ELB GROUP LIMITED

Company Annual Financial Statements 2017

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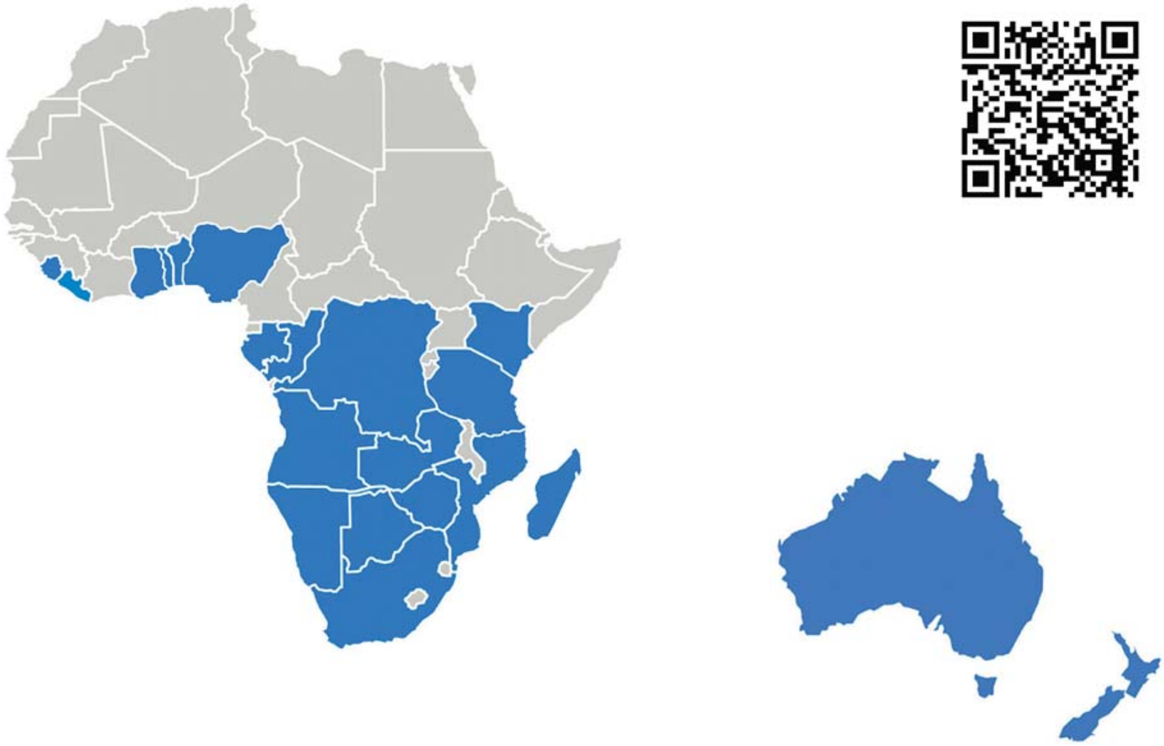

Who we are, where we operate

ELB is an internationally recognised holistic engineering solutions provider and capital equipment supplier in the fields of materials handling, mineral separation, industrial projects and power solutions. This is achieved through ELB generated innovation, in-house capability and the supply of world-class equipment and technology.

The Group operates predominantly in Africa and Australasia.

With values rooted in a proud heritage that spans almost a century, ELB provides total engineered solutions and world-class equipment and technology to maximise client operations and investments.

ELB is an industry leader in the supply of:

- Equipment for construction, earthmoving, mining & quarrying;
- Engineered solutions for bulk materials handling, industrial projects and the minerals & metals industries;
- Instrumentation and electrical construction; and
- Underground utility and waste processing equipment.

The ELB difference

Further differentiating factors of the Group are:

- South African owned and managed group
- Local decision making process and accountability
- Flat organisational structure
- Partnerships with world-class technology suppliers
- Dedicated people with a wealth of knowledge
- Project bonding capacity
- Key management have a substantial shareholding in the Company

ELB Group Limited ("ELB", "the Company", or "the Group")
ISIN: ZAE000035101 Share Code: ELR Registration No: 1930/002553/06

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Administration ..... inside back cover

Approval of the annual financial statements

The directors are responsible for the preparation and fair presentation of the financial statements, comprising the balance sheet at 30 June 2017, 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, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors report.

The directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

The annual financial statements of ELB Group Limited which appear on pages 2 to 31 were approved by the board of directors on 19 September 2017 and are signed by:

SJ Meijers
Group Chief Executive Officer

MC Easter
Group Financial Director

Certificate of the company secretary

In our capacity as the company secretary, we hereby confirm, in terms of the Companies Act of South Africa, that for the year ended 30 June 2017, 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 P Bezuidenhout
Elbex Proprietary Limited
Company secretary

Preparation of the annual financial statements

The financial statements of ELB Group Limited have been audited in compliance with section 30 of the Companies Act of South Africa, as amended and the annual financial statements have been prepared under the supervision of MC Easter CA (SA), the Group Financial Director.

These annual financial statements were published on 19 September 2017.

The annual financial statements of the Company are presented separately from the consolidated annual financial statements which were approved by the directors on 19 September 2017, the same date as these financial statements. The consolidated annual financial statements are available on the ELB website www.elb.co.za.

The directors submit the financial statements for the year ended 30 June 2017 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 ELB Group is a holistic engineering solutions provider to the mining, minerals, power, port, construction and industrial sectors in the fields of materials handling, mineral separation, industrial projects and power solutions. The Group operates predominantly in Africa and Australasia.

FINANCIAL RESULTS

Full details of the financial position and results of the Company are set out in these financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year.

SHARE CAPITAL

Details of the authorised and issued share capital at 30 June 2017 are set out in note 8 to the financial statements.

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. Following the award of options in the current year, the Company has utilised 280 038 of this authority as at 30 June 2017.

