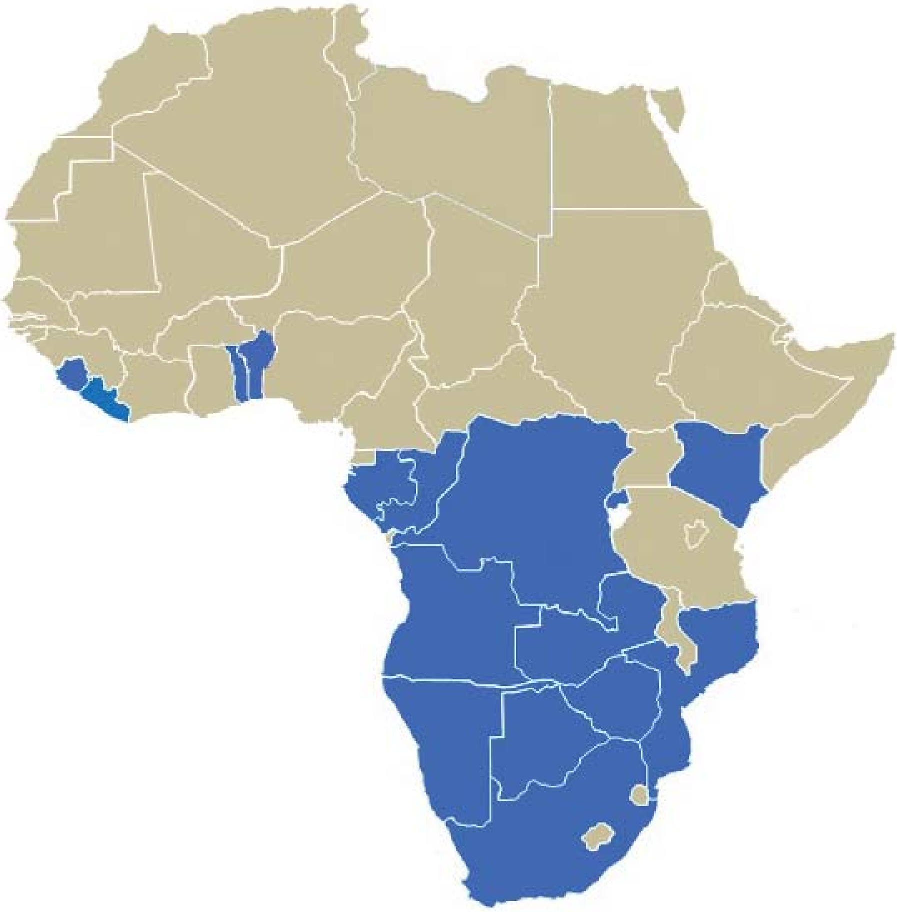
ELB GROUP

INTEGRATED ANNUAL REPORT 2014

African experience



Integrated annual report

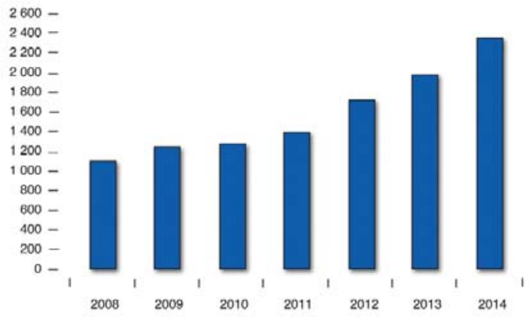
Contents

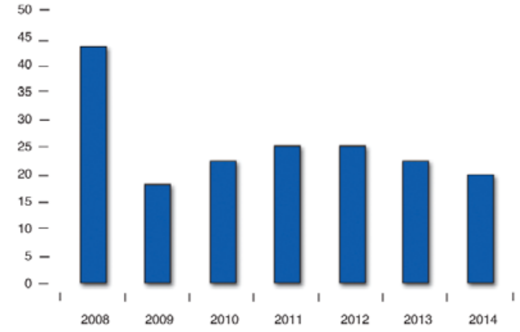
Financial highlights and performance

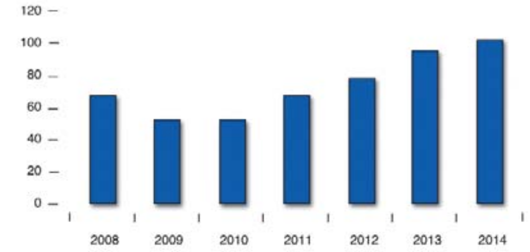
HIGHLIGHTS

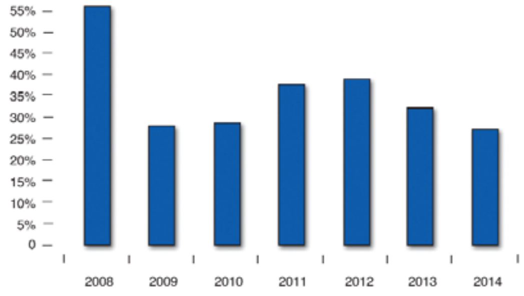
- Sales up 18% to R2 349 million
- Profit after tax up 11% to R131 million
- Headline earnings per share up 2% to 382 cents
- Net asset value up 16% to 2 728 cents per share
- Internal rate of return to shareholders of 20%
- Total comprehensive income before tax return on total equity of 27%
- Final cash dividend declared of 67 cents, an increase of 12%

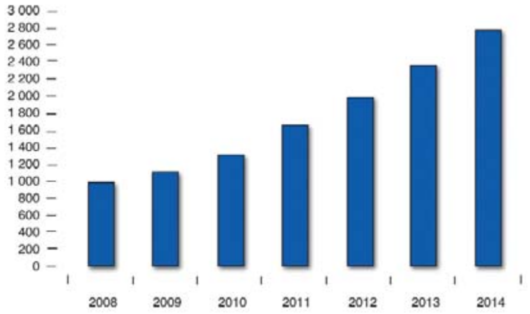
FINANCIAL PERFORMANCE

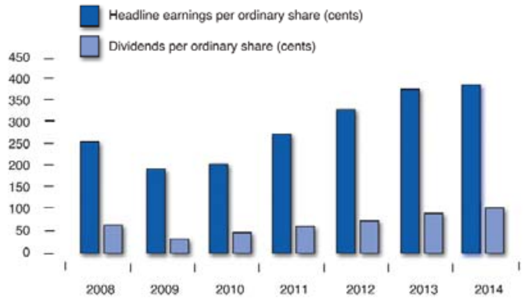

Sales (R millions)


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


Headline earnings (R millions)


Total comprehensive income before tax return on total equity (% per annum)


Net asset value per ordinary share (cents)


Headline earnings and dividends per ordinary share (cents)

Seven year financial review

FINANCIAL INFORMATION

	2014 R '000	2013 R '000	2012 R '000	2011 R '000	2010 R '000	2009 R '000	2008 R '000
Statement of profit or loss							
Sales	**2 349 282**	1 984 597	1 725 479	1 369 366	1 263 311	1 245 817	1 096 173
Operating costs excluding depreciation, amortisation, and revaluation adjustments to non financial assets and abnormal items	**(2 165 799)**	(1 813 048)	(1 579 727)	(1 252 530)	(1 174 875)	(1 170 147)	(993 579)
Operating profit before depreciation, amortisation, and revaluation adjustments to non financial assets and abnormal items	**183 483**	171 549	145 752	116 836	88 436	75 670	102 594
Depreciation, amortisation and revaluation adjustments to non financial assets	**(20 590)**	(14 212)	(10 754)	(6 669)	(5 039)	(5 108)	(4 184)
Operating profit before abnormal items	**162 893**	157 337	134 998	110 167	83 397	70 562	98 410
Abnormal items (refer also to note 4 below)	**–**	–	–	(8 212)	431	4 232	1 206
Operating profit	**162 893**	157 337	134 998	101 955	83 828	74 794	99 616
Finance income	**26 088**	17 303	25 973	25 579	11 920	27 953	21 886
Finance expenses	**(10 380)**	(11 275)	(11 899)	(6 334)	(5 168)	(9 717)	(9 034)
Profit before income tax	**178 601**	163 365	149 072	121 200	90 580	93 030	112 468
Income tax expense	**(47 816)**	(45 412)	(44 102)	(39 330)	(26 974)	(29 562)	(34 709)
Profit for the year	**130 785**	117 953	104 970	81 870	63 606	63 468	77 759
Attributable to:							
Ordinary shareholders of ELB	**102 379**	95 255	81 579	67 202	54 789	55 526	68 007
Non controlling interests in consolidated entities	**28 406**	22 698	23 391	14 668	8 817	7 942	9 752
	130 785	117 953	104 970	81 870	63 606	63 468	77 759
Headline earnings	**102 111**	95 022	80 842	67 350	51 042	51 296	66 757
Ordinary dividends paid (note 6 below)	**23 373**	19 528	14 575	11 188	8 371	13 514	10 969

OTHER STATISTICS

	2014	2013	2012	2011	2010	2009	2008
Ordinary shares in issue at the year end (excluding treasury shares)	**25 570 320**	25 629 469	25 315 969	25 058 969	24 746 269	27 017 602	27 456 862
Net asset value per ordinary share (cents)	**2 728**	2 345	1 989	1 652	1 286	1 078	961
Headline earnings per ordinary share (cents)	**382.1**	374.2	321.4	271.1	195.6	189.1	243.2
Interim and final dividends for the year per ordinary share (cents)	**95**	85	70	55	42	30	60
Ordinary dividend cover (times) (based on headline earnings)	**4.0**	4.4	4.5	4.9	4.7	6.3	4.1
Internal rate of return to ordinary shareholders - dividends paid plus increase in net asset value per share (% per annum)	**20.4**	22.3	24.3	32.5	22.6	17.9	43.2
Total comprehensive income before tax return on total equity (% per annum)	**26.5**	31.6	38.5	37.3	28.7	27.3	55.4

Notes

1 The financial information in this review includes both continuing and discontinued operations.

2 The B&W Instrumentation and Electrical Limited (B&W) Group was acquired on 22 April 2014.

3 During the seven year period the following entities were sold:
ELB Timber Products (Pty) Ltd (ELB Timber Products) with effect from 31 May 2008 (2008 financial year)
ELB Ultrabord (Pty) Ltd (ELB Ultrabord) with effect from 29 February 2008 (2008 financial year)
The results of those operations are included to their dates of disposal. Profits and losses on disposal are included in abnormal items.

4 In 2010 the abnormal items in the review above includes profit on realisation of non current assets held for sale, R 3 609 000, which was reported separately in the income statement.

5 The statement of profit or loss has been restated for the 2012 financial year following the change in accounting policy in respect of International Financial Reporting Standard: IAS19. The 2008 to 2011 financial years have not been restated for the adoption.

6 The amounts for ordinary dividends paid are the ordinary dividends declared and paid during the year.

Review of operations

SCOPE AND BOUNDARY

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

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

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

BOARD STATEMENT REGARDING THE ELB GROUP INTEGRATED ANNUAL REPORT

The board of directors (the board) of ELB Group Limited acknowledges its responsibility to ensure the integrity of the integrated annual report. The board has accordingly applied its mind to the integrated annual report and to the best of its knowledge and belief the integrated annual report addresses all material issues, including sustainability, and presents fairly the integrated performance of the organisation. The integrated annual report has been prepared in line with best practice pursuant to the recommendations of King lll. The board authorised the integrated annual report for release on 21 October 2014.

SJ Meijers	**MC Easter**
Group Chief Executive officer	*Group Financial Director*

PERFORMANCE

Financial

Readers' attention is drawn to the financial information contained on pages 2 to 3 and forming part of this integrated annual report.

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

Sales increased by 18% in the year from R 1 985 million in 2013 to R 2 349 million in 2014 despite the current difficult trading conditions.

The net asset value (NAV) per share attributable to ordinary shareholders increased by 16% from 2 345 cents in 2013 to 2 728 cents in 2014.

ELB's share of comprehensive income decreased by 3% from R 111 million in 2013 to R 108 million in 2013, largely due to a R 13 million remeasurement to the Pension Fund Employer Surplus Account.

Headline earnings per share for the year increased by 2% from 374 cents per share in 2013 to 382 cents per share in 2014.

Due to the project nature of the business there is no consistent correlation between turnover and profit in accounting periods, as profit recognition largely increases during the latter stages of projects.

The balance sheet remains strongly liquid ensuring the going concern status of the group. Net cash and cash equivalents declined marginally to R 423 million during the year as cash was used in increasing working capital, in continued capital expenditure, as a result of fluctuations in up-front customer payments and the inclusion of B&W. The net cash and cash equivalent balances remained healthy at the year-end after absorbing the utilisation. Cash flow management remains a high priority for the group. ELB works closely with bankers, suppliers and customers to ensure it continues to retain a strong balance sheet at all times.

Dividends

ELB will retain its current conservative approach to dividend distribution for the foreseeable future.

The board has decided to declare a final dividend of 67 cents (2013: 60 cents) per ordinary share.

The total dividend for the year is therefore 95 cents per share versus 85 cents per share for the 2013 financial year, representing an increase of 12%.

FUTURE PERFORMANCE

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

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

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

ELB GROUP STRATEGY AND ACTIVITIES

ELB Group's strategic focus is on being a holistic engineering solutions provider to the mining, minerals, power, port, construction and industrial sectors in the field of materials handling and gravity separation 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 predominantly in Africa and Australasia.

ELB is an investment holding company owning 85% of ELB Engineering (Pty) Ltd (ELB Engineering Group) with the remaining 15% owned by The ELB Educational Trust for Black South Africans (ELB Educational Trust) established as the group's B-BBEE partner promoting the education of black South Africans, specifically in engineering disciplines.

Over the past year ELB has invested in a number of initiatives aimed at sustainable growth, the results of which will continue to be realised over the next few years. These initiatives include the expansion of its geographic footprint in Africa and increasing its product and technology range.

ELB also acquired B&W during the year, with effect from 22 April 2014. B&W is one of South Africa's leading electrical and instrumentation (E&I) construction groups and has a well-established track record of successful delivery in the E&I industry since its inception in 1973. It has a wide footprint throughout South Africa and across sub-Saharan Africa, with its head office based in Alberton, Gauteng. ELB continues to seek to increase its complete product offering to the market and its clients and hence the acquisition of B&W is strongly aligned to the strategic direction of ELB.

Servicing similar industries, the acquisition will create improved efficiencies and long term sustainability for the combined group of companies. In addition, synergies exist that can and will be leveraged. B&W joins ELB with a sound order book and will take advantage of additional project opportunities derived from ELB and the market going forward. B&W is expected to make a positive contribution to the ELB group results in the next year.

The Group has differentiated itself from its competitors by being in the position to offer a total engineered solution from pit, up to ship loading, utilising its engineering and project management capability augmented with its in house mechanical, structural, electrical and instrumentation erection capability. This is an unique offering whereby discipline interface management is optimised and execution efficiencies are passed onto the client.

ELB has signed a memorandum of understanding to form a 50:50 joint venture for ELB to distribute, initially in South Africa, the Belaz range of haulage trucks primarily to the mining sector. Belaz currently supplies approximately 40% of the haulage trucks to the global market. This will significantly enhance the growth prospects of ELB's Equipment division. At the date of this report the formal arrangements related to this joint venture had not been finalised.

ELB is at present expanding its gravity separation business by aligning itself with one of Australia's leading technology companies. This expansion will unlock the ability to acquire projects both in South Africa and Africa.

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
- Mustang Telescopic Handlers
- Terex Construction Equipment

Earthmoving Equipment

- Kawasaki Wheel Loaders
- Sumitomo Tracked Excavators
- Dressta Bulldozers

Mining/Quarrying Equipment

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

** *Designed and manufactured by ELB Equipment*

In order to service its customer base effectively, ELB Equipment based in Boksburg has branches in Cape Town, Durban, Kimberley, Kathu, Brits, George, Middelburg and Wolmaransstad as well as a well-established dealer network throughout South Africa and other Southern African states. The Kenyan office was established during the current year in order to more effectively service the East African market. 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 AUSTRALASIA 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
- Belle Concrete and Mortar and Compaction Equipment
- Akkerman Inc. Microtunnelling, Pipe Jacking Tunnelling products
- Komptech GMBH commercial composting and alternative fuel processing machinery, mobile diesel and electric powered equipment to shred, sort, sift and windrow turn organic material for the production of compost and biomass alternative organic based fuel from green waste, forestry residue and organic industrial waste products.

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

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

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

ELB Equipment Pty Limited (Australia) owns 7000 square metres of industrial land housing the head office and main warehouse and workshop for Ditch Witch Australia. This facility is the main import and distribution hub for Ditch Witch Australia operations.

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

Bulk Materials Handling

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

THOR, based in Canada, work exclusively with ELB in sub equatorial Africa to provide the world class mobile telescopic radial luffing stacker. The capabilities of this equipment are unique in the Southern African region with regards to flexibility and capability.

Review of operations

(continued)

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

ELB is at present designing and supplying the world's longest single flight overland conveyor incorporation the technology from their partner Conveyor Dynamics Incorporated (CDI).

Industrial Projects

The Industrial projects business line has been recently formed to incorporate fine powder handling, FMCG and Mining industrial projects and Power solutions.

ELB Engineering Services' capability for the supply of all types of pneumatic conveying solutions is supported by the world class technology partners from Cyclonaire and KHD. All pneumatic conveying type methods can be offered to the market including storage silos and de-dusting solutions.

Modular Plants

ELB-PBA Modular is a joint venture between ELB Engineering Services and PBA Projects (Pty) Ltd from Cape Town, to provide the modular gravity separation plant into the total solution for this business.

Life Extension Services

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

Ports of Africa

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

ELBCON

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

MC Process Global

The company designs and supplies a range of equipment that is used in mineral benefication and water treatment plants.

Conductor Systems

The company is a supplier of insulated conductor systems and motorised cable reeling drums, and from July 2014 is part of the B&W Group.

ELB Conveyor Maintenance

ELB has established the business to service the growing demand for power and industrial site maintenance.

ARDBEL

ARDBEL is a 50:50 joint venture with DRA Group Holdings (Pty) Ltd. The joint venture will enable ARDBEL to execute very large materials handling projects.

B&W

B&W is one of South Africa's leading electrical and instrumentation (E&I) construction groups and has a well-established track record of successful delivery in the E&I industry since its inception in 1973. It has a wide footprint throughout South Africa and across sub-Saharan Africa. Services include plant erection, equipment procurement, material supply, testing, commissioning and maintenance and through its subsidiary Pontins, provides earthing, lightning and surge protection services and products. The group is active in the infrastructure, mining, chemical, oil & gas, industrial and utilities industries.

AFTER SALES SERVICE

The Group has invested in custom designed facilities so as to maintain and improve service levels in Africa. These include a service centre in Atlas Road, Boksburg and in Durban. The Middelburg service facility will serve the growing demand for our products and services in that region.

PRODUCT DEVELOPMENT

ELB continues to market the "M" Range of modular plant, comprising of a full range of modular/movable crushing, screening, conveying, stacking, beneficiation plants and control rooms.

RISKS AND OPPORTUNITIES

Risks

The principal risks facing group activities revolve around:

- Cancellation of any of the group's product distribution agreements.
- Termination of any of the group's agreements with know how partners.
- Loss to the group of any of the key senior executives and availability of technical personnel.
- Our client base being negatively affected for whatever reason and therefore no longer demanding our products and services.
- Our products or know how becoming obsolete.
- Health and safety.
- Incompetence or negligence on ELB's behalf.
- Failure of our clients to meet their financial obligations to ELB.
- Foreign exchange rate volatility.

The table on page 11 highlights how these principal risks faced by the group are mitigated.

Opportunities

The principal opportunities revolve around:

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

STRATEGIC OBJECTIVES

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

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

Review of operations

(continued)

BOARD OF DIRECTORS

Executive

Anthony Garth Fletcher (62) ↨

BCom, CA(SA)
Chairman of the board
Appointed chairman of the board May 2006
Appointed to the board in 1996
Also served as chairman from 1998 – 2003

Dr Stephen John Meijers (53)

PhD (Mech Eng), BSc (Mech Eng), MAP (Wits)
SEP (Wits/Harvard)
Chief executive officer – ELB Group
Chief executive officer – ELB Engineering Services
Appointed to the board in 2006
Joined the group in 1990

Peter John Blunden (59)

BCom
Chief executive officer – ELB Equipment
Appointed to the board in 2002
Joined the group in 1978

Michael Craig Easter (48)

CA(SA), CA, MBA, BCompt (Hons), BCom
Appointed group financial director 1 July 2013
Joined the group in 2013

Mollo Victor Ramollo (59) ø

BSc (Elec Eng)
Appointed to the board in 2003
Joined the group in 2005

Cornelius Johannes Smith (58) ^

BCompt (Hons), CA(SA)
Appointed as an alternate in May 2012
Joined the group in 1988

Non Executive

Theunis de Bruyn (46) ¥ ↨#≠

BCom, CA(SA)
Appointed to the board in 2005

Dr John Paul Herselman (71) ¥↨#≠

Dr Ing, Dipl Ing, BSc (Chem Eng)
Appointed to the board in 1986

Ian Alan Richard Thomson (71) ¥ø≠

BCom, CA(SA)
Appointed to the board in 2010

¥ Member of the audit and risk committee
↨ Member of the remuneration committee
\# Member of the nominations committee
ø Member of the social and ethics committee
≠ Independent
^ Alternate

GOVERNANCE STRUCTURE

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

BOARD OF DIRECTORS

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

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

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

The board has established a number of committees which operate within the defined terms of reference laid down by the board. All committees have met their responsibilities during the year in compliance with their terms of reference.

Review of operations

(continued)

BOARD MEETING ATTENDANCE

Name	Board				
	2013			2014	
	July	Sept	Nov	Mar	May
AG Fletcher	√	√	√	√	√
PJ Blunden	√	√	√	√	√
T de Bruyn	√	√	√	√	√
MC Easter	√	√	√	√	√
JP Herselman	√	√	√	√	√
SJ Meijers	√	√	√	√	√
MV Ramollo	√	√	√	√	√
CJ Smith	√	√	√	√	√
IAR Thomson	√	√	√	√	√

√ In attendance

COMPANY SECRETARY

The company secretary is Elbex (Pty) Ltd, which replaced Mr DG Jones as company secretary in November 2012. The board considers the relationship between the board and the company secretary to be an arms-length relationship. The board has considered and satisfied itself as to the competence, appropriateness and experience of the company secretary. In arriving at this conclusion the board considered the qualifications, experience and knowledge of the members of the company secretary and concluded that the company secretary has the necessary skills, competence and experience. All the directors have access to the advice and services of the company secretary, which is responsible to the board for ensuring compliance with procedures and applicable statutes and regulations. The directors and company secretary may, in appropriate circumstances, take independent professional advice at the Company's expense.

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

THE AUDIT AND RISK COMMITTEE

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

In keeping with this policy, KPMG Inc. (KPMG) has been appointed as external auditor whilst BDO Risk Advisory Services (Pty) Ltd (BDO) has been appointed to fulfil the role of internal auditor within the ELB group, excluding the Australasian operations. Expert advice on non-audit issues is normally obtained from other third party professionals save where the use of either KPMG or BDO is deemed more appropriate and no conflict with the respective external and internal audit roles is evident.

The members of the audit and risk committee are the independent non-executive directors Messrs T de Bruyn, IAR Thomson and Dr JP Herselman. Mr IAR Thomson has served as chairman since 2010. The chairman of the board, group chief executive, group financial director, group accountant and chief executive officers and financial directors of subsidiary companies attend 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, information technology and financial reporting matters. Executive directors responsible for the sub-groups and members of the management teams are invited to attend such meetings whenever their presence is considered necessary.

The audit and risk committee met formally four times during the financial year, with the Chairman holding additional meetings as required. Refer to pages 14 and 15 for the Audit and Risk Committee Report.

THE REMUNERATION COMMITTEE

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

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

REMUNERATION COMMITTEE ATTENDANCE

Name	Remuneration Committee	
	2013	2014
	Nov	June
AG Fletcher	√	√
T de Bruyn	√	√
JP Herselman	√	√

√ In attendance

THE NOMINATIONS COMMITTEE

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

The nominations committee met once during the financial year.

NOMINATIONS COMMITTEE ATTENDANCE

Name	Nominations Committee
	June 2014
T de Bruyn	√
JP Herselman	√
AG Fletcher	0

√ In attendance
0 Attended meeting by invitation

SOCIAL AND ETHICS COMMITTEE

The social and ethics committee was established in November 2011 to fulfil the requirements of section 72 (4) of the Companies Act of 2008.

The members of the social and ethics committee are Messrs MV Ramollo, IAR Thomson, DG Jones with Mr MV Ramollo acting as chairman.

The social and ethics committee met once during the financial year. Refer to page 12 for the Social and Ethics Committee Report.

RISK MANAGEMENT

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

INTERNAL CONTROL

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

THE INTERNAL AUDIT FUNCTION

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

The internal audit function of the ELB Equipment and ELB Engineering Services segments is outsourced to BDO. During the course of the 2014 financial year, the segments were subjected to a number of internal audit checks and detailed reports were submitted to management. Such checks were supplemented by limited internal control checks carried out by KPMG as part of their statutory audit. Appropriate executive summary and detailed reports were submitted to the audit and risk committee by the internal auditors.

The Australasia operations, comprising approximately 18% of the ELB Group by sales, has no formal internal audit function. However, the audit and risk committee is assured by management that an extended audit by the external auditors BDO Australia provides adequate assurance that internal control systems provide reasonable assurance that assets are safeguarded and reliable information is provided in the financial statements.

INSIDER TRADING

The Company has closed periods prohibiting trade in ELB shares by directors and staff before the announcement of interim and year-end results and during any period where the Company is trading under cautionary announcements or where they have knowledge of price sensitive information.

