



E L B G R O U P

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E L B G R O U P

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Chairman's Statement

ELB Group Limited ("ELB") is an investment holding company comprising three trading entities namely ELB Equipment, ELB Engineering Services and ELB Timbers.

ELB EQUIPMENT

The ELB Group introduced construction products as an autonomous division in 1987. Today, trading as ELB Equipment, it has positioned itself as one of the most respected names in the earthmoving, construction and mining / quarrying equipment supply industry. It operates in South Africa as ELB Equipment and in Australia as Ditch Witch Australia.

ELB Equipment has a number of locally designed and manufactured products and represents internationally renowned manufacturers whose products are designed to meet industrialised first-world standards. Operating in three specialised divisions, each with responsibility for specific products, it provides a streamlined and professional service, that can offer the industry a wide selection of products.

Construction Equipment

- Ditch Witch Trenching & Directional Drilling Equipment
- Terex / Fercmec (formerly MF Industrial) Backhoe Loaders
- Mitsubishi Motor Graders
- Simesa Compaction Equipment **

Earthmoving Equipment

- Furukawa Wheel Loaders
- Kawasaki Wheel Loaders
- Sumitomo Tracked Excavators

- Terex Rigid & Articulated Dump Trucks

Mining / Quarrying Equipment

- Allu-SM Screener-Crusher Buckets
- Furukawa Drill Rigs
- Furukawa Hydraulic Breakers
- Taurus Heavy Duty Rotary Barrel Screens **
- ELB Static & Mobile Conveyors **
- Terex / Pegson Mobile & Static Crushing Plants
- Oresizer Vertical Shaft Impact Crushers **
- Terex / Powerscreen Mobile & Static Screens
- Simesa Underground Equipment **

**Designed and manufactured by ELB Equipment

In order to service its customer base effectively, ELB Equipment based in Boksburg has branches in Cape Town, Durban, Kimberley and Wolmaransstad as well as a well-established dealer network throughout South Africa and other Southern African states. In addition to offering parts and field service round-the-clock, a large centralised and fully equipped refurbishing facility is available for rebuilding and refurbishing of ELB Equipment products.

Ditch Witch Australia

Ditch Witch Australia is an importer and distributor of Underground and Utility Construction Equipment.

Product Lines include

Chairman's Statement

(continued)

- Ditch Witch Trenching and Directional Drilling Equipment
- Stanley Hydraulic Packs and Tools
- Trenchmaster Mini Trencher
- Bedmaster Bed Defining Machine
- McLaughlin Case Boring Equipment, Augers and Cutter Heads
- Vacuum Excavation Equipment
- Belle Concrete and Mortar Mixers and Compaction Equipment
- Soltau Microtunnelling Systems
- Wirth Horizontal Directional Drilling Equipment

Markets served in Australia are gas, water, sewage, electricity, communications, the Defence Force and airports and dock authorities.

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

ELB ENGINEERING SERVICES

ELB Engineering Services is the newest entity in the group and is predominantly focused on equipment and products requiring an engineering and project management input. The focus is on aligning with world class technology and equipment suppliers and to date cooperation agreements are in place with KOCH (Germany), Claudius Peters (Germany) and Sedgman (Australia) which were brought into action in mid 2005. ELB Engineering Services offer their capability from

layout conceptualization to turnkey solutions.

ELB TIMBERS

There are now two divisions namely ELB Timber Products and ELB Ultrabord.

ELB Timber Products comprises three operating divisions. These are:

ELB Timber Manufacturing is based in Lydenburg and manufactures a range of timber products from rotary peeled veneer which it produces as its primary product. This includes plywood board, as well as range of specialist packaging solutions in the agricultural, motor, military and industrial markets. It has recently launched the Clipbox range of reusable packaging that uses spring steel clips as connectors to replace the Clip-lok brand which it no longer markets.

Veneercraft is based in White River in Mpumalanga and produces both rotary peeled and sliced veneer as well as small amounts of solid timber. A veneer upgrading facility has been established that will allow it to manufacture full skin veneer layons and upgraded veneered chipboard for the furniture and door markets.

Plycraft is based in White River with a second factory in Krugersdorp to support the Gauteng market. Plycraft manufactures moulded furniture components (interior shells, arms, toe caps, etc) out of laminated pine timber, primarily for the South African office chair market.

ELB Ultrabord a company that manufactures particle

Chairman's Statement

(continued)

board from sugar cane fibre, was acquired with effect from September 2003. It is based in Malelane in Mpumalanga. The factory recommenced production after extensive refurbishment in November 2003 and has since proved that it can produce a good quality product. Production continues to increase as the market re-accepts the product.

ELB Timbers has developed a formal network of distribution centres together with a more extensive marketing infrastructure to improve its penetration into the market. It is anticipated that this will allow the greater capacity that it has developed to be more fully utilized.

FINANCIAL RESULTS

The ELB Group recorded a net profit attributable to ordinary shareholders of R00,0 million for the year (2004-R00,00 million) and headline earnings of R00,0 million (2004-R00,0 million).

The lower level of profitability is as a result of the disposal during the period of ELB McWade as well as the costs associated with establishing ELB Engineering Services

PROSPECTS

The ELB Group has budgeted for an increase in headline earnings in the coming year.

DIVIDENDS

A final dividend of 5 cents per share has been declared

giving a total dividend for the year of 10 cents per share.

CONCLUSION

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

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

W G L Bateman

21 October 2005

Corporate Governance

The Group is committed to the highest standards of business integrity, ethical values and professionalism in all its activities. As an essential part of this commitment the board endorses the principles embodied in the King II Report on Corporate Governance and has materially complied with the King Code throughout the accounting period under review. The key principles underpinning the governance of the Group are set out in this statement.

BOARD OF DIRECTORS

The Group has a unitary board structure. In line with best practice and to meet the Listings Requirements of the JSE, the roles of the chairman and the senior executive director were separated in 2003. The board is chaired by Mr Bill Bateman whilst the executive management of the Group is the responsibility of the executive deputy chairman, Mr Anthony Fletcher. This ensures a balance of authority and precludes any one director from exercising unfettered powers of decision-making.

At the date of this report, the board of directors comprised eight members of whom three are independent non-executive directors and two are non-executive directors. Meetings are held at least five times a year, appropriately timed to review quarterly results and the budget for the forthcoming year. The agenda includes, as necessary, strategic considerations; identification, measurement and management of risk; acquisitions of significance; investment policy and areas of concern. Additional board meetings may be convened as

and when necessary.

The board has established a number of committees in which the non-executive directors play an active role and which operate within the defined terms of reference laid down by the board. All committees are chaired by an independent non-executive director save for the remuneration and nominations committee which is chaired by Mr WGL Bateman. All committees have met their responsibilities during the year in compliance with their terms of reference.

THE AUDIT COMMITTEE

The audit committee operates in terms of a mandate from the board to review the financial statements, the appropriateness of the Group's accounting and disclosure policies, compliance with International Financial Reporting Standards and the effectiveness of internal controls.

In keeping with this policy, KPMG Inc (KPMG) has been appointed as external auditor whilst BDO Spencer Steward (Johannesburg) Inc (BDO) has been appointed to fulfil the role of internal auditor. Expert advice on non-audit issues is normally obtained from other third party professionals save where the use of either KPMG or BDO is deemed more appropriate and no conflict with the respective external and internal audit roles is evident.

The members of the audit committee are two of the independent directors, Messrs RGH Smith (chairman) and

Corporate Governance

(continued)

JC Hall, a non-executive director in the person of the chairman of the board, Mr WGL Bateman, and the executive deputy chairman, Mr AG Fletcher. Both the external auditors and the internal auditors have unrestricted access to this committee and attend meetings whenever necessary to report on their findings and to discuss accounting; auditing; risk identification, measurement and mitigation; internal control and financial reporting matters. Executive directors responsible for the sub-groups and members of the management teams are invited to attend such meetings whenever their presence is considered necessary.

THE REMUNERATION AND NOMINATIONS COMMITTEE

The members of this committee are Messrs WGL Bateman, JC Hall and RGH Smith. It determines the remuneration strategy of the Group and, more specifically, the remuneration of the non-executive and executive directors and of those executives and managers who report directly to the managing directors of the operating subsidiaries. The committee also approves proposals in respect of certain incentive arrangements.

The remuneration and nominations committee is also responsible for the assessment and nomination of potential new directors. The committee does not have full authority to appoint such directors as such authority vests in the board of directors. Following the

appointment of new directors to the board, an induction programme, which includes visits to the Group's businesses and meetings with senior management, is arranged. All directors are subject to retirement and re-election by shareholders every three years. In addition, all directors are subject to election by shareholders at the first opportunity after their initial appointment.

RISK MANAGEMENT

Operational and financial risk management is the responsibility of the boards of directors of the Company and of its subsidiaries. Where appropriate, risk management procedures and related controls have been implemented and are reported on regularly at board and management meetings. Further explanation regarding the identification and management of risk is reflected below under the heading 'The internal audit function'.

INTERNAL CONTROL

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

THE INTERNAL AUDIT FUNCTION

The internal audit function is outsourced to BDO. During the course of the June 2005 financial year, the Group

Corporate Governance

(continued)

continued its internal audit programme which integrates the identification and ranking of risks inherent in the different operations with an evaluation of the systems and internal controls employed in the operations. This process assists in the mitigation of major risks within the Group, wherever possible. These integrated risk identification and internal control audits are conducted on a systematic basis to ensure adequate coverage of business units and the reports are submitted to management and the audit committee.

Initial and follow up exercises have been completed in the equipment sub-group, ELB Equipment Limited. An initial exercise has also been completed in respect of the Group Treasury and Salary Payroll services and a follow up exercise is planned for the new financial year.

The integrated approach which was to be introduced to the timber sub-group, ELB Timber Holdings (Proprietary) Limited, during the course of the year under review has been postponed and will be introduced in the new financial year. Consideration will be given to applying this methodology within the recently formed business ELB Engineering Services (Proprietary) Limited during the new year but it may be necessary for the activities of this Company to gain some momentum before introducing the integrated approach.