AMENDMENTS TO THE COMPANY'S MEMORANDUM OF INCORPORATION ("MOI")

Following a number of amendments to the JSE Listings Requirements, the directors consider it appropriate to amend the Company's MOI in order to comply with the JSE Listings Requirements. Accordingly, shareholders will be asked to approve such amendments at the annual general meeting on 23 November 2017.

GENERAL AUTHORITY FOR THE COMPANY TO PROVIDE ASSISTANCE IN CONNECTION WITH THE ACQUISITION OF SHARES OR SHARE OPTIONS

The directors consider that a general authority be put in place to authorise the Company to provide direct or indirect financial assistance to any person or Trust in connection with the acquisition of shares or options for shares in the Company or in any inter-related company pursuant to the Company's employee share schemes. This general authority would be valid for a period of two years from the date of adoption of this special resolution. Accordingly, shareholders will be asked to approve such general authority at the annual general meeting on 23 November 2017.

GENERAL AUTHORITY FOR THE COMPANY TO ACQUIRE ITS OWN SHARES

The directors consider that it will be advantageous for the Company to have a general authority to acquire its own shares, either by the Company or by another company within the Group or a trust controlled by the Company. Such authority will be utilised if the directors consider that it is in the best interests of the Company and shareholders to effect any such acquisitions having regard to prevailing circumstances and the cash resources of the Company at the appropriate time. Shares repurchased by the Group may be utilised pursuant to any approved share incentive scheme, or cancelled and restored to the status of authorised and unissued shares. Accordingly, shareholders will be asked to approve such general authority at the annual general meeting on 23 November 2017.

GENERAL AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE TO RELATED AND INTER-RELATED COMPANIES

The directors consider that a general authority should be put in place to authorise 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. Such authority will assist the Company, inter alia, in making inter-company loans to subsidiaries as well as granting letters of support and guarantees in appropriate circumstances. The existence of a general authority would avoid the need to refer each instance to shareholders for approval. This new general authority would be valid up to and including the 2018 annual general meeting of the Company. Accordingly, shareholders will be asked to approve such general authority at the annual general meeting on 23 November 2017.

DIVIDENDS

The board has declared a final dividend of 50 cents (2016: nil) per ordinary share. The total dividend for the year is therefore 82 cents per ordinary share versus 30 cents per ordinary share for the 2016 financial year.

DIRECTORATE

The names of the directors of the Company, company secretary and the Company's business and postal addresses appear on the inside back cover.

There have been no changes to the board of directors during the year. In terms of the Company's MOI, the following directors retire at the forthcoming annual general meeting and, being eligible, are available for re-election: Messrs AG Fletcher, MV Ramollo, IAR Thomson and T de Bruyn.

Details of directors' remuneration and options in respect of ordinary shares in the Company are contained in note 23 to the financial statements. Details of directors' interests in the ordinary shares of the Company are provided on page 25.

POST BALANCE SHEET EVENTS

There were no significant events arising between the end of the financial year and the date of these financial statements which materially affect the financial position or results of the Company.

We are pleased to present our report for the financial year ended 30 June 2017.

AUDIT AND RISK COMMITTEE MANDATE AND TERMS OF REFERENCE

The audit and risk committee has reconfirmed in this year the formal charter adopted and approved by the board of directors in 2011. 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 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.

ROLES AND RESPONSIBILITIES

The committee's roles and responsibilities include its statutory duties as per the Companies Act of South Africa 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 of South Africa 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 Group;
- Pre-approved any proposed agreement with the external auditor for the provision of non-audit services to the Group to a certain value.
- Discharged those statutory obligations of an audit committee as prescribed by section 94 of the Companies Act of South Africa acting in its capacity as the appointed audit and risk committee of the Group 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 of South Africa, 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 2017 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 Mr LP Fourie as the designated auditor, for the 2018 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 South African subsidiaries are accredited to appear on the JSE List of Accredited Auditors and that the designated auditors are not disqualified from acting as such.

INTERNAL FINANCIAL CONTROLS

BDO Advisory Services (Pty) Ltd ("BDO") assisted the Group in revising its Risk Management Framework which is implemented throughout the South African operations. Furthermore, the identification and assessment of Group strategic risks was revised during the year which will focus and direct the internal audit program. Management have implemented selected internal audit procedures on a monthly basis over areas considered to be high risk in order strengthen the internal control environment. Considering these procedures, information and explanations given by management, the committee is of the opinion that the ELB Group's system of internal financial controls and financial reporting procedures are 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 Group and the Company and is satisfied that they comply with International Financial Reporting Standards.

GOING CONCERN

The committee reviewed management's assessment of the going-concern principle of the Company and its subsidiaries before concluding to the board that the Company and its subsidiary companies 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 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 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 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.

In response to the increasingly high risk environment in which the Group operates, the steps management have put in place to strengthen the control procedures around high-risk areas within the business seem to be providing an improved level of conformance to internal policies and procedures. The committee has reviewed the steps taken by management to mitigate the exposure to the identified risks 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 ending 30 June 2018.

The internal audit function is outsourced to BDO with responsibility for reviewing and providing assurance on the adequacy and effectiveness 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 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 has reviewed and considered the information 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 ANNUAL FINANCIAL STATEMENTS FOR APPROVAL BY THE BOARD

The committee recommended the annual financial statements for approval by the board of directors.

IAR Thomson
Audit and risk committee chairman

19 September 2017

Independent auditor's report

To the shareholders of ELB Group Limited

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of ELB Group Limited (the company) set out on pages 8 to 30, which comprise the balance sheet as at 30 June 2017, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of ELB Group Limited at 30 June 2017, and its separate financial performance 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in relation to our audit of the separate financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the certificate of the company secretary, the directors' report and the audit and risk committee report as required by the Companies Act of South Africa, and the rest of the information in the annual financial statements which we obtained prior to the date of this report, and the Integrated Annual Report which is expected to be made available to us after that date. Other information does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the separate 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements. As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of ELB Group Limited for 65 years.

