009 %	2008 %	2009 R 000	2008 R 000	2009 R 000	2008 R 000
<b>Direct interest in</b>								
<b>South African subsidiaries</b>								
ELB Engineering Limited	ZAR	2	85	85	96 607	91 399	36 458	44 732
ELB Timber Holdings (Pty) Limited	ZAR	–	100	100	–	–	70 644	71 143
<b>Indirect interest in South African subsidiaries (principal subsidiaries only)</b>								
Batmon Nominees (Pty) Limited	ZAR	1	85	85				
BEP (Pty) Limited	ZAR	–	85	85				
BRI Pipelines (Pty) Limited	ZAR	–	85	85				
ELB Capital Investments (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 Investments (Pty) Limited	ZAR	–	85	85				
ELB Power Systems Limited	ZAR	4	85	85				
Equipment Industrial Supplies (Pty) Limited	ZAR	–	63	63				
<b>Indirect interest in foreign subsidiaries (only principal operating subsidiaries)</b>								
Incorporated in the Cayman Islands:								
Bel Finance Limited	USD	4	85	85				
Incorporated in Australia:								
Elbquip Holdings Pty Limited	AUD	3 000	85	85				
Metquip Pty Limited	AUD	2 650	85	85				
<b>Indirect interest in joint ventures</b>								
Incorporated in the South Africa:								
ELB PBA Engineering Services (Pty) Limited	ZAR	–	43	85				
Ports of Africa (Pty) Limited	ZAR	100	43	–				
Incorporated in Australia:								
Ditch Witch Australia Pty Limited	AUD	–	72	72				
Carrying amounts before impairment					96 607	91 399	107 102	115 875
Impairment of loan to ELB Timber Holdings (Pty) Limited					–	–	(65 855)	(66 301)
Carrying amounts after impairment					96 607	91 399	41 247	49 574

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 R6 605 100 equity contribution in respect of share options, totalling R6 606 800; and R90 000 000 in the issued preference shares, being 100% thereof. The minority 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 R36 458 000 (2008 - R44 732 000) owing by ELB Engineering Limited to the Company bears interest at market rates.

The amount of R70 644 000 (2008 - R71 143 000) 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.

The currencies listed above are:

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

Ports of Africa (Pty) Limited has an end of February financial year end. All the other subsidiaries and joint ventures have 30 June financial year ends. Financial statements are also drawn to 30 June for Ports of Africa (Pty) Limited, for inclusion in the Group annual financial statements.

## Analysis of ordinary shareholders

at 30 June 2009

	Number of shareholders	Number of shares	% of shares issued
Public shareholders	769	22 364 572	66,1
Non public shareholders	7	4 653 030	13,7
Holders of treasury shares	2	6 842 398	20,2
	778	33 860 000	100,0
Directors (direct and indirect holdings)	7	4 653 030	13,7
ELB share trusts	2	6 842 398	20,2
<b>Beneficial shareholders holding 5% or more of the issued ordinary shares of the Company</b>			
ELB Participants Share Trust		5 870 650	17,3
Blandford Estates (Pty) Limited		4 294 612	12,7
Golden Hind Partnership		3 933 571	11,6
RMB Unit Trusts		3 642 652	10,8

## Directors' interests in ordinary shares

Name	Beneficial holdings at 30 June 2009			Beneficial holdings at 30 June 2008		
	Total	Direct	Indirect	Total	Direct	Indirect
PJ Blunden	179 418	179 418	–	179 418	179 418	–
T de Bruyn	10 100	100	10 000	100	100	–
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
TJ Matsau	100	100	–	100	100	–
Dr SJ Meijers	10 000	100	9 900	10 000	100	9 900
MV Ramollo	100	100	–	100	100	–
	4 653 030	179 918	4 473 112	4 643 030	179 918	4 463 112

No director had any interests in ordinary shares through associates in the current or the previous financial year.

No change occurred in directors' interests between 30 June 2009 and 22 September 2009.

