



# ELB GROUP LIMITED

(‘ELB’, ‘the Company’ or ‘the Group’)

## REVIEWED GROUP PROVISIONAL REPORT and final cash dividend declaration

for the year ended 30 June 2013

### HIGHLIGHTS

- Turnover up 15% to R1 985 million
- Headline earnings per share up 16% to 374 cents
- Final cash dividend declared of 60 cents, an increase of 15%
- Total comprehensive income before tax return on total equity of 32%
- Profit after tax up 12% to R118 million
- Net asset value up 18% to 2 345 cents per share
- Internal rate of return to shareholders of 22%

## COMMENTS

### INTRODUCTION

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 appropriate modular 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.

The past year has seen ELB invest into a number of initiatives aimed at sustainable growth, the results of which will emerge over the next three years. These initiatives include the expansion of its geographic footprint in Africa, increasing its product and technology range, and subsequent to the year-end, the formation of ARDBEL (Pty) Ltd, a 50:50 joint venture with DRA Group Holdings (Pty) Ltd. The joint venture will enable ARDBEL to execute very large materials handling projects. ELB is also in the process of establishing the ELB Intelligent Solutions business, a hi-tech data and voice management company.

### FINANCIAL RESULTS

The 15% increase in turnover for the year from R1 725 million in 2012 to R1 985 million in 2013 reflects the consistent demand for the full range of products and services offered by ELB, even in the current difficult trading conditions.

ELB’s share of comprehensive income increased by 11% from R100 million in 2012 to R111 million in 2013. This increase largely explains the 18% increase in net asset

value per share attributable to ordinary shareholders from 1 989 cents in 2012 to 2 345 cents in 2013.

Headline earnings per share for the year increased by 16% from 321 cents per share to 374 cents per share.

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.

### OPERATIONS

#### Africa

Trading conditions in the region though relatively buoyant remained challenging during the year and the Group did well to secure a satisfactory level of business.

#### ELB Equipment

This operation had a marginal increase in turnover from R757 million in 2012 to R762 million in 2013 while profit before tax decreased marginally from R72 million in 2012 to R71 million in 2013. This was against the background of a weaker Rand coupled with tougher trading conditions resulting in reduced margins. The operation is well positioned to benefit from more favourable trading conditions.

#### ELB Engineering Services

This operation has again shown good growth in the year. Although turnover increased by 30% from R683 million in 2012 to R889 million in 2013, profit before tax increased by 19% from R65 million in 2012 to R77 million in 2013.

This material increase in profit before tax is attributable to a number of projects reaching more advanced stages of completion and ELB Construction producing satisfactory results in its second year of operation.

ELB Engineering Services has been successful in securing a number of new projects which has positioned this operation well for the coming 24 to 30 months.

#### **Australasia**

The Ditch Witch business has had a satisfactory year and the business continues to grow in spite of the difficult trading conditions it faces. The business continues to service the growing demand for its Ditch Witch and Komptech range of products and the New Zealand business unit has proven to be a profitable contributor to the Ditch Witch operation.

Turnover increased by 26% from R289 million in 2012 to R363 million in 2013 while profit before tax decreased marginally from R27 million in 2012 to R26 million in 2013. This decrease in profit is largely due to a pre-tax unrealised foreign currency loss of R5 million.

Ditch Witch remains well positioned in both Australia and New Zealand to take advantage of any increase in infrastructure spend in the region.

#### **CASH FLOW**

Cash and cash equivalents declined marginally to R471 million during the year as cash was used in increasing working capital, in continued capital expenditure and as a result of fluctuations in up-front customer payments. The 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 its bankers, suppliers and customers to ensure the Group continues to retain a strong balance sheet at all times.

#### **REDEMPTION OF PREFERENCE SHARES**

During the year the Company redeemed all of the 3 800 issued 6% cumulative redeemable preference shares of R2.00 each at a price of R2.00 per share.