KPMG Inc.

Registered Auditor

Per LP Fourie
Chartered Accountant (SA)
Registered Auditor
Director
19 September 2017

KPMG Crescent
85 Empire Road
Parktown
Johannesburg
2193

Balance sheet

as at 30 June 2017

	Note	2017 R '000	2016 R '000
ASSETS			
Non-current assets			
Investments in subsidiaries	2	113 126	111 318
Loans to subsidiaries	3	78 551	81 322
Other financial assets	4	44 479	53 734
Pension fund employer surplus account	5	39 938	40 263
		276 094	**286 637**
Current assets			
Loans to subsidiaries	3	-	53 619
Other financial assets	4	22 033	2 484
Cash and cash equivalents	7	35	63
		22 068	**56 166**
Total assets		**298 162**	**342 803**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	109 479	107 702
Reserves	9	39 837	38 543
Retained earnings		129 004	184 191
Total equity		**278 320**	**330 436**
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	6	11 182	11 273
Current liabilities			
Loans from subsidiaries	3	7 660	-
Trade and other payables	10	893	924
Income tax payable		81	145
Other current liabilities	11	26	25
		8 660	**1 094**
Total liabilities		**19 842**	**12 367**
Total equity and liabilities		**298 162**	**342 803**

Statement of profit or loss

for the year ended 30 June 2017

	Note	2017 R '000	2016 R '000
Sales	12	2 307	2 136
Dividends received from subsidiaries		9 720	17 062
Operating income/(costs)	13	453	(6 592)
Profit from operations	13	**12 480**	**12 606**
Finance income	15	5 579	4 919
Finance expense	16	(4)	-
Profit before income tax		**18 055**	**17 525**
Income tax expense	17	(2 555)	(2 148)
Profit for the year		**15 500**	**15 377**
Profit attributable to :			
Ordinary shareholders of the Company		15 500	15 377

Details of dividends declared on the ordinary shares are included in note 20.

Statement of comprehensive income

for the year ended 30 June 2017

	2017 R '000	2016 R '000
Profit for the year	**15 500**	**15 377**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Pension fund employer surplus account remeasurements	(3 474)	(2 196)
Income tax effect of remeasurements	973	615
Total items that will not be reclassified to profit or loss	**(2 501)**	**(1 581)**
Total other comprehensive income for the year	**(2 501)**	**(1 581)**
Total comprehensive income for the year	**12 999**	**13 796**
Total comprehensive income attributable to:		
Ordinary shareholders of the Company	12 999	13 796

Statement of changes in equity

for the year ended 30 June 2017

	Issued capital R '000	Reserves R '000	Retained earnings R '000	Total equity R '000
Balance at 1 July 2015	**107 702**	**39 196**	**204 484**	**351 382**
Profit for the year			15 377	15 377
Other comprehensive income			(1 581)	(1 581)
Total comprehensive income for the year			**13 796**	**13 796**
Ordinary dividends paid			(34 750)	(34 750)
Equity settled share options expense		8		8
Transfer from share options reserve to retained earnings for share options which became fully paid		(661)	661	-
Total (distributions to)/contributions from owners of the Company		**(653)**	**(34 089)**	**(34 742)**
Balance at 1 July 2016	**107 702**	**38 543**	**184 191**	**330 436**
Profit for the year			15 500	15 500
Other comprehensive income			(2 501)	(2 501)
Total comprehensive income for the year			**12 999**	**12 999**
Ordinary dividends paid			(10 329)	(10 329)
Equity settled share options expense		1 808		1 808
ELB ordinary shares repurchased and cancelled	(3 223)		(58 371)	(61 594)
ELB ordinary shares issued	5 000			5 000
Transfer from share options reserve to retained earnings for share options which became fully paid		(514)	514	-
Total (distributions to)/contributions from owners of the Company	**1 777**	**1 294**	**(68 186)**	**(65 115)**
Balance at 30 June 2017	**109 479**	**39 837**	**129 004**	**278 320**
Note	8	9		

Statement of cash flows

for the year ended 30 June 2017

	Note	2017 R '000	2016 R '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	18	8 705	16 401
Interest received	15	5 579	4 919
Interest paid	16	(4)	-
Ordinary dividends paid		(10 329)	(34 750)
Income tax paid	19	(1 737)	(1 117)
Net cash inflow/(outflow) from operating activities		**2 214**	**(14 547)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment of loans by group companies		2 456	15 733
Loan to ELB Share Incentive Trust repaid		(4 698)	(1 247)
Net cash (outflow)/inflow from investing activities		**(2 242)**	**14 486**
Decrease in cash and cash equivalents		**(28)**	**(61)**
Cash and cash equivalents at the beginning of the year		63	124
Cash and cash equivalents at end of the year	7	**35**	**63**

1. Summary of significant accounting policies

1.1 Introduction

ELB Group Limited (the "Company") is a South African registered company.

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; the JSE Limited ("JSE") listings requirements; 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 accounting policies described hereafter have been applied consistently to all periods presented in these financial statements.

No new, revised or amended accounting standards or interpretations were adopted in the current year that had a material impact on the financial statements.

The financial statements are prepared on the going concern basis since the directors believe that the Company has adequate resources to continue operating for the foreseeable future.

1.4 Significant judgements and accounting estimates

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.

1.5 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 projected profitability of the subsidiaries.

1.6 Translation of foreign currencies

Transactions in foreign currencies are translated to South African rand at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to South African rand at the exchange rates ruling at that date. Gains or losses on translation are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

1.7 Financial instruments

Measurement

Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs when the Company becomes a party to the contractual arrangements. Subsequent to initial recognition these instruments are measured as detailed below.

