



# ELB GROUP LIMITED

('ELB', 'the Company' or 'the Group')

## REVIEWED GROUP PROVISIONAL REPORT and final cash dividend declarations

for the year ended 30 June 2011

### COMMENTS

#### INTRODUCTION

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

#### FINANCIAL RESULTS

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

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

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

There is no consistent correlation between turnover and profit in accounting periods.

Attracting and retaining key executives remains a high priority for the ELB Group. To that end some 2,9 million new options were offered to key executives in terms of a new, recently approved, share option scheme. An abnormal cost is reported for the year of R8,2 million (2010 – R3,2 million) in respect of options granted. Although this charge had a 33,1

cents per share (2010 – 12,2 cents per share) effect on headline earnings it had no effect on NAV.

#### OPERATIONS

##### *Africa*

During the year the mining sector saw an improvement in activity levels. This had a positive impact on sales for the year as well as enhancing the prospects for a number of new, large and significant projects in Africa.

The group has recently launched the M-Range range of modular process equipment which includes process, crushing, screening and conveying equipment for the mining, quarrying, recycling and industrial sectors. This gives ELB access to significant markets previously not comprehensively serviced by ELB. The Group will continue to add suitable technology partners to its portfolio, on an ongoing basis.

During the year ELB completed a new service centre in Boksburg effectively doubling its capacity in Boksburg to service the growing base for ELB equipment in the market. A major new service centre is presently being developed in Middelburg, to which the Middelburg branch plans to relocate in the first half of 2012.

This will complete the current upgrade programme of the service centres which are located in all the major centres in which we operate namely Boksburg, Durban, Cape Town, Kathu, George, Kimberley, Wolmaranstad, Brits and Middelburg.

## **Australasia**

The Ditch Witch business recently acquired the right to distribute the Komptech range of equipment which focuses on treating green waste material. Komptech has started to contribute positively to Ditch Witch's bottom line.

With the increase in the size of the business it has become necessary for Ditch Witch to develop a new head office / service centre on the outskirts of Sydney which is due for occupation in the first half of 2012. This will enable Ditch Witch to better service the growing demand for its Ditch Witch and Komptech range of products.

Ditch Witch has also recently acquired the right to distribute the Ditch Witch and Komptech range of products in New Zealand and has commenced trading.

Ditch Witch is now well positioned to participate in the roll out in both Australia and New Zealand of a major programme to run fibre optic cable throughout both countries.

## **CASH FLOW**

Cash flow for the year was strongly positive and cash flow management remains a high priority for the Group.

ELB works closely with bankers, suppliers and customers to ensure we continue to retain a strong balance sheet at all times.

## **PROSPECTS**

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

## **SOCIAL RESPONSIBILITY**

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

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

## **BOARD OF DIRECTORS**

Mr Ian Thomson joined the ELB board as an independent director on 28 September 2010, and has been appointed chairman of the audit committee.

Mr Graham Jones joined the board on 17 May 2011 as group financial director. Up to this time the function of financial director was performed by the chairman of the board, Mr Anthony Fletcher, in addition to his duties as chairman.

## **DIVIDENDS**

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

It has been decided to declare a final dividend of 40 cents (2010 - 30 cents) per ordinary share.

The total dividend for the year is therefore 55 cents per share versus 42 cents per share for the 2010 financial year, representing an increase of 31 percent.

## **ACCOUNTING POLICIES**

The reviewed provisional financial statements have been prepared in accordance with International Accounting Standard (IAS) 34: Interim Financial Reporting. Accounting policies accord with International Financial Reporting Standards (IFRS) and are consistent with those applied in the financial year ended 30 June 2010. There were no new or revised standards, effective for the first time in the reporting period, which had an effect on the accounting policies or reporting of the Group.

The provisional financial statements also comply with the South African Companies Act.

## **REVIEW BY THE INDEPENDENT AUDITOR**

KPMG Inc, the Company's independent auditor, has reviewed the provisional financial statements contained in this provisional report and has expressed an unmodified conclusion on the provisional financial statements. The review report is available for inspection at the Company's registered office.