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

REMUNERATION POLICY

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

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

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

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

The short term bonus scheme is to reward executives and senior management for satisfactory operational performance. The total pool available for distribution shall not exceed 15% of pre-tax profits and no participant shall receive more than 100% of his cost of employment in any one year. The incentive allocation to each participant is subject to a merit rating of between 0.3 and 1.5 to be determined annually.

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

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

The remuneration for non-executive directors is dealt with in the Notice of Annual General Meeting contained elsewhere in this document.

COMMUNICATION WITH STAKEHOLDERS

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

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

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

THIRD PARTY ASSURANCE

The report of the audit and risk committee on pages 14 to 15 confirms that the committee has considered the exposure of ELB to sustainability risks and concluded that it is not necessary to engage an external assurance provider to perform an assurance engagement on key sustainability performance information included in the integrated annual report.

KING III PRINCIPLES

King III compliance

The board supports the Code of Corporate Practices and Conduct as recommended by the King III Report. As required by the JSE Listings Requirements, the Company has reviewed its compliance with the 75 King III Corporate Governance Principles. A complete register of the Company's compliance with the King III Principles is available on the Company's website: http://www.elb.co.za.

The following table discloses and explains the Company's areas of non-compliance with the King III Principles, which principles will receive further attention in the coming year:

Note	Principle	Explanation
1	The chairman of the board should be an independent non-executive director	The board has agreed to the separation of the roles of chairman and the senior executive directors. The board is chaired by Mr AG Fletcher, whilst the executive management of the operations conducted by the group is the responsibility of the group chief executive officer and of the chief executive officers of the operating subsidiaries.
2	The board should comprise a balance of power, with a majority of non-executive directors who are independent	The board currently comprises five executive and three independent non-executive directors. Each of the non-executive directors makes a significant contribution to board matters. The nominations committee continues its search for suitable non-executive director candidates.
3	Induction of and ongoing training and development of directors should be conducted through formal processes	A formal process has not been adopted as the directors are all professionals in various fields. They continue to update their knowledge base either independently or through attendance of seminars and workshops, the costs of which are borne either by the company or the individual director in his personal capacity.
4	Sustainability reporting and disclosure should be independently assured.	The audit and risk committee as well as the board have considered the exposure of ELB to sustainability risks and concluded that it is not necessary to engage an external assurance provider to perform an assurance engagement on key sustainability performance indicators in the integrated annual report.

Review of operations

(continued)

Risk mitigation

RISK	MITIGATION OF RISK
Cancellation of distribution agreements The risk of an important distribution agreement being terminated and the operational and financial impacts following the loss of the agency	ELB seeks to supply the best possible support for the products it distributes thereby reducing as far as possible the risk of losing a distributorship. However if an agency is lost the following steps are taken: • Develop an exit plan that could include the replacement of the lost product with another product • Sell existing stock to the new distributor • Liquidate the assets as soon as possible
Termination of agreements with know how partners The risk that ELB may lose a key know how partner	• Delivering high quality products and solutions to ELB's customers thereby maintaining good relationships with both the relevant know how partners as well as the customer base
Loss of key senior executives and availability of technical personnel The risk of the loss of a key executive, or the loss of important intellectual talent	• Formulation and implementation of an appropriate remuneration policy and bonus scheme based on profit and dividends that is in line with the market • Ensuring that the environment is conducive to attracting and providing senior executives and staff with the necessary career development and job satisfaction
The risk of the lack of availability of technically qualified and competent people in the industry	• Apprentice Plan currently training apprentices • Promotion of staff completing the Mature Artisan trade test • Financial support to training institutions • Recruit from word of mouth as needed – identify experienced competent artisans
Possibility of client base being negatively affected The risk of creating undeliverable expectations with potential clients and then being unable or pressured to deliver against those expectations	• Authorisation levels have been determined for tender sign off as well as the submission of tender • The tender committee performs a gate keeping role to ensure the achievable expectations for tenders are submitted
Products or know how becoming obsolete The risk of know how or stock becoming obsolete	• Continuously look to replace such know how or products if there is a risk of this happening • Continuous search for alternatives • Annual stock returns to principals of obsolete spares where possible
Health and safety The risk that health, safety and security standards are not adhered to on a project site and as a result the team is requested to leave the site resulting in project cancellation or significant delays. The risk of fatal incidents at a supplier site and/or ELB's own premises as a result of failure of the equipment /incorrect advice / inadequate training of the client / misrepresentation of capability resulting in claims against ELB, legal costs and loss of reputation and brand.	• Policies and procedures are in place on each site • All sites have a dedicated Safety Officer appointed as per the relevant act • Audits are done against the Policies and Procedures in place to ensure compliance • A culture of safety awareness and Zero tolerance for unsafe practices is in place • Compliance with the Occupational Health and Safety (OHS) Act and related training provided to staff • Outside consultants review OHS controls • Having the necessary safety procedures • Minutes of safety meetings maintained and attendance register maintained throughout the Group
Incompetence or negligence The risk that ELB may as a result of incompetence or negligence incur substantial contract losses	• Maintaining a high standard of performance across the business and ensuring a quality deliverable is achieved on all assignments and contracts • Peer reviews are undertaken on all designs • A design system and procedures are in place and adherence to the basis of design for the project is enforced, • Criticality analysis meetings are held regularly to ensure the designs and solutions are handled correctly • Designs are reviewed by third parties as required (i.e. audits, contractors and clients)
Failure of clients to meet their financial obligations The risk of clients failure to meet their contractual obligations	• ELB requires suitable upfront payments and also requires contracts to run cash flow positive throughout the contract • Equipment is generally paid for in advance before the equipment is delivered
Exchange rate volatility The risk that ELB's products become uncompetitive as a result of exchange rate volatility or currency risks occurring while contracts are in progress	The Group: • Has a strategy/policy for covering creditors by maintaining a sensible forward cover position • Either avoids the currency risk when contracting or takes out appropriate forward cover where a currency risk arises on any major contract • Takes out forward cover when selling a machine • Reviews exposure on exchange rates for unsold machines

Social and ethics committee report

The Social and Ethics Committee was established and is guided by a charter that was approved by the board in 2012. The charter is revised annually to ensure its relevance to the company.

The Committee is established to assist the board in ensuring that the Group and its South African subsidiaries comply with the requirements of the Companies Act and good business ethics and sustainable development. The commitment to sustainable development involves ensuring that the Company conducts long term profitable activities in a manner that meets the needs of the present without compromising the ability of future generations to meet their own needs. The Committee provides advice to management on their strategies with respect to sustainable development, social and ethics related matters.

The members of the Social and Ethics Committee are MV Ramollo, IAR Thomson, DG Jones with MV Ramollo acting as chairman.

Social and Ethics Committee Attendance

The Social and Ethics Committee meets twice a year.

Name	Social and Ethics Committee	
	September 2013	April 2014
MV Ramollo	√	√
IAR Thomson	√	√
DG Jones	√	√

√ In attendance

Employment Equity

The board has established an employment equity strategy for the Group's operating companies.

The employment equity at the workplace begins with training and development. A two pronged approach to training is employed; academic and on the job training. The academic training is being made through the ELB Educational Trust which provides scholarships to black South Africans studying engineering. In 2014 the Trust supported eleven students pursuing various degrees in engineering at leading South African institutions.

Social Responsibility

ELB's empowerment partner, the ELB Educational Trust, has been established to promote education of black South Africans in engineering disciplines.

In addition to a number of smaller donations ELB has made substantial donations to the St Vincent School for the Deaf, the Ligbron Academy of Technology and Kambro Diggers Primary Co-operative Limited. These institutions have been identified as worthy of ELB's support and which will further assist the disadvantaged in our community.

In addition ELB has also made donations and significant contributions towards small business development of the disadvantaged in South Africa.

Health, Safety and the Environment

ELB is committed to performing all its business activities and every project in a safe and healthy manner with due regard to the preservation of the environment. Through our operating companies, we strive for continual improvement in our performance, efficient use of natural resources and we aspire to Zero Harm to people and the environment. Our endeavours in this regard have been recently recognised by Eskom who awarded ELB a floating trophy as recognition that ELB was the best performer in terms of HSE compliance on the Medupi project. Altogether twenty-nine principal contractors were considered for this award.

The board of directors and management at all levels regularly assess and address health and safety issues through appropriate committees in accordance with Group policy and relevant legislation. The board through the Social and Ethics Committee regularly reviews these policies to ensure that they remain relevant to the needs of our stakeholders.

Code of Ethics and Corporate Conduct

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

The Group has also established an ethics hotline that is operated by a third party. The hotline provides for anonymous reporting of fraud and misconduct by all stakeholders.

MV Ramollo
Chairman
21 October 2014.

ENGINEERED TO DELIVER

Directors' responsibility statement

The directors of ELB Group Limited are responsible for overseeing the preparation and integrity of the consolidated annual financial statements of the Group (the Group annual financial statements) and the separate annual financial statements of the Company (the Company annual financial statements), comprising the audit and risk committee report and the directors' report for the year ended 30 June 2014, the balance sheets at 30 June 2014, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, the summary of significant accounting policies, the notes to the financial statements, the schedule of directors' interests in ordinary shares and the schedule of subsidiaries and other controlled entities; in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act of South Africa and the JSE Limited Listings Requirements for the Johannesburg Stock Exchange. The annual financial statements appear on pages 14 to 78. The annual financial statements, excluding the audit and risk committee report and the directors' report, have been prepared under the supervision of Mr M Easter CA(SA).

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

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

The financial statements have been audited in compliance with section 30 of the Companies Act of South Africa and were published on 21 October 2014. The financial statements are also examined by the independent auditor in accordance with International Standards on Auditing. The independent auditor's report appears on page 17.

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:

SJ Meijers
Group Chief Executive Officer

MC Easter
Group Financial Director

Boksburg
21 October 2014

Certificate of the company secretary

In our capacity as the company secretary, we hereby confirm, in terms of the South African Companies Act of 2008, that for the year ended 30 June 2014, ELB Group Limited has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act and that all such returns are, to the best of our knowledge and belief, true, correct and up to date.

Per **DG Jones**

Elbex Proprietary Limited
Company secretary

21 October 2014

Audit and risk committee report

We are pleased to present our report for the financial year ended 30 June 2014.

Audit and risk committee mandate and terms of reference

The ELB audit and risk committee (the committee) has reconfirmed in this year the formal charter adopted in 2011 and approved by the board of directors. The committee has conducted its affairs in compliance with this mandate and terms of reference (the charter) and has discharged its responsibilities contained therein. The mandate and terms of reference (charter) is based on best practice and is available on request.

Audit and risk committee members and attendance at meetings

The committee consists of three independent, non-executive directors and meets at least four times per annum in accordance with the charter.

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

The audit and risk committee met four times during the 2014 financial year.

Audit and risk committee attendance

Name	**Audit and Risk Committee**			
	2013		2014	
	Sept	Nov	Mar	May
IAR Thomson *BCom, CA(SA)* Year appointed 2010 Chairman	√	√	√	√
T De Bruyn *BCom, CA(SA)* Year appointed 2005	√	√	√	√
JP Herselman *Dr Ing, Dipl Ing, BSc (Chem Eng)* Year appointed 2006	√	√	√	√

√ In attendance

During the review period shareholders reappointed Mr Thomson as the chairman of the committee for a further period of one year with effect from 29 November 2013. This appointment will be subject to shareholders re-electing Mr Thomson as a member of the committee at ELB's annual general meeting to be held on 27 November 2014 and follows a review by the board of Mr Thomson's and other committee members' performance, as well as any factors which could impair or appear to impair, their independence.

Roles and responsibilities

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

Statutory duties

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

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

External auditor

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

The committee, in consultation with executive management, agreed the engagement letter, terms, audit plan and budgeted audit fees for the 2014 financial year.

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

The committee has nominated, for approval at the annual general meeting, KPMG Inc. as the external auditor and Ms ML Watson as the designated auditor, for the 2014 financial year. It has further satisfied itself that the audit firm and designated auditor are accredited to appear on the JSE List of Accredited Auditors. Furthermore, the committee has satisfied itself that the audit firms of ELB's major subsidiaries (KPMG Inc.) are accredited to appear on the JSE List of Accredited Auditors and that the designated auditors are not disqualified from acting as such.

Audit and risk committee report

(continued)

Internal financial controls

Internal audit checks were carried out by BDO Risk Advisory Services Pty Ltd (BDO) for the South African operational companies, and limited internal control checks were carried out as part of their statutory audit by the external auditors throughout the group operations during the 2014 financial year. Considering information and explanations given by management and based on limited assurances from BDO, the committee is of the opinion that the ELB group's system of internal financial controls is adequate and effective and forms a basis for the preparation of reliable financial statements.

Financial statements (including accounting policies)

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

Going concern

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

Expertise and experience of financial director and finance function

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

The committee has considered the overall appropriateness of the expertise and adequacy of resources of the ELB group's finance function and experience of the senior members of management responsible for the financial function. The committee is satisfied that these resources are adequate to meet the challenges of the growing parts of the business and the attendant administrative and operational issues.

Duties assigned by the board

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

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

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

Risk management

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

The committee has reviewed the steps taken by management to mitigate the exposure to the risks identified in the risk registers, and believes that the executive team has an appropriate system of risk management in place.

Internal audit

An internal audit charter has been approved by the committee and the board. The committee approved the internal audit plan for the financial year ended 30 June 2014.

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

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

Sustainability reporting

The committee has considered the exposure of the ELB group to sustainability risks and has concluded that it is not necessary to engage an external assurance provider to give assurance on key sustainability performance information.

The committee considered the information about strategic risks, opportunities and objectives disclosed in the integrated annual report and is satisfied that it is consistent with operational and other information known to committee members, and is consistent with the annual financial statements.

Recommendation of the integrated annual report for approval by the board

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

IAR Thomson

Audit and risk committee chairman

21 October 2014

Directors' report

To the shareholders

The directors submit the annual financial statements for the Company and the Group for the year ended 30 June 2014 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 2014 is in ELB Engineering (Pty) Ltd (ELB Engineering Group) which supplies equipment and technical solutions through three sub-groups, ELB Equipment Holdings (Pty) Ltd (ELB Equipment Holdings), Metquip (Pty) Ltd (Metquip) and ELB Engineering Services (Pty) Ltd (ELB Engineering Services). ELB Equipment Holdings also administers the Group treasury and undertakes other central group administrative functions.

ELB owns 85% of the ordinary share capital issued by ELB Engineering Group. The South African equipment operations are housed in ELB Equipment Holdings, in which ELB Engineering Group has a 100% interest. ELB Engineering Group has an 84.2% interest in the Ditch Witch Australia and New Zealand operations, via the investment in Metquip and a 100% interest in ELB Engineering Services. All three segments reported satisfactory results for the financial year under review.

Headline earnings attributable to the Company's ordinary shareholders amounted to R 102.1 million (2013: R 95.0 million).

ACQUISITION OF BUSINESS

On 22 April 2014 the Group acquired 100% of the shares in B&W and as a result obtained control over the B&W Group. The consideration was one fully paid up ELB Group ordinary share issued for every 108 B&W ordinary shares held.

ACCOUNTING POLICIES

The accounting policies are consistent with those applied for the financial year ended 30 June 2013.

GENERAL

The Group supports the principles of good corporate governance contained in the King III Report. Instances where the Group does not strictly apply the principles outlined in the Report are explained in the Integrated Annual Report on page 10. A complete register of the Company's compliance with the King III Principles is available on the Company's website: http://www.elb.co.za. 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 28 cents (2013: 25 cents) per ordinary share was paid on 14 April 2014 and a final dividend in respect of the year of 67 cents (2013: 60 cents) per ordinary share was declared on 18 September 2014 and is payable on 27 October 2014.

SHARE CAPITAL

Details of the authorised and issued share capital at 30 June 2014 are set out in note 17 to the financial statements. The issued ordinary share capital of 35 824 527 shares at 30 June 2014 increased by 1 964 527 ordinary shares from 33 860 000 shares at 30 June 2013.

On 8 March 2011 shareholders approved a resolution which placed 4 200 000 of the authorised ordinary shares of the Company under the control of the directors as a specific authority for the purposes of the Company's Share Incentive Schemes. No further options (2013: 830 000 ordinary shares) were granted in the year. Options totalling 932 000 ordinary shares (2013: 501 500 ordinary shares) were exercised in the year (including options granted in previous financial years) and 160 000 options lapsed through attrition (2012: 24 000 ordinary shares). No ordinary shares are expected to be issued in respect of the options exercised or remaining to be exercised as the ELB Share Incentive Trust currently holds sufficient ordinary shares to meet such requirements.

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

DIRECTORATE

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

The following changes occurred during the financial period under review and up to the date of this report: Mr M Easter joined the Board as Group Financial Director on 1 July 2013.

In terms of the Company's Memorandum of Incorporation, the following directors retire at the forthcoming Annual General Meeting and, being eligible, are available for re-election: Dr JP Herselman, Messrs T de Bruyn and MV Ramollo.

Details of directors' remuneration and options in respect of ordinary shares in the Company are contained in note 35 to the financial statements. Details of directors' interests in the ordinary shares of the Company are provided on page 77.

SPECIAL RESOLUTIONS OF CONTROLLED ENTITIES

No controlled entities passed special resolutions since the date of the previous directors' report.

Independent auditor's report

To the shareholders of ELB Group Limited

Report on the financial statements

We have audited the group financial statements and financial statements of ELB Group Limited, which comprise the balance sheets at 30 June 2014, and the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 18 to 78.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 2014, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 June 2014, we have read the Directors' Report, the Audit and Risk Committee's Report and the Certificate of the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports

KPMG Inc.
Registered Auditor

Per ML Watson
Chartered Accountant (SA)
Registered Auditor
Director

21 October 2014

85 Empire Road, Parktown, 2193

Balance sheets

at 30 June 2014

		Group		Company	
	Note	**2014 R '000**	2013 R '000	**2014 R '000**	2013 R '000
ASSETS					
Non current assets					
Property, plant and equipment	3	**180 948**	146 730	**–**	–
Goodwill	4	**12 783**	–	**–**	–
Intangible assets	5	**11 258**	–	**–**	–
Investment in subsidiaries	6			**111 267**	111 031
Loans to subsidiaries	7			**157 524**	68 414
Pension fund employer surplus account	8	**39 850**	49 078	**39 850**	49 078
Non current loans receivable	9	**933**	3 748	**58 284**	71 601
Deferred income tax assets	10.1	**69 913**	18 161	–	–
		315 685	217 717	**366 925**	300 124
Current assets					
Loans to subsidiaries	7			**3 330**	5 756
Construction contract work not yet billed	11	**175 719**	92 604	**–**	–
Inventories	12	**628 444**	531 194	**704**	704
Trade and other receivables	13	**376 400**	242 934	**3 227**	3 541
Derivative financial assets	14	**894**	6 260	**–**	–
Income tax refundable		**26 843**	31 394	**103**	2
Other current assets	15	**26 823**	32 401	**–**	–
Cash and cash equivalents	16	**452 160**	470 506	**115**	84
		1 687 283	1 407 293	**7 479**	10 087
Total assets		**2 002 968**	1 625 010	**374 404**	310 211
EQUITY AND LIABILITIES					
Equity attributable to ordinary shareholders of the Company					
Issued capital	17.3	**107 702**	25 192	**107 702**	25 192
Treasury shares	17.4	**(37 986)**	(48 565)		
Reserves	21	**65 990**	51 770	**39 779**	44 902
Retained earnings		**643 606**	572 692	**214 792**	226 042
Total equity attributable to equity holders of the Company		**779 312**	601 089	**362 273**	296 136
Non controlling interests in consolidated entities		**133 868**	113 526		
Total equity		**913 180**	714 615	**362 273**	296 136
Liabilities					
Non current liabilities					
Deferred income tax liabilities	10.2	**19 388**	26 200	**11 158**	13 742
Interest bearing borrowings	22	**24 722**	29 726	**–**	–
Provision for trade back commitments	23	**2 861**	2 670	**–**	–
		46 971	58 596	**11 158**	13 742
Current liabilities					
Construction contract liabilities	11	**153 351**	131 149	**–**	–
Provision for trade back commitments	23	**589**	1 645	**–**	–
Trade and other payables - non interest bearing	24	**459 666**	432 999	**959**	313
Trade and other payables - interest bearing	25	**230 135**	178 906	**–**	–
Other financial liabilities	26	**5 949**	637	**–**	–
Income tax payable		**8 975**	5 583	**–**	–
Other current liabilities	27	**154 784**	100 880	**14**	20
Bank overdraft	16	**29 368**	–	**–**	–
		1 042 817	851 799	**973**	333
Total liabilities		**1 089 788**	910 395	**12 131**	14 075
Total equity and liabilities		**2 002 968**	1 625 010	**374 404**	310 211

Statements of profit or loss

for the year ended 30 June 2014

		Group		Company	
		2014	2013	**2014**	2013
	Note	**R '000**	R '000	**R '000**	R '000
Sales	28	**2 349 282**	1 984 597	**1 812**	1 740
Dividends received from subsidiary	29			**19 603**	15 544
Operating (costs)/income excluding depreciation and amortisation of non financial assets	29	**(2 165 799)**	(1 813 048)	**(2 843)**	236
Operating profit before depreciation and amortisation of non financial assets	29	**183 483**	171 549	**18 572**	17 520
Depreciation and amortisation of non financial assets		**(20 590)**	(14 212)	**–**	–
Profit from operations		**162 893**	157 337	**18 572**	17 520
Finance income	36	**26 088**	17 303	**4 998**	253
Finance costs	37	**(10 380)**	(11 275)	**–**	(21)
Profit before income tax		**178 601**	163 365	**23 570**	17 752
Income tax expense	38	**(47 816)**	(45 412)	**(1 275)**	(924)
Profit for the year		**130 785**	117 953	**22 295**	16 828
Profit attributable to:					
Ordinary shareholders of the Company		**102 379**	95 255	**22 295**	16 828
Non controlling interests in consolidated entities		**28 406**	22 698		
		130 785	117 953	**22 295**	16 828
Earnings per ordinary share (cents)					
Basic earnings per ordinary share	40	**383.1**	375.1		
Diluted earnings per ordinary share	40	**378.9**	365.2		

Details of headline earnings and earnings per ordinary share are included in notes 39 and 40.

Details of dividends declared and paid on the ordinary shares are included in note 41.