## Ordinary share statistics

for the year ended 30 June 2009

	2009	2008
Listed on the JSE in 1951		
Market price (cents per share)		
High	1550	2 210
Low	599	1 300
Year end closing	649	1 600
Total number of shares traded	4 692 761	9 950 914
Total value of shares traded (Rands)	50 527 935	174 659 750
Number of shares traded as a percentage of total shares issued	13,9	29,4

## Shareholders diary

<b>Financial year end</b>		<b>30 June</b>
<b>Annual general meeting</b>		<b>November</b>
<b>Financial reports</b>		
Interim report for the half year		March
Provisional report for the year		September
Annual report		October
<b>Dividends</b>	<b>Declared</b>	<b>Paid</b>
Ordinary dividends		
Interim	March	April
Final	September	October
6% fixed cumulative redeemable preference shares		
Six months ending 31 December	March	April
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  
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](http://www.elb.co.za)

### **Telephone**

011 306 0700

### **Fax**

011 918 7285

## **Share transfer secretaries**

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

## **Independent auditor**

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

## **Banker**

First National Bank  
(a division of FirstRand Bank Limited)  
4 First Place  
Bank City  
corner Simmonds and Pritchard Streets  
Johannesburg  
2001

## **Sponsor**

Rand Merchant Bank  
(a division of FirstRand Bank Limited)  
1 Merchant Place  
corner Fredman Drive and Rivonia Road  
Sandton  
2196

# Notice of annual general meeting

Notice is hereby given that the seventy ninth 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, 24 November 2009 at noon (12h00) to pass the following resolutions with or without amendment:

## 1. ORDINARY BUSINESS

- 1.1 To consider the annual financial statements of the Company for the year ended 30 June 2009 together with the reports of the directors and auditors contained therein.
- 1.2 To re-appoint KPMG Inc as the independent auditors of the Company and Mr Colin Esslemont as the individual designated auditor of the Company for the ensuing financial year.
- 1.3 To elect a director in place of Dr SJ Meijers who retires in accordance with the Company's Articles of Association, but, being eligible, offers himself for re-election.
- 1.4 To elect a director in place of Mr T de Bruyn who retires in accordance with the Company's Articles of Association, but, being eligible, offers himself for re-election.  
  
Biographical details of all directors of the Company are set out on page 6 of the annual report.
- 1.5 To ratify the directors' fees and bonuses as set out on page 29 of the annual report.
- 1.6 To transact any other business that may be transacted at an annual general meeting.

## 2. SPECIAL BUSINESS

No special business is scheduled for this meeting.

## Voting and proxies

Shareholders of the Company who have not dematerialised their shares in the Company (shares), 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, 19 November 2009.

Proxy forms must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration.

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.

By order of the Board

**DG Jones**

*Company Secretary*

Boksburg

**Computershare Investor Services  
(Proprietary) Limited**

70 Marshall Street  
Johannesburg 2001  
PO Box 61051  
Marshalltown 2107  
Johannesburg

22 September 2009



**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, 24 November 2009, 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 SEVENTY-NINTH 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 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 3):

	In Favour	Against	Abstain
1. Approval of annual financial statements			
2. Re-appoint KPMG Inc as auditors Re-appoint Mr C Esslemont as individual designated auditor			
3. Election of director Dr SJ Meijers			
4. Election of director Mr T de Bruyn			
5. Ratify the directors' fees and bonuses			

Signed at ..... on ..... 2009

Signature (see note 5) .....

Assisted by me where applicable (see note 8) .....

**Please read the notes on the reverse side hereof.**

## Notes to the form of proxy

1. 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.
2. 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.
3. 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.
4. 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, 19 November 2009
5. 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.
6. 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 recorded by the Company or waived by the chairman of the meeting.
7. Any alteration or correction made to this form of proxy must be initialed by the signatory/ies.
8. 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 Company.
9. The chairman of the meeting may accept any form of proxy which is completed, other than in accordance with these notes, if the chairman is satisfied as to the manner in which the shareholder wishes to vote.



**E L B   G R O U P   L I M I T E D**

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Tel +27 11 306 0700  
Fax +27 11 918 7285  
Website: [www.elb.co.za](http://www.elb.co.za)