Financial assets

Financial assets are recognised when the Company has rights to cash or another financial asset. Such assets consist of cash and cash equivalents, a contractual right to receive cash or another financial asset or a contractual right to exchange financial instruments with another entity on potentially favourable terms.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition loans and receivables are carried at amortised cost using the effective interest method, less impairments.

Loans and receivables 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 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. Subsequent to initial recognition cash and cash equivalents are carried at amortised cost using the effective interest method.

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

Financial liabilities

Financial liabilities are recognised when there is a contractual obligation to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities, other than derivative instruments, are measured at amortised cost using the effective interest method.

Interest bearing borrowings

Subsequent to initial recognition, interest bearing borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

Trade and other payables and loans from related parties

Trade and other payables and loans from related parties are measured at amortised cost using the effective interest method.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss, which includes derivative instruments, are measured subsequently at fair value. Fair value adjustments are recognised in profit or loss.

Offset

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

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

1.8 Impairment of non-financial assets

The Company's non-financial assets 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.

The recoverable amount is the higher of the asset's fair value less costs of disposal 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 (CGU), 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 pro-rata basis.

1.9 Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

1.10 Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

1.11 Revenue

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.

1.12 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 in profit or loss at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

Retirement benefits

The Company provides a defined contribution retirement plan and a defined benefit retirement plan (closed to new entrants), the assets of which are held in separate funds, for the benefit of employees.

1.12 Employee benefits (continued)

Defined benefit obligations

A defined benefit retirement plan is a post-employment benefit plan other than a defined contribution retirement plan. The Company's net obligation in respect of the defined benefit plan is calculated by estimating the amount of future benefits 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 Company, 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 or losses, the return of plan assets (excluding interest) and the effect of the asset ceiling (if any) excluding interest, are recognised immediately in other comprehensive income. The Company 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 benefits 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 the share options reserve. 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.

1.13 Income tax

Current income tax

Current income tax comprises income tax payable calculated on the basis of the estimated taxable income for the year, using the income tax rates enacted or substantively enacted at the reporting date, and any adjustment to income tax payable for previous years.

Deferred income tax

Deferred income tax is provided on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred income tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax is charged to profit or loss except to the extent that it relates to a transaction that is recognised directly in other comprehensive income or equity, or a business combination. The effect on deferred income tax of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to other comprehensive income or equity.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused income tax losses and deductible temporary differences can be utilised. Deferred income tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset if there is a legally enforeable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity and the current income tax assets and liabilities will be realised simultaneously.

Dividend Withholding Tax

Dividend Withholding Tax is a tax on shareholders receiving dividends. The Company withholds dividends tax on behalf of its shareholders at a rate of 20% on dividends declared. Amounts withheld are not recognised as part of the Company's tax charge but rather 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 withholding tax recognised as part of the tax expense unless it is otherwise reimbursable in which case it is recognised as an asset.

1.14 New standards and interpretations in issue but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2017. These include the following standards and interpretations, and amendments to standards that are applicable to the business of the Company, which have not been applied in preparing these financial statements:

Disclosure initiative (amendments to IAS 7)

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash and non-cash flow changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The amendments apply for annual periods beginning on or after 1 July 2017. The Company expects to adopt the standard for the first time in the 2018 financial statements. Management has assessed the impact of this amendment and does not expect a significant impact on the Company's results.

Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)

The amendments provides guidance in identifying deductible temporary differences and the methods used to assess whether a deferred income tax asset can be recognised. The amendments apply for annual periods beginning on or after 1 July 2017. The Company expects to adopt the standard for the first time in the 2018 financial statements. Management has assessed the impact of this amendment and does not expect a significant impact on the Company's results.

IFRS 9 – Financial instruments

IFRS 9 *Financial Instruments* completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

This standard's impact on the Company will include changes in the measurement bases of the Company's financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS39, 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 under IAS 39 to an 'expected credit loss' model, which may increase the impairment allowance in respect of receivables recognised by the Company.

The standard is effective for annual periods beginning on or after 1 July 2018 with retrospective application and early adoption is permitted. The Company expects to adopt the standard for the first time in the 2019 financial statements. Management has assessed the impact of this standard and continues to monitor its impact on the reported results leading up to the effective date.

IFRS 15 – Revenue from contracts with customers

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and certain relevant interpretations.

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.

IFRS 15 is expected to impact the timing of when revenue is recognised and the amount of revenue recognised. The standard is effective for annual periods beginning on or after 1 July 2018, with early adoption permitted under IFRS. Management has assessed the impact of this standard and has concluded that no material impact is expected.

IFRIC 23 – Uncertainty over income tax treatments

The interpretation clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities and provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

The interpretation applies for annual periods beginning on or after 1 July 2019. The Company expects to adopt the standard for the first time in the 2020 financial statements although earlier adoption is permitted. Management has assessed the impact of this amendment and does not expect a significant impact on the Company's results.

1.15 Non-applicable standards, amendments and interpretations

The other remaining standards, amendments and interpretations issued but not yet effective have been assessed for applicability to the Company and management has concluded that they are not applicable to the business of the Company and will therefore have no impact on future financial statements.

	2017 R '000	2016 R '000
2. Investment in subsidiaries		
ELB Engineering (Pty) Ltd	113 126	111 318
ELB International (Pty) Ltd	*	*
	113 126	**111 318**

* - Less than R1 000.

The investment in subsidiaries consists of:		
Ordinary shares	2	2
Preference shares	90 000	90 000
Equity contributions in respect of equity settled share options granted	23 124	21 316
	113 126	**111 318**

3. Loans to/(from) subsidiaries

ELB Engineering (Pty) Ltd	78 551	81 322
ELB International (Pty) Ltd	(7 660)	53 619
	70 891	**134 941**

The amount of R78 551 000 (2016: R81 322 000) owing by ELB Engineering (Pty) Ltd has no fixed repayment terms and bears interest at the rate prevailing on the Group's bank call deposit. There is no intention to recall the loan in the foreseeable future.