Statements of comprehensive income

for the year ended 30 June 2014

	Group		Company	
	2014 **R '000**	2013 R '000	**2014** **R '000**	2013 R '000
Profit for the year	**130 785**	117 953	**22 295**	16 828
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Pension fund employer surplus account remeasurements	**(12 648)**	6 024	**(12 648)**	6 024
Income tax effect of remeasurements	**3 541**	(1 687)	**3 541**	(1 687)
Aeroplane revaluation surplus	**531**	401		
Income tax effect of revaluation increase	**(149)**	(113)		
Non controlling interests in foreign currency translation reserve adjustments	**3 051**	2 320		
Income tax effect of adjustments	**(454)**	(281)		
Foreign currency translation adjustments to foreign non controlling interests	**2 609**	1 476		
Total items that will not be reclassified to profit or loss	**(3 519)**	8 140	**(9 107)**	4 337
Items that may be reclassified to profit or loss				
Foreign currency translation reserve adjustments attributable to ordinary shareholders of the Company	**17 284**	13 143		
Income tax effect of adjustments	**(2 576)**	(1 592)		
Total items that may be reclassified to profit or loss	**14 708**	11 551		
Total other comprehensive income for the year	**11 189**	19 691	**(9 107)**	4 337
Total comprehensive income	**141 974**	137 644	**13 188**	21 165
Total comprehensive income attributable to:				
Ordinary shareholders of the Company	**108 306**	111 388	**13 188**	21 165
Non controlling interests in consolidated entities	**33 668**	26 256		
	141 974	137 644	**13 188**	21 165

Statements of changes in equity

for the year ended 30 June 2014

	Issued capital R '000	Reserves R '000	Treasury shares R '000	Retained earnings R '000	**Total attributable to equity holders of the Company R '000**	Preference shares R '000	Non controlling interests in consolidated entities R '000	**Total equity R '000**
Group								
Balance at 1 July 2012	25 192	37 077	(52 684)	494 015	**503 600**	8	87 940	**591 548**
Profit for the year				95 255	**95 255**		22 698	**117 953**
Other comprehensive income		11 796		4 337	**16 133**		3 558	**19 691**
Total comprehensive income for the year		11 796		99 592	**111 388**		26 256	**137 644**
Ordinary dividends paid				(19 528)	**(19 528)**		(861)	**(20 389)**
Distributions by a consolidated Group entity to non controlling interests							(75)	**(75)**
Equity settled share options expense		1 510			**1 510**		266	**1 776**
Transfers from share options reserve to retained earnings for share options which have lapsed or become fully paid		(949)		949	**–**		–	**–**
Redundant items in foreign currency translation reserve transferred to retained earnings		2 336		(2 336)	**–**		–	**–**
Treasury shares paid up and released to participants			4 119		**4 119**			**4 119**
Preference shares redeemed for cash					**–**	(8)		**(8)**
Total contributions by/(distributions to) owners of the Company		2 897	4 119	(20 915)	**(13 899)**	(8)	(670)	**(14 577)**
Balance at 1 July 2013	25 192	51 770	(48 565)	572 692	**601 089**		113 526	**714 615**
Profit for the year				102 379	**102 379**		28 406	**130 785**
Other comprehensive income		15 033		(9 106)	**5 927**		5 262	**11 189**
Total comprehensive income for the year		15 033		93 273	**108 306**		33 668	**141 974**
Ordinary dividends paid				(23 373)	**(23 373)**		(5 402)	**(28 775)**
Issue of shares	82 510				**82 510**			**82 510**
Distributions by a consolidated Group entity to non controlling interests							(4 496)	**(4 496)**
Equity settled share options expense		201			**201**		35	**236**
Transfers from share options reserve to retained earnings or share options which have lapsed or become fully paid		(4 555)		4 555	**–**		–	**–**
Item restored to the foreign currency translation reserve from retained earnings		3 541		(3 541)	**–**		–	**–**
Treasury shares paid up and released to participants			10 579		**10 579**		41	**10 620**
Non controlling interest recognised					**–**		(3 504)	**(3 504)**
Total contributions by/(distributions to) owners of the Company	82 510	(813)	10 579	(22 359)	**69 917**	–	(13 326)	**56 591**
Balance at 30 June 2014	107 702	65 990	(37 986)	643 606	**779 312**	–	133 868	**913 180**
Note	17.3	21	19			18		

Statements of changes in equity

for the year ended 30 June 2014

	Issued capital R '000	Reserves R '000	Retained earnings R '000	**Total attributable to equity holders of the Company R '000**	Pre-ference shares R '000	**Total equity R'000**
Company						
Balance at 1 July 2012	25 192	44 242	229 833	**299 267**	8	**299 275**
Profit for the year			16 828	**16 828**		**16 828**
Other comprehensive income			4 337	**4 337**		**4 337**
Total comprehensive income for the year			21 165	**21 165**		**21 165**
Ordinary dividends paid			(26 072)	**(26 072)**		**(26 072)**
Increase in share options reserve arising from equity settled share options expense		1 776		**1 776**		**1 776**
Transfers from share options reserve to retained earnings for share options which have lapsed or become fully paid		(1 116)	1 116	**–**		**–**
Preference shares redeemed for cash				**–**	(8)	**(8)**
Total contributions by/(distributions to) owners of the Company		660	(24 956)	**(24 296)**	(8)	**(24 304)**
Balance at 1 July 2013	25 192	44 902	226 042	**296 136**	–	**296 136**
Profit for the year			22 295	**22 295**		**22 295**
Other comprehensive income			(9 107)	**(9 107)**		**(9 107)**
Total comprehensive income for the year			13 188	**13 188**		**13 188**
Ordinary dividends paid			(29 797)	**(29 797)**		**(29 797)**
Issue of shares	82 510			**82 510**		**82 510**
Increase in share options reserve arising from equity settled share options expense		236		**236**		**236**
Transfer from share options reserve to retained earnings for share options which have lapsed or become fully paid		(5 359)	5 359	**–**		–
Total contributions by/(distributions to) owners of the Company recognised directly in equity	82 510	(5 123)	(24 438)	**52 949**		**52 949**
Balance at 30 June 2014	107 702	39 779	214 792	**362 273**	–	**362 273**
Note	17.3	21			18	

Statements of cash flows

for the year ended 30 June 2014

		Group		**Company**	
		2014	2013	**2014**	2013
	Note	**R '000**	R '000	**R '000**	R '000
Cash flows from operating activities					
Cash generated from operations	43	**45 690**	38 609	**16 106**	14 675
Interest received	36	**25 495**	17 269	**4 998**	253
Finance costs	37	**(9 344)**	(9 052)	**–**	(21)
Tax paid	45	**(47 532)**	(61 442)	**(419)**	(40)
Provision for trade back commitments - costs charged to provision	23	**(349)**	(537)	**–**	–
Ordinary dividends paid	46	**(28 775)**	(20 389)	**(29 797)**	(26 072)
Distributions paid to non controlling interests in a consolidated entity		**(4 496)**	(75)		
Net cash from operating activities		**(19 311)**	(35 617)	**(9 112)**	(11 205)
Cash flows from investing activities					
Purchase of property, plant and equipment	3	**(29 962)**	(16 037)	**–**	–
Sale of property, plant and equipment	3	**1 030**	726	**–**	–
Business combinations		**–**	(1 800)	**–**	–
Loans advanced to group companies				**(4 174)**	–
Repayment of loans from subsidiaries				**–**	5 667
Movement in loan to ELB Share Incentive Trust	9.4			**13 317**	5 560
Net cash from investing activities		**(28 932)**	(17 111)	**9 143**	11 227
Cash flows from financing activities					
Preference shares redeemed for cash		**–**	(8)	**–**	(8)
Interest bearing borrowings (repaid)/raised		**(5 420)**	14 232	**–**	–
Movement in non current loans receivable		**(1 062)**	322	**–**	–
Treasury shares changes	17.4	**13 652**	4 119		
Net cash from financing activities		**7 170**	18 665	**–**	(8)
Total cash movement for the year		**(41 073)**	(34 063)	**31**	14
Cash at the beginning of the year		**470 506**	489 390	**84**	70
Business acquisition	50	**(23 585)**	–		
Effect of exchange rate movement on cash balances	44.2	**16 944**	15 179		
Total cash at end of the year	16	**422 792**	470 506	**115**	84

Notes to the financial statements

for the year ended 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Introduction

The reporting entity is ELB Group Limited (the Company), a company domiciled in South Africa. The Company and its subsidiaries, other controlled entities, joint operation and share trusts are collectively referred to as the Group. The financial statements for the year ended 30 June 2014 comprise the separate financial statements of the Company (the Company financial statements) and the consolidated financial statements which incorporate the Company financial statements and the financial statements of its subsidiaries, other controlled entities, joint operation and share trusts (the Group financial statements). The Company financial statements and Group financial statements are together referred to hereafter as the financial statements.

The financial statements were authorised for issue by the directors of the Company on 21 October 2014.

1.2 Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of those standards, as issued by the International Accounting Standards Board (IASB); the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

1.3 Preparation

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

The accounting policies described hereafter have been applied consistently to all periods presented in these financial statements and have also been applied consistently by all Group entities. The Group has adopted the following new standard with the application date of 1 July 2013: IFRS 13 *Fair Value Measurement.* In addition, the Group has early adopted the amendments to IAS 36 *Impairment of Assets (2013),* whereby the recoverable amount is required to be disclosed only when an impairment loss has been recognised.

The preparation of the 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 that involve 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, impairment of goodwill and intangible assets, the recognition of deferred income tax assets, construction contracts, the measurement of the pension fund employer surplus account and the related key actuarial assumptions and the provision for trade back commitments. Further information is given in the accounting policies relating to these activities.

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, other than for trade back commitments as disclosed in note 23, recognition of deferred tax assets and the availability of future taxable profits against which tax losses can be used as disclosed in note 10 and the assumptions applied in respect of the pension fund employer surplus account as disclosed in note 8, 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.

1.4 Translation of foreign currencies

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

1.5 Consolidation

Basis

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

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to or has rights to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the Group financial statements from the date that control commences until the date that control ceases.

Non controlling interest in consolidated entities

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.5 Consolidation (continued)

Joint operations

Joint operations are arrangements over which the Group exercises joint control in terms of a contractual arrangement, and where the joint operators have rights to the assets and obligations for the liabilities relating to the arrangement, and account for their separate and joint interest in the assets, liabilities, revenue and expenses of the arrangement. Such accounting is performed on a line by line basis in the Group financial statements. A joint operation is included in the Group financial statements from the time that joint control commences until the time that joint control ceases.

Share trusts and treasury shares

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

Business combinations

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

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

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred, plus the recognised amounts of any non controlling interest in the acquiree plus, if the business combination is achieved in stages, the fair value of the pre existing equity interest in the acquiree less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase price is recognised immediately in profit or loss.

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

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

Foreign operations

All foreign operations 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 operations are included in the Group financial statements using the methods of translation described hereunder. The income and expenses of foreign operations are translated at the weighted average rates of exchange for the appropriate periods, except for material non recurring or material infrequent items which are translated at the exchange rate at the date of the transactions. The assets and liabilities of foreign operations are translated at the rates of the exchange ruling at the balance sheet date. Other comprehensive income of foreign operations are translated at the weighted average rate of exchange for regularly recurring transactions or the rate of exchange at the date of the transaction for non recurring or infrequent transactions. Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve, except to the extent that the translation difference is allocated to NCI. Items in the foreign currency translation reserve that are no longer relevant to any operations or structure of the Group are transferred out of the reserve to retained earnings. Such redundant items usually arise from the restructure of operations, or from changes in accounting policies.

1.6 Property, plant and equipment

Property, plant and equipment, except for the aeroplane which is referred to later in this note, are carried under the cost model and are measured at cost, less accumulated depreciation and accumulated impairment losses.

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

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.6 Property, plant and equipment (continued)

The aeroplane is carried under the revaluation model and measured at its fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The aeroplane is depreciated at a rate intended to write it off on a straight line basis over its useful life to its residual value. A revaluation increase in the carrying amount is recognised in other comprehensive income and is accumulated in the revaluation surplus in equity reserves. However, the revaluation increase is recognised in profit or loss to the extent that it reduces or reverses a revaluation decrease previously recognised in profit or loss. A revaluation decrease is recognised in profit or loss. However, the revaluation decrease is recognised in other comprehensive income to the extent that it reduces or eliminates the revaluation surplus for the aeroplane. Accumulated depreciation at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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

Profits or 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.

1.7 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful lives.

The amortisation period and the amortisation method for intangible assets are reviewed annually at the balance sheet date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, trade marks, customer lists and items similar in substance are not recognised as intangible assets.

1.8 Impairment of non financial assets

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

Impairment losses are recognised whenever the carrying amount of a non financial asset or its cash generating unit, as is applicable, exceeds the recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of other assets in the CGU on a prorata basis.

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

1.9 Interest in subsidiaries

The Company's interest in subsidiaries comprises equity investments in the subsidiaries, equity contributions in respect of equity settled options granted within the Group over the Company's ordinary shares 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.10 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 which 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.

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

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

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

1.11 Inventories

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

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

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

1.12 Financial instruments

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

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

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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 recognised initially at fair value plus transaction costs. Initial fair value adjustments are recognised in profit or loss. Subsequent to initial recognition loans and receivables are carried at amortised cost using the effective interest method, less impairments.

Loans and receivable comprise loans receivable and trade and other receivables.

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. Any attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are recognised initially at fair value and are also subsequently measured at fair value. Fair value gains and losses are recognised in profit or loss. Additional information on derivative instruments is included in a separate paragraph below.

Cash and cash equivalents

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

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 statements of cash flows.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.12 Financial instruments (continued)

Impairment of financial assets carried at amortised cost

A financial asset or group of financial assets is impaired where there is objective evidence at the balance sheet date that such impairment exists. Impairment is equal to the difference between the carrying amount of a financial asset or group of financial assets 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 financial assets. In addition collective impairments are made based on management's assessment of current trading and economic conditions. Impairments and impairment reductions and reversals are recognised in profit or loss.

Financial 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. Fair value adjustments are recognised in profit or loss. Trade and other payables and all other financial liabilities, except for those described hereafter, are recognised initially at fair value plus transaction costs and thereafter measured at amortised cost using the effective interest method.

Derivative instruments

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

Derivative instruments used are foreign currency forward exchange contracts (FECs) which are classified as held for trading and measured at fair value. Any attributable transaction costs are recognised in profit or loss as incurred. 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 less transaction costs and are carried subsequently at the higher of the amount of the obligation under the contract determined in accordance with IAS 37 and the amount initially recognised, less accumulated amortisation. Fair value adjustments and amortisation expenses are recognised in profit or loss.

1.13 Provisions

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

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.

1.14 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, which includes commission, is recognised as the 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 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 method, in the period to which they relate.

1.15 Employee benefits

Employee benefits expense

All short term employee benefit expenses such as salaries, bonuses, allowances, leave pay entitlement and medical aid and other contributions are measured and recognised in full on an undiscounted basis in profit or loss in the period in which the employees render the related services. Termination costs are recognised in full on an undiscounted basis in profit or loss when the commitment to the termination plan is made.

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 during which the related services are rendered by employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.15 Employee benefits (continued)

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 its defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their services in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of the defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability (asset), which comprise actuarial gains and losses, the return of plan assets (excluding interest) and the effect of the asset ceiling (if any) excluding interest are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense (income) and other expenses related to the defined benefit plan are recognised in profit or loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss.

Share based payment transactions

Equity settled share options

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

1.16 Leases

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

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

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

1.17 Borrowing costs

Borrowing costs are interest paid and other costs incurred in the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a prolonged period of time to prepare for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

1.18 Income tax

Income tax expense or credit on the profit or loss for the period comprises current and deferred income tax. Income tax is recognised in profit or loss except, when it relates to items recognised in other comprehensive income or directly in equity through the statement of changes in equity, where such income tax is accordingly also so recognised. Current income tax comprises income tax calculated on the expected taxable income for the period, using the income tax rates based on the laws that have been enacted or substantively enacted by the reporting date, and which are applicable for the period; and any adjustments of income tax payable for prior periods.

Deferred income tax 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, other income tax credits and income tax losses carried forward. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their income tax bases. Deferred income tax is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither the accounting profit nor the taxable income; and
- temporary differences associated with investments in subsidiaries, joint ventures and branches where the entity is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The income tax rates applicable to temporary differences are those income tax rates, described earlier, that are expected to be applied to the temporary differences when they reverse. The effect on deferred income tax of any changes in income tax rates is recognised in profit or loss, except where it relates to items previously charged or credited to other comprehensive income or directly in equity through the statement of changes in equity where the deferred income tax effects are accordingly also so recognised.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.18 Income tax (continued)

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 of current tax assets against current tax liabilities and where the deferred income tax relates to the same fiscal authority with the same taxable entity.

1.19 Earnings per ordinary share and headline earnings per ordinary share

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

1.20 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. Dividend withholding tax is a tax on non-exempt shareholders receiving dividends and is applicable for all dividends declared on or after 1 April 2012. As this tax is levied on the shareholders and not on the Company, it is not included in the tax expense recognised in profit or loss or in other comprehensive income but is rather reflected as part of the dividend paid recognised directly in equity. Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related tax recognised as part of the tax expense unless it is otherwise reimbursable in which case it is recognised as an asset.

1.21 Operating segments

The operating results and financial information of the Group's segments are reported to the Group's chief operating decision maker to assess the performance of the segments and to make decisions regarding resources to be allocated to the segments.

Inter segmental transactions, where applicable, are made on an arm's length basis.

The Group's format for segment reporting is based on operating segments and is representative of the internal structure used for management reporting. The Australasia operation, which is equipment based, is reported separately. The Africa operations are separated into the equipment activities and the engineering activities in the management reports. Accounting for the pension fund employers surplus, not accounted for in management's internal reporting system, group administrative functions, other small entities and Group consolidation adjustments and eliminations are grouped together in a component termed 'other', to reconcile to the Group reported amounts.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are effective for the Group's accounting periods beginning on or after 1 July 2014 or later periods:

IFRS 9 Financial Instruments

On 24 July 2014 the IASB issued the final IFRS 9 *Financial Instruments Standard,* which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement.*

This standard will have an impact on the Group, which will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an 'incurred loss' model from IAS 39 to an 'expected credit loss' model, which may increase the impairment allowance in respect of receivables recognised by the Group.

The effective date of the standard is for the year commencing 1 July 2018 with retrospective application. Early adoption is permitted.

The Group expects to adopt the standard for the first time in the 2019 financial statements.

The impact of this standard is currently being assessed.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The amendments clarify when an entity can offset financial assets and financial liabilities.

The effective date of the amendments is for the year commencing 1 July 2014.

The Group expects to adopt the amendment for the first time in the 2015 financial statements.

The amendment is not expected to have a significant impact on the Group.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured. As a consequence of these amendments, the Group will amend its accounting policy with effect from 1 July 2016 for acquisitions of interests in a joint operation.

The effective date of the amendments is for the year commencing 1 July 2016 with prospective application. Early adoption is permitted.

2. NEW STANDARDS AND INTERPRETATIONS (continued)

The Group expects to adopt the interpretation for the first time in the 2017 financial statements.

The amendment is not expected to have an impact on the Group.

IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

IAS 39 *Financial Instruments: Recognition and Measurement* requires an entity to discontinue hedge accounting if the derivative hedging instrument is novated to a clearing counterparty, unless the hedging instrument is being replaced as part of the entity's original documented hedging strategy.

The amendments add a limited exception to IAS 39, to provide relief from discounting an existing hedging relationship, when a novation was not contemplated in the original hedging documentation meets specific criteria.

The effective date of the amendment is for the year commencing 1 July 2014 with retrospective application.

The Group expects to adopt the amendment for the first time in the 2015 financial statements.

The impact of this amendment is not expected to be significant.

IFRS 10, IFRS 12 and IAS 27 – Investment Entities

The amendments clarify that a qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint arrangements, at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investment activities. The consolidation exemption is mandatory and not optional.

The Company is an investment entity in terms of IFRS 10 when its subsidiaries are not considered an extension of the Company's investment activities. These subsidiaries will be measured at fair value through profit or loss with effect from 1 July 2014.

The effective date of the amendments is for the year commencing on 1 July 2014.

This amendment will not affect the Group.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 18)

The amendments to IAS 16 *Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 *Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The effective date of the amendments is for the year commencing on 1 July 2016 with prospective application. Early adoption is permitted.

This amendment will not affect the Group.

IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 *Construction Contracts,* IAS 18 *Revenue,* IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services.*

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The effective date of the standard is for the year commencing on 1 July 2017. Early adoption is permitted.

The Group expects to adopt the standard for the first time in the 2018 financial statements.

This new standard will most likely have a significant impact on the Group, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Group is currently in the process of performing a more detailed assessment of the impact of this standard on the Group and will provide more information in the year ending 30 June 2015 financial statements.

IAS 19 Employee Benefits Revised

The amendments introduce relief to reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:

- set out in formal terms of the plan;
- linked to service; and
- independent of the numbers of years service.

When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The effective date of the amendment is for the year commencing 1 July 2014 with retrospective application.

The Group expects to adopt the amendment for the first time in the 2015 financial statements.

This amendment is not expected to have an impact on the Group.

3. Property, plant and equipment

Group	2014			2013		
	Cost/ valuation	Accumulated depreciation	Carrying value	Cost/ valuation	Accumulated depreciation	Carrying value
	R '000	R '000	R '000	R '000	R '000	R '000
Property	125 712	(14 189)	111 523	113 185	(10 913)	102 272
Leasehold improvements	4 771	(1 604)	3 167	3 436	(798)	2 638
Aeroplane	7 264	–	7 264	7 069	–	7 069
Plant and machinery	38 660	(15 365)	23 295	21 653	(9 853)	11 800
Vehicles	45 338	(17 823)	27 515	28 698	(13 768)	14 930
Office furniture and equipment	8 037	(5 038)	2 999	6 822	(4 112)	2 710
Computer equipment	18 713	(13 528)	5 185	15 311	(10 000)	5 311
Total	248 495	(67 547)	180 948	196 174	(49 444)	146 730

Reconciliation of property, plant and equipment - Group - 2014

	Opening carrying values	Additions and improve-ments	Additions through business combi-nations	Disposals	Revaluation of aeroplane	Foreign currency translation adjust-ments	Depre-ciation	Closing carrying values
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Property	102 272	780	8 616	–	–	3 048	(3 193)	111 523
Leasehold improvements	2 638	1 335	–	–	–	–	(806)	3 167
Aeroplane	7 069	–	–	–	531	–	(336)	7 264
Plant and machinery	11 800	12 869	3 905	–	–	197	(5 476)	23 295
Vehicles	14 930	11 170	6 694	(541)	–	728	(5 466)	27 515
Office furniture and equipment	2 710	1 040	110	–	–	65	(926)	2 999
Computer equipment	5 311	2 768	167	(4)	–	265	(3 322)	5 185
	146 730	29 962	19 492	(545)	531	4 303	(19 525)	180 948

Reconciliation of property, plant and equipment - Group - 2013

	Opening carrying values	Additions and improve-ments	Additions through business combi-nations	Disposals	Revaluation of aeroplane	Foreign currency translation adjust-ments	Depre-ciation	Closing carrying values
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Property	102 785	486	–	–	–	2 134	(3 133)	102 272
Leasehold improvements	1 966	1 210	–	–	–	–	(538)	2 638
Aeroplane	6 970	–	–	–	401	–	(302)	7 069
Plant and machinery	10 704	3 321	1 197	(7)	–	243	(3 658)	11 800
Vehicles	12 334	5 643	235	(309)	–	582	(3 555)	14 930
Office furniture and equipment	2 766	593	77	-	–	40	(766)	2 710
Computer equipment	2 809	4 784	–	(5)	–	(17)	(2 260)	5 311
	140 334	16 037	1 509	(321)	401	2 982	(14 212)	146 730

	Group		Company	
	2014	2013	**2014**	2013
	R '000	R '000	**R '000**	R '000

3. Property, plant and equipment (continued)

Pledged as security

	2014 **R '000**	2013 R '000	**2014** **R '000**	2013 R '000
Carrying value of assets pledged as security:				
Properties	**68 452**	70 979	**–**	–
Plant and machinery	**851**	1 278	**–**	–
Vehicles	**511**	55	**–**	–
Computer equipment	**–**	34	**–**	–

Properties have been encumbered as security for mortgage bonds. Refer to note 22.

Plant and machinery, vehicles and computer equipment have been secured in terms of finance lease and credit instalment agreements. Refer to note 22.

Revaluation

The aeroplane is carried under the revaluation model and the fair value at the balance sheet date was determined by an independent, skilled valuator by assessing the condition of the aeroplane and taking into account engine hours, usage, enhancements and improvements, having regard to the observable market price for similar aeroplanes. The valuation is performed at 30 June each year. The market for the aeroplane is United States dollar based. Fair value was determined by using Level 2 valuation techniques.

The revaluation surplus of the aeroplane was R 1 670 000 (2013: R 1 139 000) at 30 June 2014.

The useful life of the aeroplane is estimated at fifteen years from the date of acquisition.

Had the aeroplane been carried under the cost model the carrying amount at 30 June 2014 would have been R 5 386 000 (2013: R 5 597 000).

Depreciation rates

Leasehold improvements are written off on a straight line basis over the period of the lease.

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

The cost of land included in the carrying amount of property at 30 June 2014 is R 33 690 000 (2013: R 29 269 000).

4. Goodwill

Group		**2014**			2013	
	Cost **R '000**	**Accumulated impairment** **R '000**	**Carrying value** **R '000**	Cost R '000	Accumulated impairment R '000	Carrying value R '000
Goodwill raised on acquisition of B&W Group	**12 783**	**–**	**12 783**	–	–	–

Reconciliation of goodwill - Group - 2014

	Opening balance **R '000**	**Additions through business combinations** **R '000**	**Total** **R '000**
Goodwill raised on acquisition of B&W group	**–**	**12 783**	**12 783**

Impairment testing for Cash Generating Unit (CGU) containing goodwill

For purposes of impairment testing, goodwill of R 12 783 000 has been allocated to the B&W Group.

The recoverable amount of this CGU was based on its value in use, determined by discounting the forecasted future cashflows to be generated from the continuing use of the CGU. The carrying amount of the CGU was determined to be lower than its recoverable amount therefore no impairment was required.

The key assumptions used in the estimation of value in use were as follows: a discount rate of 21.4%, being the Weighted Average Cost of Capital for the B&W Group, terminal value growth of 3% and a forecasted earnings before interest, tax, depreciation and amortisation (EBITDA) growth rate of 9% (average over the next five years). The average growth rate was based on the B&W Group's committed and forecasted order book and the B&W Group being able to take advantage of additional project opportunities. Synergies exist between ELB and the B&W Group that will be leveraged resulting in efficiencies being achieved by the Group.

5. Intangible assets

Group	**2014** **Cost** **R '000**	**Accumulated amortisation** **R '000**	**Carrying value** **R '000**	2013 Cost R '000	Accumulated amortisation R '000	Carrying value R '000
Brand name	**5 499**	**(183)**	**5 316**	–	–	–
Contracts	**6 824**	**(882)**	**5 942**	–	–	–
Total	**12 323**	**(1 065)**	**11 258**	–	–	–

Reconciliation of intangible assets - Group - 2014

	Opening balance **R '000**	**Additions through business combinations** **R '000**	**Amortisation** **R '000**	**Total** **R '000**
Brand name	**–**	**5 499**	**(183)**	**5 316**
Contracts	**–**	**6 824**	**(882)**	**5 942**
	–	**12 323**	**(1 065)**	**11 258**

Amortisation

The brand name, which arose on the acquisition of the B&W Group, is amortised each year over its estimated useful life of five years. The contracts, which arose on the acquisition of the B&W Group, are amortised each year over the estimated life of each contract of between two and sixteen months.

6. Investment in subsidiaries

ELB Engineering (Pty) Ltd and ELB International (Pty) Ltd	**Company** **2014** **Carrying amount** **R '000**	2013 Carrying amount R '000
Ordinary shares		
Cost	**2**	2
Equity contributions to subsidiaries in respect of equity settled share options granted	**21 265**	21 029
	21 267	21 031
Preference shares	**90 000**	90 000
Carrying amount of equity interest	**111 267**	111 031

	Company **2014** **R '000**	2013 R '000
7. Loans to subsidiaries		
Subsidiaries		
ELB Engineering (Pty) Ltd	**103 815**	10 736
ELB International (Pty) Ltd	**57 039**	63 434
	160 854	74 170
Non current assets	**157 524**	68 414
Current assets	**3 330**	5 756
	160 854	74 170

The amount of R 103 815 000 (2013: R 10 736 000) owing by ELB Engineering (Pty) Ltd to the Company has no fixed repayment terms and bears interest at the rate prevailing on the Company's bank call deposit. There is no intention to recall the loan in the foreseeable future.

The amount of R 57 039 000 (2013: R 63 434 000) owing by ELB International (Pty) Ltd to the Company is interest free. The loan is anticipated to reduce annually by the expected dividends received each year on the treasury shares held by the Company.

Refer to page 78.

8. Pension fund employer surplus account

Retirement

The Group provides retirement benefits for all its permanent employees. Local group entities contribute to the Group's defined benefit pension fund, defined contribution pension fund and defined contribution provident fund, which are governed by the South African Pensions Fund Act of 1956 as amended. The funds are administered independently of the Group.