Notwithstanding the implementation of this internal audit methodology, all Group operations continue to identify, assess and monitor the risks to which their businesses

are exposed.

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

HEALTH AND SAFETY

The board of directors and management at all levels regularly assess and address health and safety in accordance with Group procedures.

CODE OF ETHICS

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

COMPANY SECRETARY

All directors have access to the advice and services of the Company secretary, who is responsible to the board for ensuring compliance with procedures and applicable statutes and regulations. All the directors have full and timely access to all information that may be relevant to the proper discharge of their duties and obligations, thus enabling the board to function effectively.

INSIDER TRADING

The Company has closed periods prohibiting trade in ELB

Corporate Governance

(continued)

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

All share dealings of directors require the prior approval of the chairman, and the Company secretary retains a record of all such share dealings and approvals.

COMMUNICATION TO STAKEHOLDERS

ELB is proactive in the distribution of information to relevant parties through the JSE SENS communications system, printed and electronic media releases and the

statutory publication of its financial results.

The board encourages all stakeholders to attend the shareholders' meetings as this is the ideal opportunity to voice their opinions.

DISCLOSURE

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

DIRECTORATE 1 JULY 2004 - 31 JULY 2005 : ATTENDANCE OF MEETINGS

Name	Board						Audit			Remuneration & Nominations
	2004			2005			2004		2005	
	Jul	Sep	Nov	Mar	May	Jul	Sep	Nov	Mar	Nov
WGL Bateman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
AG Fletcher	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
PJ Blunden	✓	✓	✓	x	✓	✓	n/a	n/a	n/a	n/a
JC Hall	✓	✓	✓	✓	✓	✓	✓	✓	x	✓
JP Herselman	✓	✓	✓	✓	✓	✓	n/a	n/a	n/a	n/a
MA Hindle*	✓	✓					n/a	n/a	n/a	n/a
D Naidoo*	✓	x					n/a	n/a	n/a	n/a
MV Ramollo	✓	✓	✓	✓	✓	✓	n/a	n/a	n/a	n/a
RGH Smith	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
T de Bruyn+						✓	n/a	n/a	n/a	n/a

*Messrs Hindle and Naidoo resigned on 29 September 2004

+ T de Bruyn appointed on 15 July 2005

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

Board of Directors

EXECUTIVE

Anthony Garth Fletcher (53) †

BCom, CA(SA)

Appointed to the board in 1996.

Served as Chairman from 1998 to 2003.

He is the Executive Deputy Chairman.

Peter John Blunden (49)

BCom

Appointed to the board in 2002.

Joined the Group in 1978.

Appointed Managing Director of ELB Equipment Limited in 1994.

Mollo Victor Ramollo (50)

BSc (Elect Eng)

Appointed to the board in 2003.

Appointed an Executive Director of Equipment Industrial Supplies (Pty) Limited in 2004

NON-EXECUTIVE

William Glen Latrobe Bateman (69) †‡

BSc (Mech Eng)

Re-elected Chairman of the board in July 2003.

He had previously served as Chairman of the Board to 1998 having been appointed to the board in 1967.

Dr John Paul Herselman (62)*

Dr Ing, Dipl Ing, BSc (Chem Eng)

Appointed to the board in 1986.

John Christopher Hall (70) †‡*

D Soc Sc (hc) UCT, CBE

Appointed to the board in 1995.

Richard Guy Hickman Smith (74) †‡*

BCom, CA(SA)

Appointed to the board in 1995.

Theunis de Bruyn (37)

BCom, CA(SA)

Appointed to the board in 2005.

† Member of Audit Committee

‡ Member of Remuneration and Nominations Committee

*Independent

Eight Year Review

FINANCIAL INFORMATION

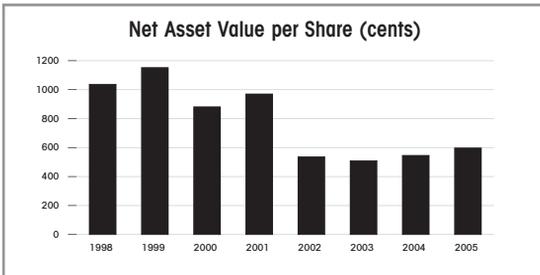
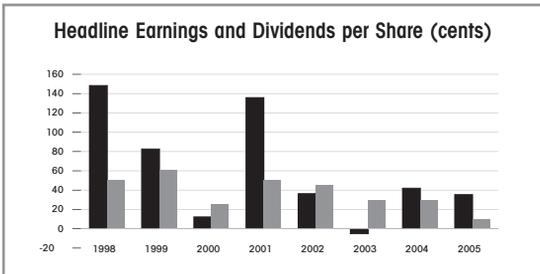
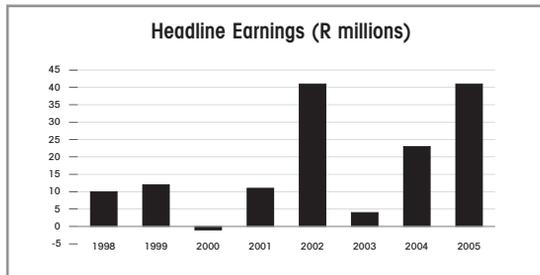
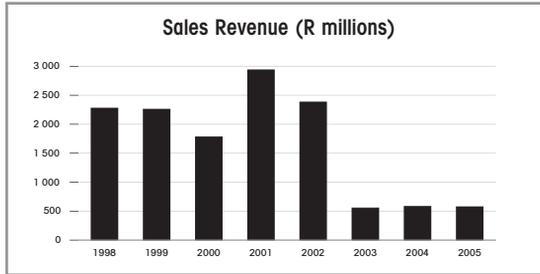
	2005 R 000	2004 R 000	2003 R 000	2002 R 000	2001 R 000	2000 R 000	1999 R 000	1998 R 000
Sales revenue	574 627	580 332	554 685	2 382 126	2 937 537	1 779 575	2 258 659	2 276 891
Net operating costs excluding depreciation and amortisation	(556 770)	(548 841)	(526 128)	(2 345 845)	(2 845 959)	(1 747 564)	(2 243 561)	(2 197 685)
Operating profit before depreciation, amortisation and abnormal items	17 857	31 491	28 557	36 281	91 578	32 011	15 098	79 206
Depreciation and amortisation	(7 051)	(8 112)	(14 684)	(35 486)	(36 568)	(32 804)	(22 255)	(15 764)
Operating profit/(loss) before abnormal items	10 806	23 379	13 873	795	55 010	(793)	(7 157)	63 442
Abnormal items	3 631	–	3 159	64 448	(2 143)	(24 206)	58 396	(18 185)
Profit/(loss) from operations	14 437	23 379	17 032	65 243	52 867	(24 999)	51 239	45 257
Net treasury income	4 676	4 113	8 646	19 843	11 008	13 235	16 778	(note 1)
Translation adjustments of foreign treasury cash	–	–	(26 248)	27 553	14 539	6 546	2 202	21 956
Income/(loss) from associates	–	–	–	1 039	(6 960)	1 028	2 422	3 629
Profit/(loss) before tax	19,113	27 492	(570)	113 678	71 454	(4 190)	72 641	70 842
Income tax (expense) / credit	(1,854)	(13 480)	(3 451)	(50 811)	(14 438)	13 871	(17 583)	(13 951)
Net profit/(loss)	17 259	14 012	(4 021)	62 867	57 016	9 681	55,058	56 891
Preference dividends	–	–	–	–	(1)	(1)	(1)	(1)
Minority interest	(644)	(2 157)	8 421	9 156	(16 037)	(5 800)	(24 726)	(15 154)
Net profit attributable to ordinary shareholders	16 615	11 855	4 400	72 023	40 978	3 880	30 331	41 736
Headline earnings/(loss)	9 687	11 782	(1 494)	11 029	40 806	3 552	22 847	40 832
Dividends paid	6 829	8 507	7 220	19 058	9 959	16 795	13 912	11 545
Special dividend	–	–	–	184 560	–	–	–	–

OTHER STATISTICS

	2004	2004	2003	2002	2001	2000	1 999	1 998
Shares in issue at the year end	27 354 649	27 300 534	28 889 889	30 760 000	30 256 984	29 868 884	27 659 920	27 524 620
Net asset value per share (cents)	597	546	509	536	970	881	1 152	1 037
Headline earnings/(loss) per share (cents)	35.4	42.1	(5.2)	36.4	135.9	12.3	82.7	148.4
Interim and final dividends for the year per share (cents)	10	30	30	45	50	25	60	50.5
Special dividend per share (cents)	–	–	–	600	–	–	–	–
Dividend cover (times) (excluding special dividend) (based on headline earnings)	3.5	1.4	(0.2)	0.8	2.7	0.5	1.4	2.9

- The financial information in this review includes both continuing and discontinued operations.
- 2005 and 2004 numbers and amounts are in accordance with IFRS. Numbers and amounts for 2003 and earlier years are in accordance with the applicable South African GAAP. 2003 attributable net profit has changed from R4 475 000 previously reported to R4 400 000 above. The change arises from opening IFRS adjustments relating to operating lease expenses, share options and equipment. 2003 headline loss has changed from R876 000 previously reported to R1 494 000 above. The difference consists of the adjustments to attributable net profit described above plus the reallocation of an amount previously recorded as goodwill amortisation, to depreciation of plant and equipment. The IFRS changes are detailed in note 35 of the annual financial statements.
- 2003 and later years include the effect of consolidating the share trusts.
- The treatment of translation adjustments and any deferred tax accruals related thereto, has varied over the years. In this review, where the policy has changed, the reported amounts for that year and the restated amounts for the previous year have been used in the above table. Restatements for earlier years have not been made.
- 1998 net treasury income is included in net operating costs excluding depreciation and amortisation
- The amounts for dividends paid are the dividends declared and paid during the year

Financial Highlights



Directors' Responsibility Statement

The directors of ELB Group Limited are responsible for the preparation and integrity of the annual financial statements and the related financial information of the Company and the Group.