The amount of R7 660 000 (2016: R53 619 000) owing to (2016: from) ELB International (Pty) Ltd is interest free and is repayable on demand.

Disclosed as:		
Non-current assets	78 551	81 322
Current assets	-	53 619
Current liabilities	(7 660)	-
	70 891	**134 941**

Fair value of loans to subsidiaries

The fair value of the loans to subsidiaries are considered to approximate their carrying amount given their approximation to market-comparable interest rates or their short-term nature.

4. Other financial assets

Loans to related parties		
ELB Share Incentive Trust	66 512	56 218
Classification:		
At amortised cost	66 512	56 218
Presented as:		
Non-current assets	44 479	53 734
Current assets	22 033	2 484
	66 512	**56 218**

Fair value information

The loans to related parties are interest free, repayable on demand and are considered to approximate fair value given their short-term nature.

The loan to the ELB Share Incentive Trust ("the Trust") is interest free, repayable based on set repayment terms over the life of the options granted under the share incentive schemes. The loan is anticipated to reduce annually by the expected dividends received each year on the treasury shares held by the Trust which have not yet been exercised by scheme participants and on ELB ordinary shares repaid and released by the Trust. The Company reversed a portion of the impairment amounting to R596 000 (2016: impaired R6 368 000) of the amount owing at year end. Refer to note 13.

5. Pension fund employer surplus account

Defined benefit pension fund

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

The fund exposes the Company to longevity, interest rate and market risks. The fund is actuarially valued every year. The last statutory actuarial valuation was for the year ended 31 December 2016. The actuaries also perform a valuation at each financial year end in terms of the requirements of IAS 19. As at 30 June 2017 the fund was in a sound financial position.

	2017 R '000	2016 R '000
Valuation of the defined benefit pension fund		
Fair value of plan assets	171 358	176 801
Present value of benefit obligation	(131 404)	(136 538)
Effect of asset ceiling	(16)	-
	39 938	**40 263**
Fair value of plan assets		
Fair value at the beginning of the year	176 801	185 220
Employee contributions	92	61
Interest income	13 657	13 863
Benefit payments	(12 273)	(17 300)
	178 277	181 844
Actuarial loss on plan assets	(6 919)	(5 043)
	171 358	**176 801**
Present value of benefit obligation		
Present value at the beginning of the year	136 538	141 015
Current service cost	161	230
Interest cost	10 439	10 400
Benefit payments	(12 273)	(17 300)
	134 865	134 345
Actuarial (gain)/loss on benefit obligation	(3 461)	2 193
	131 404	**136 538**
Effect of asset ceiling		
Effect at the beginning of the year	-	4 673
Interest cost	-	367
Remeasurement	16	(5 040)
	16	**-**
Income recognised in profit or loss		
Current service cost	(161)	(230)
Net interest income	3 218	3 096
Employee contributions	92	61
	3 149	**2 927**
Remeasurements recognised in other comprehensive income		
Actuarial loss on plan assets	(6 919)	(5 043)
Actuarial gain/(loss) on benefit obligation	3 461	(2 193)
Effect of asset ceiling	(16)	5 040
	(3 474)	**(2 196)**

	2017 R '000	2016 R '000

5. Pension fund employer surplus account (continued)

Composition of plan assets

	2017 R '000	2016 R '000
Bank balances, deposits or money market instruments	22 174	25 707
Debt instruments	29 782	24 522
Equities	116 523	110 218
Real estate investment trusts	1 045	10 502
Commodities, hedge funds, private equity funds and any other assets	1 834	5 852
	171 358	**176 801**

Included in money market instruments, debt instruments, equities, real estate investment trusts and commodities are R147 358 000 (2016: R140 809 000) of plan assets that have quoted prices in active markets.

Actual return on plan assets

	2017	2016
Amount	6 738	8 820
Percentage	3,9 %	5,0 %

Principal actuarial assumptions used for accounting purposes

Assumptions used in the IAS 19 valuation on 30 June 2017. All percentages are per annum.

	2017	2016
Discount rate	9,0 %	8,0 %
Expected return on plan assets	9,0 %	8,0 %
Future pension increases	6,0 %	6,1 %
General inflation rate	6,0 %	6,1 %

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.

Based on the actuarial valuations received, reasonably possible changes at the reporting date to any one of the actuarial assumptions, holding the other assumptions constant, would not have significantly affected the benefit obligation.

6. Deferred income tax

General

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

- South African income tax - 28% (2016: 28%)

Deferred income tax movement for the year

	2017	2016
Balance at the beginning of the year	(11 273)	(11 068)
Income tax recognised through profit or loss	(882)	(820)
Income tax recognised through other comprehensive income		
Pension fund employer surplus account	973	615
Balance at the end of the year	**(11 182)**	**(11 273)**

Deferred income tax comprise:

	2017	2016
Temporary differences		
Pension fund employer surplus account	(11 182)	(11 273)
	(11 182)	**(11 273)**

	2017 R '000	2016 R '000
7. Cash and cash equivalents		
Included in cash and cash equivalents are the following:		
Bank balances	35	63

8. Share capital

8.1 Authorised share capital

	2017 R '000	2016 R '000
50 000 000 ordinary shares of 4 cents each	2 000	2 000

8.2 Issued share capital

	2017 R '000	2016 R '000
Ordinary shares of 4 cents each and share premium thereon	109 479	107 702

8.3 Number of shares in issue

	2017 Number	2016 Number
Number of shares in issue at the beginning of the year		
Issued by the Company	35 824 527	35 824 527
	35 824 527	**35 824 527**
Transactions during the year		
Issue of shares	240 038	-
Shares repurchased and cancelled	(3 545 986)	-
	(3 305 948)	**-**
Number of shares in issue at the end of the year		
Issued by the Company	32 518 579	35 824 527
	32 518 579	**35 824 527**

8.4 Authority to issue additional shares

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 Limited Listings Requirements. As at 30 June 2017, the Company has utilised 240 038 shares under the authority (30 June 2016: none).