*On behalf of the Board*

Boksburg

20 September 2011

# GROUP BALANCE SHEET

	Reviewed 30 Jun 11 R 000	Audited 30 Jun 10 R 000
<b>ASSETS</b>		
<b>Non current assets</b>	<b>126 631</b>	<b>80 033</b>
Property, plant and equipment	100 695	62 158
Non current loan receivable	4 922	3 951
Deferred income tax assets	21 014	13 924
<b>Current assets</b>	<b>1 144 780</b>	<b>875 153</b>
Inventories and construction contract work not yet billed	399 702	312 028
Receivables and other current assets	147 508	202 075
Income tax refundable	5 158	8 905
Cash and cash equivalents	592 412	352 145
<b>Total assets</b>	<b>1 271 411</b>	<b>955 186</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to ordinary shareholders of ELB</b>	<b>388 394</b>	<b>318 334</b>
Issued capital	25 192	25 192
Treasury shares	(56 129)	(55 123)
Reserves	18 501	13 580
Retained earnings	400 830	334 685
<b>Preference shares</b>	<b>8</b>	<b>8</b>
<b>Total equity attributable to equity holders of ELB</b>	<b>388 402</b>	<b>318 342</b>
<b>Non controlling interests in subsidiaries</b>	<b>48 726</b>	<b>35 738</b>
<b>Total equity</b>	<b>437 128</b>	<b>354 080</b>
<b>Non current liabilities</b>	<b>27 188</b>	<b>21 582</b>
Interest bearing borrowings	20 588	10 543
Provision for trade back commitments	5 144	10 097
Deferred income tax liabilities	1 456	942
<b>Current liabilities</b>	<b>807 095</b>	<b>579 524</b>
Non interest bearing payables and other current liabilities	640 984	479 911
Interest bearing payables	162 603	99 075
Income tax payable	3 508	538
<b>Total equity and liabilities</b>	<b>1 271 411</b>	<b>955 186</b>
Ordinary shares in issue (000's)	33 860	33 860
<i>Deduct:</i> Treasury shares in issue (000's)	8 801	9 114
Ordinary shares in issue on which net asset value per ordinary share is calculated	25 059	24 746
Net asset value per ordinary share (cents)	1 550	1 286

# GROUP INCOME STATEMENT

	Reviewed Year ended 30 Jun 11 R 000	Audited Year ended 30 Jun 10 R 000
<b>Sales</b>	<b>1 308 804</b>	1 241 323
Operating costs excluding depreciation and fair value adjustments to property, plant and equipment	<b>(1 195 789)</b>	(1 154 235)
<b>Operating profit before depreciation and fair value adjustments to property, plant and equipment</b>	<b>113 015</b>	87 088
Depreciation and fair value adjustments to property, plant and equipment	<b>(6 402)</b>	(4 837)
<b>Profit from operations before abnormal item</b>	<b>106 613</b>	82 251
Abnormal item Equity settled share options expense	<b>(8 212)</b>	(3 178)
<b>Profit from operations</b>	<b>98 401</b>	79 073
Profit on realisation of non current assets held for sale	–	3 609
Finance income	<b>25 267</b>	11 894
Finance expenses	<b>(6 272)</b>	(5 162)
<b>Profit before income tax</b>	<b>117 396</b>	89 414
Income tax expense	<b>(39 317)</b>	(26 974)
<b>Profit for the year</b>	<b>78 079</b>	62 440
<b>Profit for the year attributable to:</b>		
Ordinary shareholders of ELB	<b>67 202</b>	54 789
Non controlling interests in subsidiaries	<b>10 877</b>	7 651
	<b>78 079</b>	62 440

# CALCULATION OF GROUP HEADLINE EARNINGS

	<b>Reviewed Year ended 30 Jun 11 R 000</b>	Audited Year ended 30 Jun 10 R 000
<b>Profit attributable to ordinary shareholders of ELB from the income statement</b>	<b>67 202</b>	54 789
<i>Deduct:</i> Items excluded from headline earnings as detailed below:	<b>(148)</b>	3 747
Plant and equipment:		
Items included in profit from operations:		
Profit on disposal	<b>269</b>	225
Fair value adjustment	<b>(504)</b>	–
Profit on realisation of non current assets held for sale	–	3 609
Income tax effect of items excluded from headline earnings	<b>61</b>	(63)
Non controlling interest in items excluded from headline earnings	<b>26</b>	(24)
<b>Headline earnings</b>	<b>67 350</b>	51 042
Weighted average number of ordinary shares (excluding treasury shares) on which basic earnings per ordinary share are based (000's)	<b>24 845</b>	26 101
Earnings per ordinary share (cents)		
- basic	<b>270,5</b>	209,9
- diluted	<b>267,3</b>	209,9
Headline earnings per ordinary share (cents)		
- basic	<b>271,1</b>	195,6
- diluted	<b>267,9</b>	195,6
Dividends declared for the year per ordinary share (cents)	<b>55</b>	42

## GROUP STATEMENT OF COMPREHENSIVE INCOME

	Reviewed Year ended 30 Jun 11 R 000	Audited Year ended 30 Jun 10 R 000
<b>Profit for the year from the income statement</b>	<b>78 079</b>	<b>62 440</b>
<b>Other comprehensive income</b>	<b>9 497</b>	<b>2 330</b>
Foreign currency translation adjustments for foreign operations		
Adjustments	<b>9 497</b>	<b>2 330</b>
Income tax effect	-	-
<b>Total comprehensive income for the year</b>	<b>87 576</b>	<b>64 770</b>
<b>Total comprehensive income for the year attributable to:</b>		
Ordinary shareholders of ELB	<b>75 274</b>	<b>56 769</b>
Non controlling interests in subsidiaries	<b>12 302</b>	<b>8 001</b>
	<b>87 576</b>	<b>64 770</b>