The annual financial statements were prepared in accordance with the Companies Act in South Africa, Act 61 of 1973 as amended, and with International Financial Reporting Standards (IFRS). IFRS was adopted during the current financial year with retrospective effect to 1 July 2003. Information on the conversion from South African Generally Accepted Accounting Practice to IFRS, and the changes arising therefrom, are contained in note 35 of the annual financial statements. The annual financial statements are based on appropriate accounting policies that have been consistently applied.

To help fulfil the directors' responsibility and to ensure the integrity of financial reporting, up to date information and accounting systems are maintained, including systems of internal control. These controls do provide reasonable assurance that the assets are safeguarded and transactions and events properly recorded.

The directors have a reasonable expectation that the group has adequate resources to continue to operate as a going concern in the year ahead and the annual financial statements have been prepared accordingly.

The annual financial statements have been approved and signed on behalf of the board of directors by

WGL BATEMAN
Chairman

21 October 2005

AG FLETCHER
Executive Deputy Chairman

Certificate by the Company Secretary

In terms of Section 268G(d) of the Companies Act, 1973, as amended, I confirm that the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that such returns are true, correct and up to date.

DG Jones
Company Secretary

21 October 2005

Report of the Independent Auditors

To the members of ELB Group Limited

We have audited the annual financial statements and Group annual financial statements of ELB Group Limited set out on pages to for year ended 30 June 2005. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Statements of International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting

the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Company and of the Group at 30 June 2005 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act in South Africa.

KPMG Inc.
Registered Accountants and Auditors
Chartered Accountants (SA)

Per AD Roberts
Partner

Johannesburg
21 October 2005

To the shareholders

Your directors submit the financial statements for the Company and the Group for the year ended 30 June 2005 with their report on the results and operations.

NATURE OF THE BUSINESS

The Company operates as an investment holding company deriving most of its distributable income from dividends. The major investments at the end of June 2005 are grouped into two segments namely

- ELB Equipment Holdings Limited (ELB Equipment Holdings) which supplies equipment and technical solutions and administers the Group treasury.
- ELB Timber Holdings (Proprietary) Limited (ELB Timber Holdings) which supplies peeled and sliced veneers, plywood products, furniture components, specialised packaging solutions and particle board.

DISPOSAL OF INVESTMENT IN BUSINESSES

It was noted in the previous Directors' Report that shareholder approval was given on 29 September 2004 regarding the disposal of the Group's shareholding and loan interest in ELB McWade Electrical (Proprietary) Limited (McWade) for a total purchase consideration of R30million. The proceeds of the sale were retained by the Group treasury to assist in meeting working capital needs and ensure funding is available for any approved investment opportunities which may arise.

DISCONTINUED OPERATIONS

The financial results of McWade have been included under the heading of discontinued operations in the comparative Group results up to the date of sale.

ELB EQUIPMENT HOLDINGS

ELB Equipment Holdings is wholly owned by ELB. The South African equipment operations housed in the division ELB Equipment Limited (ELB Equipment) had another particularly successful year and reported profits in excess of those budgeted. The DitchWitch Australia joint venture operations, in which ELB Equipment Holdings has an 80% interest, produced satisfactory results. The recently formed Engineering Services company commenced trading during the financial year under review and is still in the start up phase.

Headline earnings attributable to ELB Equipment Holdings amounted to R15,7 million (2004 restated - R15,8 million).

ELB TIMBER HOLDINGS

ELB Timber Holdings owns 100% of the shares in both ELB Timber Products (Proprietary) Limited and ELB Ultrabord (Proprietary) Limited.

Headline loss attributable to ELB Timber Holdings amounted to R8,6 million (2004 restated - R12,4 million).

ACCOUNTING POLICIES

The annual report has been prepared in accordance with the South African Companies Act and complies with International Financial Reporting Standards (IFRS). Other than the changes necessitated by the adoption of IFRS the same accounting policies outlined in the 2004 Annual Report apply to this Report.

(continued)

GENERAL

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

The operating entities within the Group have complied with the requirements of the Employment Equity Act and the Skills Development Act.

DIVIDENDS

An interim dividend of 5 cents (2004 - 10 cents) per ordinary share was paid on 18 April 2005 and a final dividend in respect of the year of 5 cents (2004 - 20 cents) per ordinary share was declared on 22 September 2005 and is payable on 24 October 2005.

Dividends in respect of the 6 per cent fixed cumulative preference shares were declared simultaneously with the interim and final ordinary dividends referred to above.

SHARE CAPITAL

Details of the authorised and issued share capital at 30 June 2005 are set out in note 23 to the financial statements. There was no change in either the authorised ordinary share capital or the authorised preference share capital during the year. The issued preference share capital remained at the level of 3800 6% fixed cumulative preference shares at the end of June 2005, as no redemption of such shares by the Company occurred on the open market during the year under review. Similarly, the issued ordinary share capital of 30 860 000 shares at 30 June 2004 remained unchanged at the end of June 2005.

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

DIRECTORATE

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

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

<i>Appointments</i>	<i>Effective</i>
T de Bruyn	15 July 2005
<i>Resignations</i>	
MA Hindle	29 September 2004
D Naidoo	29 September 2004

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

Details of directors' remuneration and options in respect of ordinary shares in the Company are contained in note 4 to the annual financial statements. Details of directors' interests in the ordinary shares of the Company are provided on page xx.

Accounting Policies

Compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the South African Companies Act. IFRS was adopted with retrospective effect to 1 July 2003. The comparative amounts for the previous financial year have been restated accordingly. Full details of the effect of the implementation of IFRS, and reconciliations of the amounts previously reported, are contained in note 35 of the annual financial statements. The statement of changes in ordinary shareholders equity also reconciles the previously reported components of ordinary shareholders equity at 30 June 2004 to the restated amounts.

Preparation

The financial statements are prepared on the historical cost basis, modified by restatement of certain financial instruments to fair value. The principal accounting policies are consistent with the previous year. Where an accounting policy changes, comparative figures are restated in accordance with the new policy, where applicable.

Consolidation

Basis

The consolidated financial statements show the financial position and results of the Company and the Group.

Subsidiaries

The financial position and results of subsidiaries are accounted for on a line by line basis in the Group income statement, balance sheet, statement of changes in ordinary shareholders equity and cash flow statement. Subsidiaries are included from the dates effective control was acquired and up to the dates effective control ceased. Inter group transactions, including sales and profits, are eliminated on consolidation.

Joint ventures

Operations undertaken with one or more other venturers in terms of a contractual arrangement, and subject to joint control, are treated as joint ventures. These are accounted for on the proportionate consolidation basis whereby the Group's share of assets, liabilities, revenue, expenses and cash flows of the joint ventures are accounted for on a line by line basis in the Group balance sheets, income statements and cash flow statements.

Share trusts

For purposes of the Group financial statements shares in the company under the control of the Group's share trusts are classified as treasury shares and reduce the number of shares in issue. The dividends on the treasury shares reduce the amounts of the ordinary dividends paid and increase the operating expenses. Loans to the trusts are included as a deduction from issued share capital in the Group's financial statements.

Foreign currency translation

All foreign operations have different functional currencies to the presentation currency. The results and financial position of the foreign operations have been included after translating the income statements at the weighted average rates of exchange for the year, and the balance sheets at the rates of exchange ruling at the year end. The gains and losses on translation are taken directly to the foreign currency translation reserve through the Group statement of changes in ordinary shareholders equity.

For local operations any foreign income and expenses, non current assets other than non current debtors, and equity have been included after translating at historical rates; and non current debtors, current assets and all liabilities at the rates of exchange ruling at the balance sheet date. Foreign currency translation adjustments are charged or credited through the income statement.

Accounting Policies

(continued)

Sales revenue

Sales revenue comprises sales, less discounts, of merchandise and manufactured goods, and revenue recognised for services rendered, and excludes inter company sales and value added tax.

Employee benefits

Retirement funds

The Group provides defined benefit (now closed to new entrants) and defined contribution funds for the benefit of employees. The Group's contributions to the funds are recognised as an expense in the year to which they relate.

Employee benefits expense

All employee benefits expenses such as salaries, bonuses, allowances, medical aid and other contributions are recognised during the period in which the employees render the related services. Termination costs are recognised in full when the commitment to the termination plan is made. Shares under the control of the share trusts in the Group are classified as treasury shares and the dividends thereon, except for dividends on an immaterial number of shares held in stock by the trusts, are included in employee benefits expense.

Abnormal items

Abnormal items are items of income and expense whose size, nature or incidence is relevant to explain the performance of the Group.

Discontinued operations

Discontinued operations are significant, distinguishable components that have been sold or abandoned or are subject to a formal plan of disposal without realistic possibility of withdrawal.

The operating profits and losses of discontinued operations until the dates of discontinuance, and the profits or losses arising on the discontinuance or disposal, are

included as a single line item in the Group income statement. An analysis of the operating profit of discontinued operations and details of the profits or losses on discontinuance or disposal are given in a note to the annual financial statements. Assets and liabilities of discontinued operations are measured at realisable values. The profits and losses on discontinuance or disposal include incremental costs and accruals directly related to the discontinuance and are excluded from headline earnings.

Headline earnings

Headline earnings comprise the net profit attributable to ordinary shareholders after adjusting for material income and expense items of a capital nature, which are included in abnormal items; and also for profits and losses on the discontinuance or disposal of discontinued operations and on the disposal of plant and equipment.

Deferred tax

Deferred tax is recognised at current tax rates for all taxable temporary differences and all deductible temporary differences. Tax losses carried forward are recognised to the extent that it is probable that they will be utilised against future taxable income. Similarly a deferred tax asset is raised only to the extent that its recovery against future taxable income is probable.