8.5 Capital management

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

There are no externally imposed capital requirements.

From time to time the Company purchases its own shares in the market under general authority granted by shareholders. The timing of these purchases depends on market prices. Primarily the repurchases are part of a programme to return capital to shareholders, but are also used for issuing shares under the Group’s share incentive schemes. Buying decisions are made under specific mandates from the executive directors.

		2017 R '000	2016 R '000
9. Reserves			
Treasury shares transfer reserve		26 599	26 599
Share options reserve		13 238	11 944
		39 837	**38 543**

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

Treasury shares transfer reserve

The treasury shares transfer reserve is recognised by the Company. It arose from the transfer of a capital profit by a Group share trust to the Company. The capital profit received by the Company was placed in the reserve. Capital Gains Tax 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.

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 recognised by the Company and is reduced at Group level by any non-controlling interest, direct and indirect, in the subsidiaries which employ the participants.

10. Trade and other payables

		2017 R '000	2016 R '000
Trade payables		-	1
Other current payables		893	923
		893	**924**

The fair value of trade and other payables has not been disclosed as the carrying amounts are considered reasonable approximations of fair value given their short-term nature.

11. Other current liabilities

		2017 R '000	2016 R '000
Taxes payable (excludes income tax)		26	25

12. Sales

		2017 R '000	2016 R '000
Rendering of services		2 307	2 136

13. Profit from operations

Profit from operations is stated after accounting for the following:

		2017 R '000	2016 R '000
Other operating (income)/costs		(453)	6 592
Other items			
Employee costs	14	(3 149)	(2 927)
Impairment of loan to related party (reversed)/raised		(596)	6 368

14. Employee benefits

Share incentive schemes

In terms of the ELB Share Incentive schemes, the directors may direct the ELB Share Incentive Trust 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 options that may be granted is limited to 4 000 000 shares or options. Loans are granted by the Trust to the participants to acquire these shares on exercise. The loans granted by the Trust are interest free. The trustees of the ELB Share Incentive Trust may not release these shares until they are paid for in full.

Participants are entitled to exercise their options in one or more tranches at any time from the grant date to the tenth anniversary of the grant date. If an option is not exercised within ten years from the grant date, it will lapse.

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

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

Reconciliation of scheme shares

	2017 Number	2016 Number
Unpaid shares granted prior to December 2010	1 318 176	1 329 176
Unpaid shares granted after December 2010	2 607 454	1 982 000
Shares not yet paid for by participants	3 925 630	3 311 176
Shares held by the Trust for issue to participants	153 346	341 131
Scheme shares held at the end of the year	**4 078 976**	**3 652 307**

Details of the outstanding share options at year end are:

			Number of options			
Option grant date	Expiry date	Exercise price (cents)	Options outstanding at beginning of the year	Granted	Exercised/ Lapsed	Options outstanding at the end of the year
2017						
March 2008	March 2018	1 250	19 000	-	(19 000)	-
September 2010	September 2020	1 289	22 000	-	-	22 000
June 2013	June 2023	3 322	250 000	-	-	250 000
May 2017	May 2027	2 083	-	2 205 000	(855 000)	1 350 000
			291 000	**2 205 000**	**(874 000)**	**1 622 000**
2016						
March 2018	March 2008	1 250	19 000	-	-	19 000
September 2018	September 2008	1 250	14 000	-	(14 000)	-
September 2020	September 2010	1 289	72 000	-	(50 000)	22 000
June 2023	June 2013	3 322	265 000	-	(15 000)	250 000
			370 000	**-**	**(79 000)**	**291 000**

The weighted average exercise price per share of the options exercised during the year amounted to 2 063 cents (2016: 1 668 cents) and the weighted average share price per share on those options exercised during the year amounted to 2 020 cents (2016: 2 694 cents).

Options granted during the year

The fair value of options granted under the ELB Share Incentive Scheme is accounted for in terms of IFRS 2 - Share Based Payments. The fair value of share options granted is determined at grant date and are measured using the Black-Scholes model. Inputs to the model included the market price of the underlying shares at the grant date or expected acceptance date, the expected option lifetime, the projected volatility of the share price and the risk-free interest rate.

These inputs are quantified below:

- Fair value per option at grant date: 82 cents per option;
- Market price at grant date: 2 005 cents per share
- Exercise price: 2 083 cents per share
- Expected volatility: 37.6%
- Expected option life: 0 to 3 years
- Risk-free interest rate: 8.76%

	2017 R '000	2016 R '000
15. Finance income		
External interest received	2	5
Inter-company interest received	5 577	4 914
	5 579	**4 919**
16. Finance expense		
External interest paid	4	-
17. Income tax		
Normal		
Local income tax - current period	1 519	1 341
Local income tax - relating to prior periods	-	(13)
Securities Transfer Tax	154	-
	1 673	**1 328**
Deferred		
Local - current period	882	820
	2 555	**2 148**

Reconciliation of the income tax rate

Reconciliation between standard income tax rate and the effective income tax rate.