Certain local employees are required by legislation to contribute to industrial schemes, to which Group entities also contribute. Foreign group entities contribute to retirement funds registered in their countries of operation.

Defined benefit pension fund

The Group's defined benefit pension fund, ELB Group Limited Pension Fund, consists of pensioner members and three employee members. The fund is closed to new entrants. The defined benefit pension fund is independently administered and is legally separated from the Group. The trustees of the defined benefit pension fund comprise two employer representatives and two representatives elected by the members.

The fund exposes the Group to actuarial (longevity), interest rate and market (investments) risks. The fund is actuarially valued every year. The last statutory actuarial valuation was finalised in January 2013. The actuaries also perform a valuation at each financial year end in terms of the requirements of IAS 19. As at 30 June 2014 the fund was in a sound financial position.

	Group		Company	
	2014	2013	**2014**	2013
	R '000	R '000	**R '000**	R '000
Valuation of the defined benefit pension fund				
Fair value of assets (see below)	**183 703**	161 864	**183 703**	161 864
Present value of obligation (see below)	**(139 300)**	(109 822)	**(139 300)**	(109 822)
Effect of asset ceiling (see below)	**(4 553)**	(2 964)	**(4 553)**	(2 964)
Pension fund employer surplus account	**39 850**	49 078	**39 850**	49 078
Fair value of assets				
Fair value at the beginning of the year	**161 864**	139 523	**161 864**	139 523
Employer contributions	**150**	190	**150**	190
Return on plan assets, excluding interest	**11 745**	11 495	**11 745**	11 495
Benefit payments	**(10 691)**	(8 780)	**(10 691)**	(8 780)
Expected fair value at the end of the year	**163 068**	142 428	**163 068**	142 428
Actuarial gain	**20 635**	19 436	**20 635**	19 436
Actual fair value at the end of the year	**183 703**	161 864	**183 703**	161 864
Present value of obligation				
Present value at the beginning of the year	**109 822**	96 672	**109 822**	96 672
Current service cost	**402**	469	**402**	469
Interest cost	**7 851**	7 864	**7 851**	7 864
Benefit payments	**(10 691)**	(8 780)	**(10 691)**	(8 780)
Expected present value at the end of the year	**107 384**	96 225	**107 384**	96 225
Actuarial loss	**31 916**	13 597	**31 916**	13 597
Actual present value at the end of the year	**139 300**	109 822	**139 300**	109 822
Effect of asset ceiling				
Effect at the beginning of the year	**2 964**	2 902	**2 964**	2 902
Interest cost	**222**	247	**222**	247
Remeasurement	**1 367**	(185)	**1 367**	(185)
Effect at the end of the year	**4 553**	2 964	**4 553**	2 964

	Group		Company	
	2014 **R '000**	2013 R '000	**2014** **R '000**	2013 R '000

8. Pension fund employer surplus account (continued)

Actual return on fund assets

Amount (R '000)	**32 380**	30 931	**32 380**	30 931
Percentage	**20.7%**	22.9%	**20.7%**	22.9%

Income recognised in profit or loss

Current service cost	**(402)**	(469)	**(402)**	(469)
Net interest income	**3 672**	3 384	**3 672**	3 384
Employer contributions	**150**	190	**150**	190
	3 420	3 105	**3 420**	3 105

Remeasurements recognised in other comprehensive income

Return on plan assets	**20 635**	19 436	**20 635**	19 436
Actuarial loss	**(31 916)**	(13 597)	**(31 916)**	(13 597)
Effect of asset ceiling	**(1 367)**	185	**(1 367)**	185
	(12 648)	6 024	**(12 648)**	6 024

Plan assets

Bank balances, deposits or money market instruments	**30 630**	15 057	**30 630**	15 057
Debt instruments	**25 911**	30 140	**25 911**	30 140
Equities	**110 490**	106 828	**110 490**	106 828
Immovable property	**8 583**	5 992	**8 583**	5 992
Commodities	**4 403**	3 064	**4 403**	3 064
Hedge funds, private equity funds and any other assets	**3 686**	783	**3 686**	783
	183 703	161 864	**183 703**	161 864

Included in debt instruments, equities, immovable property and commodities are R 137 975 000 (2013: R 132 761 000) of plan assets that have quoted prices in active markets.

Employer contributions recognised in profit or loss

Contributions by Group companies on behalf of members:				
ELB Group Limited Pension Fund	**150**	190	**150**	190
Other retirement funds	**22 279**	18 697	**22 279**	18 697
	22 429	18 887	**22 429**	18 887

The contributions above are included in employee benefits expense disclosed in note 34. Contributions by Group companies on behalf of members to the ELB Group Limited Pension Fund in the financial year ending 30 June 2015 are expected to be approximately R 103 000 (2013: R 204 000).

Principal actuarial assumptions used for accounting purposes

Assumptions used in the IAS 19 valuation on 30 June 2014.
All percentages are per annum.

Discount rates	**8.3%**	7.5%	**8.3%**	7.5%
Expected return on plan assets	**8.3%**	8.5%	**8.3%**	8.5%
Future salary increases	**7.5%**	7.0%	**7.5%**	7.0%
Future pension increases	**6.5%**	6.0%	**6.5%**	6.0%
General inflation rate	**6.5%**	6.0%	**6.5%**	6.0%

Consideration has been given to the expected rate of return on plan assets currently being earned and the rates of return expected to be available for reinvestment over the future period until maturity of the pension benefits.

8. Pension fund employer surplus account (continued)

Principal actuarial assumptions sensitivity analysis

Reasonable possible changes at the reporting date to one of the significant actuarial assumptions, holding the other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Defined benefit obligation	**2014**		2013	
	Increase **R '000**	**Decrease** **R '000**	Increase R '000	Decrease R '000
Discount rate (1.0% movement)	**(693)**	**823**	(1 307)	1 548
Member mortality (1 year movement)	**(273)**	**300**	(2 877)	2 888
Future pension increases (1.0% movement)	**723**	**(554)**	9 315	(8 028)

		Group		**Company**	
	Note	**2014** **R '000**	2013 R '000	**2014** **R '000**	2013 R '000
9. Non current loans receivable					
9.1 Arising from the sale of a former Group company					
Carrying amount at the end of the year		**–**	3 270	**–**	–
Estimated current portion	13	**–**	(2 844)	**–**	–
Estimated non current amount receivable		**–**	426	**–**	–
9.2 Loan to related party					
MC Process (Pty) Ltd					
Carrying amount at the beginning of the year		**4 393**	–	**–**	–
Loan granted		**1 717**	6 171	**–**	–
Repayments		**(496)**	–	**–**	–
Effective interest rate adjustment	36	**593**	–	**–**	–
Fair value adjustment on initial recognition	37	**(868)**	(1 778)	**–**	–
Impairment		**(3 806)**	–	**–**	–
Carrying amount at the end of the year		**1 533**	4 393	**–**	**–**
Estimated current portion	13	**(600)**	(1 071)	**–**	–
Estimated non current amount receivable		**933**	3 322	**–**	–

The loan has been granted to MC Process (Pty) Ltd as part of the licence agreement between MC Process Global (Pty) Ltd and MC Process (Pty) Ltd.

The loan is unsecured and interest free.

The loan was recognised at fair value on initial recognition.

Subsequent to initial recognition, the loan is measured at amortised cost using an effective interest rate with repayments based on the estimated cash flows from the business.

	Note	Group		Company	
		2014	2013	**2014**	2013
		R' 000	R' 000	**R' 000**	R' 000
9. Non current loans receivable (continued)					
9.3 Summary of Group non current loans receivable					
Carrying amounts					
Loan from the sale of a former Group company	9.1	**–**	3 270	**–**	–
Loan to a related party	9.2	**1 533**	4 393	**–**	–
		1 533	7 663	**–**	–
Estimated current portions					
Loan from the sale of a former Group company	9.1	**–**	2 844	**–**	–
Loan to a related party	9.2	**600**	1 071	**–**	–
		600	3 915	**–**	–
Estimated non current portions					
Loan from the sale of a former Group company	9.1	**–**	426	**–**	–
Loan to a related party	9.2	**933**	3 322	**–**	–
		933	3 748	**–**	**–**
9.4 ELB Share Incentive Trust					
Amount receivable	19			**61 511**	75 401
Impairment				**–**	(259)
				61 511	75 142
Estimated current portion	13			**(3 227)**	(3 541)
Estimated non current portion				**58 284**	71 601

The loan is interest free and is anticipated to reduce annually by the expected dividends received each year on the treasury shares held by the Trust and will exist for as long as the ELB Share Incentive Trust schemes operate. The underlying securities for the loan are ordinary shares in the Company under the control of the Trust. Such shares are classified as treasury shares and comprise shares held by the Trust which are available for issue to participants under the share incentive schemes and shares issued to participants where payment for such shares has not yet occurred. Refer to notes 20 and 34.

10. Deferred income tax

General

Income tax rates used in the determination of deferred income tax assets and deferred income tax liabilities are:

South African income tax - 28% (2013: 28%)
Australian income tax - 30% (2013: 30%)
New Zealand income tax - 28% (2013: 28%)
Mozambique income tax - 32%
Kenya income tax - 30%

Estimated income tax losses at the year end not included in the Group's deferred income tax assets or the Group's deferred income tax liabilities amounted to R 58 600 000 (2013: R 1 000). The income tax losses do not expire, with the exception of the Kenyan tax losses amounting to R 32 000 000, which expire after four years.

Notes to the financial statements

for the year ended 30 June 2014 (continued)

		Group		Company	
		2014	2013	**2014**	2013
	Note	**R '000**	R '000	**R '000**	R '000
10. Deferred income tax (continued)					
10.1 Deferred income tax assets					
Analysis					
Temporary differences					
Accrual for costs related to sale of goods		**1 854**	586	**–**	–
Capital allowances		**(1 244)**	(269)	**–**	–
Construction contract liabilities		**(972)**	20	**–**	–
Construction contract work not yet billed		**(4 808)**	991	**–**	–
Foreign currency translation		**(613)**	–	**–**	–
Inventories		**6 374**	3 879	**–**	–
Leave pay accrued		**3 772**	3 675	**–**	–
Non current loans receivable		**(238)**	498	**–**	–
Other employee benefits accrued		**1 117**	856	**–**	–
Other payables and liabilities		**7 481**	1 946	**–**	–
Prepaid expenses		**(79)**	(6)	**–**	–
Provision for trade back commitments		**966**	1 208	**–**	–
Receivables and other assets		**2 313**	1 667	**–**	–
Straight line office rental		**8**	–	**–**	–
Warranties		**1 470**	2 069	**–**	–
Intangible assets		**(3 152)**	–	**–**	–
Onerous contracts		**768**	–	**–**	–
Income tax losses carried forward		**54 896**	1 041	**–**	–
		69 913	18 161	**–**	–
Movement for the year					
Balance at the beginning of the year		**18 161**	25 800	**–**	–
Income tax credit/(expense) through profit or loss	38	**1 536**	(7 915)	**–**	–
Adjustments through other comprehensive income					
Aeroplane revaluation surplus		**–**	(109)	**–**	–
Foreign currency translation reserve adjustments		**(270)**	–	**–**	–
Foreign currency translation adjustments	44.1	**1 207**	385	**–**	–
Acquired from business combination	50	**49 140**	–	**–**	–
Prior year adjustment	38	**139**	–	**–**	–
Balance at the end of the year		**69 913**	18 161	**–**	–
10.2 Deferred income tax liabilities					
Analysis					
Temporary differences					
Accrual for costs related to sale of goods		**(13 032)**	–	**–**	–
Aeroplane		**1 972**	1 286	**–**	–
Capital allowances		**2 566**	1 885	**–**	–
Client retentions on construction contracts		**(3 671)**	(1 879)	**–**	–
Construction contract liabilities		**30 159**	(5 893)	**–**	–
Construction contract work not yet billed		**27 930**	21 102	**–**	–
Leave pay accrued		**(1 643)**	(1 365)	**–**	–
Other employee benefits accrued		**(3 360)**	(2 911)	**–**	–
Other payables and liabilities		**(36 194)**	(2 387)	**–**	–
Prepaid expenses		**282**	830	**–**	–
Receivables and other assets		**(38)**	(50)	**–**	–
Straight line office rental		**(1 285)**	–	**–**	–
Unrealised inter company foreign currency exchange gain		**4 544**	1 873	**–**	–
Pension fund employer surplus account		**11 158**	13 742	**11 158**	13 742
Income tax losses carried forward		**–**	(33)	**–**	–
		19 388	26 200	**11 158**	13 742

		Note	Group 2014 R '000	Group 2013 R '000	Company 2014 R '000	Company 2013 R '000
10.	**Deferred income tax (continued)**					
	Movement for the year					
	Balance at the beginning of year		**26 200**	12 870	**13 742**	11 186
	Income tax (credit)/expense through profit or loss	38	**(4 387)**	9 570	**957**	869
	Adjustments through other comprehensive income					
	Foreign currency translation reserve adjustments		**2 671**	1 873	**–**	–
	Pension fund employer surplus account		**(3 541)**	1 687	**(3 541)**	1 687
	Aeroplane revaluation surplus		**149**	4	**–**	–
	Prior year adjustment	38	**(1 704)**	–	**–**	–
	Acquired from business combination		**–**	196	**–**	–
	Balance at the end of the year		**19 388**	26 200	**11 158**	13 742
11.	**Construction contract work not yet billed**					
	Construction contract liabilities					
	Provisions relevant to completion to date		**17 068**	14 261	**–**	–
	Billings to clients in advance of completion to date		**136 283**	116 888	**–**	–
			153 351	131 149	**–**	–
	Construction contracts additional information					
	Revenue recognised on construction contracts	28	**1 325 482**	886 035	**–**	–
	Aggregate amount of costs incurred and recognised profits less recognised losses for construction contracts not yet complete at the year end		**2 446 094**	1 500 277	**–**	–
	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		**175 719**	92 604	**–**	–
	Amount receivable from construction contract clients at the year end	13	**276 132**	131 226	**–**	–
	Retentions held by clients at the year end and included in the amount receivable from construction contract clients		**3 153**	–	**–**	–
12.	**Inventories**					
	Merchandise and components		**49 260**	49 038	**–**	–
	Work in progress		**10 057**	36 171	**–**	–
	Finished goods		**569 040**	445 898	**–**	–
	Property, comprising a vacant stand, held as inventory		**87**	87	**704**	704
			628 444	531 194	**704**	704
	Inventories recognised as an expense in the year	29	**732 366**	808 301	**–**	–
	Inventories recognised as an expense includes:					
	Write down of inventories to net realisable value		**11 833**	4 535	**–**	–

The property comprising a vacant stand is the remaining erf of four erven, previously referred to collectively as the Lydenburg property, that was transferred to the Company from a subsidiary which was then sold. The transfer to the Company was at market value. The property was sold subsequent to year end.

13. Trade and other receivables

		Group		Company	
	Note	**2014** **R '000**	2013 R '000	**2014** **R '000**	2013 R '000
Amounts receivable from construction contract clients	11	**276 132**	131 226	**–**	–
Impairment of construction contract receivables		**(10 045)**	(236)	**–**	–
Other trade receivables		**111 673**	104 423	**–**	–
Impairment of other trade receivables		**(6 480)**	(6 754)	**–**	–
Total trade receivables		**371 280**	228 659	**–**	–
Current portion of non current loan receivables	9.3&9.4	**600**	3 915	**3 227**	3 541
Other current receivables		**4 785**	10 653	**–**	–
Impairment of other current receivables		**(265)**	(293)	**–**	–
		376 400	242 934	**3 227**	3 541
Trade receivables					
Amounts receivable		**387 805**	235 649	**–**	–
Impairment		**(16 525)**	(6 990)	**–**	–
Total trade receivables as above		**371 280**	228 659	**–**	–
Currency analysis					
South Africa rands		**343 659**	180 142	**–**	–
United States dollars		**17 392**	25 548	**–**	–
Australian dollars		**18 223**	20 247	**–**	–
Euros		**208**	7 479	**–**	–
New Zealand dollars		**2 057**	2 058	**–**	–
British pounds		**5 038**	175	**–**	–
Mozambique meticais		**1 228**	–	**–**	–
		387 805	235 649	**–**	–
Ageing					
Not past due		**224 296**	130 984	**–**	–
Past due 0 - 30 days		**85 001**	25 240	**–**	–
Past due 30 - 60 days		**8 705**	32 025	**–**	–
Past due 60 - 90 days		**3 484**	9 910	**–**	–
Past due more than 90 days		**66 319**	37 490	**–**	–
		387 805	235 649	**–**	–
Impairment					
Balance at the beginning of the year		**6 990**	5 810	**–**	–
Additional impairments					
Specific customers and clients		**14 839**	5 128	**–**	–
Non specific		**333**	154	**–**	–
Reversals of impairment					
Specific customers and clients		**(3 828)**	(2 488)	**–**	–
Non specific		**–**	(384)	**–**	–
Impairments applied to irrecoverable amounts		**(1 809)**	(1 104)	**–**	–
Foreign currency translation adjustments		**–**	(126)	**–**	–
		16 525	6 990	**–**	–
Impairments to specific customers and clients		**15 726**	6 370	**–**	–
Non specific impairments		**799**	620	**–**	–
		16 525	6 990	**–**	–
Impairment ageing					
In respect of trade receivables:					
Not past due		**–**	9	**–**	–
Past due 0 - 30 days		**55**	–	**–**	–
Past due 30 - 60 days		**114**	166	**–**	–
Past due 60 - 90 days		**220**	718	**–**	–
Past due more than 90 days		**16 136**	6 097	**–**	–
		16 525	6 990	**–**	–

The management of credit risk is outlined in the notes on financial risk management. Refer to note 51.5.

	Group		Company	
	2014	2013	**2014**	2013
	R '000	R '000	**R '000**	R '000
14. Derivative financial assets				
Foreign currency forward exchange contracts (FECs) marked to market by comparing with year end contract values for FECs with similar maturity dates	**894**	6 260	**–**	–

The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

15. Other current assets

	Group 2014 R '000	Group 2013 R '000	Company 2014 R '000	Company 2013 R '000
Taxes refundable (excluding income tax)	**8 273**	14 013	**–**	–
Prepaid expenses	**7 486**	11 514	**–**	–
Deposit for inventory to be supplied	**–**	1 851	**–**	–
Amounts recoverable from employees	**8 319**	5 023	**–**	–
Other	**2 745**	–	**–**	–
	26 823	32 401	**–**	–

16. Cash and cash equivalents

	Group 2014 R '000	Group 2013 R '000	Company 2014 R '000	Company 2013 R '000
Included in cash and cash equivalents are the following:				
Cash on hand	**909**	117	**–**	–
Bank balances	**191 984**	160 806	**–**	–
Short-term deposits	**223 267**	273 583	**115**	84
Cash deposits with an insurance company as a guarantee for due performance under certain construction contracts	**36 000**	36 000	**–**	–
Bank overdraft	**(29 368)**	–	**–**	–
	422 792	470 506	**115**	84
Current assets	**452 160**	470 506	**115**	84
Current liabilities	**(29 368)**	–	**–**	–
	422 792	470 506	**115**	84

Encumbered cash and cash equivalents

	Group 2014 R '000	Group 2013 R '000	Company 2014 R '000	Company 2013 R '000
Included in cash and cash equivalents are the following encumbered cash deposits:				
Call and term cash deposits with a South African bank, ceded and pledged to that bank to cover import letters of credit issued by the bank on behalf of ELB Equipment in South Africa	**70 000**	70 000	**–**	–
Cash deposits with insurance company as a guarantee for due performance under certain construction contracts	**36 000**	36 000	**–**	–
	106 000	106 000	**–**	–

17. Issued capital

17. 1 Authorised ordinary share capital

	Group **2014** **R '000**	Group 2013 R '000	Company **2014** **R '000**	Company 2013 R '000
50 000 000 ordinary shares of 4 cents each	**2 000**	2 000	**2 000**	2 000

17.2 Number of ordinary shares in issue

	Note	Group **2014** **Number**	Group 2013 Number	Company **2014** **Number**	Company 2013 Number
Number of shares in issue at the beginning of the year					
Issued by the Company		**33 860 000**	33 860 000	**33 860 000**	33 860 000
Treasury shares					
ELB Share Incentive Trust	20	**(4 844 531)**	(5 158 031)		
ELB International (Pty) Ltd		**(3 386 000)**	(3 386 000)		
		25 629 469	25 315 969	**33 860 000**	33 860 000
Transactions during the year					
ELB Share Incentive Trust					
Incentive scheme shares paid up by participants and released by the Trust	20	**1 048 500**	313 500		
ELB Group Limited					
Shares issued on acquisition of B&W Group		**1 964 527**	–	**1 964 527**	–
B&W Share Purchase Scheme					
ELB Group Limited shares acquired		**(72 176)**	–		
Number of shares in issue at the end of the year		**28 570 320**	25 629 469	**35 824 527**	33 860 000
Number of shares in issue at the end of the year					
Issued by the company		**35 824 527**	33 860 000	**35 824 527**	33 860 000
Treasury shares					
ELB Share Incentive Trust	20	**(3 796 031)**	(4 844 531)		
B&W Share Purchase Scheme		**(72 176)**	–		
ELB International (Pty) Ltd		**(3 386 000)**	(3 386 000)		
		28 570 320	25 629 469	**35 824 527**	33 860 000

17.3 Issued ordinary shares and premium

	Group **2014** **R '000**	Group 2013 R '000	Company **2014** **R '000**	Company 2013 R '000
35 824 527 (2013: 33 860 000) ordinary shares of 4 cents each	**1 433**	1 354	**1 433**	1 354
Share premium account	**106 269**	23 838	**106 269**	23 838
	107 702	25 192	**107 702**	25 192

The Company has two beneficial shareholders holding 5% or more of the Company's listed ordinary shares, other than treasury shares, being Tanjo One (Pty) Ltd which holds 4 294 612 shares (12.0%) and BlueAlpha Investment Managers which holds 1 998 000 shares (5.6%).

17.4 Treasury shares

		2014	2013
ELB Group Limited	19 & 21	**26 599**	26 599
ELB Share Incentive Trust	19	**(60 730)**	(74 382)
B&W Share Purchase Scheme	19	**(3 073)**	–
ELB International (Pty) Ltd	19	**(782)**	(782)
		(37 986)	(48 565)
Decrease in carrying amount of treasury shares		**13 652**	4 119

The value of the treasury shares are Group consolidated carrying amounts, after consolidation eliminations relating to treasury shares.

17. Issued capital (continued)

17.5 Authority to issue additional ordinary shares relating to the Company's share incentive scheme

An ordinary resolution at a general meeting held on 8 March 2011 placed 4 200 000 of the authorised ordinary shares of the Company under the control of the directors and authorised the directors to allot and issue such ordinary shares in the Company in accordance with the respective rules of the ELB Share Incentive Scheme, the ELB Executive Share Incentive Scheme 2010, the Companies Act of South Africa and the JSE Listings Requirements for the Johannesburg Stock Exchange.

17.6 Capital management

The Group's policy is to maintain a strong capital base so as to preserve investor and market confidence and to sustain the future development of the business. The Group's objectives in managing capital are to maintain an optimal capital structure in order to safeguard the Group's going concern status, and to provide returns for shareholders and benefits for other stakeholders. The board reviews the capital structure on a regular basis. The reviews include the consideration of the risks associated with each class of capital, the Group's commitments and the availability of funding. There were no major changes in the Group's approach to capital management during the year.

There are no externally imposed capital requirements.

The board monitors the spread of ordinary shareholders and the internal rate of return to ordinary shareholders. Capital for this purpose is the equity attributable to ordinary shareholders of the Company. The internal rate of return to ordinary shareholders comprises the ordinary dividends paid and the increase in net asset value (NAV) per ordinary share. For the year ended 30 June 2014 the internal rate of return to ordinary shareholders was 20.4% (2013: 22.3%). The Group has set a target of maintaining the internal rate of return to ordinary shareholders to at least 20% per annum over the long term, which would be periods of five consecutive years and longer. In the short term the return could be affected by volatile economic factors, particularly foreign currency exchange rates.

18. Preference shares

	Note	Group		Company	
		2014 **R '000**	2013 R '000	**2014** **R '000**	2013 R '000
Authorised					
150 000 (2013: 150 000) 6% fixed cumulative redeemable preference shares of 200 cents each		**300**	300	**300**	300
Issued					
Nil (2013: Nil) 6% fixed cumulative redeemable preference shares of 200 cents each		**–**	–	**–**	–

The preference shares were redeemed at R 2 each during 2013 in terms of an ordinary resolution of the Company dated 11 April 2013, resulting in a cash outlay of R 7 600. Refer also to the notes on the capital redemption reserve and the reserve for the redemption of preference shares as described in note 21.

19. Treasury shares

	Note	Group 2014 R '000	Group 2013 R '000
ELB Share Incentive Trust			
Amount receivable by the Company from the Trust	9.4	**61 511**	75 401
Dividends received by the Trust		**4 767**	4 284
Capital gains tax (CGT) on issue of shares		**(368)**	(368)
Fringe benefit tax to be recovered from participants		**(5 189)**	(4 951)
Interest received - South African Revenue Services		**16**	16
Income tax paid on interest received		**(7)**	–
Carrying amount of treasury shares	17.4	**60 730**	74 382
ELB Group Limited (the Company)			
Consolidation treasury shares adjustment	17.4 & 21	**(26 599)**	(26 599)
B&W Share Purchase Scheme (B&W)			
Group carrying amount of treasury shares held by the Scheme	17.4	**3 073**	–
ELB International (Pty) Ltd (ELB International)			
CGT paid on capital distribution	17.4	**782**	782
Treasury shares as reflected for the Group	17.4	**37 986**	**48 565**

Loan repayments from the Trust to the Company are paid from dividends received on ELB shares held in its own name and which are available for issue to participants in terms of the share incentive scheme operated by the Trust.