Property, plant and equipment

Property, plant and equipment are stated at cost to the company owning them. Assets subject to finance lease agreements are capitalised, where material, at the cash cost equivalent and the corresponding liability to the lessor is raised.

Property, plant and equipment, including capitalised leased assets and information systems, are depreciated at rates intended to write them off in equal instalments over their useful lives to their residual values, which is usually twenty years for property, five years for plant and equipment and three years for computer

Accounting Policies

(continued)

equipment. Land has an indefinite useful life and is not depreciated.

Where the carrying amount of an asset is greater than the higher of its value in use and its recoverable amount, an impairment loss is recognised and the asset is written down to its value in use or its recoverable amount, whichever is higher.

Intangible assets

Research costs are written off as incurred.

Other intangible assets, including goodwill, are written off as incurred except where they contribute to probable future revenues or cost savings. Capitalised intangible assets, excluding goodwill, where applicable, are amortised to their residual values in equal instalments over their useful lives which are relatively short and usually five years.

The carrying amount of each intangible asset, including goodwill, is reviewed at each reporting date and impairment losses are recognised where necessary.

Investments

Listed trading investments are stated at market value and are included with cash and cash equivalents. The revaluation surpluses and deficits are included in profit from operations. Other investments are written down where there has been a permanent diminution in value and are stated at cost less such impairments. Write downs and any reversals thereof are regarded as capital items and are excluded from headline earnings.

Inventories

Inventories are valued at the lower of cost, generally determined on the first-in-first-out (fifo) basis, and net realisable value. Some group operations use the weighted average cost method. Production overheads are included in the cost of work in progress and manufactured finished goods.

Derivative instruments

Derivative instruments are initially measured at cost, including transaction costs. Thereafter these instruments are measured at fair value.

Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services which are subject to risks and returns that are different from those of other segments.

Income Statement

for the year ended 30 June 2005

Note	Group		Company	
	2005 R 000	2004 R 000	2005 R 000	2004 R 000
	Continuing operations			
	Sales revenue			
1	551 261	508 233	–	–
3	(538 492)	(495 183)	(476)	556
	Operating profit/(loss) before depreciation and abnormal items			
	12 769	13 050	(476)	556
15	(6 484)	(5 764)	–	–
	Operating profit/(loss) before abnormal items			
	6 285	7 286	(476)	556
6	(2 829)	–	(414)	–
	Profit/(loss) from operations			
	3 456	7 286	(890)	556
7	4 573	4 612	364	–
	Profit/(loss) before tax			
	8 029	11 898	(526)	556
8	(477)	(8 446)	(979)	(1 095)
	Net profit/(loss) attributable to continuing operations			
	7 552	3 452	(1 505)	(539)
	Discontinued operation			
	9 707	10 560	2 333	800
9	9 707	10 560	2 333	800
	Net profit for the year			
	17 259	14 012	828	261
	Attributable to:			
	Ordinary shareholders of ELB Group Limited			
	Continuing operations			
38.1	7 555	3 417	(1 505)	(539)
	Discontinued operation			
9	9 060	8 438	2 333	800
	16 615	11 855	828	261
	Minority interest			
	Continuing operations			
29	(3)	35		
	Discontinued operation			
29	647	2 122		
	644	2 157		
	17 259	14 012	828	261
	Earnings per ordinary share (cents)			
	Basic earnings per share			
12	60.8	42.4		
	Diluted earnings per share			
12	60.7	42.2		
	Basic earnings per share from continuing operations			
12	27.6	12.2		
	Diluted earnings per share from continuing operations			
12	27.6	12.1		

Details of headline earnings and headline earnings per share are included in note 12

Details of dividends declared and paid on the ordinary shares are included in note 13

Balance Sheets

at 30 June 2005

	Note	Group		Company	
		2005 R 000	2004 R 000	2005 R 000	2004 R 000
ASSETS					
Non current assets					
Property, plant and equipment	15	36 632	26 876	–	–
Intangible assets	16	–	2 584	–	–
Interest in subsidiaries	17	–	–	116 422	123 652
Long term debtors	19	–	–	22 174	22 188
Deferred rent expense	20	3 659	3 901	–	–
Deferred tax assets	23	10 568	5 093	–	–
		50 859	38 454	138 596	145 840
Current assets					
Inventories	24	194 400	164 209	–	–
Debtors	25	48 405	50 482	281	239
Income tax overpaid		991	167	209	130
Cash and cash equivalents		124 445	128 052	95	141
		368 241	342 910	585	510
Total assets		419 100	381 364	139 181	146 350
EQUITY AND LIABILITIES					
Ordinary shareholders equity					
Issued capital	26.3	25 192	25 192	25 192	25 192
Treasury shares	26.3	(23 366)	(23 563)	–	–
Reserves	28	(13 721)	(17 918)	250	250
Retained profit		175 265	165 479	112 733	120 370
		163 370	149 190	138 175	145 812
Preference shares	27	8	8	8	8
Minority interest	29	207	3 478	–	–
Total equity		163 585	152 676	138 183	145 820
Non current liabilities					
Interest bearing borrowings	30	9 025	385	–	–
Deferred tax liabilities	23	1 120	1 301	–	–
		10 145	1 686	–	–
Current liabilities					
Creditors	31	179 807	138 690	998	530
Interest bearing creditors	32	40 903	47 894	–	–
Income tax payable		3 681	9 734	–	–
Short term borrowings and bank overdrafts		20 979	30 684	–	–
		245 370	227 002	998	530
Total equity and liabilities		419 100	381 364	139 181	146 350

Statements of Changes in Capital and Reserves

for the year ended 30 June 2005

	Note	Issued capital	Treasury shares	Reserves	Retained profit	Total 2005	Total 2004
		R 000	R 000	R 000	R 000	R 000	R 000
GROUP							
Balance at the beginning of the year							
As previously stated							
		25 192	(23 563)	750	146 667	149 046	147 124
Changes in accounting policies - implementation of IFRS							
	35						
Change in useful lives and residual values of particular items of property, plant and equipment	35.3				401	401	(11)
Change in operating lease expenses on implementation of the straight line basis	35.5				(190)	(190)	(24)
Accrual of vested ordinary share options	35.7				(67)	(67)	(40)
Translation loss of foreign treasury cash	35.8			(13 622)	13 622	–	–
Other translation adjustments	35.8			(5 046)	5 046	–	–
		25 192	(23 563)	(17 918)	165 479	149 190	147 049
As restated							
Movement in issued capital							
Shares issued for cash	26.2	–	–	–	–	–	15 000
Listing fees and securities tax	26.2	–	–	–	–	–	(61)
Movement in treasury shares							
Loan to the ELB Participants Share Trust	26.2	–	–	–	–	–	(19 742)
Decrease in loans to the share incentive trusts	26.2	–	197	–	–	197	4 106
Movement in reserves							
Translation loss of foreign treasury cash	35.8	–	–	–	–	–	(13 622)
Other translation adjustments	35.8	–	–	4 197	–	4 197	(5 046)
Movement in retained profit							
Net profit attributable to ordinary shareholders		–	–	–	16 615	16 615	11 855
Deferred tax reduction on translation loss of foreign treasury cash	35.9	–	–	–	–	–	4 087
Deferred tax reversal on foreign treasury reserves	35.9	–	–	–	–	–	14 071
Ordinary dividends	13	–	–	–	(6 829)	(6 829)	(8 507)
		25 192	(23 366)	(13 721)	175 265	163 370	149 190
COMPANY							
Balance at the beginning of the year							
		25 192	–	–	250	120 370	145 812
Movement in issued capital							
Shares issued for cash	26.2	–	–	–	–	–	15 000
Listing fees and securities tax	26.2	–	–	–	–	–	(61)
Movement in retained profit							
Net profit attributable to ordinary shareholders		–	–	–	828	828	261
Ordinary dividends	13	–	–	–	(8 465)	(8 465)	(9 558)
		25 192	–	–	250	112 733	138 175
Balance at the end of the year		25 192	–	–	112 733	138 175	145 812

Cash Flow Statements

for the year ended 30 June 2005

	Note	Group		Company	
		2005 R 000	2004 R 000	2005 R 000	2004 R 000
Continuing operations					
Cash flows from operating activities					
Operating profit/(loss) before depreciation and abnormal items		12 769	13 050	(476)	556
Non cash adjustments	34.1	(1 109)	505	–	–
Net treasury income		4 573	4 612	364	–
Abnormal items:					
Relocation of factory	6	(1 781)	–	–	–
Interest on revised tax assessments of subsidiary	6	(697)	–	–	–
Value added tax (VAT) dispute on public company expenses	6	(305)	–	(305)	–
Interest on VAT dispute	6	(109)	–	(109)	–
Changes in working capital	34.2	(10 721)	(66 100)	426	(4 772)
Income tax paid	34.3	(8 642)	(1 427)	(1 058)	(1 095)
Cash outflow from operating activities before dividends paid		(6 022)	(49 360)	(1 158)	(5 311)
Dividends paid:					
Ordinary shareholders	34.4	(6 829)	(8 507)	(8 465)	(9 558)
Cash outflow from operating activities		(12 851)	(57 867)	(9 623)	(14 869)
Cash flows from investment activities					
Acquisition of subsidiary	34.6	–	(5 250)	–	–
Disposal of interest in subsidiary:					
Proceeds	34.7	30 000	–	30 000	–
Expenses incurred	34.7	(491)	–	(491)	–
Amount owing by subsidiary included in proceeds	34.7	–	–	(7 402)	–
Disposal of portion of interest in subsidiary	34.8	111	–	–	–
Additions to property	15	(11 916)	(5)	–	–
Replacement of equipment and vehicles	34.5	(7 613)	(5 567)	–	–
Transfer of subsidiary from indirectly to directly held		–	–	–	(19 774)
Decrease in amounts owing by subsidiaries		–	–	(12 544)	34 191
Cash inflow/(outflow) from investment activities		10 091	(10 822)	9 563	14 417
Cash flows from financing activities					
Decrease/(increase) in non current debtors		–	–	14	(16 333)
Decrease/(increase) in deferred rent expense		242	(3 901)	–	–
Increase/(decrease) in non current borrowings		8 640	(279)	–	–
Increase/(decrease) in funding by ordinary shareholders	34.9	197	(697)	–	14 939
Translation loss of foreign treasury cash		–	(13 622)	–	–
Other translation adjustments		4 197	(5 046)	–	–
Cash inflow/(outflow) from financing activities		13 276	(23 545)	14	(1 394)
Net cash inflow/(outflow) from continuing operations		10 516	(92 234)	(46)	(1 846)
Discontinued operation					
Net cash inflow of discontinued operation	34.10	3 772	10 067	–	800
Increase/(decrease) in net cash and cash equivalents		14 288	(82 167)	(46)	(1 046)
Net cash and cash equivalents at the beginning of the year		97 368	179 535	141	1 187
Cash and cash equivalents of subsidiary on disposal	34.7	(8 190)	–	–	–
Net cash and cash equivalents at the end of the year		103 466	97 368	95	141
Reconciliation to balance sheet					
Current assets: cash and cash equivalents		124 445	128 052	95	141
Current liabilities: short term borrowings and bank overdrafts		(20 979)	(30 684)	–	–
Net cash and cash equivalents		103 466	97 368	95	141