	2017	2016
Applicable tax rate	28 %	28 %
Dividends received from subsidiary	(15)%	(27)%
Impairment of loan to related party (reversed)/raised	(1)%	10 %
Securities Transfer Tax	1 %	- %
Non-deductible expenses	1 %	1 %
Effective tax rate	**14 %**	**12 %**

	2017	2016
18. Cash generated from operations		
Profit before taxation	12 480	12 606
Adjustments for:		
Pension fund employer surplus account - net income	(3 149)	(2 927)
Impairment (reversed)/raised on loans to related parties	(596)	6 368
Changes in working capital:		
Trade and other payables	(31)	352
Other current liabilities	1	2
	8 705	**16 401**
19. Income tax paid		
Balance at beginning of the year	(145)	66
Payable income tax expense for the year	(1 673)	(1 328)
Balance at end of the year	81	145
	(1 737)	**(1 117)**

20. Dividends declared

The Company has over the years allowed the dividend cover to fluctuate from year-to-year owing to the cyclical nature of the business. Bearing this in mind, a final dividend of 50 cents per ordinary share in respect of the current year's earnings, amounting to R16 259 000 on the total 32 518 579 ordinary shares in issue at the date of declaration, was declared on 19 September 2017 and is payable on 26 October 2017 (2016: no final dividend was declared). The dividend is subject to the South African dividend withholding tax of 20%.

The total dividends in respect of the current financial year's earnings amount to 82 cents per ordinary share (2016: 30 cents per ordinary share).

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

21. Post balance sheet events

There were no significant events arising between the end of the financial year and the date of these financial statements which materially affect the financial position or results of the Company.

22. Related parties

The Company entered into transactions with related parties in the Group in the ordinary course of business, the nature of which was consistent with those previously reported.

	Note	2017 R '000	2016 R '000
Related party balances and transactions			
Related party balances			
Loans to subsidiaries	3	70 891	134 941
Other financial assets	4	66 512	56 218
Related party transactions			
Administration fees received from subsidiaries		2 307	2 136
Dividends received from subsidiaries		9 720	17 062
Interest received from subsidiaries	15	5 577	4 914

Material shareholders

The beneficial holders of 5% or more of the issued ordinary shares of the Company at 30 June 2017, according to the information available to the directors, were:

	Number of ordinary shares	%
Tanjo One (Pty) Ltd	3 294 612	10,13
Investec Asset Management	1 690 170	5,20

Directors interest in ordinary shares

	Beneficial holdings at 30 June 2017			Beneficial holdings at 30 June 2016		
Name	Total	Direct	Indirect	Total	Direct	Indirect
PJ Blunden	860 000	860 000	-	860 000	859 618	382
T de Bruyn	25 100	15 000	10 100	10 100	-	10 100
MC Easter	-	-	-	-	-	-
AG Fletcher	3 294 712	100	3 294 612	3 294 712	100	3 294 612
Dr JP Herselman	158 600	-	158 600	158 600	-	158 600
Dr SJ Meijers	1 310 000	1 310 000	-	1 310 000	1 310 000	-
MV Ramollo	12 376	12 376	-	12 376	100	12 276
CJ Smith	402 000	402 000	-	258 867	258 867	-
IAR Thomson	7 100	100	7 000	7 100	100	7 000
JC van Zyl	-	-	-	-	-	-
	6 069 888	**2 599 576**	**3 470 312**	**5 911 755**	**2 428 785**	**3 482 970**

No non-beneficial shares were held by any director in the current or the previous financial year. There has been no changes in the directors' interests reflected above since the financial year end and the date these financial statements were published.

23. Directors' remuneration

2017

	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	2 521	-	299	192	-	74	328	3 414
MC Easter	1 658	-	584	-	-	-	546	2 788
AG Fletcher	3 185	-	149	139	-	148	-	3 621
Dr SJ Meijers	3 143	-	1 537	205	-	53	296	5 234
MV Ramollo	894	273	-	-	-	197	139	1 503
CJ Smith	1 304	-	159	119	350	30	390	2 352
	12 705	**273**	**2 728**	**655**	**350**	**502**	**1 699**	**18 912**
Non-executive directors								
T de Bruyn	-	286	-	-	-	-	-	286
Dr JP Herselman	-	353	-	-	-	-	-	353
IAR Thomson	-	619	-	-	-	-	-	619
JC van Zyl	-	273	-	-	-	-	-	273
	-	**1 531**	**-**	**-**	**-**	**-**	**-**	**1 531**
Total	**12 705**	**1 804**	**2 728**	**655**	**350**	**502**	**1 699**	**20 443**
Paid by the Company	-	1 804	-	-	-	-	-	1 804
Paid by subsidiaries	12 705	-	2 728	655	350	502	1 699	18 639
	12 705	**1 804**	**2 728**	**655**	**350**	**502**	**1 699**	**20 443**

2016

	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	2 242	-	1 840	210	-	68	410	4 770
MC Easter	1 524	-	267	5	-	-	536	2 332
AG Fletcher	3 187	-	401	139	-	146	-	3 873
Dr SJ Meijers	2 850	-	801	202	-	48	276	4 177
MV Ramollo	847	255	-	-	-	178	133	1 413
CJ Smith	1 289	-	496	126	560	27	595	3 093
	11 939	**255**	**3 805**	**682**	**560**	**467**	**1 950**	**19 658**
Non-executive directors								
T de Bruyn	-	331	-	-	-	-	-	331
Dr JP Herselman	-	331	-	-	-	-	-	331
IAR Thomson	-	544	-	-	-	-	-	544
JC van Zyl	-	256	-	-	-	-	-	256
	-	**1 462**	**-**	**-**	**-**	**-**	**-**	**1 462**
Total	**11 939**	**1 717**	**3 805**	**682**	**560**	**467**	**1 950**	**21 120**
Paid by the Company	-	1 717	-	-	-	-	-	1 717
Paid by subsidiaries	11 939	-	3 805	682	560	467	1 950	19 403
	11 939	**1 717**	**3 805**	**682**	**560**	**467**	**1 950**	**21 120**

(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 by the subsidiaries.

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. The executive directors are defined as key management personnel.