Also refer to note 20.

20. ELB Share Incentive Trust

The Trust was established to enable certain employees and executive directors (collectively 'the participants') to acquire ordinary shares in the Company. The loans granted by the Trust to the participants are interest free. The trustees of the share incentive scheme may not release shares until paid for in full.

	Note	**2014** **Number**	2013 Number
Scheme share participation			
Scheme shares at the beginning of the year	17.2	**4 844 531**	5 158 031
Shares paid for in full	17.2	**(1 048 500)**	(313 500)
Scheme shares at the end of the year		**3 796 031**	4 844 531
Comprising			
Shares not yet paid for by participants and represented by loans		**3 169 400**	3 283 400
Shared held for issue to participants		**626 631**	1 561 131
		3 796 031	4 844 531

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

	For loans granted on or after 20 March 2008 (covering 3 149 500 shares)	For loans granted before 20 March 2008 (covering 19 900 shares)
After one year	- up to 20% of the loan	- up to 10% of the loan
After two years	- up to 40% of the loan	- up to 25% of the loan
After three years	- up to 60% of the loan	- up to 45% of the loan
After four years	- up to 80% of the loan	- up to 70% of the loan
After five years	- up to 100% of the loan	- up to 100% of the loan

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

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

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

21. Reserves

	Group		**Company**	
	2014 **R '000**	2013 R '000	**2014** **R '000**	2013 R '000
Capital redemption reserves	**750**	750	**250**	250
Share options reserve	**10 991**	15 345	**12 930**	18 053
Premium on buy out of non controlling interest in subsidiary	**(853)**	(853)		
Foreign currency translation reserve	**54 080**	35 831		
Treasury shares transfer reserve			**26 599**	26 599
Aeroplane revaluation surplus	**1 022**	697		
	65 990	51 770	**39 779**	44 902

Details of the changes in the reserves are contained in the statements of changes in equity.

21. Reserves (continued)

Capital redemption reserve

On the redemption of preference shares, amounts equalling the carrying amounts of the equity redeemed, were transferred to this reserve. The transfers were from the reserve for redemption of preference shares in the case of the Company and from directly or indirectly retained earnings in the case of another Group company. The reserve was a requirement of the previous South African Companies Act of 1973. An amount of R 7 600 was transferred in the prior year by the Company in respect of the preference shares redeemed during 2013. Refer to note 18.

Share options reserve

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

Premium on buy out of non controlling interest in subsidiary

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

Foreign currency translation reserve

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

Treasury shares transfer reserve

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

Aeroplane revaluation surplus

The revaluation surplus relates to an aeroplane which is carried under the revaluation model. The balance in the revaluation surplus represents the amount by which the revaluation of the aeroplane at the balance sheet date exceeds the aggregate of the cost recognised for the aeroplane at the date of acquisition and subsequent improvements and enhancements at cost, net of the related deferred income tax and non-controlling interests.

22. Interest bearing borrowings

	Group		**Company**	
	2014 R '000	2013 R '000	**2014 R '000**	2013 R '000
Mortgage bonds	**29 308**	32 102	**–**	–
Finance leases and credit instalment agreements	**834**	1 097	**–**	–
	30 142	33 199	**–**	–
Current portion	**(5 420)**	(3 473)	**–**	–
Non current portion	**24 722**	29 726	**–**	–

Mortgage bonds are secured over properties with carrying amounts totaling R 68 452 000 (2013: R 70 979 000).

Finance lease and credit instalment agreements are secured over plant and machinery with carrying amounts totaling R 851 000 (2013: R 1 278 000), vehicles with carrying amounts totaling R 511 000 (2013: R 55 000) and computer equipment with carrying amounts totaling R Nil (2013: R 34 000).

The interest rates, terms and maturity profiles of the interest bearing borrowings are indicated in note 51.4 on liquidity risk.

23. Provision for trade back commitments

Reconciliation of provision for trade back commitments - Group - 2014

	Opening balance R '000	Additional provisions at present values R '000	Unused provisions reversed R '000	Utilised during the year R '000	Changes to present values R '000	Unwinding of present value adjustments R '000	Total R '000
Provision for trade back commitments	**4 315**	**703**	**(1 387)**	**(349)**	**(28)**	**196**	**3 450**

Reconciliation of provision for trade back commitments - Group - 2013

	Opening balance R '000	Additional provisions at present values R '000	Unused provisions reversed R '000	Utilised during the year R '000	Changes to present values R '000	Unwinding of present value adjustments R '000	Total R '000
Provision for trade back commitments	7 882	1 022	(4 342)	(537)	(3)	293	4 315

	Note	Group 2014 R '000	Group 2013 R '000	Company 2014 R '000	Company 2013 R '000
Non-current liabilities		**2 861**	2 670	**–**	–
Current liabilities		**589**	1 645	**–**	–
		3 450	4 315	**–**	–

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

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

24. Trade and other payables - non interest bearing

	Note	Group 2014 R '000	Group 2013 R '000	Company 2014 R '000	Company 2013 R '000
Trade payables		**423 686**	379 216	**–**	–
Other current payables		**35 980**	53 783	**959**	313
		459 666	432 999	**959**	313

25. Trade and other payables - interest bearing

	Note	Group 2014 R '000	Group 2013 R '000	Company 2014 R '000	Company 2013 R '000
Interest bearing trade payables		**224 715**	175 433	**–**	–
Current portion of interest bearing non current borrowings	22	**5 420**	3 473	**–**	–
		230 135	178 906	**–**	–

The interest rates, terms and maturity profiles of the interest bearing trade payables are indicated in the note on liquidity risk. Refer to note 51.

26. Other financial liabilities

	Group		Company	
	2014 **R '000**	2013 R '000	**2014** **R '000**	2013 R '000
Derivative financial liabilities				
Foreign currency forward exchange contracts (FECs)	**1 185**	601	**–**	–
Financial guarantee liability				
Financial guarantee issued to supplier of former subsidiary	**16**	36	**–**	–
Loans from related entities				
Calaban Properties (Pty) Ltd	**2 621**	–	**–**	–
B&W Employee Trust	**1 948**	–	**–**	–
B&W Industrial Technology (Pty) Ltd	**179**	–	**–**	–
	4 748	–	**–**	–
	5 949	637	**–**	–

The FECs are marked to market by comparing year end contract values of FECs with similar maturity dates. The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

The financial guarantee was issued to the supplier of a former subsidiary, which has subsequently been sold; measured initially at the present value, over the expected life of the guarantee of the estimated commercial bank fees for a guarantee of similar risk; with subsequent amortisation over such expected life.

The loans are with related parties. They are interest free and repayable on demand.

The loans are with related parties. They are interest free and repayable on demand.

	Group 2014 R '000	Group 2013 R '000	Company 2014 R '000	Company 2013 R '000
Current liabilities				
Fair value through profit or loss	**1 185**	601	**–**	–
At amortised cost	**4 764**	36	**–**	–
	5 949	637	**–**	–

27. Other current liabilities

	Group 2014 R '000	Group 2013 R '000	Company 2014 R '000	Company 2013 R '000
Taxes payable (excludes Group and Company income tax payable and includes taxes collected on behalf of tax authorities)	**18 536**	9 899	**14**	20
Amounts payable to employees	**74 711**	42 745	**–**	–
Provision for warranty claims	**7 595**	1 481	**–**	–
Insurance premiums and insurance claims excess accrued	**729**	570	**–**	–
Customer receipts in advance	**13 795**	32 056	**–**	–
Other accruals	**39 418**	14 129	**–**	–
	154 784	100 880	**14**	20

28. Sales

	Group 2014 R '000	Group 2013 R '000	Company 2014 R '000	Company 2013 R '000
Sale of goods	**1 023 629**	1 098 152	**–**	–
Construction contracts revenue recognised	**1 325 482**	886 035	**–**	–
Services				
External	**171**	410	**–**	–
Internal			**1 812**	1 740
	2 349 282	1 984 597	**1 812**	1 740

Notes to the financial statements

for the year ended 30 June 2014 (continued)

		Group		Company	
		2014	2013	**2014**	2013
	Note	**R' 000**	R' 000	**R' 000**	R' 000
29. Operating profit before depreciation and amortisation of non financial assets					
Operating profit for the year is stated after accounting for the following:					
Cost of sales		**1 963 323**	1 653 227	**–**	–
Other operating costs/(income)		**202 476**	159 821	**2 843**	(236)
		2 165 799	1 813 048	**2 843**	(236)
Income from subsidiaries					
Dividends				**19 603**	15 544
Operating lease charges					
Premises		**12 279**	10 079	**–**	–
Equipment		**5 825**	448	**–**	–
		18 104	10 527	**–**	–
Profit on sale of property, plant and equipment		**(485)**	(405)	**–**	–
Inventories recognised as an expense		**732 366**	808 301	**–**	–
Trade and other receivables adjustment	32	**9 507**	3 800	**–**	–
Foreign currency exchange adjustments	33	**576**	10 057	**–**	–
Employee benefits expenditure	34	**427 672**	352 270	**–**	–
Research and development		**–**	44	**–**	–
30. Auditors' remuneration					
Fees		**3 653**	3 548	**48**	44
Other services		**1 798**	807	**–**	–
Tax services		**512**	–	**–**	–
		5 963	4 355	**48**	44
31. Future minimum operating lease expenses					
The Group leases a number of properties under operating leases.					
Future minimum lease expenses at 30 June 2014 under non cancellable operating leases comprise:					
Payments under lease agreements:					
Not later than one year		**14 103**	11 483	**–**	–
Later than one year and not later than five years		**19 295**	24 441	**–**	–
IAS 17 straight line adjustments		**(4 735)**	(3 093)	**–**	–
There are no contingent rents payable under any operating leases.					
32. Trade and other current receivables adjustments					
Net amounts written off		**(1 736)**	2 178	**–**	–
Increase in impairments		**11 243**	1 622	**–**	–
Net expense		**9 507**	3 800	**–**	–
33. Foreign currency exchange adjustments					
Trade and other receivables		**(4 517)**	(3 059)	**–**	–
Trade and other payables		**10 708**	24 669	**–**	–
Foreign currency forward exchange contracts (FECs)		**4 688**	(4 465)	**–**	–
Cash and cash equivalents	44.2	**(10 303)**	(7 088)	**–**	–
		576	10 057	**–**	–

The adjustments exclude foreign currency translation reserve adjustments for foreign entities disclosed in the Group statement of comprehensive income. Cash and cash equivalents are those held by Group entities in currencies other than their functional currencies.

	Group		Company	
	2014	2013	**2014**	2013
	R '000	R '000	**R '000**	R '000
34. Employee benefits expense				
Short term benefits	**398 644**	329 715	**–**	–
Post employment benefits				
Retirement fund contributions	**26 099**	18 887	**–**	–
Total direct benefits	**424 743**	348 602	**–**	–
Indirect benefits	**2 929**	3 668	**–**	–
Employee benefits expense	**427 672**	352 270	**–**	–

Share option schemes

In terms of the ELB Share Incentive Trust schemes, the directors may direct the trustees to offer shares or grant options in respect of shares to specified employees and executive directors. For shares or options granted from December 2010 onwards the maximum number of shares that may be issued or transferred or options that may be granted is limited to 4 200 000 shares or options of which 680 000 shares or options were available for issue at 30 June 2014 (2013: 680 000). At 30 June 2014, for shares or options granted before December 2010, there were 1 532 900 options or unpaid shares held by participants (2013: 2 098 900).

Participants are entitled to exercise their options as follows:

For options granted before December 2010

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

For options granted on and after December 2010 participants are allowed to exercise in one or more tranches at any time from the grant date to the anniversary of the grant date.

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

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

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

Details of outstanding share options at 30 June 2014, are:

		Excercise	Number of options			
Expiry date	**Date granted**	**price (cents)**	**Granted**	**Excercised**	**Lapsed**	**Outstanding**
March 2018	March 2008	**1 250**	**2 100 000**	**(1 826 000)**	**(30 000)**	**244 000**
September 2018	September 2008	**1 250**	**115 000**	**(94 000)**	**–**	**21 000**
September 2020	September 2010	**1 289**	**210 000**	**(82 000)**	**(24 000)**	**104 000**
December 2020	December 2010	**1 353**	**2 690 000**	**(2 690 000)**	**–**	**–**
July 2022	July 2012	**2 151**	**75 000**	**(75 000)**	**–**	**–**
September 2022	September 2012	**2 108**	**5 000**	**(5 000)**	**–**	**–**
June 2023	June 2013	**3 322**	**750 000**	**(282 500)**	**(160 000)**	**307 500**
			5 945 000	**(5 054 500)**	**(214 000)**	**676 500**

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

Number of options	**2014**	**2013**
Outstanding at the beginning of the year	**1 768 500**	1 464 000
Granted during the year	**–**	830 000
Exercised during the year	**(932 000)**	(501 500)
Lapsed during the year	**(160 000)**	(24 000)
Outstanding at the end of the year	**676 500**	1 768 500

34. Employee benefits expense (continued)

	Note	Group 2014 R '000	2013 R '000
Equity settled share option expense recognised in profit or loss and included in short term employee benefits expense	43	**236**	1 776

The fair value of share options granted is determined at grant date. For the options granted in March 2008 the fair value was determined by Alexander Forbes Financial Services, using an actuarial binomial model. This was a stochastic model based on the standard binomial options pricing model, and was mathematically consistent with the Black Scholes model. For the options granted in September 2008 the fair value was taken to be the same as the fair value of the options granted in March 2008 since the share price and other input variables had remained consistent. The fair values of the options granted in September 2010, December 2010, July 2012, September 2012 and June 2013 were determined using the Black Scholes model. Inputs to the models included the market price of the underlying shares at the grant date or the acceptance date, the expected option lifetime, the projected volatility of the share price, the anticipated dividend yield and the risk free interest rate.

These inputs are quantified below:

Options granted in March 2008 and September 2008

	Expected option lifetime (years)	Volatility %	Risk free interest rate per annum	Options fair value at grant date (cents per option)
Options vesting in March 2009	2	34.3%	9.6%	554
Options vesting in March 2010	3	35.6%	9.2%	593
Options vesting in March 2011	4	36.4%	9.0%	618
Options vesting in March 2012	5	36.6%	9.0%	631
Options vesting in March 2013	6	36.6%	9.0%	635

The market price of the shares on the grant date was 1 580 cents. The Group advised Alexander Forbes to assume a dividend yield of 5% per annum over the full option lifetime.

Options granted in September 2010

	Expected option lifetime (years)	Volatility %	Risk free interest rate per annum	Options fair value at grant date (cents per option)
Options vesting in September 2011	2	40.0%	6.7%	288
Options vesting in September 2012	3	40.0%	6.8%	366
Options vesting in September 2013	4	40.0%	6.9%	419
Options vesting in September 2014	5	40.0%	7.1%	460
Options vesting in September 2015	6	40.0%	7.3%	492

The weighted average market price of the shares on the acceptance dates was 1 433 cents. The dividend was expected to increase by 10% per annum.

Options granted in December 2010

	Expected option lifetime (years)	Volatility %	Risk free interest rate per annum	Options fair value at grant date (cents per option)
Options exercised in December 2010 (2 190 000 out of 2 690 000 options)	Nil	Nil	Not applicable	222
Options expected to be exercised in December 2011 (250 000 out of 2 690 000 options)	1	40.0%	6.7%	222
Options expected to be exercised in December 2012 (250 000 out of 2 690 000 options)	2	40.0%	6.7%	222

These options vested on the date of acceptance. The weighted average market price of the shares on the acceptance dates was 1 540 cents. The dividend was expected to increase by 10% per annum.

34. Employee benefits expense (continued)

Options granted in July 2012

	Expected option lifetime (years)	Volatility %	Risk free interest rate per annum	Options fair value at grant date (cents per option)
Options exercised in July 2012 (75 000 out of 75 000 options)	Nil	Nil	Not applicable	69

These options vested on the date of acceptance. The market price of the shares on the acceptance date was 2 220 cents. The dividend was expected to increase by 12% per annum.

Options granted September 2012

	Expected option lifetime (years)	Volatility %	Risk free interest rate per annum	Options fair value at grant date (cents per option
Options exercised in October 2012 (5 000 out of 5 000 options)	Nil	Nil	Not applicable	467

These options vested on the date of acceptance. The market price of the shares on the acceptance date was 2 575 cents. The dividend was expected to increase by 12% per annum.

Options granted in June 2013

	Expected option lifetime (years)	Volatility %	Risk free interest rate per annum	Options fair value at grant date (cents per option)
Options exercised in June 2013 (267 500 out of 740 000 options)	Nil	Nil	Not applicable	174
Options to be exercised by 31 December 2013 (226 250 out of 740 000 options)	0.5	35.0%	6.3%	174
Options to be exercised by 31 March 2014 (226 250 out of 740 000 options)	0.8	35.0%	6.3%	174
Options to be exercised by 30 June 2014 (20 000 out of 740 000 options)	0.7	35.0%	6.3%	174

These options vest on the date of acceptance. The number of options granted was 750 000, of which 720 000 vested in 30 June 2013 and 20 000 in October 2013.

The weighted average market price of the shares on the acceptance dates for those options accepted by 30 June 2014 was 3 072 cents. The dividend was expected to increase by 12% per annum.
The weighted average exercise price of share options granted and accepted is 1 571 cents, of the share options exercised is 1 435 cents, of the share options lapsed is 2 804 cents and of the share options remaining at 30 June 2014 is 2 198 cents. The estimated weighted average future contractual life of the share options at 30 June 2014 is eight months, assuming no further attrition and that the market price per share will remain above the exercise price such that participants will exercise vesting options before the cum dividend date following the vesting; and that the accepted but unexercised options will be exercised by 31 March 2015, before the next cum dividend date.

35. Directors' remuneration

2014

	Salaries R '000	Fees (a) R '000	Performance bonuses R '000	Allowances R '000	Commission R '000	Medical aid contributions R '000	Retirement fund contributions R '000	Total R '000
Executive directors								
PJ Blunden	1 892	–	1 869	192	–	57	575	4 585
MC Easter (b)	1 332	–	196	–	–	–	373	1 901
AG Fletcher	3 056	–	465	139	–	117	–	3 777
Dr SJ Meijers	2 283	–	2 068	207	–	51	228	4 837
MV Ramollo	766	221	–	–	–	120	120	1 227
CJ Smith	1 362	–	447	108	585	23	518	3 043
	10 691	221	5 045	646	585	368	1 814	19 370
Non executive directors								
T de Bruyn	–	286	–	–	–	–	–	286
Dr JP Herselman	–	286	–	–	–	–	–	286
IAR Thomson	–	470	–	–	–	–	–	470
	–	1 042	–	–	–	–	–	1 042
Total	10 691	1 263	5 045	646	585	368	1 814	20 412
Paid by the Company		1 263						1 263
Paid by subsidiaries	10 691		5 045	646	585	368	1 814	19 149
	10 691	1 263	5 045	646	585	368	1 814	20 412

2013

	Salaries R '000	Fees (a) R '000	Performance bonuses R '000	Allowances R '000	Commission R '000	Medical aid contributions R '000	Retirement fund contributions R '000	Total R '000
Executive directors								
PJ Blunden	1 748	–	1 829	133	–	51	663	4 424
AG Fletcher	2 837	–	444	139	–	130	–	3 550
DG Jones (c)	1 078	–	421	100	–	42	362	2 003
Dr SJ Meijers	1 931	–	1 900	197	–	54	195	4 277
MV Ramollo	714	205	–	–	–	108	113	1 140
CJ Smith	986	–	429	128	480	18	457	2 498
	9 294	205	5 023	697	480	403	1 790	17 892
Non executive directors								
T de Bruyn	–	265	–	–	–	–	–	265
Dr JP Herselman	–	265	–	–	–	–	–	265
IAR Thomson	–	405	–	–	–	–	–	405
	–	935	–	–	–	–	–	935
Total	9 294	1 140	5 023	697	480	403	1 790	18 827
Paid by the Company		1 140						1 140
Paid by subsidiaries	9 294		5 023	697	480	403	1 790	17 687
	9 294	1 140	5 023	697	480	403	1 790	18 827

(a) Fees are in respect of services rendered as directors of the Company and are paid by the Company. All other remuneration is for executive services rendered within the Group and is paid as indicated.

(b) Mr MC Easter was appointed to the board as group financial director on 1 July 2013.

(c) Mr DG Jones resigned from the board on 30 June 2013.

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.

35. Directors' emoluments (continued)

Directors' share loans

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

	Date options granted	Balance at 30 June 2013 R '000	Changes during the year Loans granted during the year R '000	Changes during the year Repaid during the year R '000	**Balance at 30 June 2014 R '000**
PJ Blunden	20 March 2008	–	6 250	(6 250)	**–**
	1 December 2010	–	5 412	(5 412)	**–**
Dr SJ Meijers	6 February 2007	82	–	–	**82**
	20 March 2008	5 000	–	–	**5 000**
	1 December 2010	10 824	–	–	**10 824**
CJ Smith	20 March 2008	1 250	–	–	**1 250**
	23 September 2010	103	–	–	**103**
	1 December 2010	1 055	–	–	**1 055**
	10 June 2013	1 495	–	–	**1 495**
		19 809	11 662	(11 662)	**19 809**
DG Jones (resigned from the board on 30 June 2013)		1 927			
Balance previously stated		21 736			

Directors' share options

Details regarding the share option scheme are contained in note 34.

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

		Exercise price (cents)	Total options granted	Number of options Outstanding at 30 June 2013	Changes during the year Granted	Changes during the year Exercised	**Outstanding at 30 June 2014**
PJ Blunden	20 March 2008	1 250	500 000	500 000	–	(500 000)	**–**
	1 December 2010	1 353	700 000	400 000	–	(400 000)	**–**
MC Easter	10 June 2013	3 322	150 000	–	150 000	–	**150 000**
Dr SJ Meijers	20 March 2008	1 250	500 000	100 000	–	–	**100 000**
	1 December 2010	1 353	800 000	–	–	–	**–**
MV Ramollo	20 March 2008	1 250	75 000	15 000	–	–	**15 000**
CJ Smith	20 March 2008	1 250	100 000	–	–	–	**–**
	23 September 2010	1 289	20 000	12 000	–	–	**12 000**
	1 December 2010	1 353	100 000	–	–	–	**–**
	10 June 2013	3 322	45 000	–	–	–	**–**
			2 990 000	1 027 000	150 000	(900 000)	**277 000**

No options lapsed during the year.

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

	Group **2014 R '000**	Group 2013 R '000	**Company** **2014 R '000**	Company 2013 R '000
Portion of the equity settled share option expense relating to directors recognised in profit or loss	**17**	251		

36. Finance income

	Group 2014 R '000	Group 2013 R '000	**Company 2014 R '000**	Company 2013 R '000
Interest received				
External	**25 495**	17 269	**3 675**	1
Inter company			**1 323**	252
Adjustments to loan receivables				
Effective interest rate adjustment	**593**	(107)	**–**	–
Fair value adjustment	**–**	141	**–**	–
	26 088	17 303	**4 998**	253

	Group		Company	
	2014	2013	**2014**	2013
	R '000	R '000	**R '000**	R '000
37. Finance costs				
Interest paid				
External	**9 344**	9 052	**–**	–
Inter company			**–**	21
Fair value adjustment on initial recognition of loan receivable	**868**	1 778	**–**	–
Provision for trade back commitments				
Changes in present value amounts	**(28)**	(3)	**–**	–
Unwinding of present value adjustment	**196**	293	**–**	–
Mortgage bond raising costs	**–**	155	**–**	–
	10 380	11 275	**–**	21

38. Income tax expense

Major components of the income tax expense

	Group 2014	Group 2013	Company 2014	Company 2013
Current				
Local income tax - current period	**53 023**	20 802	**359**	55
Local income tax - relating to prior periods	**(382)**	(1 155)	**(41)**	–
Foreign income tax or withholding tax - current period	**2 941**	8 017	**–**	–
Foreign income tax or withholding tax - relating to prior periods	**–**	263	**–**	–
	55 582	27 927	**318**	55
Deferred				
Local - current period	**(4 644)**	19 662	**957**	869
Local - relating to prior periods	**(1 843)**	577	**–**	–
Foreign tax - current period	**(1 279)**	(2 631)	**–**	–
Foreign tax - relating to prior periods	**–**	(123)	**–**	–
	(7 766)	17 485	**957**	869
	47 816	45 412	**1 275**	924
Estimated income tax losses at the year end to be carried forward	**219 217**	3 838	**–**	–
Amount of the above income tax losses that have not been included in deferred income tax assets	**58 600**	1	**–**	–

	2014	2013	**2014**	2013
Reconciliation of the income tax rate	**%**	%	**%**	%
Reconciliation between standard tax rate and effective tax rate:				
Standard tax rate	**28**	28	**28**	28
Prior year adjustment	**(1)**	–	**–**	–
Dividends received from subsidiary			**(27)**	(25)
Separate income tax liability of the non controlling interests in the profit of consolidated partnerships	**(1)**	(1)		
Other non taxable income, non deductible expenses, incentives and foreign tax differentials	**1**	1	**1**	2
Effective tax rate	**27**	28	**2**	5

	Group	
	2014 **R '000**	2013 R '000
39. Headline earnings		
Calculation of headline earnings		
Profit attributable to ordinary shareholders of the Company	**102 379**	95 255
Items excluded from headline earnings:		
Items included in profit from operations		
Profit on disposal of plant and equipment	**(485)**	(405)
Income tax effect	**131**	110
Non controlling interests	**86**	62
	(268)	(233)
	102 111	95 022

40. Earnings per ordinary share		
Weighted average number of ordinary shares in issue during the year		
Issued ordinary shares at the beginning of the year	**33 860 000**	33 860 000
Effect of treasury shares in Group entities	**(8 230 531)**	(8 544 031)
Number of ordinary shares in issue for basic earnings per share calculations at the beginning of the year	**25 629 469**	25 315 969
Weighted average effect of changes during the year		
New ordinary shares issued	**376 759**	–
Treasury shares in Group entities	**717 201**	80 180
Weighted average number of ordinary shares in issue for basic earnings per share calculations at the end of the year	**26 723 429**	25 396 149
Effect of outstanding share options	**293 385**	690 390
Weighted average number of ordinary shares in issue for diluted earnings per share calculations	**27 016 814**	26 086 539

	Group	
	2014 **cents**	2013 cents
Earnings per ordinary share attributable to ordinary shareholders of the Company		
Basic	**383.1**	375.1
Diluted	**378.9**	365.2

Earnings per ordinary share is calculated on the profit for the year attributable to ordinary shareholders of ELB Group Limited of R 102 379 000 (2013: R 95 255 000). Refer to the statement of profit or loss.