Notes to the Annual Financial Statements

for the year ended 30 June 2005

	Group		Company	
	2005 R 000	2004 R 000	2005 R 000	2004 R 000
1 Sales revenue				
Continuing operations				
Sale of goods	546 075	507 805	–	–
Services	5 186	428	–	–
	551 261	508 233	0	0
2 Net operating costs/(income) excluding depreciation				
Continuing operations				
Cost of sales	458 203	414 177	–	–
Other operating costs/(income)	80 289	81 006	476	(556)
	538 492	495 183	476	(556)

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

	2005			2004		
	Total operations R 000	Continuing operations R 000	Dis-continued operation R 000	Total operations R 000	Continuing operations R 000	Dis-continued operation R 000
3 Net operating costs						
Group						
Net operating costs include the following items of (income) / expense:						
Profit on disposal of plant and equipment	(629)	(592)	(37)	(114)	(86)	(28)
Research and development expenditure	33	33	–	198	197	1
Auditors remuneration - annual audit	2 508	2 457	51	1 467	1 245	222
- other services	162	162	–	40	38	2
Administration and technical services	2 034	1 989	45	1 821	1 695	126
Deferred rent expense for the year (refer note 20)	400	400	–	–	–	–
Net operating lease payments - premises	6 213	5 957	256	6 617	5 679	938
- equipment and vehicles	102	102	–	13	13	–
There are no contingent rents payable under any operating leases.						
The total future minimum lease payments at 30 June 2005 under non cancellable operating leases comprised:						
Not later than one year	3 034	3 034	–	3 567	2 562	1 005
Later than one year and not later than five years	3 397	3 397	–	7 118	4 667	2 451
Later than five years	1 300	1 300	–	1 715	1 715	–
Minimum future sub lease receipts	(28)	(28)	–	–	–	–
There are no significant leasing arrangements.						
Net currency exchange loss (gain) (excluding translation adjustments)	2 652	2 684	(32)	(3 358)	(3 818)	460
Employee benefits expense	75 878	72 806	3 072	73 088	61 451	11 637
Number of employees at the end of the financial year	941	941	–	883	757	126

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

	2005 R 000	2004 R 000
3 Net operating costs (continued)		
Company		
Net operating costs include the following items of (income) / expense:		
Income from group companies:		
Management and administration fees	(564)	(559)
Auditors remuneration – annual audit	15	12
– other services	–	7
Administration and technical services – external	108	115
– inter company	158	69
Decrease in impairment of loans to the share incentive trusts (this item is eliminated in the Group consolidation)	(35)	(710)
Over accrual of guaranteed amount of loan to Safbin Systems (Pty) Limited, a former subsidiary	–	(137)
Employee benefits expense	315	338
Number of employees at the end of the financial year	3	4

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

4 Post employment benefits

Retirement

The group provides retirement benefits for all its permanent employees. Local group companies contribute to a defined benefit pension fund, a defined contribution pension fund and a defined contribution provident fund, all of which are subject to the South African Pensions Fund Act of 1956 as amended. Certain local employees are required by legislation to contribute to industrial schemes, to which group companies also contribute. Foreign group companies contribute to retirement funds registered in their countries of operation.

The funds are administered independently of the group. The local defined benefit pension fund is actuarially valued every three years. At the last valuation in December 2000 the fund was in a sound financial position. The next valuation to be performed during 2004 is currently in progress and initial indications revealed in a provisional actuarial valuation report are that the local defined benefit pension fund continues to be in a sound financial position.

	Group	
	2005	2004
Employee benefit obligations of the defined benefit pension fund (based on the actuarial valuation in December 2000)	R 000	R 000
Fair value of plan assets	77 695	77 695
Present value of funded obligations	(75 174)	(75 174)
Surplus	2 521	2 521

The South African Pension Funds Act of 1956 as amended precludes the group from accessing the surplus and accordingly it has not been recognised in the group balance sheet.

The defined benefit pension fund consists of pensioner members and a small number of employee members. This fund is closed to new entrants.

Since the defined benefit pension fund is surplus there has been no need to recognise any costs other than contributions.

Principal actuarial assumptions used in the valuations

Discount rate	13.0%	13.0%
Expected return on plan assets	13.0%	13.0%
Future salary increases	11.0%	11.0%
Future pension increases	7.5%	7.5%

Employer contributions recognised in the income statement

Contributions by group companies on behalf of members	4 144	4 236
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The contributions are the group contributions on behalf of employees to all the funds described above of which the employees are members. These contributions are included in the employment costs disclosed in note 3.

Medical

The group carries no obligations in regard to post employment medical expenses, and no contributions are made to the medical aid of retired employees.

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

5 Directors remunerations

	Salaries directors fees R 000	Allowances R 000	Consulting fees R 000	Retirement fund contributions R 000	Medical aid contributions R 000	Dividends on treasury shares (a) R 000	Imputed interest (b) R 000	Total 2005 R 000	Total 2004 R 000
Executive directors									
PJ Blunden	822	192	–	134	46	209	38	1 441	1 192
AG Fletcher	1 607	139	–	–	56	115	–	1 917	2 458
MA Hindle (c)	104	27	–	11	12	3	1	158	675
D Naidoo (c)	105	21	–	13	8	3	–	150	609
MV Ramollo (d)	140	24	48	15	–	–	–	227	192
	2 778	403	48	173	122	330	39	3 893	5 126
Non executive directors									
WGL Bateman	228	–	–	–	23	–	–	251	251
JC Hall	104	–	–	–	–	–	–	104	96
Dr JP Herselman	65	–	–	–	–	–	–	65	60
RGH Smith	111	–	–	–	–	–	–	111	102
	508	–	–	–	23	–	–	531	509
Total	3 286	403	48	173	145	–	39	4 424	5 635
Paid by the Company								345	258
Paid by subsidiaries								4 079	5 377
								4 424	5 635

(a) Dividends on treasury shares comprise participation in the ELB dividends through the ELB Participants Share Trust, and dividends on shares allocated but not yet paid for in the share incentive trusts.

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

(c) Mr MA Hindle and Mr D Naidoo resigned on 29 September 2004 following the sale of ELB McWade.

(d) Mr MV Ramollo, previously reported as a non executive director, is now included among the executive directors having assumed executive responsibilities in a subsidiary during the year.

Directors do not have service contracts. All executive directors have employment contracts and receive monthly remuneration. In cases of resignation or retirement a period of notice would be agreed between the director and management, which, in normal circumstances, could be expected to be between six and twelve months.

Directors share options

On 30 September 2004 Mr MA Hindle and Mr D Naidoo exercised the 10 000 share options to which they had become entitled, at the exercise price of 300 cents per share. Entitlements vested annually on 15 November. In respect of the vesting year ended 15 November 2003 amounts of R 11 260 each for Mr Hindle and Mr Naidoo are included in the restated 2004 comparatives. In respect of the vesting year ended 15 November 2004 no expense accruals have been made in the restated 2004 comparatives and in the amounts reported for 2005. At the time of preparing the 2004 annual financial statements it was reasonably certain that no further options would vest for Mr Hindle and Mr Naidoo.

The JSE closing price for ELB ordinary shares on 30 September 2004 was 510 cents. Had Mr Hindle and Mr Naidoo sold their 10 000 shares, acquired in respect of the exercise of their options, on this date, a profit of R 21 000 each would have been realised.

No share options were held by directors at 30 June 2005.