#### **PROSPECTS**

Activity levels in the various sectors the ELB Group operates in, though challenging, remain relatively buoyant and the Group is well positioned to take advantage thereof. The various strategies for growth that have been implemented over the past 12 months will stand the group in good stead for the future.

#### **SOCIAL RESPONSIBILITY**

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

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 the Elvis Blue Music Academy in Zandspruit. These institutions have been identified as worthy of ELB's support and which will further assist the historically disadvantaged in our community.

Apart from donations ELB has also made significant contributions towards small business development of the historically disadvantaged in South Africa.

#### **BOARD OF DIRECTORS**

Mr Michael Easter joined the Board as Group Financial Director on 1 July 2013.

Mr Graham Jones resigned from the Board as Group Financial Director on 30 June 2013.

#### **DIVIDENDS**

It has been decided to declare a final dividend of 60 cents (2012 – 52 cents) per ordinary share.

The total dividend for the year is therefore 85 cents per share versus 70 cents per share for the 2012 financial year, representing an increase of 21%.

#### **ACCOUNTING POLICIES**

The condensed consolidated provisional financial statements are prepared in accordance with the framework concepts and recognition and measurement principles of International Financial Reporting Standards ("IFRS") and presented in accordance with the minimum content, including disclosures, prescribed by IAS 34: Interim Financial Reporting applied to year end reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa.

The directors were very recently advised that FSB approval was not required to establish a right to the employer surplus account of the closed benefit fund, The ELB Group Limited Pension Fund ("the Fund") in terms of IFRS. The directors do not regard the employer surplus as an asset for use in the ELB core operations, because it will be used either to fund future pensioner increases within the Fund, or to ensure that the Fund remains fully funded. Nevertheless, under the IAS 19: Employee Benefits standard (the corridor method), ELB is obliged to recognise an asset for the Fund and a related deferred income tax liability. ELB is required to apply the revised IAS 19: Employee Benefits standard (which excludes the corridor method) in the 2014 financial year. Therefore the directors have decided to early adopt the revised standard (with a restatement of comparatives) to avoid multiple restatements of comparatives. The impact of applying the corridor method and the revised IAS 19: Employee Benefits has been disclosed.

Apart from this change the accounting policies are consistent with those applied for the financial year ended 30 June 2012.

#### **REVIEW BY THE INDEPENDENT AUDITOR**

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

*On behalf of the Board*

**Dr Stephen Meijers**  
*Chief Executive Officer*  
*ELB Group and*  
*ELB Engineering Services*

**Peter Blunden**  
*Chief Executive Officer*  
*ELB Equipment*

**Michael Easter**  
*Group Financial Director ELB Group*

Boksburg

17 September 2013

# GROUP BALANCE SHEET

	Reviewed 30 Jun 13 R 000	Reviewed Restated 30 Jun 12 R 000
<b>ASSETS</b>		
<b>Non current assets</b>	<b>217 717</b>	<b>209 177</b>
Property, plant and equipment	146 730	140 334
Pension fund employer surplus account	49 078	39 949
Non current loans receivable	3 748	3 094
Deferred income tax assets	18 161	25 800
<b>Current assets</b>	<b>1 407 293</b>	<b>1 204 632</b>
Inventories, and construction contract work not yet billed	623 798	545 822
Receivables and other current assets	312 989	169 420
Cash and cash equivalents	470 506	489 390
<b>Total assets</b>	<b>1 625 010</b>	<b>1 413 809</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to ordinary shareholders of ELB</b>	<b>601 089</b>	<b>503 600</b>
Issued capital	25 192	25 192
Treasury shares	(48 565)	(52 684)
Reserves	51 770	37 077
Retained earnings	572 692	494 015
<b>Preference shares</b>	<b>–</b>	<b>8</b>
<b>Total equity attributable to equity holders of ELB</b>	<b>601 089</b>	<b>503 608</b>
<b>Non controlling interests in consolidated entities</b>	<b>113 526</b>	<b>87 940</b>
<b>Total equity</b>	<b>714 615</b>	<b>591 548</b>
<b>Non current liabilities</b>	<b>58 596</b>	<b>31 695</b>
Interest bearing borrowings	29 726	15 494
Provision for trade back commitments	2 670	3 331
Deferred income tax liabilities	26 200	12 870
<b>Current liabilities</b>	<b>851 799</b>	<b>790 566</b>
Non interest bearing payables, other current liabilities and current provision	672 893	603 602
Interest bearing payables	178 906	186 964
<b>Total equity and liabilities</b>	<b>1 625 010</b>	<b>1 413 809</b>
Ordinary shares in issue (000's)	33 860	33 860
<i>Deduct:</i> Treasury shares in issue (000's)	8 231	8 544
Ordinary shares in issue on which net asset value per ordinary share is calculated	25 629	25 316
Net asset value per ordinary share (cents)	2 345	1 989