23. Directors' remuneration (continued)

Directors' share loans

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

			Changes during the year		
Director	Option grant date	Balance at 30 June 2016 R '000	Loans granted R '000	Loans repaid R '000	Balance at 30 June 2017 R '000
Dr SJ Meijers	February 2007	82	-	-	82
	March 2008	6 250	-	-	6 250
	December 2010	10 824	-	-	10 824
MV Ramollo	March 2008	154	-	-	154
CJ Smith	March 2008	1 250	-	-	1 250
	September 2010	155	-	-	155
	December 2010	1 055	-	-	1 055
	June 2013	1 495	-	-	1 495
	May 2017	-	2 812	-	2 812
		21 265	**2 812**	**-**	**24 077**

Directors' share options

				Number of options Changes during the year		
Director	Option grant date	Exercise price (cents)	Options outstanding at the beginning of the year	Granted	Exercised/ Lapsed	Options outstanding at the end of the year
MC Easter	June 2013	3 322	150 000	-	-	150 000
	May 2017	2 083	-	75 000	-	75 000
MV Ramollo	May 2017	2 083	-	30 000	-	30 000
CJ Smith	May 2017	2 083	-	135 000	(135 000)	-
			150 000	**240 000**	**(135 000)**	**255 000**

No options lapsed during the year.

The portion of the equity settled share option expense relating to directors as recognised in profit or loss amounted to R197 000 (2016: Rnil).

In terms of the ELB Share Incentive Scheme rules, participants may elect to fund the exercise of their incentive scheme options via an interest-free loan. On exercise of their allocated options, participants have up to ten years in which to repay their share option loan. The benefit received by the directors on their interest-free loans amounted to R2 012 000 (2016: R1 964 000).

The dividends received on unpaid shares held by the directors amounted to R498 000 (2016: R1 294 000) for the year.

During the year, directors did not sell shares in relation to the above schemes. In 2016, directors sold 115 000 shares in relation to the above scheme which generated a benefit of R183 000 before tax to the directors.

24. Financial risk management

24.1 Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing financial risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management framework. The directors and management are responsible for developing and monitoring the relevant financial risk management policies.

The Company's financial risk management policies are established to identify and analyse the risks faced by the Company to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company aims to maintain a disciplined and constructive control environment in which all employees understand their role and obligations.

The Group Audit and Risk Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

24.2 Financial instruments

	Note	2017 R '000	2016 R '000
Carrying amount of financial assets			
Loans and receivables at amortised cost			
Loans to subsidiaries	3	78 551	134 941
Loans to related parties	4	66 512	56 218
Cash and cash equivalents	7	35	63
Total financial assets		**145 098**	**191 222**
Carrying amount of financial liabilities			
Financial liabilities at amortised cost			
Loans from subsidiaries		7 660	-
Trade and other payables	10	893	924
Total financial liabilities		**8 553**	**924**

24.3 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's loans receivable, cash and cash equivalents, and other financial receivables.

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

24. Financial risk management (continued)

24.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk by compiling and monitoring cash flow forecasts. The risk is reduced by the Group's substantial cash and cash equivalents, as well as bank facilities available to the Company.

The Company's Memorandum of Incorporation restricts the amount that the Company may borrow on the authority of the directors to the total equity of the Group at year end.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual cashflow analysis

At 30 June 2017	Note	Carrying amount R '000	Contractual cashflows R '000	Within 1 year R '000	2 - 5 years R '000	Greater than 5 years R '000
Loans from subsidiaries	3	7 660	7 660	7 660	-	-
Trade and other payables	10	893	893	893	-	-
		8 553	**8 553**	**8 553**	**-**	**-**
At 30 June 2016						
Trade and other payables	10	924	924	924	-	-
		924	**924**	**924**	**-**	**-**

24.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

24.5.1 Interest rate management

The Company's interest rate risk arises from loans receivable and cash and cash equivalents. Financial instruments that are sensitive to interest rate risk are bank accounts and loans to subsidiaries.

The Company uses the cash management system provided by its principal local banker, whereby a substantial portion of the Group's local bank balances 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.

24. Financial risk management (continued)

	2017 R '000	2016 R '000
Interest rate profile		
At the reporting date, the interest rate profile of the Group's interest bearing financial instruments were:		
Variable rate instruments		
Financial assets	78 586	81 385
	78 586	**81 385**

Sensitivity analysis

Should interest rates have been 1% (2016: 1%) lower or higher during the year and assuming all other variables remained constant, it is estimated that profit or loss for the year after income tax of the Company would have (decreased)/increased by the amounts indicated below:

	2017 R '000	2016 R '000
Interest rates 1% per annum lower	(566)	(586)
Interest rates 1% per annum higher	566	586

Ordinary share statistics

for the year ended 30 June 2017

	30 June 2017	30 June 2016
Listed on the JSE in 1951		
Market price (cents per share)		
High	2 490	3 798
Low	1 550	1 500
Year end closing	1 950	1 780
Total number of shares traded	8 114 972	6 917 506
Total value of shares traded (Rands)	154 798 290	160 731 667
Number of shares traded as a percentage of total shares issued	25,0%	19,3%

Analysis of ordinary shareholders

at 30 June 2017

	Number of shareholders	Number of shares	% of shares issued
Public shareholders	1 446	23 678 382	72,8%
Non-public shareholders	50	8 840 197	27,2%
	1 496	**32 518 579**	**100,0%**
Non-public shareholders comprises:			
Directors of ELB Group Limited (direct and indirect)	8	6 069 888	18,7%
Directors of major subsidiaries (direct and indirect)	9	931 787	2,9%
Shareholders subject to incentive schemes	33	1 838 522	5,6%
Major beneficial shareholders			
Tanjo One (Pty) Ltd		3 294 612	10,1%
Investec Asset Management		1 690 170	5,2%

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
Integrated annual report for the year		October
Dividends	**Declared**	**Paid**
Interim	March	April
Final	September	October

Notes

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)

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Share transfer secretaries

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Registration number. 2004/003647/07
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Independent auditor

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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

Questco Corporate Advisory Proprietary Limited
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