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

	Group		Company	
	2005 R 000	2004 R 000	2005 R 000	2004 R 000
6 Abnormal items				
Continuing operations				
Capital item				
Profit on sale of portion of interest in subsidiary	63	-	-	-
Trading items				
Relocation of factory	(1 781)	-	-	-
Interest on revised tax assessments of subsidiary	(697)	-	-	-
Value added tax (VAT) dispute on public company expenses	(305)	-	(305)	-
Interest on VAT dispute	(109)	-	(109)	-
Net abnormal items: net expense	(2 829)	-	(414)	-
7 Net treasury income / (expense)				
Continuing operations				
Interest received	7 820	6 886	364	-
Net currency exchange gains in treasury operations	238	2 532	-	-
Interest paid	(3 485)	(4 806)	-	-
	4 573	4 612	364	-

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

	Group		Company	
	2005 R 000	2004 R 000	2005 R 000	2004 R 000
8 Income tax (expense)/credit				
Continuing operations				
South African income tax:				
Current year:				
Normal tax payable	(5 134)	(3 240)	(69)	-
Secondary tax on companies (STC)	(1 058)	(1 095)	(1 058)	(1 095)
Capital gains tax (CGT)	(74)	-	-	-
Deferred tax - rate change adjustment	(195)	-	-	-
- current year	558	(2 603)	-	-
Previous years:				
Payable tax	78	(1 652)	148	-
Deferred tax	6 038	364	-	-
Foreign income tax:				
Current year:				
Payable tax	-	8	-	-
Deferred tax	(690)	(228)	-	-
	(477)	(8 446)	(979)	(1 095)
Total payable tax	(6 188)	(5 979)	(979)	(1 095)
Total deferred tax	5 711	(2 467)	-	-
	(477)	(8 446)	(979)	(1 095)
The total deferred tax for the year as above is accounted for as follows:				
Increase/(decrease) in deferred tax asset	5 530	(343)	-	-
Decrease (increase) in deferred tax liability	181	(2 124)	-	-
	5 711	(2 467)	-	-
Refer also to note 23				
Reconciliation of the rate of taxation	%	%	%	%
Income tax as a percentage of net profit or loss before tax	5.9	71.0	186.1	196.9
(Increase)/decrease in tax rate arising from:				
Secondary tax on companies (STC)	(13.2)	(9.2)	(201.1)	(196.9)
Capital gains tax (CGT)	(0.9)	-	-	-
Deferred tax rate change adjustment	(2.4)	-	-	-
Prior year adjustments - payable tax	1.0	(13.9)	28.1	-
- deferred tax	75.2	3.1	-	-
Other non taxable income, non deductible expenses, incentives and foreign tax differentials	(7.4)	1.0	(42.1)	44.9
Net tax losses, not raised as deferred tax assets, created or utilised	(29.2)	(22.0)	-	(14.9)
Standard tax rate on profit/(loss) before tax	29.0	30.0	(29.0)	30.0

At 30 June 2005 subsidiaries had estimated tax losses to be carried forward amounting to R47 154 000 (2004 - R51 805 000), of which R41 025 000 (2003 - R43 165 000) had not been recognised in deferred tax assets.

The company had no dividend credit for secondary tax on companies (STC) at the year end available for set off against future net dividends payable (2004 - nil).

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

	Note	2005		2004	
		R 000	R 000	R 000	R 000
9 Net profit attributable to discontinued operation GROUP					
ELB McWade					
Income statement of ELB McWade for the three months ended 30 September 2004 (2004 - full year)					
Sales revenue					
Sale of goods			23 366		72 099
Net operating costs excluding depreciation and amortisation:					
Cost of sales		(16 209)		(42 832)	
Other operating costs		(2 069)		(10 826)	
			(18 278)		(53 658)
Operating profit before depreciation and amortisation			5 088		18 441
Depreciation of plant and equipment	15	(366)		(1 555)	
Amortisation of intangible assets	16	(201)		(793)	
			(567)		(2 348)
Profit from operations			4 521		16 093
Net treasury income / (expense):					
Interest received		105		47	
Interest paid		(2)		(546)	
			103		(499)
Profit before tax			4 624		15 594
Income tax expense:					
South African income tax:					
Normal tax for the current year		(1 377)		(4 577)	
Secondary tax on companies (STC)		-		(125)	
Capital gains tax (CGT)		-		(15)	
Prior years		-		(10)	
Deferred tax		-		(307)	
			(1 377)		(5 034)
Net profit for the period			3 247		10 560
Profit on disposal attributable to ordinary shareholders of ELB Group Limited	34.7		6 460		-
Net profit attributable to discontinued operation			9 707		10 560
Attributable to:					
Ordinary shareholders of ELB Group Limited			9 060		8 438
Minority interest			647		2 122
			9 707		10 560
Net profit of discontinued operation attributable to ordinary shareholders of ELB Group Limited as above			9 060		8 438
Deduct: Capital items:					
Profit on disposal of discontinued operation as above			6 460		-
Disposal of plant and equipment:					
Profit			37		28
Income tax effect			(11)		(8)
Minority interest			(5)		(4)
			6 481		16
Headline earnings of discontinued operation attributable to ordinary shareholders of ELB Group Limited			2 579		8 422

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

	Note	Group	
		2005 R 000	2004 R 000
9 Net profit attributable to discontinued operation (continued)			
COMPANY			
ELB McWade			
Dividend received from ELB McWade		-	800
Profit on disposal	34.7	2 333	-
Net profit attributable to discontinued operation		2 333	800
10 Taxed profits and losses of subsidiaries			
The interest of the company for the year ended 30 June 2005 in the aggregate taxed profits of subsidiaries amounted to R 24 124 000 (2004 - R 25 882 000) and in the aggregate losses to R11 846 000 (2003 - R2 495 000).			
11 Headline earnings/(loss)			
Reconciliation of headline earnings			
Net profit attributable to ordinary shareholders of ELB Group Limited per the income statement		16 615	11 855
Deduct: Capital items included therein:			
Net abnormal capital items of continuing operations as detailed in note 6		63	-
Profit on disposal of ELB McWade as detailed in note 9		6 460	-
Profit on disposal of plant and equipment included in operating profit:			
Continuing operations		592	86
Discontinued operation		37	28
Income tax effect of capital items		(207)	(34)
Minority interest in capital items		(17)	(7)
		6 928	73
Headline earnings		9 687	11 782
Deduct: Headline earnings of discontinued operation per note 9		2 579	8 422
Headline earnings of continuing operations		7 108	3 360
Refer also to note 38.1			

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

12 Earnings per ordinary share

The weighted average number of ordinary shares in issue during the year, excluding treasury shares, and used in calculating the earnings per ordinary share was 27 336 561 (2004 - 27 973 622).

The weighted average, including unexercised share options, used in calculating diluted earnings per ordinary share was 27 372 528 (2004 - 28 124 523).

Net profit attributable to ordinary shareholders

Earnings per share calculated on the net profit for the year attributable to ordinary shareholders of ELB Group Limited of R16 615 000 (2004 - R11 855 000). Refer to the income statement.

Basic

Diluted

Net profit from continuing operations, attributable to ordinary shareholders

Earnings per share from continuing operations, calculated on the net profit of continuing operations, attributable to ordinary shareholders of ELB Group Limited, of R7 555 000 (2004 - R3 417 000). Refer to the income statement and to note 38.1

Basic

Diluted

Headline earnings

Headline earnings per share calculated on the headline earnings of R9 687 000 (2004 - R11 782 000).

Refer to note 11

Basic

Diluted

Headline earnings from continuing operations

Headline earnings per share from continuing operations, calculated on earnings of R7 108 000 (2004 - R3 360 000). Refer to note 11

Basic

Diluted

	Group	
	2005	2004

	Cents	Cents
--	-------	-------

Basic	60.8	42.4
Diluted	60.7	42.2

Basic	27.6	12.2
Diluted	27.6	12.1

Basic	35.4	42.1
Diluted	35.4	41.9

Basic	26.0	12.0
Diluted	26.0	11.9

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

13 Dividends on ordinary shares

Year ended 30 June 2005

Final dividend in respect of the previous year's earnings paid 25 October 2004

(previous year final dividend)

Interim dividend in respect of the current year's earnings paid 18 April 2005

(current year interim dividend)

Gross dividends disclosed by the company

Dividends on treasury shares included in net operating costs as employee benefit expenses

Amounts disclosed by the group

Year ended 30 June 2004

Previous year final dividend

Current year interim dividend

Gross dividends disclosed by the company

Dividends on treasury shares included in net operating costs as employee benefit expenses

Amounts disclosed by the group

A final dividend of 5 cents per share, amounting to R1 693 000 on the total 33 860 000 shares in issue at the date of declaration, in respect of the current year's earnings, was declared on 23 September 2005 and is payable on 24 October 2005 (2004 - 20 cents per share on 33 860 000 shares amounting to R6 772 000). Secondary tax on companies (STC) of R211 625 (2004 - R846 500) will be payable on the dividend. Neither the final dividend nor the tax thereon has been accrued in these annual financial statements. Together with the interim dividend of 5 (2004 - 10) cents per share the total dividends in respect of the current financial year amount to 10 (2004 - 30) cents per share.

14 Dividends on 6% preference shares

The dividends for the year on the 6% preference shares of R2 each amounted to R 456 (2004 - R 456).

	Cents per share	Number of shares	Number of shares	Previous year final dividend R000	Current year interim dividend R000	Total R000
Year ended 30 June 2005						
Final dividend in respect of the previous year's earnings paid 25 October 2004 (previous year final dividend)	20	33 860 000		6 772		6 772
Interim dividend in respect of the current year's earnings paid 18 April 2005 (current year interim dividend)	5		33 860 000		1 693	1 693
Gross dividends disclosed by the company	25	33 860 000	33 860 000	6 772	1 693	8 465
Dividends on treasury shares included in net operating costs as employee benefit expenses		(6 559 466)	(6 505 351)	(1 311)	(325)	(1 636)
Amounts disclosed by the group		27 300 534	27 354 649	5 461	1 368	6 829
Year ended 30 June 2004						
Previous year final dividend	20	30 860 000		6 172		6 172
Current year interim dividend	10		33 860 000		3 386	3 386
Gross dividends disclosed by the company	30	30 860 000	33 860 000	6 172	3 386	9 558
Dividends on treasury shares included in net operating costs as employee benefit expenses		(1 970 111)	(6 559 466)	(394)	(657)	(1 051)
Amounts disclosed by the group		28 889 889	27 300 534	5 778	2 729	8 507

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

15 Property, plant and equipment GROUP

	Property R 000	Plant, equipment and vehicles R 000	Capitalised leased equipment and vehicles R 000	Inform- ation systems software R 000	Total R 000	
30 June 2005						
Gross carrying amount	14 922	52 319	683	–	67 924	
Depreciation	(961)	(30 257)	(74)	–	(31 292)	
Carrying amount	13 961	22 062	609	–	36 632	
30 June 2004						
Gross carrying amount	2 853	58 950	332	754	62 889	
Depreciation	(760)	(34 824)	(163)	(266)	(36 013)	
Carrying amount	2 093	24 126	169	488	26 876	
					Total 2005 R 000	Total 2004 R 000
Movement for the year						
Carrying amount at the beginning of the year					26 876	20 972
Additions	11 916	8 222	535	–	20 673	6 736
Acquisition of businesses	–	–	–	–	–	2 133
Revaluation of plant and equipment in acquired subsidiary	–	–	–	–	–	4 729
Reallocations	51	(51)	–	–	–	–
Depreciation - continuing operations	(99)	(6 315)	(70)	–	(6 484)	(5 764)
- discontinued operation	–	(320)	–	(46)	(366)	(1 555)
Disposals	–	(353)	(25)	–	(378)	(160)
Disposal of business	–	(3 510)	–	(442)	(3 952)	–
Foreign currency translation adjustments	–	263	–	–	263	(215)
Carrying amount at the end of the year	13 961	22 062	609	–	36 632	26 876

Details of properties owned by the group are recorded in a register which is available for inspection at the registered address of the Company.