# GROUP STATEMENT OF PROFIT OR LOSS

	Reviewed Year ended 30 Jun 13 R 000	Reviewed Restated Year ended 30 Jun 12 R 000
<b>Sales</b>	<b>1 984 597</b>	1 725 479
Operating costs excluding depreciation and revaluation of property, plant and equipment	<b>(1 813 048)</b>	(1 579 727)
<b>Operating profit before depreciation and revaluation of property, plant and equipment</b>	<b>171 549</b>	145 752
Depreciation and revaluation of property, plant and equipment	<b>(14 212)</b>	(10 754)
<b>Profit from operations</b>	<b>157 337</b>	134 998
Finance income	<b>17 303</b>	25 973
Finance expenses	<b>(11 275)</b>	(11 899)
<b>Profit before income tax</b>	<b>163 365</b>	149 072
Income tax expense	<b>(45 412)</b>	(44 102)
<b>Profit for the year</b>	<b>117 953</b>	104 970
<b>Profit for the year attributable to:</b>		
Ordinary shareholders of ELB	<b>95 255</b>	81 579
Non controlling interests in consolidated entities	<b>22 698</b>	23 391
	<b>117 953</b>	104 970

# CALCULATION OF GROUP HEADLINE EARNINGS

	Reviewed Year ended 30 Jun 13 R 000	Reviewed Restated Year ended 30 Jun 12 R 000
<b>Profit attributable to ordinary shareholders of ELB from the statement of profit or loss</b>	<b>95 255</b>	<b>81 579</b>
<i>Deduct:</i> Items excluded from headline earnings as detailed below:	<b>233</b>	737
Plant and equipment:		
Profit on disposal	405	744
Revaluation	-	504
Income tax effect of items excluded from headline earnings	(110)	(343)
Non controlling interests in items excluded from headline earnings	(62)	(168)
<b>Headline earnings</b>	<b>95 022</b>	<b>80 842</b>
Weighted average number of ordinary shares (excluding treasury shares) on which basic earnings per ordinary share are based (000's)	<b>25 396</b>	25 150
Earnings per ordinary share (cents)		
- basic	<b>375,1</b>	324,4
- diluted	<b>365,2</b>	317,0
Headline earnings per ordinary share (cents)		
- basic	<b>374,2</b>	321,4
- diluted	<b>364,3</b>	314,1
Dividends declared for the year per ordinary share (cents)	<b>85</b>	70

## GROUP STATEMENT OF COMPREHENSIVE INCOME

	Reviewed Year ended 30 Jun 13 R 000	Reviewed Restated Year ended 30 Jun 12 R 000
<b>Profit for the year from the statement of profit or loss</b>	<b>117 953</b>	<b>104 970</b>
<b>Other comprehensive income</b>	<b>19 691</b>	<b>23 223</b>
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation reserve adjustments	13 143	16 573
Income tax effect of foreign currency translation reserve adjustments	(1 592)	-
<i>Items that will not be reclassified to profit or loss</i>		
Non controlling interests in foreign currency translation reserve adjustments	2 320	2 925
Income tax effect on non controlling interests in foreign currency translation reserve adjustments	(281)	-
Foreign currency translation adjustments to foreign non controlling interests	1 476	2 019
Pension fund employer surplus account actuarial adjustments	6 024	1 631
Income tax effect of pension fund actuarial adjustments	(1 687)	(457)
Revaluation surplus	401	739
Income tax effect of revaluation surplus	(113)	(207)
<b>Total comprehensive income for the year</b>	<b>137 644</b>	<b>128 193</b>
<b>Total comprehensive income for the year attributable to:</b>		
Ordinary shareholders of ELB	111 388	99 778
Non controlling interests in consolidated entities	26 256	28 415
	<b>137 644</b>	<b>128 193</b>