## GROUP CASH FLOW STATEMENT

	Reviewed Year ended 30 Jun 11 R 000	Audited Year ended 30 Jun 10 R 000
<b>Cash inflow from operating activities before dividends paid</b>	<b>288 471</b>	<b>113 483</b>
Dividends paid	<b>(11 734)</b>	<b>(8 869)</b>
<b>Cash inflow from operating activities</b>	<b>276 737</b>	<b>104 614</b>
<b>Cash outflow from investment activities</b>	<b>(43 670)</b>	<b>(27 061)</b>
<b>Cash inflow / (outflow) from financing activities</b>	<b>7 817</b>	<b>(21 549)</b>
<b>Cash inflow for the year</b>	<b>240 884</b>	<b>56 004</b>
Foreign currency exchange and translation adjustments to cash and cash equivalents	<b>(617)</b>	<b>5 852</b>
<b>Increase in cash and cash equivalents</b>	<b>240 267</b>	<b>61 856</b>
Cash and cash equivalents at the beginning of the year	<b>352 145</b>	<b>290 289</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>592 412</b>	<b>352 145</b>
<b>Reconciliation to the balance sheet</b>		
Current assets - cash and cash equivalents	<b>592 412</b>	<b>352 145</b>

# NOTES

## **Capital commitments**

At 30 June 2011 there were capital commitments of R9 848 000 (30 June 2010 - R10 724 000). The commitments comprise R9 248 000 additions and improvements to existing property, and equipment of R600 000. The commitments for the additions and improvements to existing property will be funded from a combination of planned and existing mortgage bond facilities available to the group as well from the group's cash and cash equivalents. The equipment will be financed from the group's cash and cash equivalents.

## **Contingent liabilities**

A group entity has issued a guarantee of R830 000 in favour of a raw material supplier to a company which was previously part of the group and has now been sold. The guarantee is cancellable by three calendar months notice. A financial guarantee liability with a carrying amount of R144 000 at 30 June 2011 is carried in respect of the guarantee.

ELB Engineering Services operates in the engineering contracting business and is exposed to the risks associated with engineering contracts. These risks are managed on the basis of limited liability.

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

**Attributable to**

	Issued capital R000	Treasury shares R000
<b>Balance at 30 June 2009</b>	25 192	(31 161)
Total comprehensive income for the year		
Profit for the year		
Other comprehensive income		
Foreign currency translation adjustments for foreign entities		
Adjustments		
Income tax effect		
Ordinary dividends paid		
Increase in share options reserve		
Redundant items in the foreign currency translation reserve transferred to retained earnings		
Increase in the carrying amount of treasury shares held by group entities		(23 962)
<b>Balance at 30 June 2010</b>	25 192	(55 123)
Total comprehensive income for the year		
Profit for the year		
Other comprehensive income		
Foreign currency translation adjustments for foreign entities		
Adjustments		
Income tax effect		
Ordinary dividends paid		
Increase in share options reserve		
Transfer from share options reserve to retained earnings, for share options exercised and fully paid, and for share options expired through attrition		
Redundant items in the foreign currency translation reserve transferred to retained earnings		
Increase in the carrying amount of treasury shares held by group entities		(1 006)
<b>Balance at 30 June 2011</b>	25 192	(56 129)

# CHANGES IN EQUITY

## ordinary shareholders of ELB

Reserves R000	Retained earnings R000	Total R000	Preference shares R000	Non controlling interests in subsidiaries R000	Reviewed Total equity R000
902	296 263	<b>291 196</b>	8	27 759	<b>318 963</b>
1 980	54 789	<b>56 769</b>		8 001	<b>64 770</b>
	54 789	<b>54 789</b>		7 651	<b>62 440</b>
1 980		<b>1 980</b>		350	<b>2 330</b>
-		<b>-</b>		-	<b>-</b>
	(8 371)	<b>(8 371)</b>		(498)	<b>(8 869)</b>
2 702		<b>2 702</b>		476	<b>3 178</b>
7 996	(7 996)	<b>-</b>		-	<b>-</b>
		<b>(23 962)</b>			<b>(23 962)</b>
13 580	334 685	<b>318 334</b>	8	35 738	<b>354 080</b>
8 072	67 202	<b>75 274</b>		12 302	<b>87 576</b>
	67 202	<b>67 202</b>		10 877	<b>78 079</b>
8 072		<b>8 072</b>		1 425	<b>9 497</b>
-		<b>-</b>		-	<b>-</b>
	(11 188)	<b>(11 188)</b>		(546)	<b>(11 734)</b>
6 980		<b>6 980</b>		1 232	<b>8 212</b>
(1 048)	1 048	<b>-</b>		-	<b>-</b>
(9 083)	9 083	<b>-</b>		-	<b>-</b>
		<b>(1 006)</b>			<b>(1 006)</b>
18 501	400 830	<b>388 394</b>	8	48 726	<b>437 128</b>