The approximate cost of land included in the carrying amount of property at 30 June 2005 was R 2 878 000 (2004 - R 378 000).

Capital commitments

	Contracted or ordered R 000	Authorised but not yet contracted or ordered R 000	Total 2005 R 000	Total 2004 R 000
Additions and improvements to buildings	4 137	172	4 309	–
Vehicles	–	69	69	170
Computers	–	10	10	–
	4 137	251	4 388	170

The additions and improvements to buildings will be financed from a mortgage bond facility given to a subsidiary, and the vehicles and computers will be financed from existing cash resources.

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

16 Intangible assets GROUP

	Patents and trade marks acquired R 000	Specifica- tion certificates R 000	Total R 000
The discontinued operation, ELB McWade, was the only entity in the Group holding intangible assets			

30 June 2005

Gross carrying amount

Amortisation

Carrying amount

30 June 2004

Gross carrying amount

Amortisation

Carrying amount

Movement for the year

Carrying amount at the beginning of the year

Additions

Amortisation

Disposal of business

Carrying amount at the end of the year

	–	–	–
	–	–	–
	–	–	–
	3 410	798	4 208
	(1 364)	(260)	(1 624)
	2 046	538	2 584
		Total 2005 R 000	Total 2004 R 000

17 Interest in subsidiaries

COMPANY

Shares at cost

Amounts owing by subsidiaries

Less impairment

Carrying amount

Total carrying amount

For further details refer to page 61.

	24 787	44 561
	117 635	105 091
	(26 000)	(26 000)
	91 635	79 091
	116 422	123 652

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

18 Joint venture

The Group has an 80% interest in the Ditch Witch Joint Venture operating in Australia.

Group's proportionate share of aggregate joint venture operations

	Group	
	2005	2004
	R 000	R 000
Sales revenue	49 623	42 420
Net profit	2 264	691
Property, plant and equipment	2 010	1 214
Current assets	31 478	24 757
Total assets	33 488	25 971
Long term liabilities	778	268
Current liabilities	10 245	8 487
Total liabilities	11 023	8 755
Cash inflow/(outflow):		
Operations	2 301	901
Dividends and distributions paid	(254)	(921)
Investment activities	(1 134)	(404)
Financing activities	1 209	(1 111)
	2 122	(1 535)

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

19 Long term debtors

ELB Participants Share Trust (refer to note 21)
ELB Share Incentive Trust (refer to note 22)

Gross amounts
Impairment of the ELB Share Incentive Trust

Current portion of the ELB Share Incentive Trust included in current debtors

	Company	
	2005	2004
	R 000	R 000
	19 742	19 742
	3 178	3 286
	22 920	23 028
	(568)	(603)
	22 352	22 425
	(178)	(237)
	22 174	22 188

The loans to the two Trusts above are regarded as being loans in respect of treasury shares in the Group annual financial statements, and are disclosed as deductions from the issued ordinary share capital for Group purposes in note 26.

There are no other long term debtors in the Company or the Group.

20 Deferred rent expense

The deferred rent expense represents the balance of an expense incurred at the commencement of an operating lease over premises occupied by a subsidiary. The expense is being written off on a straight line basis over the period of the lease, which is ten years. The reduction of R242 000 during the year is the net of additional expenses incurred of R158 000 and the straight line write off of R400 000. No further expenses will be incurred. There was no write off in 2004.

The write off of the deferred rent expense is not included in operating lease expenses, and the carrying amount is not included in future commitments under operating leases.

21 ELB Participants Share Trust

The Trust was established to enable employees and salaried directors (the participants) to acquire a beneficial interest in the dividends of the Group, thereby ensuring that the Group continues to have the benefit of an identity of interest between its shareholders and its management.

An interest free loan of R19 741 893 was made to the Trust to acquire 5 586 355 ordinary shares in the Company to achieve the purpose outlined above.

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

22 Share incentive trusts

The Trusts were established to enable certain executive directors and staff to acquire shares in the Company. The loans to the Trusts are interest free, and the loans granted by the Trust to executive directors and staff are likewise interest free. The trustees of the share incentive schemes may not release shares until they are paid for in full.

	Number of shares	
	2005	2004
22.1 ELB Share Incentive Trust		
Scheme share participations		
Shares held at the beginning of the year	837 199	1 834 199
Shares paid for in full during the year	(31 515)	(997 000)
Shares held at the end of the year	805 684	837 199
Scheme option participations		
Options held by participants at the beginning of the year at an exercise price of 300 cents per share	212 500	212 500
Options exercised	(20 000)	–
Options forfeited	(180 000)	–
Options held by participants at the end of the year	12 500	212 500
22.2 Batecor Share Incentive Trust		
The loan to this Trust is carried by the wholly owned subsidiary, ELB Equipment Holdings Limited.		
Scheme share participations		
Shares held at the beginning of the year	135 912	135 912
Shares paid for in full during the year	(22 600)	–
Shares held at the end of the year	113 312	135 912

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

23 Deferred tax

23.1 Deferred tax assets

	Note	Group	
		2005 R 000	2004 R 000
Temporary differences:			
Property, plant and equipment		27	224
Inventories		3 993	3 935
Debtors, prepayments and other current assets		795	805
Leave pay accrued and other current liabilities		3 915	3 574
Foreign reserves		–	(6 038)
Tax losses carried forward		1 838	2 593
		10 568	5 093
Movement for the year			
Balance at the beginning of the year		5 093	6 334
Credit/(expense) in the income statement for continuing operations	8	5 530	(343)
Expense of the discontinued operation	9	–	(307)
Disposal of business		(596)	–
Foreign currency translation adjustments		541	(591)
Balance at the end of the year		10 568	5 093

23.2 Deferred tax liabilities

Temporary differences:			
Property, plant and equipment		1 120	1 301
Movement for the year			
Balance at the beginning of year		1 301	15 916
(Credit)/expense in the income statement	8	(181)	2 124
Credits in the statement of changes in ordinary shareholders equity:			
Deferred tax reduction on translation loss of foreign treasury cash	35.9	–	(4 087)
Deferred tax reversal on foreign treasury reserves	35.9	–	(14 071)
Revaluation of plant and equipment in acquired subsidiary (refer to note 34.6)		–	1 419
Balance at the end of the year		1 120	1 301

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

	Group		Company	
	2005 R 000	2004 R 000	2005 R 000	2004 R 000
24 Inventories				
Merchandise and components	26 786	28 564		
Work in progress	3 945	10 615		
Finished goods	163 669	125 030		
	194 400	164 209		
25 Debtors				
Trade debtors	37 834	43 416	-	-
Other debtors and prepayments	10 571	7 066	281	239
	48 405	50 482	281	239
26 Ordinary share capital and premium				
26.1 Authorised ordinary share capital				
50 000 000 ordinary shares of 4 cents each	2 000	2 000	2 000	2 000
150 000 6% fixed cumulative redeemable preference shares of 200 cents each	300	300	300	300
	2 300	2 300	2 300	2 300
26.2 Number of ordinary shares in issue				
	Group		Company	
	2005 Number	2004 Number	2005 Number	2004 Number
Number of shares in issue at the beginning of the year	27 300 534	28 889 889	33 860 000	30 860 000
Shares issued for cash	-	3 000 000	-	3 000 000
Loan to the ELB Participants Share Trust	-	(5 586 355)	-	-
Shares issued under the share incentive schemes	-	-	-	-
Shares acquired by the share incentive schemes as above	-	-	-	-
Incentive scheme shares paid in full	54 115	997 000		
Number of shares in issue at the end of the year	27 354 649	27 300 534	33 860 000	33 860 000

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

	Group		Company	
	2005 R 000	2004 R 000	2005 R 000	2004 R 000
26 Ordinary share capital and premium (continued)				
26.3 Issued ordinary shares and premium				
33 860 000 (2004 - 33 860 000) shares of 4 cents each	1 354	1 354	1 354	1 354
Share premium account	23 838	23 838	23 838	23 838
	25 192	25 192	25 192	25 192
Treasury shares				
Loan to the ELB Participants Share Trust	(19 742)	(19 742)		
Loan to the ELB Share Incentive Trust	(3 178)	(3 286)		
Loan to the Batecor Share Incentive Trust	(446)	(535)		
	(23 366)	(23 563)		
	1 826	1 629	25 192	25 192
Net issued ordinary shares and premium				
In terms of the ELB Share Incentive Trust scheme, the directors may direct the trustees to offer shares or grant options in respect of shares to specified employees. The maximum number of shares which may be issued or transferred or options that may be granted is limited to 3 500 000 shares. At 30 June 2005 1 242 235 (2004 - 972 625) shares were available for issue. Refer also to notes 19 and 22				
27 Preference shares				
3 800 (2004 - 3 800) 6% fixed cumulative redeemable preference shares of 200 cents each	8	8	8	8
The preference shares are redeemable by purchase on the open market out of a redemption reserve set aside by the appropriation of profits of the company which would otherwise have been available for distribution as dividends to the ordinary shareholders.				
28 Reserves				
Capital redemption reserves	742	742	242	242
Reserve for redemption of preference shares	8	8	8	8
Foreign currency translation reserve	(14 471)	(18 668)	-	-
	(13 721)	(17 918)	250	250