## GROUP CASH FLOW STATEMENT

	Reviewed Year ended 30 Jun 13 R 000	Reviewed Restated Year ended 30 Jun 12 R 000
<b>Cash outflow from operating activities before dividends and distributions paid</b>	<b>(15 154)</b>	<b>(95 921)</b>
Dividends and distributions paid	(20 464)	(18 244)
<b>Cash outflow from operating activities</b>	<b>(35 618)</b>	<b>(114 165)</b>
<b>Cash outflow from investment activities</b>	<b>(17 111)</b>	<b>(44 643)</b>
<b>Cash inflow/(outflow) from financing activities</b>	<b>18 666</b>	<b>(371)</b>
<b>Cash outflow for the year</b>	<b>(34 063)</b>	<b>(159 179)</b>
Foreign currency exchange and translation adjustments to cash and cash equivalents	15 179	15 828
<b>Decrease in cash and cash equivalents</b>	<b>(18 884)</b>	<b>(143 351)</b>
Cash and cash equivalents at the beginning of the year	489 390	632 741
<b>Cash and cash equivalents at the end of the year</b>	<b>470 506</b>	<b>489 390</b>
<b>Reconciliation to the balance sheet</b>		
Current assets - cash and cash equivalents	470 506	489 390

## NOTES

### Capital expenditure commitments

At 30 June 2013 there was a capital expenditure commitment of R4 200 000 for the acquisition of an additional property. At 30 June 2012 there were capital expenditure commitments of R3 051 000.

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

### Contingent liabilities

A Group entity has issued a guarantee of R830 000 in favour of a raw material supplier to a company which was previously part of the Group and has now been sold. The guarantee is cancellable by three calendar months notice. A financial guarantee liability with a carrying amount of R36 000 at 30 June 2013 is carried in respect of the guarantee.

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

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

## SEGMENT INFORMATION

	Total	Equipment	Engineering		
	Africa	Africa	Australasia	Other	
	R000	R000	R000	R000	R000
<b>Reviewed</b>					
<b>Year ended 30 June 2013</b>					
<b>Sales</b>	<b>1 984 597</b>	761 540	889 093	362 942	(28 978)
<b>Profit before income tax</b>	<b>163 365</b>	71 050	77 063	26 317	(11 065)
<b>Profit for the year</b>	<b>117 953</b>	51 022	55 315	20 791	(9 175)
<b>Profit attributable to ordinary shareholders of ELB</b>	<b>95 255</b>	43 369	43 503	14 297	(5 914)
<b>Assets</b>	<b>1 625 010</b>	773 757	533 801	329 083	(11 631)
<b>Liabilities</b>	<b>910 395</b>	415 730	399 105	117 502	(21 942)
<b>Reviewed</b>					
<b>Restated</b>					
<b>Year ended 30 June 2012</b>					
<b>Sales</b>	<b>1 725 479</b>	756 573	682 747	288 520	(2 361)
<b>Profit before income tax</b>	<b>149 072</b>	71 669	64 628	27 242	(14 467)
<b>Profit for the year</b>	<b>104 970</b>	51 462	46 984	21 004	(14 480)
<b>Profit attributable to ordinary shareholders of ELB</b>	<b>81 579</b>	43 743	34 778	14 373	(11 315)
<b>Assets</b>	<b>1 413 809</b>	736 962	424 036	272 634	(19 823)
<b>Liabilities</b>	<b>822 261</b>	412 910	331 463	98 334	(20 446)