Headline earnings per ordinary share attributable to ordinary shareholders of the Company		
Basic	**382.1**	374.2
Diluted	**377.9**	364.3

Headline earnings per ordinary share is calculated on headline earnings of R 102 111 000 (2013: R 95 022 000).

41. Dividends paid on the ordinary shares

	Dividend per share (cents)	Final dividend number of shares	Interim dividend number of shares	Final dividend R '000	Interim dividend R '000	Total R '000
Year ended 30 June 2014						
Final dividend paid in respect of the current year's earnings paid 28 October 2013	**60**	**33 860 000**		**20 316**		**20 316**
Interim dividend paid in respect of the current year's earnings paid 14 April 2014	**28**		**33 860 000**		**9 481**	**9 481**
Dividends paid disclosed by the Company	**88**	**33 860 000**	**33 860 000**	**20 316**	**9 481**	**29 797**
Dividends on treasury shares		**(7 312 031)**	**(7 272 031)**	**(4 387)**	**(2 037)**	**(6 424)**
Dividends paid disclosed by the Group	**88**	**26 547 969**	**26 587 969**	**15 929**	**7 444**	**23 373**
Year ended 30 June 2013						
Final dividend paid in respect of the 2012 financial year	52	33 860 000		17 607		17 607
Interim dividend paid in respect of the 2013 financial year	25		33 860 000		8 465	8 465
Dividends paid disclosed by the Company	77	33 860 000	33 860 000	17 607	8 465	26 072
Dividends on treasury shares		(8 540 031)	(8 412 031)	(4 441)	(2 103)	(6 544)
Dividends paid disclosed by the Group	77	25 319 969	25 447 969	13 166	6 362	19 528

A final dividend of 67 cents per ordinary share in respect of the current year's earnings, amounting to R 24 002 000 on the total 35 824 527 ordinary shares in issue at the date of declaration, was declared on 18 September 2014 and is payable on 27 October 2014 (2013: 60 cents per ordinary share on 33 860 000 ordinary shares amounting to R 20 316 000). The dividend is subject to dividend withholding tax of 15%.

Shareholders who are not exempt from the tax will receive a net dividend of 56.95 cents per ordinary share (2013: 51.00 cents per ordinary share).

Together with the interim dividend of 28 cents per ordinary share (2013: 25 cents per ordinary share), the total dividends in respect of the current financial year's earnings amount to 95 cents per ordinary share (2013: 85 cents per ordinary share).

The final dividend has not been accrued by the Company or the Group in these financial statements.

42. Dividends on the 6% preference shares

Following the redemption of the 6% preference shares in the previous financial year there were no dividends declared or paid on the preference shares in the current financial year. Dividends declared and paid on the preference shares in the 2013 financial year amounted to R 228.

		Group		Company	
	Note	**2014** **R '000**	2013 R '000	**2014** **R '000**	2013 R '000
43. Cash generated from operations					
Profit before depreciation and amortisation of non financial assets		**183 483**	171 549	**18 572**	17 520
Non cash adjustments:					
Profit on disposal of property, plant and equipment		**(485)**	(405)	**–**	–
Mortgage bond costs		**–**	(155)	**–**	–
Foreign currency exchange adjustment to cash and cash equivalents included in net operating costs	33	**(10 303)**	(7 088)	**–**	–
Equity settled share option expense included in short term employee benefits expense	34	**236**	1 776	**–**	–
Pension fund employer surplus account - net income	8	**(3 420)**	(3 105)	**(3 420)**	(3 105)
Impairment increased/(reversed)					
Non current loan receivable from sale of former Group company	9.1	**–**	(2 720)	**–**	–
Loan to related party	9.2	**3 806**	–	**–**	–
ELB Share Incentive Trust	9.4			**–**	259
Trade back commitment provision					
Amount set aside in profit or loss	23	**(516)**	(3 320)	**–**	–
Discounting rate adjustment		**28**	–	**–**	–
Unwinding of present value adjustments		**(196)**	–	**–**	–
Adjustment to non current loans receivable		**(205)**	–	**–**	–
Changes in working capital:					
Construction contract work not yet billed		**(43 196)**	(84 924)	**–**	–
Inventories		**(64 658)**	19 831	**–**	–
Trade and other receivables		**(91 225)**	(95 967)	**314**	248
Derivative financial assets		**5 366**	(4 017)	**–**	–
Other current assets		**8 891**	(13 005)	**–**	–
Construction contract liabilities		**22 202**	(55 838)	**–**	–
Trade and other payables - non interest bearing		**(30 570)**	110 060	**646**	(259)
Trade and other payables - interest bearing		**51 229**	(8 078)	**–**	–
Other financial liabilities		**697**	(580)	**–**	–
Other current liabilities		**14 526**	14 595	**(6)**	12
		45 690	38 609	**16 106**	14 675

44. Foreign currency adjustments

44.1 Foreign currency translation reserve adjustment

Foreign currency translation reserve adjustment for the year reported in the Group statement of comprehensive income:

	Note	**2014**	2013	**2014**	2013
Attributable to ordinary shareholders of the Company		**17 284**	13 143	**–**	–
Attributable to non controlling interests		**3 051**	2 320	**–**	–
		20 335	15 463	**–**	–

The allocation of the foreign currency translation reserve adjustment for the year to the external assets, external liabilities and the direct non controlling interests in the foreign entities is as follows:

	Note	**2014**	2013	**2014**	2013
Property, plant and equipment	3	**4 303**	2 982	**–**	–
Deferred income tax asset	10.1	**1 207**	385	**–**	–
Working capital		**10 884**	5 769	**–**	–
Cash and cash equivalents		**6 641**	8 091	**–**	–
Income tax payable	45	**(91)**	(288)	**–**	–
Foreign non controlling interests in foreign entities		**(2 609)**	(1 476)	**–**	–
		20 335	15 463	**–**	–

The foreign currency translation reserve adjustment for foreign entities for the year, appearing in the Group statement of comprehensive income has been allocated in the cash flow statement to the various components above so as to offset the translation adjustment for those components.

	Note	Group **2014** **R '000**	 2013 R '000	Company **2014** **R '000**	 2013 R '000
44.2 Foreign currency exchange and translation adjustments to cash and cash equivalents					
Exchange adjustments to cash and cash equivalents held by operating entities in currencies other than their functional currency, reported in profit or loss	33	**10 303**	7 088		
Translation adjustments to cash and cash equivalents of foreign entities reported in the foreign currency translation reserve adjustment in the Group statement of comprehensive income	44.1	**6 641**	8 091		
Exchange and translation adjustments		**16 944**	15 179		

45. Tax paid

Balance at beginning of the year	**25 811**	(7 416)	**2**	17
Payable income tax expense for the year	**(55 582)**	(27 927)	**(318)**	(55)
Acquired in business combination	**198**	–	**–**	–
Foreign currency translation adjustments to the income tax accounts of foreign entities	**(91)**	(288)	**–**	–
Balance at end of the year	**(17 868)**	(25 811)	**(103)**	(2)
	(47 532)	(61 442)	**(419)**	(40)

46. Dividends paid

Dividends				
Ordinary shareholders of the company	**(23 373)**	(19 528)	**(29 797)**	(26 072)
Non controlling shareholders in consolidated companies	**(5 402)**	(861)	**–**	–
	(28 775)	(20 389)	**(29 797)**	(26 072)

Ordinary dividends paid are from capital profits.

47. Post balance sheet event

ELB has signed a memorandum of understanding to form a 50:50 joint venture for ELB to distribute initially in South Africa, the Belaz range of haulage trucks primarily to the mining sector. Belaz currently supplies approximately 40% of the haulage trucks to the global market. This will significantly enhance the growth prospects of ELB Equipment. At the date of issuing this report, the formal arrangements had not been finalised relating to this joint venture.

48. Capital expenditure commitments

At 30 June 2014, the Group had the following capital expenditure commitments:

Group

	Contracted or ordered R '000	Authorised but not yet contracted or ordered R '000	**Total 2014 R '000**	Total 2013 R '000
Purchase of additional property	4 600	–	**4 600**	4 200

The commitment for the additional property will be funded from a combination of planned and existing mortgage bond facilities available to the Group and from the Group's available cash and cash equivalents.

49. Contingencies

Group

A Group entity has issued a guarantee of R 800 000 in favour of a raw material supplier to a former Group company, which has now been sold. The guarantee is cancellable by three calendar month's notice. A financial guarantee liability of R 16 000 (2013: R 36 000) has been accrued in respect of this guarantee. Refer to notes 9.1 and 26.

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 and appropriate insurance.

Company

The Company has guaranteed a R 200 000 000 facility granted by an insurance company for performance bonds available to an indirect subsidiary. The exposure under the guarantee at 30 June 2014 was R 106 000 000.

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

50. Business combinations

B&W Instrumentation and Electrical Limited

On 22 April 2014 the Group acquired 100% of the shares in B&W and as a result obtained control over the B&W Group. Within the B&W Group two subsidiaries have non controlling interests. Non controlling interests are measured on their proportionate interest in the recognised amounts of assets and liabilities of the respective subsidiaries of B&W.

B&W is one of South Africa's leading electrical and instrumentation (E&I) construction groups and has a well-established track record of successful delivery in the E&I industry. It has a wide footprint throughout South Africa and across sub-Saharan Africa, with its head office based in Alberton, Gauteng. ELB continues to seek to increase its complete product offering to the market and its clients and hence the acquisition of B&W is strongly aligned to the strategic direction of ELB. Servicing similar industries, the acquisition will create improved efficiencies and long term sustainability for the combined group of companies. In addition, synergies exist that can and will be leveraged.

In the two months to 30 June 2014, B&W contributed sales of R 77 661 000 and a profit of R 10 439 000 to ELB's Group results. If the acquisition had occurred on 1 July 2013, management estimates that the ELB Group consolidated sales would have been R 2 707 063 000 and the ELB Group consolidated profit for the year would have been R 40 922 000, which is after post-tax adjustments of R 58 000 000 that arose on the alignment of B&W's accounting policies to those of ELB's and other fair value adjustments on acquisition of the B&W net assets.

	Group	
	2014	2013
	R '000	R '000

50. Business combinations (continued)

Fair value of assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	2014 R '000	2013 R '000
Property, plant and equipment	**19 492**	–
Intangible assets	**12 323**	–
Deferred income tax	**49 140**	–
Other current loans and receivables	**3 301**	–
Inventories	**12 048**	–
Income tax refundable	**198**	–
Construction contract work not yet billed	**39 919**	–
Trade receivables	**39 828**	–
Cash and cash equivalents	**2 799**	–
Finance lease obligation	**(416)**	–
Loans from related entities	**(4 615)**	–
Trade and other payables - non interest bearing	**(46 924)**	–
Bank overdraft	**(26 384)**	–
Other current liabilities	**(34 320)**	–
Onerous contracts	**(3 197)**	–
Total identifiable net assets	**63 192**	–

Acquisition date fair value of consideration paid

	2014 R '000	2013 R '000
Equity – 1 964 527 ordinary shares in ELB Group	**(82 510)**	–
ELB treasury shares acquired	**3 031**	–
	(79 479)	–

The acquisition date fair value of the consideration transferred was one fully paid up ELB Group ordinary share issued for every 108 B&W ordinary shares held amounting to R 82 510 000. 1 964 527 ordinary shares were issued at the fair value of R 42.00 per share, being the market price of an ELB Group ordinary share on 22 April 2014, the effective date of the acquisition. These shares were reduced by 72 176 ordinary shares issued to the B&W Share Purchase Scheme Trust at the fair value of R 42.00 per ordinary share, which were debited to treasury shares, amounting to R 3 031 000.

The trade receivables comprise gross contractual amounts due of R 39 828 000 of which the full amount was expected to be collected at the acquisition date.

Acquisition related costs

The acquisition related costs amounted to R 3 188 000. These costs relates to external legal fees, advisors, JSE and due diligence costs incurred, and which were included in Operating costs excluding depreciation and amortisation in the B&W profit or loss prior to the effective acquisition date. R 220 000 was included in the ELB Group statements of profit or loss for the year.

Fair value of intangible assets and onerous contracts

The fair value determination of contracts acquired was based on future contract revenue and contract profits. Net cash flows arising from these contracts, net of contributory asset charges, were discounted at a Weighted Average Cost of Capital (WACC) rate of 21.4% over the lives of the contracts to determine a net present value of future profits.

Onerous contracts were recognised in respect of all loss making contracts.

The fair value determination of the brand name acquired was based on future revenue and the application of a royalty rate of 1%. The net cash flows arising from the revenue royalty were discounted at the WACC rate of 21.4% over the future revenue period to determine the net present vale of the royalty based brand value.

	Group	
	2014	2013
	R '000	R '000
50. Business combinations (continued)		
Goodwill		
Goodwill arising from the acquisition has been recognised as follows:		
Total net consideration transferred	**79 479**	–
Non controlling interests recognised	**(3 504)**	–
Total identifiable net assets acquired	**(63 192)**	–
	12 783	–

The goodwill is attributable mainly to the skills and technical talent of B&W's work force and the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

51. Risk management

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

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

		Group		Company	
		2014	2013	**2014**	2013
		R '000	R '000	**R '000**	R '000
51.1 Financial instruments					
At 30 June 2014 the Group held the following financial instruments:					
Financial assets – carrying amounts					
Loans and receivables at amortised cost					
Loans to subsidiaries	7			**160 854**	74 170
Loans to the Group share trust	9.4			**61 511**	75 142
Loans to related parties	9.3	**1 533**	7 663	**–**	–
Trade receivables	13	**371 280**	228 659	**–**	–
Other current receivables	13	**4 520**	10 360	**–**	–
Financial assets held for trading					
Derivative financial assets	14	**894**	6 260	**–**	–
Cash and cash equivalents	16	**452 160**	470 506	**115**	84
Total financial assets		**830 387**	723 448	**222 480**	149 396

		Group		Company	
		2014	2013	**2014**	2013
		R '000	R '000	**R '000**	R '000

51. Risk management (continued)

Financial liabilities - carrying amounts

	Note	Group 2014 R '000	Group 2013 R '000	Company 2014 R '000	Company 2013 R '000
Financial liabilities at amortised cost					
Interest bearing borrowings	22	**30 142**	33 199	**–**	–
Trade payables					
Non interest bearing	24	**423 686**	379 216	**–**	–
Interest bearing	25	**224 715**	175 433	**–**	–
Other current payables	24	**35 980**	53 783	**959**	313
Financial guarantee liability	26	**16**	36	**–**	–
Loans from related entities	26	**4 748**	–	**–**	–
Financial liabilities held for trading					
Derivative financial liabilities	26	**1 185**	601	**–**	–
Bank overdraft	16	**29 368**	–	**–**	–
Total financial liabilities		**749 840**	642 268	**959**	313
Excess of financial assets over financial liabilities		**80 547**	81 180	**221 521**	149 083

Fair value of financial instruments

Fair value of financial assets not measured at fair value

The fair values of loans to related parties, trade receivables and other current receivables have not been disclosed as the carrying amounts are reasonable approximations of fair value given their short term nature.

The fair value of loans to subsidiaries and to the Group share trust have not been disclosed as the carrying amounts are reasonable approximations of fair value.

Fair value of financial liabilities not measured at fair value

The fair values of trade payables, both non interest bearing and interest bearing, other current payables and loans from related entities have not been disclosed as the carrying amounts are reasonable approximations of fair value given their short term nature.

The fair values of the interest bearing borrowings have not been disclosed as they are not materially different to the carrying amounts.

The financial guarantee liability was measured initially at the present value, over the expected life of the guarantee, of the estimated commercial bank fees for a guarantee with similar risk; with subsequent amortisation over such expected life.

Fair value of financial assets and liabilities measured at fair value

The fair value of the derivative financial assets is R 894 000 and the fair value of the derivative financial liabilities is R 1 185 000.

51.2 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 foreign currencies in which the Group deals primarily are United States dollars, Euros, Japanese yen, British pounds, Australian dollars, New Zealand dollars, Zambian kwachas, Mozambique meticais, Kenyan shillings and Namibian dollars.

In the ELB Equipment operation in South Africa and the Ditch Witch operations in Australia and New Zealand, unless the customer has accepted the currency risk, all imports 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. Significant other trading transactions in foreign currencies are usually covered by FECs.

When the South African rand exchange rate is considered to be particularly favourable, management of ELB Equipment operation in South Africa may cover, by FECs, certain equipment imports not yet subject to customer orders.

51. Risk management (continued)

At 30 June 2014 the Group had the following external uncovered foreign currency denominated amounts in the balance sheets of its South African operations. The Company had no foreign currency denominated amounts in its balance sheets at 30 June 2014 and 2013.

	Group	
	2014	2013
	R '000	R '000
Current assets		
Trade receivables		
United States dollars	**10 523**	25 548
British pounds	**5 038**	175
Euros	**208**	7 479
Cash and cash equivalents		
United States dollars	**14 487**	44 444
Euros	**4 383**	11 619
Mozambique meticais	**38**	28
British pounds	**8**	–
Japanese yen	**7**	14
Zambian kwachas	**2**	–
Australian dollars	**–**	17
Botswana pulas	**–**	1
	34 694	89 325
Current liabilities		
Trade payables - non interest bearing		
British pounds	**31 185**	35 796
Euros	**5 184**	49 542
United States dollars	**3 395**	7 180
Japanese yen	**3 151**	2 089
Zambian kwachas	**1 707**	3 904
Mozambique meticais	**62**	60
Trade payables - interest bearing		
Japanese yen	**78 208**	34 587
British pounds	**61 384**	18 050
Euros	**7 183**	7 006
United States dollars	**3 804**	15 970
	195 263	174 184
Net uncovered position: net liabilities	**(160 569)**	(84 859)

51. Risk management (continued)

The contract and fair values of FECs are summarised below. The Company had no FECs.

No FECs are designated as cash flow hedges.

South Africa

	FEC contract values Foreign amounts		FEC contract values Rand amounts		FEC fair values Rand amounts	
	2014	2013	**2014**	2013	**2014**	2013
	'000	'000	**R '000**	R '000	**R '000**	R '000
Trade imports - specific						
United States dollars	**4 330**	2 388	**46 290**	22 683	**46 227**	24 230
Euros	**438**	477	**6 639**	5 663	**6 531**	6 240
Japanese yen	**351 112**	397 244	**38 109**	39 320	**37 522**	40 396
British pounds	**1 327**	3 012	**23 856**	43 930	**24 323**	46 389
Total trade imports			**114 894**	111 596	**114 603**	117 255

Australia

	FEC contract values Foreign amounts		FEC contract values Reporting currency amount		FEC fair values Reporting currency amount	
	2014	2013	**2014**	2013	**2014**	2013
	'000	'000	**AUD '000**	AUD '000	**AUD '000**	AUD '000
Trade imports - specific						
United States dollars	**1 153**	795	**1 292**	855	**1 229**	851
Euros	**942**	–	**1 440**	–	**1 370**	–
Total trade imports			**2 732**	855	**2 599**	851

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

The following significant exchange rates applied during the year:

	Closing rate		Average rate	
	2014	2013	**2014**	2013
Number of South African Rands to one:				
United States dollar	**10.60645**	9.88002	**10.38051**	8.85878
Euro	**14.49020**	13.05740	**14.09279**	11.48276
British pound	**18.08632**	15.02972	**16.90298**	13.87504
Australian dollar	**9.98578**	9.02969	**9.48778**	9.03507
New Zealand dollar	**9.28363**	7.64615	**8.57674**	7.25168
Zambian kwacha	**1.70352**	1.79495	**1.80232**	1.68481
Number of foreign currency units to one South African rand:				
Japanese yen	**9.55551**	10.03389	**9.72929**	9.86857
Mozambique metical	**2.96518**	3.00607	**2.94564**	3.33341
Kenyan shillings	**8.25876**	-	**8.35985**	-
Number of Australian dollars to one United States dollar	**1.06216**	1.09417	**1.09438**	0.98013
Number of New Zealand dollars to one Australian dollar	**1.07563**	1.18102	**1.10817**	1.24773

51. Risk management (continued)

The Group's exposure to foreign currency risk in the foreign currencies in which the Group primarily operates is set out below:

Exposure to currency risk

At 30 June 2014	Australian dollars AUD '000	New Zealand dollars NZD '000	United States dollars USD '000	Euros EUR '000	Japanese yen JPY '000	British pounds GBP '000	Mozam-bique meticais MZN '000	Zambian kwachas ZMK '000	Kenyan shillings KES '000	Namibian dollars NAD '000
Trade and other receivables	1 825	222	1 638	14	–	279	3 667	–	1 108	–
Cash and cash equivalents	5 767	473	2 713	710	70	5	1 925	1	3 376	821
Trade and other payables										
Non interest bearing	(2 912)	(285)	(7 765)	(971)	(30 113)	(1 725)	(185)	(1 002)	(2 112)	–
Interest bearing	–	–	(1 862)	(719)	(1 082 859)	(4 491)	–	–	–	–
Gross balance sheet exposure	4 680	410	(5 276)	(966)	(1 112 902)	(5 932)	5 407	(1 001)	2 372	821
FECs	(2 599)	–	5 483	1 380	351 112	1 327	–	–	–	–
Net exposure	2 081	410	207	414	(761 790)	(4 605)	5 407	(1 001)	2 372	821

At 30 June 2013	Australian dollars AUD '000	New Zealand dollars NZD '000	United States dollars USD '000	Euros EUR '000	Japanese yen JPY '000	British pounds GBP '000	Mozam-bique meticais MZN '000	Zambian kwachas ZMK '000
Trade and other receivables	2 586	269	2 586	573	–	12	–	–
Cash and cash equivalents	6 060	440	5 696	1 288	6 482	3	81	–
Trade and other payables								
Non interest bearing	(754)	(456)	(7 455)	(4 540)	(20 961)	(2 884)	(181)	(2 175)
Interest bearing	–	–	(3 976)	(533)	(739 106)	(3 694)	–	–
Gross balance sheet exposure	7 892	253	(3 149)	(3 212)	(753 585)	(6 563)	(100)	(2 175)
FECs	(855)	–	3 183	477	397 244	3 012	–	–
Net exposure	7 037	253	34	(2 735)	(356 341)	(3 551)	(100)	(2 175)

	Group	
	2014 **R '000**	2013 R '000
Sensitivity analysis		
Based on the net exposure of the Group's South African operations to foreign currency at 30 June 2014, it is estimated that a 5% (2013: 5%) change in the rand exchange rate at this date would have affected profit for the year by approximately the amounts indicated below, assuming all other variables remained constant:		
Estimated approximate increase/(decrease) in profit for the year:		
5% strengthening in the rand exchange rate	**4 487**	2 982
5% weakening in the rand exchange rate	**(4 487)**	(2 982)
Based on the net exposure of the Group to foreign currency at 30 June 2014, it is estimated that a 5% (2013: 5%) change in the rand exchange rate at this date would have affected total comprehensive income and equity for the year by approximately the amounts indicated below, assuming all other variables remained constant.		
Estimated approximate increase/(decrease) in total comprehensive income and equity for the year:		
5% strengthening of the rand exchange rate	**3 020**	1 976
5% weakening of the rand exchange rate	**(3 020)**	(1 976)

51. Risk management (continued)

51.3 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 cases of short term cash shortages.

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

Interest rate profile of interest bearing financial instruments

	Note	**Carrying amount R '000**	Fixed or floating rate	Estimated weighted average rate at the year end % per annum
At 30 June 2014				
Interest bearing financial assets				
Cash and cash equivalents				
South Africa		**367 764**	Floating	5.0%
Australia and New Zealand		**52 025**	Floating	2.4%
Other		**32 371**	Floating	1.2%
		452 160		
Interest bearing financial liabilities				
Mortgage bonds	22	**29 308**	Floating	8.6%
Finance lease and credit instalment agreements	22	**834**	Floating	9.9%
Trade payables	25	**224 715**	Fixed	3.3%
Bank overdrafts	16	**29 368**	Floating	9.0%
		284 225		
At 30 June 2013				
Interest bearing financial assets				
Loans receivable	9.1	3 270	Fixed	4.7%
Cash and cash equivalents				
South Africa		395 334	Floating	3.4%
Australia and New Zealand		49 375	Floating	2.5%
Other		25 797	Floating	2.1%
		473 776		
Interest bearing financial liabilities				
Mortgage bonds	22	32 102	Floating	8.1%
Finance lease and credit instalment agreements	22	1 097	Floating	8.3%
Trade payables	25	175 433	Fixed	3.0%
		208 632		

Sensitivity analysis

Should interest rates have been 1% per annum (2013: 1% per annum) lower or higher during the year and assuming all other variables remained constant, it is estimated that the profit for the year after income tax and equity of the Group would have (decreased)/increased by approximately the amounts indicated below:

	Group	
	2014 R '000	2013 R '000
Interest rates 1% per annum lower	**(1 748)**	(1 970)
Interest rates 1% per annum higher	**1 748**	1 970

51. Risk management (continued)

51.4 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 memorandum of incorporation restricts the amount that the Group may borrow on the authority of the directors. At 30 June 2014 the maximum permissible Group borrowings amounted to R 913 000 000 (2013: R 715 000 000).