## SEGMENT ANALYSIS

	Total R000	African operations R000	Australasian operations R000	Eliminate inter company R000
<b>Reviewed</b>				
<b>Year ended 30 June 2011</b>				
<b>Sales</b>	1 308 804	1 126 266	182 538	–
<b>Profit for the year</b>	78 079	62 520	15 559	–
<b>Headline earnings</b>	67 350	54 269	13 081	–
<b>Assets</b>	1 271 411	1 082 086	189 325	–
<b>Liabilities</b>	834 283	765 350	68 933	–
<b>Audited</b>				
<b>Year ended 30 June 2010</b>				
<b>Sales</b>	1 241 323	1 131 657	109 666	–
<b>Profit for the year</b>	62 440	57 667	4 773	–
<b>Headline earnings</b>	51 042	46 985	4 057	–
<b>Assets</b>	955 186	830 115	145 207	(20 136)
<b>Liabilities</b>	601 106	591 507	29 735	(20 136)

## FINAL CASH DIVIDEND DECLARATIONS

The directors have declared the following final cash dividends for the year ended 30 June 2011.

### **PREFERENCE DIVIDEND NUMBER 121**

A final cash dividend has been declared at the rate of 6% per annum for the second six month period on the 6% fixed cumulative redeemable preference shares of R2 each, equivalent to 6 cents per preference share.

### **ORDINARY DIVIDEND NUMBER 127**

A final cash dividend of 40 cents per share has been declared on the ordinary shares.

The salient dates in respect of both dividends are:

Last day to trade cum dividend	Friday, 21 October 2011
Shares commence trading ex dividend	Monday, 24 October 2011
Record date	Friday, 28 October 2011
Date of payment	Monday, 31 October 2011

Share certificates may not be dematerialised or rematerialised between Monday, 24 October 2011, and Friday, 28 October 2011, both dates inclusive.

*By order of the Board*

**DG Jones**

*Company secretary*

Boksburg

20 September 2011

# ENGINEERED TO DELIVER



Rock Drills; Hammers;  
Excavator Attachments



V.S.I. Crushers

**SUMITOMO**  
CONSTRUCTION EQUIPMENT

Tracked Excavators



**Ditch Witch**  
The Underground Authority.  
WORLDWIDE



Mobile/Static  
Crushers and Screens



**MITSUBISHI**  
Motor Graders

**SAKAI**  
Compaction Equipment

**MST**  
Backhoe Loaders

**Kawasaki**  
Wheel Loaders



Optical Belt Scales

**TAURUS**  
Rotary Barrel Screens



**CP**  
CLAUDIUS PETERS  
TECHNOLOGIES



**FAM**

**THOR**  
GLOBAL

**SERAM GROUP**



**cyclonaire**  
PNEUMATIC CONVEYING SYSTEMS

**HAMMERHEAD**  
TRENCHLESS EQUIPMENT

**Tasman**  
WARAJAY

**SAKAI**

**nine dot**  
Solutions



**McGirr Engineering**  
Block Making Machinery



**TEREX**



**TEREX**  
Minerals Processing Systems



# ELB GROUP LIMITED

Incorporated in the Republic of South Africa

Registration number: 1930/002553/06

Share codes: ELR & ELRP

ISIN: ZAE000035101 & ZAE000035333

## Registered office

ELB Equipment Limited, 14 Atlas Road, Anderbolt, Boksburg, 1459

## Postal address

PO Box 565, Boksburg, 1460

## Telephone

(011) 306 0700

## Website:

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

## Share transfer secretaries

Computershare Investor Services (Pty) Ltd  
70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107)

## Sponsor

Rand Merchant Bank (*a division of FirstRand Bank Limited*)  
1 Merchant Place, Cnr Fredman Drive & Rivonia Road, Sandton, 2196

## Directors

AG Fletcher (*chairman*), PJ Blunden (*chief executive - ELB Equipment*),  
T de Bruyn,\* Dr JP Herselman,\* DG Jones (financial director),  
Dr SJ Meijers (*chief executive - ELB Engineering Services*), MV Ramollo,  
IAR Thomson\*

*\*Non executive*

## Company secretary

DG Jones