## GROUP STATEMENT OF CHANGES IN EQUITY

	Attributable to ordinary shareholders of ELB						Non controlling interests in consolidated entities R000	Reviewed Restated Total equity R000
	Issued capital R000	Treasury shares R000	Reserves R000	Restated Retained earnings R000	Restated Total R000	Preference shares R000		
<b>Balance at 30 June 2011</b>	25 192	(56 129)	18 501	426 319	<b>413 883</b>	8	61 530	<b>475 421</b>
Total comprehensive income for the year			17 025	82 753	<b>99 778</b>		28 415	<b>128 193</b>
Profit for the year				81 579	<b>81 579</b>		23 391	<b>104 970</b>
Other comprehensive income			17 025	1 174	<b>18 199</b>		5 024	<b>23 223</b>
Ordinary dividends paid				(14 575)	<b>(14 575)</b>		(2 436)	<b>(17 011)</b>
Non controlling interests in distributions by a consolidated group entity							(1 233)	<b>(1 233)</b>
Increase in share options reserve			1 069		<b>1 069</b>		189	<b>1 258</b>
Transfer from share options reserve to retained earnings for share options exercised and fully paid			(533)	533	<b>-</b>		-	<b>-</b>
Redundant items in the foreign currency translation reserve transferred to retained earnings			1 015	(1 015)	<b>-</b>		-	<b>-</b>
Decrease in the carrying amount of treasury shares held by group entities		3 445			<b>3 445</b>			<b>3 445</b>
Capital contributed by non controlling interest							1 475	<b>1 475</b>
<b>Balance at 30 June 2012</b>	25 192	(52 684)	37 077	494 015	<b>503 600</b>	8	87 940	<b>591 548</b>
Total comprehensive income for the year			11 796	99 592	<b>111 388</b>		26 256	<b>137 644</b>
Profit for the year				95 255	<b>95 255</b>		22 698	<b>117 953</b>
Other comprehensive income			11 796	4 337	<b>16 133</b>		3 558	<b>19 691</b>
Ordinary dividends paid				(19 528)	<b>(19 528)</b>		(861)	<b>(20 389)</b>
Non controlling interests in distributions by a consolidated group entity							(75)	<b>(75)</b>
Increase in share options reserve			1 510		<b>1 510</b>		266	<b>1 776</b>
Transfer from share options reserve to retained earnings for share options exercised and fully paid, and for share options lapsed through attrition			(949)	949	<b>-</b>		-	<b>-</b>
Redundant items in the foreign currency translation reserve transferred to retained earnings			2 336	(2 336)	<b>-</b>		-	<b>-</b>
Decrease in the carrying amount of treasury shares held by group entities		4 119			<b>4 119</b>			<b>4 119</b>
Preference shares redeemed for cash						(8)		<b>(8)</b>
<b>Balance at 30 June 2013</b>	25 192	(48 565)	51 770	572 692	<b>601 089</b>	-	113 526	<b>714 615</b>

### Effects of accounting for the pension fund employer surplus account: debit/(credit)

Line item affected R000	2011		2012	
	Change as a result of		Change as a result of	
	Previous policy	New standard	Previous policy	New standard
<i>Balance sheet</i>				
Pension fund employer surplus account	29 450	5 951	4 378	170
Deferred income tax liabilities	(8 246)	(1 666)	(1 226)	(48)
Retained earnings	(21 204)	(4 285)	(3 152)	(122)

Line item affected R000	2012	
	Previous policy	New standard
<i>Statement of profit or loss</i>		
Operating costs excluding depreciation and revaluation of PPE	(4 378)	1 461
Profit before income tax	(4 378)	1 461
Income tax expense	1 226	(409)
Profit for the year	(3 152)	1 052
<i>Statement of comprehensive income - items that will not be reclassified to profit or loss</i>		
Pension fund employer surplus account	-	(1 631)
Income tax effect	-	457
Other comprehensive income	-	(1 174)
Total comprehensive income	(3 152)	(122)
<i>Increase/(decrease) in earnings per ordinary share (cents)</i>		
Basic	13	(4)
Diluted	12	(4)
<i>Increase/(decrease) in headline earnings per ordinary share (cents)</i>		
Basic	13	(4)
Diluted	12	(4)