Estimated maturities of financial liabilities

			Estimated approximate maturities		
At 30 June 2014	Note	**Carrying amount R '000**	**Within one year R '000**	**Later than one year but within five years R '000**	**Beyond five years R '000**
Non current borrowings					
Mortgage bonds	22	**29 308**	**4 819**	**24 489**	**–**
Finance lease and credit instalment agreements	22	**834**	**601**	**233**	**–**
Trade payables					
Non interest bearing	24	**423 686**	**423 686**	**–**	**–**
Interest bearing	25	**224 715**	**224 715**	**–**	**–**
Other current payables	24	**35 980**	**35 980**	**–**	**–**
Derivative financial liabilities		**1 185**	**1 185**	**–**	**–**
Financial guarantee liability		**16**	**16**	**–**	**–**
Loans from related entities	26	**4 748**	**4 748**	**–**	**–**
Bank overdraft		**29 368**	**29 368**	**–**	**–**
		749 840	**725 118**	**24 722**	**–**
At 30 June 2013					
Non current borrowings					
Mortgage bonds	22	32 102	2 796	29 306	–
Finance lease and credit instalment agreements	22	1 097	677	420	–
Trade payables					
Non interest bearing	24	379 216	379 216	–	–
Interest bearing	25	175 433	175 433	–	–
Other current payables	24	53 783	53 783	–	–
Derivative financial liabilities		601	601	–	–
Financial guarantee liability		36	24	12	–
		642 268	612 530	29 738	–

51. Risk management (continued)

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

Mortgage bonds

Four mortgage bonds (2013: four mortgage bonds) with a carrying amount at 30 June 2014 of R 29 308 000 (2013: R 32 102 000) are with a registered South African bank and are secured over property with a carrying amount at the year end of R 68 452 000 (2013: R 70 979 000).

The estimated weighted average interest rate on the mortgage bonds at 30 June 2014 was approximately 8.6% per annum (2013: 8.1% per annum). The interest rates are floating rates.

The estimated approximate current portion (the portion to be repaid within a year) of the outstanding principal at 30 June 2014 was R 4 819 000 (2013: R 2 796 000), resulting in a non current portion of the outstanding principal of R 24 489 000 (2013: R 29 306 000).

Summary of bond information:

	First bond		**Second bond**		**Third bond**		**Fourth bond**	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Monthly repayments, including interest (Rand)	**190 632**	176 442	**93 517**	90 386	**54 712**	53 739	**120 559**	116 612
Remaining period at year end (months)	**20**	32	**47**	59	**9**	21	**39**	51
Annual interest rate compounded monthly	**8.5%**	8.0%	**8.5%**	8.0%	**9.3%**	8.8%	**8.5%**	8.0%

Further information is given below:

	Group	
	2014 R '000	2013 R '000
Estimated cash repayments		
Not later than one year	**7 864**	5 246
Later than one year but not later than five years	**30 109**	34 292
Total estimated cash repayments	**37 973**	39 538
Estimated future finance charges included in repayments	**(8 665)**	(7 436)
Carrying amount	**29 308**	32 102
Estimated principal to be repaid within one year	**(4 819)**	(2 796)
Non current portion	**24 489**	29 306

Finance lease and credit instalment agreements

Finance lease and credit instalment agreements with a carrying amount at 30 June 2014 of R 834 000 (2013: R 1 097 000) are with South African financial institutions and are secured over plant and machinery and vehicles with a carrying amount at the year end of R 1 362 000 (2013: R 1 367 000). The agreements bear interest at a weighted average floating rate of 9.9% per annum (2013: 8.3% per annum).

Further information is given below:

Estimated cash repayments		
Not later than one year	**683**	739
Later than one year but not later than five years	**249**	435
Total estimated cash repayments	**932**	1 174
Estimated future finance charges included in repayments	**(98)**	(77)
Carrying amount	**834**	1 097
Estimated principal to be repaid within one year	**(601)**	(677)
Non current portion	**233**	420

51. Risk management (continued)

Trade payables - Interest bearing

The Group extensively utilises credit facilities offered by foreign suppliers. The carrying amount of interest bearing creditors at 30 June 2014 of R 224 715 000 (2013: R 175 433 000) is repayable with due dates between July 2014 and March 2015. The interest rates range between 2.0% per annum and 4.0% per annum (2013: 1.4% per annum and 4.0% per annum), with a weighted average rate of 3.9% per annum (2013: 3.0% per annum).

51.5 Credit risk

Financial assets are tabled in note 51.1.

Credit policies are in operation and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit above certain amounts. Ageing analyses are used and special credit allowances are monitored on a regular basis. Reputable financial institutions are used where necessary for effecting cash transfers. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

The Group has a diverse number of clients and customers in Africa and Australasia. There is no significant exposure to any one client or customer on a consistent basis over time. Accordingly the Group has no significant concentration of credit risk.

51.6 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.

52. Fair value information

52.1 Fair value hierarchy

IFRS 13 *Fair Value Measurement* provides a fair data value input hierarchy to serve as a framework for classifying inputs based on the extent to which they are based on observable data. The table below analyses assets and liabilities carried at fair value through profit or loss. The hierarchy of fair value inputs levels are:

- Level 1 inputs: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access at measurement date.
- Level 2 inputs: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 inputs: Unobservable inputs for the asset or liability that are not based on observable data.

	Note	Group		Company	
		2014	2013	**2014**	2013
		R '000	R '000	**R '000**	R '000
52.2 Levels of fair value measurements					
52.2.1 Level 2					
Recurring fair value measurements					
Assets					
Property, plant and equipment	3				
Aeroplane		**7 264**	7 069	**–**	–
Financial assets at fair value through profit or loss	14				
Derivative financial assets - FECs		**894**	6 260	**–**	–
Liabilities					
Financial liabilities at fair value through profit or loss	26				
Derivative financial liabilities - FECs		**(1 185)**	(601)	**–**	–
Total		**6 973**	12 728	**–**	–

53. Segment information

The Group is structured into three operating segments: the equipment entities that operate in Africa (Equipment Africa), the engineering entities that operate in Africa (Engineering Services Africa) and the entities that operate in Australasia (Australasia). The Australasian operations are equipment based. Group administrative functions, the pension fund employers surplus account, other small entities and Group consolidation adjustments and eliminations are grouped together in a component termed 'other' to reconcile to the Group reported amounts. The segment information adheres to the requirements of IFRS 8 *Operating Segments*. This standard requires the segment information to be consistent with the internal reports regularly reviewed by the Group's chief operating decision maker in order to assess each segment's performance and to allocate resources to each segment.

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

53.1 Segment assets and liabilities at 30 June 2014

	Total R '000	Equipment Africa R '000	Engineering Services Africa R '000	Australasia R '000	Other R '000
Assets					
Non current assets					
Property, plant and equipment	**180 948**	79 536	58 258	42 835	319
Goodwill	**12 783**	–	–	–	12 783
Intangible assets	**11 258**	–	–	–	11 258
Investment	**–**	–	3 306	–	(3 306)
Pension fund employer surplus account	**39 850**	–	–	–	39 850
Non current loan receivable	**933**	–	933	–	–
Deferred tax	**69 913**	533	47 310	8 919	13 151
	315 685	80 069	109 807	51 754	74 055
Current assets					
Construction contract work not yet billed	**175 719**	–	175 719	–	–
Inventories	**628 444**	391 427	14 801	222 216	–
Trade and other receivables	**376 400**	60 665	310 517	19 927	(14 709)
Derivative financial assets	**894**	894	–	–	–
Income tax refundable	**26 843**	–	22 568	–	4 275
Other current assets	**26 823**	7 383	11 323	3 919	4 198
Cash and cash equivalents	**452 160**	235 520	206 732	80 695	(70 787)
	1 687 283	695 889	741 660	326 757	(77 023)
Total assets	**2 002 968**	775 958	851 467	378 511	(2 968)
Liabilities					
Non current liabilities					
Deferred income tax liabilities	**19 388**	2 051	1 629	–	15 708
Interest bearing borrowings	**24 722**	24 489	233	–	–
Provision for trade back commitments	**2 861**	2 861	–	–	–
	46 971	29 401	1 862	–	15 708
Current liabilities					
Construction contract liabilities	**153 351**	–	153 351	–	–
Provision for trade back commitments	**589**	589	–	–	–
Trade and other payables - non interest bearing	**459 666**	96 920	313 984	113 956	(65 194)
Trade and other payables - interest bearing	**230 135**	229 534	18 908	–	(18 307)
Other financial liabilities	**5 949**	1 185	4 748	–	16
Income tax payable	**8 975**	13 059	6 561	2 408	(13 053)
Other current liabilities	**154 784**	31 844	64 228	16 461	42 251
Bank overdraft	**29 368**	–	29 368	–	–
	1 042 817	373 131	591 148	132 825	(54 287)
Total liabilities	**1 089 788**	402 532	593 010	132 825	(38 579)

53. Segment information (continued)

53.2 Segment assets and liabilities at 30 June 2013

	Total R '000	Equipment Africa R '000	Engineering Services Africa R '000	Australasia R '000	Other R '000
Assets					
Non current assets					
Property, plant and equipment	146 730	81 050	25 928	39 490	262
Pension fund employer surplus account	49 078	–	–	–	49 078
Non current loans receivable	3 748	–	3 322	–	426
Deferred income tax assets	18 161	–	2 949	7 964	7 248
	217 717	81 050	32 199	47 454	57 014
Current assets					
Construction contract work not yet billed	92 604	–	92 604	–	–
Inventories	531 194	330 285	22 471	178 351	87
Trade and other receivables	242 934	85 549	138 612	24 221	(5 448)
Derivative financial assets	6 260	6 260	–	–	–
Income tax refundable	31 394	13	30 558	21	802
Other current assets	32 401	4 976	18 362	3 864	5 199
Cash and cash equivalents	470 506	265 624	198 995	75 172	(69 285)
	1 407 293	692 707	501 602	281 629	(68 645)
Total assets	1 625 010	773 757	533 801	329 083	(11 631)
Liabilities					
Non current liabilities					
Interest bearing borrowings	29 726	29 306	420	–	–
Non interest bearing borrowings	–	–	7 987	–	(7 987)
Provision for trade back commitments	2 670	2 670	–	–	–
Deferred tax liabilities	26 200	1 884	8 695	–	15 621
	58 596	33 860	17 102	–	7 634
Current liabilities					
Construction contract liabilities	131 149	–	131 149	–	–
Trade and other payables - non interest bearing	432 999	145 067	225 725	80 578	(18 371)
Trade and other payables - interest bearing	178 906	178 229	677	–	–
Other financial liabilities	637	601	–	–	36
Provision for trade back commitments	1 645	1 645	–	–	–
Income tax payable	5 583	19 559	805	3 026	(17 807)
Other current liabilities	100 880	36 769	23 647	33 898	6 566
	851 799	381 870	382 003	117 502	(29 576)
Total liabilities	910 395	415 730	399 105	117 502	(21 942)

53. Segment information (continued)

Segment revenue and results

53.3 Segment statements of profit or loss for the year ended 30 June 2014

	Total **R '000**	Equipment Africa R '000	Engineering Services Africa R '000	Australasia R '000	Other R '000
Sales					
Sale of goods - external					
External	**1 023 629**	658 927	18 807	345 895	–
Internal segment	**–**	713	–	–	(713)
Revenue recognised on construction contracts	**1 325 482**	–	1 325 482	–	–
Services	**171**	–	162	–	9
Total sales	**2 349 282**	659 640	1 344 451	345 895	(704)
Operating costs before depreciation and amortisation of non financial assets	**(2 165 799)**	(611 845)	(1 221 926)	(315 921)	(16 107)
Operating profit before depreciation and amortisation of non financial assets	**183 483**	47 795	122 525	29 974	(16 811)
Depreciation and amortisation of non financial assets	**(20 590)**	(5 229)	(9 105)	(5 150)	(1 106)
Profit from operations	**162 893**	42 566	113 420	24 824	(17 917)
Finance income	**26 088**	11 543	11 641	1 532	1 372
Finance expenses	**(10 380)**	(8 329)	(1 947)	(132)	28
Profit before income tax	**178 601**	45 780	123 114	26 224	(16 517)
Income tax expense	**(47 816)**	(12 963)	(31 026)	(5 542)	1 715
Profit for the year	**130 785**	32 817	92 088	20 682	(14 802)
Profit for the year attributable to:					
Ordinary shareholders of the Company	**102 379**	28 092	71 792	14 320	(11 825)
Non controlling interest in consolidated entities	**28 406**	4 725	20 296	6 362	(2 977)
	130 785	32 817	92 088	20 682	(14 802)
Operating costs excluding depreciation and amortisation of non financial assets includes the following significant non cash items:					
Provision for trade back commitments					
Net increase in sales revenue	**684**	684	–	–	–
Impairment of loan to related party	**(3 806)**	–	(3 806)	–	–

Revenues from two customers in the Group's Engineering Services Africa segment represented approximately R 757 349 000 of the Group and segment's total revenues.

53. Segment information (continued)

53.4 Segment statements of profit or loss for the year ended 30 June 2013

	Total R '000	Equipment Africa R '000	Engineering Services Africa R '000	Australasia R '000	Other R '000
Sales					
Sale of goods					
External	1 098 152	732 550	2 660	362 942	–
Internal segment	–	28 990	–	–	(28 990)
Revenue recognised on construction contracts	886 035	–	886 035	–	–
Services	410	–	398	–	12
Total sales	1 984 597	761 540	889 093	362 942	(28 978)
Operating costs before depreciation and amortisation of non financial assets	(1 813 048)	(687 821)	(811 227)	(334 616)	20 616
Operating profit before depreciation and amortisation of non financial assets	171 549	73 719	77 866	28 326	(8 362)
Depreciation and amortisation of non financial assets	(14 212)	(4 878)	(5 511)	(3 783)	(40)
Profit from operations	157 337	68 841	72 355	24 543	(8 402)
Finance income	17 303	10 508	7 556	1 782	(2 543)
Finance expenses	(11 275)	(8 299)	(2 848)	(8)	(120)
Profit before income tax	163 365	71 050	77 063	26 317	(11 065)
Income tax expense	(45 412)	(20 028)	(21 748)	(5 526)	1 890
Profit for the year	117 953	51 022	55 315	20 791	(9 175)
Profit for the year attributable to:					
Ordinary shareholders of the Company	95 255	43 369	43 503	14 297	(5 914)
Non controlling interests in consolidated entities	22 698	7 653	11 812	6 494	(3 261)
	117 953	51 022	55 315	20 791	(9 175)
Operating costs excluding depreciation and amortisation of non financial assets includes the following significant non cash item:					
Provision for trade back commitments					
Net increase in sales revenue	3 320	3 320	–	–	–

No single client or customer accounted for 10% or more of the Group's sales during the year.

53.5 Capital expenditure

Refer to cash flows from investment activities in the cash flow statement.

	Total	Equipment Africa	Engineering Services Africa	Australasia	Other
Year ended 30 June 2014					
Net additions and improvements to property	**780**	67	–	713	–
Leasehold improvements	**1 335**	1	1 334	–	–
Net purchases of plant and equipment	**26 817**	3 399	20 058	3 275	85
	28 932	3 467	21 392	3 988	85
Year ended 30 June 2013					
Net additions and improvements to property	486	9	–	477	–
Leasehold improvements	1 210	–	1 210	–	–
Net purchase of plant and equipment	13 615	2 864	6 452	4 285	14
Business combination	1 800	–	1 800	–	–
	17 111	2 873	9 462	4 762	14

54. Group subsidiaries and other Group controlled entities with non controlling interests

The subsidiaries and controlled entities listed below are controlled indirectly by ELB Engineering (Pty) Ltd, which is listed in the last column. The ELB Educational Trust for Historically Disadvantaged South Africans has a direct 15% interest in ELB Engineering (Pty) Ltd.

54.1 30 June 2014

Non controlling direct interest in the entity

	B&W Instrumentation and Electrical SA (Pty) Ltd	Ditch Witch Joint Venture	Ditch Witch New Zealand Ltd	Elbcon (Pty) Ltd	ELB East Africa Ltd	Other individually immaterial controlled entities	ELB Engineering (Pty) Ltd (holding company)
Direct interest in equity	34%	15.79%	15.79%	35%	20%		15%
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Non controlling interests							
Direct interest in equity							
Profit/(loss) for the year	(463)	3 462	372	7 257	(270)	1 545	
Dividends and distributions paid	–	(4 035)	(461)	(3 863)	–	–	
Interest at the year end	(463)	22 961	1 865	10 824	(270)	4 113	
Interest in ELB Engineering (Pty) Ltd Group							
Profit/(loss) for the year							16 503
Dividends and distributions paid							(1 539)
Interest at the year end							94 838
Summarised financial information (100%)							
Non current assets	5 132	8 807	1 968	15 976	690	7 126	279 931
Current assets	22 409	247 348	39 966	48 496	10 671	47 066	1 695 916
Non current liabilities	–	–	–	–	3 467	1	141 389
Current liabilities	39 835	110 752	30 116	34 809	9 257	18 256	1 052 967
Sales	22 476	291 721	65 218	138 006	3 449	48 810	2 335 301
Profit/(loss) for the year	(1 362)	21 926	2 359	20 733	(1 352)	2 577	133 217
Total comprehensive income	(1 362)	21 926	2 359	20 733	(1 352)	2 577	153 786
Principal place of business	South Africa	Australia	New Zealand	South Africa	Kenya	South Africa	South Africa

The Ditch Witch Joint Venture is a partnership registered in Australia. The entity is classified as a controlled entity within the definition of control as contained in IFRS 10 *Consolidated Financial Statements.* Although named as a joint venture it does not satisfy the parameters required by IFRS 11 *Joint Arrangements,* for classification as a joint venture in the Group financial statements.

The profit for the year of Ditch Witch Joint Venture and Ditch Witch New Zealand Ltd is before income tax expense. The income tax liability is borne directly by the equity (capital) owners in their own right.

In assessing whether the Group has control over an entity the requirements for control to exist, as specified in IFRS 10, are considered. There are three requirements, all of which must be satisfied for control to exist. These are:

- power over the entity;
- exposure, or rights, or variable returns from its involvement with the entity; and
- the ability for the Group to use its power over the entity to affect the amount of the Group's returns.

In assessing power over an entity for those entities where the Group has a joint interest and especially a 50% joint interest, particular focus is made on whether the Group has the current ability to direct the relevant activities. Indicators of such ability would be the relative supply of resources to the entity, such as operations personnel, management involvement, administrative functions and reporting. Also considered is the ability to secure finance for the entity and influence in marketing the entity's services.

There are no significant statutory, contractual or regulatory restrictions over the assets and liabilities of the Group.

54. Group subsidiaries and other Group controlled entities with non controlling interests (continued)

54.2 30 June 2013

Non controlling direct interest in the entity

	Ditch Witch Joint Venture	Ditch Witch New Zealand Ltd	Elbcon (Pty) Ltd	ELB PBA Engineering Solutions (Pty) Ltd	Ports of Africa (Pty) Ltd	Equipment Industrial Supplies (Pty) Ltd	ELB Engineering (Pty) Ltd (holding company)
Direct interest in the entity	15.79%	15.79%	35%	50%	50%	26%	15%
	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Non controlling interests							
Direct interest in the entity							
Direct interest in equity							
Profit/(loss) for the year	2 687	1 284	4 065	(119)	189	–	–
Dividends and distributions paid	–	(75)	–	–	–	–	–
Interest at the year end	21 255	1 617	7 430	2 095	478	24	–
Interest in ELB Engineering (Pty) Ltd Group							
Profit for the year							14 592
Dividends and distributions paid							(861)
Interest at the year end							80 627
Summarised financial information (100%)							
Non current assets	8 994	1 745	9 820	194	–	–	168 213
Current assets	221 214	38 370	36 249	15 075	1 157	90	1 399 246
Non current liabilities	–	–	369	–	–	–	55 590
Current liabilities	95 849	29 876	27 209	11 082	203	–	851 460
Sales	302 635	60 394	78 860	47 773	1 171	–	1 984 597
Profit/(loss) for the year	17 016	8 134	11 615	(239)	378	–	116 045
Total comprehensive income	17 016	8 134	11 615	(239)	378	–	131 399
Principal place of business	Australia	New Zealand	South Africa	South Africa	South Africa	South Africa	South Africa

55. Related parties

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 International (Pty) Ltd, is interest free.

A licensing agreement to design and supply a range of equipment for use in mineral beneficiation and water treatment plants exists between MC Process Global (Pty) Ltd, and the licence provider, MC Process (Pty) Ltd. In terms of the agreement a loan was granted to MC Process Global (Pty) Ltd as disclosed in note 9.2.

Remuneration of directors and prescribed officers is reported in note 35.

Material transactions of the Company with its subsidiaries and other controlled entities are:

- management and administration services rendered to indirect subsidiary, ELB Equipment Holdings (Pty) Ltd, reported in note 28; and
- loans to subsidiaries - reported in note 7 and 57.
- loan to ELB Share Incentive Trust - reported in note 9.4 and note 20. The Trust is consolidated as ELB Group Limited has control over which participants are able to participate in the Group's incentive schemes.

The Group has a 34% interest in a joint operation which owns and operates an aeroplane in South Africa. Group companies from time to time charter the aeroplane on an arm's length basis.

Non interest bearing short term loans of R 4 748 000 have been granted to an indirect subsidiary, B&W, by its related entities. Refer to note 26.

The principal Group entities are listed in note 57.

56. Directors' interests in ordinary shares

	Beneficial holdings at 30 June 2014			Beneficial holdings at 30 June 2013		
Name	**Total**	Direct	Indirect	Total	Direct	Indirect
PJ Blunden	**859 618**	859 618	–	480 118	480 118	–
T de Bruyn	**10 100**	–	10 100	10 100	–	10 100
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
DG Jones (resigned 30 June 2013)				248 600	98 600	150 000
Dr SJ Meijers	**1 210 000**	100	1 209 900	1 210 000	100	1 209 900
MV Ramollo	**100**	100	–	100	100	–
CJ Smith	**241 900**	10 900	231 000	232 266	46 266	186 000
IAR Thomson	**7 100**	100	7 000	7 100	100	7 000
	6 782 130	870 918	5 911 212	6 641 596	625 384	6 016 212

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

Subsequent to year end and up to the date of this report the following changes to directors' interests in ordinary shares occurred:

- Mr AG Fletcher sold 1 000 000 ordinary shares in the open market in October 2014.
- Mr MV Ramollo acquired 15 000 ordinary shares in October 2014 through the exercise of share options.

57. Subsidiaries and other controlled entities

			Company's interest in subsidiaries and other controlled entities					
	Currency	Issued ordinary capital 000's	Effective interest		Loans investment		Equity receivable	
			2014 %	2013 %	**2014** **R'000**	2013 R'000	**2014** **R'000**	2013 R'000
Direct interest in South African Subsidiaries								
ELB Engineering (Pty) Ltd	ZAR	2	**85**	85	**111 267**	111 031	**103 815**	10 736
ELB International (Pty) Ltd	ZAR	-	**100**	100	**-**	-	**57 039**	63 434
Indirect interest in South African subsidiaries and other controlled South African entities								
BEP (Pty) Ltd	ZAR	-	**85**	85				
B-Quip (Pty) Ltd	ZAR	-	**85**	-				
BWIE Properties (Pty) Ltd	ZAR	-	**85**	-				
B&W Instrumentation and Electrical Ltd	ZAR	49 853	**85**	-				
B&W Instrumentation and Electrical SA (Pty) Ltd	ZAR	-	**56**	-				
Conductor Systems (Pty) Ltd	ZAR	-	**85**	-				
Destrivista (Pty) Ltd	ZAR	-	**85**	85				
ELB Administrative Services (Pty) Ltd	ZAR	1	**85**	85				
Elbcon (Pty) Ltd	ZAR	-	**55**	55				
ELB Conveyor Maintenance (Pty) Ltd	ZAR	-	**43**	43				
ELB Engineering Services Africa Ltd	ZAR	4	**100**	100				
ELB Engineering Services (Pty) Ltd	ZAR	-	**85**	85				
ELB Equipment Africa (Pty) Ltd	ZAR	4	**100**	100				
ELB Equipment Holdings (Pty) Ltd	ZAR	30 000	**85**	85				
ELB Equipment (Pty) Ltd	ZAR	-	**85**	85				
Elbex (Pty) Ltd	ZAR	-	**85**	85				
ELB Intelligent Solutions International (Pty) Ltd	ZAR	-	**100**	100				
ELB Intelligent Solutions (Pty) Ltd	ZAR	-	**85**	85				
ELB PBA Engineering (Pty) Ltd	ZAR	-	**43**	43				
ELB Trident Equipment (Pty) Ltd	ZAR		**85**	85				
Equipment Industrial Supplies (Pty) Ltd	ZAR	-	**63**	63				
H and S Training Academy (Pty) Ltd	ZAR		**85**	-				
MC Process Global (Pty) Ltd	ZAR	-	**85**	85				
Pontins (Pty) Ltd	ZAR	-	**85**	-				
Ports of Africa (Pty) Ltd	ZAR	100	**43**	43				
Indirect interest in foreign subsidiaries and other controlled foreign entities								
Incorporated in the Cayman Islands								
Bel Finance Ltd	USD	4	**85**	85				
Incorporated in Australia								
Ditch Witch Australia Pty Ltd	AUD	1 425	**68**	68				
ELB Equipment Pty Ltd	AUD	-	**85**	85				
Elbquip Holdings Pty Ltd	AUD	3 000	**85**	85				
Metquip Pty Ltd	AUD	2 650	**85**	85				
Partnership registered in Australia								
Ditch Witch Joint Venture	AUD	1 425	**72**	72				
Incorporated in New Zealand								
Ditch Witch New Zealand Ltd	NZD	-	**72**	72				
Incorporated in Kenya								
B&W Instrumentation and Electrical Kenya Ltd	KES	100	**85**	-				
ELB East Africa Ltd	KES	50	**68**	-				
Incorporated in Mozambique								
B&W Electricidade Ltd	MZN	72	**84**	-				
Incorporated in Namibia								
B&W Instrumentation and Electrical Namibia (Pty) Ltd	NAD	-	**85**	-				
Edward L Bateman (Pty) Ltd	NAD	-	**85**	85				
ELB Mining (Namibia) (Pty) Ltd	NAD	-	**85**	85				
Incorporated in Swaziland								
BWIE Instrumentation and Electrical Swaziland (Pty) Ltd	SZL	1	**85**	-				
Carrying amounts					**111 267**	111 031	**160 854**	74 170

The equity investment of ELB Group Ltd (the Company) in ELB Engineering (Pty) Ltd comprise R 1 700 in the issued ordinary shares of ELB Engineering (Pty) Ltd, being 85% thereof, and R 21 265 558 equity contribution in respect of share options, totaling R 21 267 258; and R 90 000 000 in the issued preference shares, being 100% thereof. The non controlling 15% interest in the issued ordinary shares of ELB Engineering (Pty) Ltd is held by the ELB Educational Trust for Historically Disadvantaged South Africans.