# FINAL CASH DIVIDEND DECLARATION

## ORDINARY DIVIDEND NUMBER 131

The directors have declared a final cash dividend of 60 cents per share on the Company's ordinary shares for the year ended 30 June 2013. The following additional information is given in respect of the dividend:

- the dividend has been declared out of income reserves
- the South African dividend tax rate is 15%
- there are no secondary tax on companies (STC) credits utilised
- ELB Group Limited's income tax reference number is: 9275151711
- The gross dividend is 60 cents per ordinary share for ordinary shareholders exempt from the dividend tax
- The net dividend is 51 cents per ordinary share for ordinary shareholders liable to pay the dividend tax
- ELB Group Limited has 33 860 000 ordinary shares in issue, of which 8 230 531 were treasury shares at the year end

The salient dates in respect of the dividend are:

Last day to trade cum dividend	Friday, 18 October 2013
Shares commence trading ex dividend	Monday, 21 October 2013
Record date	Friday, 25 October 2013
Date of payment	Monday, 28 October 2013

Shares may not be dematerialised or rematerialised between Monday, 21 October 2013, and Friday, 25 October 2013, both dates inclusive.

*By order of the Board*

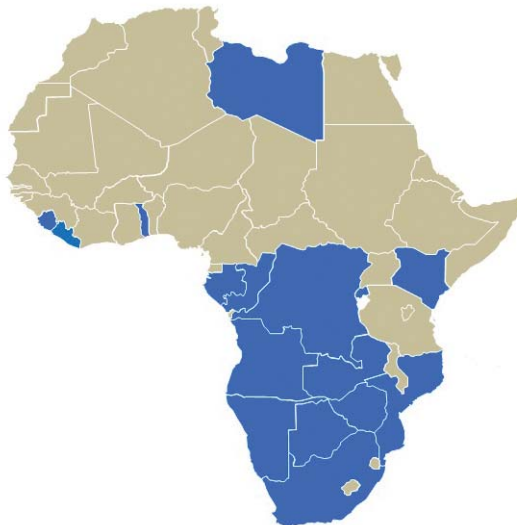
**Elbex (Pty) Limited**

Company secretary

Boksburg

17 September 2013

## AFRICAN EXPERIENCE



# ENGINEERED TO DELIVER



Rock Drills; Hammers;  
Excavator Attachments



V.S.I. Crushers



Tracked Excavators



**Ditch  
Witch**

Chain Trenchers and  
Directional Drills



Backhoe Loaders



Wheel Loaders



Optical Belt Scales

**TAURUS**

Rotary Barrel Screens



nine dot  
*solutions*





# ELB GROUP LIMITED

Incorporated in the Republic of South Africa

Registration number: 1930/002553/06

Share code: ELR

ISIN: ZAE000035101

## Registered office

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

## Postal address

PO Box 565, Boksburg, 1460

## Telephone

+27 11 306 0700

## Website:

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

## Share Transfer Secretaries

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

## Sponsor

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

## Directors

AG Fletcher (*chairman*),  
Dr SJ Meijers (*group chief executive and chief executive - ELB Engineering Services*),  
MC Easter (*group financial director*), PJ Blunden (*chief executive - ELB Equipment*),  
T de Bruyn,\* Dr JP Herselman,\* MV Ramollo, CJ Smith (*alternate*), IAR Thomson\*

*\*Non executive*

## Company secretary

Elbex (Pty) Limited

## Preparation of the reviewed group provisional report

The preparation of the reviewed group provisional report was supervised by the group financial director, Michael Easter CA(SA).

## Release date

The reviewed group provisional report was released on 18 September 2013.