The equity investment of the Company in ELB International (Pty) Ltd is an amount of R 100 in the issued ordinary shares of ELB International (Pty) Ltd.

All subsidiaries and other controlled entities have 30 June financial year ends, the same as the Company, except for B&W Electricidade Ltd that has a 31 December financial year end.

The currencies listed above are:

ZAR - South African rands
USD - United States dollars
AUD - Australian dollars
NZD - New Zealand dollars
KES - Kenyan shillings
MZN - Mozambique meticais
NAD - Namibian dollars
SZL - Swazi lilangeni

The currency indicated for an entity is both the functional and reporting currency for the entity.

Analysis of ordinary shareholders

at 30 June 2014

	Number of shareholders	Number of shares	% of shares issued
Public shareholders	1 907	22 873 063	63.8%
Non public shareholders	23	8 866 657	24.8%
Holders of treasury shares	3	4 084 807	11.4%
	1 933	35 824 527	100.0%
Directors (direct and indirect holdings)	8	6 782 130	18.9%
ELB Group entities (treasury shares excluding shares issued to share incentive scheme participants and which are not yet paid up)	3	4 084 807	11.4%
Major beneficial shareholders			
Tanjo One (Pty) Ltd		4 294 612	12.0%
ELB International (Pty) Ltd (treasury shares)		3 386 000	9.5%
BlueAlpha Investment Managers		1 998 000	5.6%

Ordinary share statistics

for the year ended 30 June 2014

	2014	2013
Listed on the JSE in 1951		
Market price (cents per share)		
High	**5 000**	3 680
Low	**2 900**	2 020
Year end closing	**4 580**	3 225
Total number of shares traded	**5 899 947**	10 997 911
Total value of shares traded (Rands)	**229 718 357**	308 369 894
Number of shares traded as a percentage of total shares issued	**16.47%**	32.48%

Shareholders' diary

Financial year end	**30 June**
Annual general meeting	**November**

Financial reports

Interim report for the half year	March
Provisional report for the year	September
Annual report	October

Dividends	**Declared**	**Paid**
Interim	March	April
Final	September	October

Administration

ELB Group Limited

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

Ordinary shares

Share code: ELR
International Security Identification Number
ISIN: ZAE000035101

Company secretary

Elbex (Pty) Ltd
Registration No. 1987/002278/07
14 Atlas Road, Anderbolt, Boksburg 1459
(PO Box 565, Boksburg 1460)

Registered office

14 Atlas Road, Anderbolt, Boksburg 1459

Postal address

PO Box 565, Boksburg 1460

Website

www.elb.co.za

Telephone

+27 11 306 0700

Fax

+27 11 918 7285

Share transfer secretaries

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

Independent auditor

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

Principal commercial bankers

First National Bank
(a division of FirstRand Bank Limited)

The Standard Bank of South Africa Limited

Australia and New Zealand Banking Group Limited (ANZ Bank)

Sponsor

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

Notice of annual general meeting

The Board of directors of the Company has determined that the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the Annual General Meeting is Friday, 17 October 2014, and the record date for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the Annual General Meeting is Friday, 21 November 2014.

Accordingly, only shareholders who are registered in the securities register of the Company on Friday, 21 November 2014, will be entitled to attend, speak and vote at the Annual General Meeting. The last day to trade to be eligible to participate and vote at the meeting is Friday, 14 November 2014.

Any reference in this notice of Annual General Meeting to "MOI" or "Memorandum of Incorporation" shall be a reference to the Company's new Memorandum of Incorporation as adopted by the shareholders of the Company on 11 March 2013 and duly processed by the Companies and Intellectual Properties Commission on 5 August 2013.

Electronic participation in the Annual General Meeting

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

- they should contact the Company Secretary by email at the address grahamj@elb.co.za by no later than 12:00 on Friday, 21 November 2014 in order to obtain a pin number and dial-in details for that conference call;
- they will be required to provide reasonably satisfactory identification; and
- they will be billed separately by their own telephone service providers for their telephone call to participate in the annual general meeting.

This notice of annual general meeting includes the attached proxy form.

Notice is hereby given that the eighty-fourth Annual General Meeting of shareholders of ELB Group Limited ("the Company") will be held in the Board Room, ELB Engineering Services Proprietary Limited, 345 Rivonia Road, Rivonia, Sandton, on Thursday, 27 November 2014 at noon (12h00) to pass the following resolutions with or without amendment – *(please note that proxy forms should be submitted by noon (12h00) on Tuesday, 25 November 2014, in the event that shareholders wish to appoint a proxy or proxies).*

1. ORDINARY BUSINESS

1.1 To present the audited annual financial statements of the Company for the year ended 30 June 2014 together with the reports of the directors, the auditors and the Audit and Risk Committee contained therein.

1.2 To re-appoint KPMG Inc as the independent auditors of the Company and re-appoint Ms ML Watson as the individual designated auditor of the Company for the ensuing financial year. This appointment has been recommended by the Company's Audit and Risk Committee.

1.3 To re-elect Mr T de Bruyn as an independent non-executive director. Mr de Bruyn retires in accordance with the Company's MOI, but, being eligible, offers himself for re-election.

1.4 To re-elect Dr JP Herselman as an independent non-executive director. Dr Herselman retires in accordance with the Company's MOI, but, being eligible, offers himself for re-election.

1.5 To re-elect Mr MV Ramollo as an executive director. Mr Ramollo retires in accordance with the Company's MOI, but, being eligible, offers himself for re-election.

Biographical details of all directors of the Company are set out on page 7 of the integrated annual report.

1.6 To re-elect Mr T de Bruyn who is an independent non-executive director of the Company as a member of the Audit and Risk Committee of the Company. This resolution is subject to the passing of resolution 1.3 above.

1.7 To re-elect Dr JP Herselman who is an independent non-executive director of the Company as a member of the Audit and Risk Committee of the Company. This resolution is subject to the passing of resolution 1.4 above.

1.8 To re-elect Mr IAR Thomson who is an independent non-executive director of the Company as a member of the Audit and Risk Committee of the Company.

1.9 To consider the remuneration policy as described on pages 9 and 10 of the integrated annual report by way of a non-binding advisory vote as recommended in the King Report on Governance for South Africa 2009, commonly referred to as King III.

1.10 To transact any other business that may be transacted at an annual general meeting.

2. SPECIAL BUSINESS

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

2.1 Special resolution No. 2.1 – General authority to provide financial assistance to related and inter-related companies

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

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

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

Additional information in respect of Special Resolution Number 2.1

The reason for special resolution No. 2.1 is the need to provide general authority to the Board of the Company to grant direct or indirect financial assistance to any company forming part of the Company's group of companies, including in the form of loans, the guaranteeing of their debts or the subordination of intra-company loans (particularly in favour of third parties) and the effect of special resolution No. 2.1 is to provide general authority to the Board of the Company to grant direct or indirect financial assistance to any company forming part of the Company's group of companies. .

2.2 Special resolution No. 2.2 – Approval of financial assistance in connection with acquisition of shares or options

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

The reason for special resolution No. 2.2 is the need to grant the Board the authority to provide loans and other financial assistance to any person for the acquisition of shares or options, pursuant to the schemes and the effect of special resolution No. 2.2 is to grant the Board the authority to provide loans and other financial assistance to any persons for the acquisition of shares or options pursuant to the schemes. The shareholders' approval is required only if and to the extent that the exemption pertaining to employee share schemes in section 44(3)(a)(i) of the Companies Act does not apply at any time to the schemes. In terms of the said exemption, financial assistance pursuant to employee share schemes that are compliant with section 97 of the Companies Act does not require shareholder approval. Currently the schemes comply with section 97 and thus qualify for exemption. The Board undertakes that:

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

2.3 Special resolution No. 2.3 – Approval of non-executive directors' remuneration – calendar year ending 31 December 2014

Resolved that the following fees be approved as the basis for calculating the remuneration payable by the Company to the non-executive directors for their services as directors of the Company in respect of the calendar year ending 31 December 2014.

Meeting	**Proposed fee for the calendar year ending 31 December 2014**
Board	R180 800
Chairperson: Audit and Risk Committee	R198 300
Member: Audit and Risk Committee	R70 000
Member: Remuneration and Nominations Committees	R58 300
Member: Social and Ethics Committee	R58 300
Meeting fee in respect of any additional meetings above annual requirement	R35 000

Additional information in respect of Special Resolution Number 2.3

The reason for special resolution No. 2.3 is the need to approve the basis for calculating the remuneration payable by the Company to its non-executive directors for their services as directors of the Company in respect of the calendar year ending 31 December 2014. This is required in terms of sections 66(8) and (9) of the Companies Act. The fees payable to the non-executive directors are based on an annual fee, irrespective of the number of meetings attended. The effect of special resolution No. 2.3 is to approve the basis for calculating the remuneration payable by the Company to its non-executive directors for their services as directors.

2.4 Special resolution No. 2.4 – General authority to repurchase shares

Resolved that the Board is hereby authorised in terms of section 48(8) of the Companies Act by a way of a renewable general authority, in terms of the provisions of the Listings Requirements of the JSE Limited ("JSE") and as permitted in the Company's MOI, to approve the purchase by the Company of its ordinary shares, and the purchase of ordinary shares in the Company by any of its subsidiaries, upon such terms and conditions and in such amounts as the Board may from time to time determine, but subject to the MOI of the Company, the provisions of the Companies Act and the Listings Requirements of the JSE Limited ("JSE"), when applicable, and provided that:

- the general repurchase by the Company and/or any subsidiary of the Company of ordinary shares in the aggregate in any one financial year do not exceed 10% of the Company's issued ordinary share capital as at the beginning of the financial year, provided that the acquisition of shares as treasury stock by a subsidiary of the Company shall not be effected to the extent that in aggregate more than 10% of the number of issued shares in the Company are held by or for the benefit of all the subsidiaries of the Company taken together;
- any repurchase of securities will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party (reported trades are prohibited);
- this authority shall only be valid until the Company's next Annual General Meeting, provided that it shall not extend beyond 15 months from the date this resolution is passed;
- the Company will only appoint one agent to effect any repurchase(s) on its behalf;
- general repurchases by the Company and/or any subsidiary of the Company in terms of this authority, may not be made at a price greater than 10% above the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the 5 business days immediately preceding the date of the repurchase of such ordinary shares by the Company and/or any subsidiary of the Company. The JSE should be consulted for a ruling if the Company's securities have not traded in such 5 business day period;
- any such general repurchases are subject to exchange control regulations and approvals at that point in time, where relevant;
- a resolution has been passed by the Board of the Company and/or any subsidiary of the Company confirming that the Board has authorised the repurchase, that the Company satisfied the solvency and liquidity test contemplated in the Companies Act, and that since the test was done there have been no material changes to the financial position of the Group;
- the Company and/or any subsidiary of the Company may not repurchase securities during a prohibited period, as defined in the JSE Listings Requirements, unless the Company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed (and not subject to any variation) and has been submitted to the JSE in writing, and full details of the programme have been disclosed in an announcement over SENS (the Stock Exchange News Service) prior to the commencement of the prohibited period. The Company must instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of and uninfluenced by the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE; and

- a press announcement will be published giving such details as may be required in terms of the JSE Listings Requirements as soon as the Company and/or any subsidiary has cumulatively repurchased 3% of the number of shares in issue at the date of the passing of this resolution, and for each 3% in aggregate of the initial number of shares acquired thereafter.
- the general repurchase by the Company and/or any subsidiary of the Company is subject to the requirements of sections 114 and 115 of the Companies Act if, considered alone, or together with other transactions in an integrated series of transactions, it involves the acquisition by the Company of more than 5% of the issued shares of any particular class of the Company's shares.

Although the Board has no specific intention to give effect to the provisions of special resolution number 2.4, it is, however, of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase in the future. The Board undertakes that it will not implement the proposed authority to repurchase shares, unless the directors are of the opinion that, for a period of 12 months after the date of the repurchase:

- The Company and the Group will be able in the ordinary course of business to pay its debts;
- The assets of the Company and the Group will be in excess of the liabilities of the Company and the Group. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements which comply with the Companies Act;
- The share capital and reserves of the Company and the Group will be adequate for ordinary business purposes; and
- The working capital of the Company and the Group will be adequate for ordinary business purposes.

Additional information in respect of Special Resolution Number 2.4

The reason for special resolution No. 2.4 is the need to grant the Company's Board general authority in terms of section 48(8) of the Companies Act, up to and including the date of the following Annual General Meeting of the Company, to approve the Company's acquisition of shares in itself, or to permit a subsidiary of the Company to acquire shares in the Company. The effect of special resolution No.2.4 is the granting of general authority to the Company's Board in terms of section 48(8) of the Companies Act up to and including the date of the following annual general meeting of the Company to acquire shares in itself or to permit a subsidiary of the Company to acquire shares in the Company.

Other disclosures in terms of the JSE Listings Requirements Section 11.26

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

- Major shareholders of the Company – page 79:
- Share capital of the Company – page 43.

Directors' responsibility statement

The directors, whose names are given on page 7 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by law and the JSE Listings Requirements.

No material changes to report

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

2.5 Special resolution No. 2.5 – Adoption of amendments to the Company's Memorandum of Incorporation ("MOI")

Resolved that the Company's existing Memorandum of Incorporation be and it is amended to incorporate the amendments set out in the Annexure to this notice of annual general meeting and that the consolidated, amended Memorandum of Incorporation tabled at this annual general meeting and signed by the chairman of the meeting for identification purposes, be and it is substituted therefor:

Copies available for inspection

A clean and marked-up copy of the consolidated, amended Memorandum of Incorporation, which will include all the amendments referred to in Resolution 2.5 will be available for inspection by Shareholders at the Company's registered office at 14 Atlas Road, Anderbolt, Boksburg and at 345 Rivonia Road, Rivonia, Sandton during the period between 21 October 2014, being the date of issue of this notice of annual general meeting and Thursday, 27 November 2014, being the date upon which the annual general meeting is convened to be held.

Additional information in respect of Special Resolution No. 2.5

The reason for Special Resolution No.2.5 is the fact that the JSE Limited amended its JSE Listings Requirements with effect from 29 September 2014, thereby necessitating certain changes to the Company's existing MOI. In addition, consequential amendments have been made to refer to the fact that the Securities Services Act, 2002 has been repealed and replaced by the Financial Markets Act, 2012. The effect of Special Resolution No. 2.5 is to amend the Company's Memorandum of Incorporation to incorporate the amendments effected to the JSE Limited's Listings Requirements and to effect certain consequential amendments brought about since the original adoption of the Company's existing MOI.

Notice of annual general meeting

(continued)

Approvals required for resolutions

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

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

Voting and proxies

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

Proxy forms must be forwarded, to reach the registered office of the Company, or the transfer secretaries, Computershare Investor Services Proprietary Limited, at the address given below no later than noon (12h00) on Tuesday, 25 November 2014.

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

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

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

Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licences and passports.

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

By order of the Board

Elbex Proprietary Limited
Company Secretary

Computershare Investor Services Proprietary Limited
70 Marshall Street
Johannesburg 2001
PO Box 61051
Marshalltown 2107
Johannesburg

21 October 2014

Annexure to Notice of Annual General Meeting

Proposed amendments to be made to the Company's existing Memorandum of Incorporation ("existing MOI") in terms of the Company's amended Memorandum of Incorporation ("new MOI") to be adopted pursuant to special resolution No. 2.5 are the following:

1. **Paragraph 1.1.1.4:** in the definition of "**Central Securities Depository"** substitute a reference to "Financial Markets Act" for the reference to "Securities Services Act".

2. **New paragraph 1.1.10:** Insert the following:

   "1.1.10 **"Financial Markets Act"** - *the Financial Markets Act, 2012 as amended;*"

3. **Paragraph 1.1.11:** In the definition of **"JSE"**, delete the reference to "Securities Services Act" and substitute a reference to "Financial Markets Act" therefor.

4. **Paragraph 1.1.18.2:** in the second paragraph of the definition of **"Securities",** delete the reference to "Securities Services Act" and substitute a reference to "Financial Markets Act" therefor.

5. **Paragraph 1.1.20:** Delete the definition of **"Securities Services Act".**

6. **Paragraph 1.1.25:** In the definition of **"Uncertificated Securities"**, delete the reference to "*Section 29 of the Securities Services Act*" and substitute a reference to "*Section 33 of the Financial Markets Act*" therefor.

7. **Paragraph 1.1.26:** In the definition of **"Uncertificated Securities Register"**, delete the reference to "*which forms part of the Securities Register*" in the last line and substitute a reference to the following therefor:

   "*in respect of securities listed in terms of the Act, has the meaning assigned to it in section 1 of that Act.*"

8. **Paragraph 8.2:** delete the words "*the Company may from time to time by special resolution as contemplated in 8.3*" in the first two lines of the subparagraph and substitute the following therefor:

   "*8.2 The Company may from time to time by special resolution as contemplated in 8.3, or where applicable, by written resolution contemplated in 23.11:*"

9. **Paragraph 8.2:** In the final two lines, delete the words "*and such powers shall only be capable of being exercised by the shareholders by way of special resolution* ***[LR10.5(d) & LR10.9(c]***" *and substitute the following therefor:*

   "*and such powers shall only be capable of being exercised by the shareholders by way of special resolution, unless the provisions of 26.1.2 apply* ***[LR10.5(d) and LR10.9(c)]***"

10. **Paragraph 14.1:** insert the words, "*the JSE Listings Requirements*" immediately after the reference to "*Subject to the provisions of the Act*" in the first line.

11. **Paragraph 19:** insert the words "*and the provisions of 26.1.3*" immediately after the reference to "*The Company may, in accordance with the restrictions and procedures imposed by the JSE Listings Requirements*" in the first and second lines.

12. **Paragraph 21.2.2:** insert the following words at the end thereof immediately after the reference to "*of receiving communications*":

    "*In addition, the Company must release an announcement on SENS, with details concerning the date, time and venue of its annual general meeting within 24 hours after the notices of annual general meeting have been distributed to shareholders* ***[LR3.90].***"

13. **Paragraphs 21.3.2 and 21.3.3:** Delete and substitute the following new paragraphs therefor:

    "*21.3.2 The board shall be obliged, pursuant to section 61(10), to ensure that every Shareholders' meeting shall be reasonably accessible within the RSA for electronic participation by Shareholders, irrespective of whether the meeting is held in the RSA or elsewhere, and to ensure that Shareholders shall be advised accordingly in the notice convening the Shareholders' meeting concerned.*

    21.3.3 Subject to section 62(2A), all Shareholders' meetings (whether called for the purpose of special or ordinary resolutions) shall be called on not less than 15 business days' notice ***[LR10.11(a) & (b)***, *provided that in terms of Annexure 3 to the Regulations:*

    21.3.3.1 if the notice is sent by electronic mail, the date and time of deemed delivery of the notice will be the date and time recorded by the computer used by the company unless there is conclusive evidence that it was delivered on a different date or a different time; and

    21.3.3.2 if the notice is sent by registered post to the person's last known address, the date and time of deemed delivery will be the seventh day following the day on which the notice was posted, as recorded by a post office, unless there is conclusive evidence that it was delivered on a different day."

14. **Paragraph 22.1:** Delete and substitute the following therefor:

    "*22.1 Subject to the provisions of the JSE Listings Requirements and the full discretion of the Board, the Company may conduct a Shareholders' meeting entirely by Electronic Communication, but in any event shall be obliged to provide for participation in each* ***Shareholders'*** *meeting by Electronic Communication, as set out in section 63.*"

15. **Paragraph 23.11:** Insert the following new paragraph 23.11:

    "23.11 The Company must release an announcement on SENS within 48 hours after each annual general meeting or Shareholders' meeting providing details of the voting results in respect of the resolution(s) proposed at such meeting. The announcement must include:

    23.11.1 the resolution(s) proposed at the meeting;

    23.11.2 the shares voted in person or by proxy, disclosed as a number and a percentage (in relation to the total issued share capital of that class of shares);

    23.11.3 the shares abstained, disclosed as a percentage (in relation to the total issued share capital of that class of shares); and

    23.11.4 the votes carried (i) for and (ii) against each resolution, disclosed as a percentage (in relation to the total number of shares voted at the meeting in respect of 23.11.2), provided that if the number of shares in 23.11.2 and 23.11.3 differ for each resolution, details must be provided for each resolution."

16. **Paragraph 25.5:** Insert the following new paragraph 25.5:

    "25.5 All Shareholders' meetings convened in terms of the JSE Listings Requirements must be held "in person" and may not be held by means of a written resolution as is contemplated in section 60, unless it relates to one of the issues listed in 26.1.2 and the Board decides to propose a written resolution in relation to such issue."

17. **Paragraph 26.1.2:** delete and substitute the following therefor:

    "26.1.2 voted on in writing by such Shareholders within a period of 20 business days after the resolution was submitted to them, but only if the Board so decides and if the written resolution relates to one or more of the following issues:

    26.1.2.1 a change of name;

    26.1.2.2 odd lot offers;

    26.1.2.3 an increase in the Company's authorised share capital; and

    26.1.2.4 approval of amendments to the MOI."

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 Thursday, 27 November 2014, at the premises of ELB Engineering Services Proprietary Limited which are located at 345 Rivonia Road, Rivonia, Sandton.

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

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

I/We *(please print)* ....

of address *(please print)* ....

being the holder/s of .... shares in the Company, do hereby appoint

1. .... or failing him/her

2. .... or failing him/her

3. the Chairman of the annual general meeting

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

Ordinary Resolutions	In Favour	Against	Abstain
1.1 Presentation of the annual financial statements			
1.2 Re-appoint KPMG Inc as external auditors Re-appoint Ms ML Watson as individual designated auditor			
Re-election of directors:			
1.3 Mr T de Bruyn (independent non-executive)			
1.4 Dr J P Herselman (independent non-executive)			
1.5 Mr MV Ramollo (executive)			
Re-election of members of the audit and risk committee:			
1.6 Mr T de Bruyn (independent non-executive)			
1.7 Dr JP Herselman (independent non-executive)			
1.8 Mr IAR Thomson (independent non-executive)			
1.9 Consideration of remuneration policy (non-binding vote)			
Special Resolutions			
2.1 General authority to provide financial assistance to related and inter-related companies			
2.2 Approval of financial assistance in connection with acquisition of shares or options			
2.3 Approval of non-executive directors' remuneration – calendar year ending 31 December 2014			
2.4 General authority to repurchase shares			
2.5 Amendment of Memorandum of Incorporation			

Signed at .... on 2014

Signature *(see note 6)* ....

Assisted by me where applicable (see note 9) ....

Please read the notes on the reverse side hereof.

Notes to the proxy form

Summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Companies Act:

1. A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the meeting.

2. A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.

3. The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

4. The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company.
   The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the Company as required in the first sentence of this paragraph.

5. If the instrument appointing the proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Act or the Company's Memorandum of Incorporation to be delivered by the Company to the shareholder, must be delivered by the Company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the Company to do so in writing; and (ii) paid any reasonable fee charged by the Company for doing so.

6. Attention is also drawn to the "Notes to the proxy form"

7. The completion of a form of proxy does not preclude any shareholder attending the meeting.

Notes to the proxy form

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the Company. Satisfactory identification must be presented by any person wishing to attend the meeting.

2. A form of proxy is only to be completed by those shareholders who hold shares in certificated form or are recorded on sub-register electronic form in "own name". All other beneficial owners who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker and wish to attend the meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

3. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the spaces provided, with or without deleting "the Chairman of the meeting", but any such deletion must be initialed by the shareholder. The person whose name is first on this form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.

4. Please insert an "X" in the relevant spaces indicating how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the meeting as he/she deems fit in respect of all the shareholders' votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.

5. The form of proxy appointing a proxy must reach the registered office of the Company or the transfer secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by not later than noon (12h00) on Tuesday, 25 November 2014. Any forms of proxy not received by this time must be handed to the Chairman of the meeting immediately prior to the meeting.

6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

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

8. Any alteration or correction made to this form of proxy must be initialed by the signatory/ies.

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

10. The Chairman of the meeting may reject or accept any form of proxy which is completed other than in accordance with these instructions provided he is satisfied as to the manner in which the shareholder wishes to vote.

ELB

ELB GROUP LIMITED

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Fax +27 11 918 7285
Website: www.elb.co.za

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