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

	Total R 000	Continuing operations R 000	2005 Discontin- ued operation R 000	Continuing Total R 000	2004 Discontin- ued operations R 000	2004 operation R 000
29 Minority interest						
GROUP						
Carrying amount at the beginning of the year	3 478	162	3 316	1 521	127	1 394
Interest in net profit/(loss) for the period	644	(3)	647	2 157	35	2 122
Interest in dividends paid	-	-	-	(200)	-	(200)
Disposal by the ELB Group of portion of interest in subsidiary	48	48	-	-	-	-
Disposal by the ELB Group of interest in subsidiary	(3 963)	-	(3 963)	-	-	-
Carrying amount at the end of the year	207	207	-	3 478	162	3 316

30 Non current liabilities

	Group		Company	
	2005 R 000	2004 R 000	2005 R 000	2004 R 000
Interest bearing borrowings				
Mortgage bonds secured over property with carrying amounts totalling R12 555 000	8 160	-		
Finance lease and credit instalment agreements secured over vehicles with carrying amounts totalling R 1 873 000	1 909	732		
	10 069	732		
Current portion included in interest bearing current creditors	(1 044)	(347)		
	9 025	385		

31 Creditors

	Group		Company	
	2005 R 000	2004 R 000	2005 R 000	2004 R 000
Trade creditors	122 042	68 587	-	-
Other creditors and accruals	57 765	70 103	998	530
	179 807	138 690	998	530

32 Interest bearing creditors

	Group	
	2005 R 000	2004 R 000
Interest bearing trade creditors	39 859	47 547
Current portion of interest bearing non current creditors per note 30	1 044	347
	40 903	47 894

33 Contingent liabilities

All claims raised against the group are reviewed by the audit committee and the board and where necessary appropriate accruals are made. The directors were not aware of any other contingent liabilities requiring possible additional accruals.

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

	Note	Group		Company	
		2005 R 000	2004 R 000	2005 R 000	2004 R 000
34 Notes to the cash flow statements					
34.1 Non cash adjustments					
Continuing operations					
Profit on disposal of plant and equipment	3	(592)	(86)		
Foreign currency translation adjustments to deferred tax assets	23.1	(541)	591		
Retained loss of indirect subsidiary, ELB McWade Engineering (Pty) Limited, on disposal	34.7	24	-		
		(1 109)	505		
34.2 Changes in working capital					
Increase in inventories		(43 601)	(35 606)		
(Increase)/decrease in debtors		(11 017)	9 565	(42)	(28)
Increase/(decrease) in creditors		50 165	(44 210)	468	(4 744)
(Decrease)/increase in interest bearing creditors		(6 991)	964		
		(11 444)	(69 287)	426	(4 772)
Attributable to - continuing operations		(10 721)	(66 100)	426	(4 772)
- discontinued operation		(723)	(3 187)	-	-
34.3 Income tax paid					
Balances at the beginning of the year:					
Income tax overpaid		167	199	130	130
Income tax payable		(9 734)	(4 252)	-	-
Payable:					
Continuing operations	8	(6 188)	(5 979)		
Discontinued operation	9	(1 377)	(4 727)	(979)	(1 095)
Income tax payable in subsidiary on disposal		5 645	-		
Balances at the end of the year:					
Income tax overpaid		(991)	(167)	(209)	(130)
Income tax payable		3 681	9 734	-	-
Attributable to - continuing operations		(8 642)	(1 427)	(1 058)	(1 095)
- discontinued operation		(155)	(3 765)	-	-
34.4 Dividends paid to ordinary shareholders					
Dividends declared and paid in the year:					
Final for the previous year		(5 461)	(5 778)	(6 772)	(6 172)
Interim for the current year		(1 368)	(2 729)	(1 693)	(3 386)
		(6 829)	(8 507)	(8 465)	(9 558)
34.5 Replacement of plant and equipment					
Purchases at cost	15	(8 757)	(6 731)		
Proceeds on disposals		1 007	274		
Foreign currency translation adjustments	15	(263)	215		
		(8 013)	(6 242)		
Attributable to - continuing operations		(7 613)	(5 567)		
- discontinued operation		(400)	(675)		

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

	Group		Company	
	2005 R 000	2004 R 000	2005 R 000	2004 R 000
34 Notes to the cash flow statements (continued)				
34.6 Acquisition of subsidiary				
Property	-	(772)		
Plant and equipment:				
Cost	-	(1 361)		
Revaluation	-	(4 729)		
Deferred tax liability on revaluation of plant and equipment	-	1 419		
Other current liabilities	-	193		
Net assets acquired (equal to acquisition cost)	-	(5 250)		
34.7 Disposal of interest in subsidiary				
ELB McWade				
Property, plant and equipment	3 952	-		
Intangible assets	2 487	-		
Deferred tax asset	596	-		
Inventories	13 410	-		
Trade debtors	12 294	-		
Other current assets	800	-		
Cash and cash equivalents	8 190	-		
Minority interest	(3 963)	-		
Non interest bearing non current loan from ELB Group Limited (holding company)	(7 402)	-		
Trade creditors	(4 467)	-		
Income tax payable	(5 645)	-		
Other current liabilities	(4 581)	-		
Net assets of subsidiary on disposal	15 671	-		
Eliminate ELB Group Limited loan as above	7 402	-		
Net assets disposed	23 073	-		
Retained loss in indirect subsidiary, ELB McWade Engineering (Pty) Limited, on disposal	(24)	-		
Expenses in connection with the disposal	491	-		
Profit on disposal	6 460	-		
Proceeds on disposal	30 000	-		
Cost of investment in ELB McWade			19 774	-
Non interest bearing non current loan to ELB McWade			7 402	-
Expenses in connection with the disposal			491	-
Profit on disposal			2 333	-
Proceeds on disposal			30 000	-
34.8 Disposal of portion of interest in subsidiary				
Profit on sale of portion of interest per note 6	63	-		
Carrying amount of interest sold per note 29	48	-		
	111	-		
34.9 Funding by ordinary shareholders				
Shares issued for cash	-	15 000	-	15 000
Listing fees and securities tax	-	(61)	-	(61)
Loan to the ELB Participants Share Trust	-	(19 742)	-	
Decrease in loans to the share incentive trusts	197	4 106		
	197	(697)	-	14 939

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

	Note	Group	
		2005 R 000	2004 R 000
34 Notes to the cash flow statements (continued)			
34.10 Cash flow of discontinued operation			
ELB McWade			
Cash flow from operating activities			
Operating profit before depreciation and amortisation	9	5 088	18 441
Non cash adjustments:			
Profit on sale of plant and equipment	3	(37)	(28)
Net treasury income/(expense)	9	103	(499)
Changes in working capital	34.2	(723)	(3 187)
Income tax paid	34.3	(155)	(3 765)
Dividend paid to minority shareholders	29	-	(200)
Cash inflow from operating activities		4 276	10 762
Cash flow from investment activities			
Replacement of plant and equipment	34.5	(400)	(675)
Acquisition of intangible assets	16	(104)	(20)
Cash outflow from investment activities		(504)	(695)
Net cash inflow		3 772	10 067
Dividend paid to ELB Group Limited		-	(800)
Net cash and cash equivalents at the beginning of the period		4 418	(4 849)
Cash and cash equivalents at the end of the period		8 190	4 418

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

Note	IFRS adjustments			
	As previously reported R 000	Discontinued operation R 000	Other R 000	Restated R 000
35 Implementation of IFRS GROUP				
The ELB Group implemented IFRS retrospective to 1 July 2003. The changes occurring with this adoption are noted below. Retrospective adjustments to the Group's deferred tax assets were not made as such changes would have been minor.				
There was no effect on the Group cash flow. The adoption did not effect the Company.				
35.1 INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2004				
Sales revenue	580 332	(72 099)	–	508 233
Net operating costs excluding depreciation and amortisation	35.5 35.7	(548 648)	53 658	(193) (495 183)
Operating profit before depreciation and amortisation		31 684	(18 441)	(193) 13 050
Depreciation and amortisation	35.3	(8 524)	2 348	412 (5 764)
Operating profit before abnormal items		23 160	(16 093)	219 7 286
Net treasury income		4 113	499	– 4 612
Translation loss of foreign treasury cash	35.8	(13 622)	–	13 622 –
Profit before tax		13 651	(15 594)	13 841 11 898
Income tax expense	35.9	(9 393)	5 034	(4 087) (8 446)
Deferred tax reversal on foreign treasury reserves	35.9	14 071	(14 071)	– –
Profit after tax		18 329	(10 560)	(4 317) 3 452
Net profit attributable to discontinued operation	35.10	–	10 560	– 10 560
Net profit for the year		18 329	–	(4 317) 14 012
Attributable to:				
Ordinary shareholders of ELB Group Limited				
Continuing operations		16 172	–	(12 755) 3 417
Discontinued operation		–	–	8 438 8 438
		16 172	–	(4 317) 11 855
Minority interest:				
Continuing operations	35.10	2 157	(2 122)	– 35
Discontinued operation	35.10	–	2 122	– 2 122
		2 157	–	– 2 157
		18 329	–	(4 317) 14 012

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

Note	As previously reported R 000	IFRS adjustments R 000	Restated R 000
	35 Implementation of IFRS (continued) GROUP		
35.2 BALANCE SHEET AT 30 JUNE 2004			
ASSETS			
Non current assets			
Property, plant and equipment	35.3& & 35.4	24 848	2 028 26 876
Intangible assets	35.4	4 211	(1 627) 2 584
Deferred rent expense	35.6	–	3 901 3 901
Deferred tax assets		5 093	– 5 093
		34 152	4 302 38 454
Current assets			
Inventories		164 209	– 164 209
Debtors	35.6	54 383	(3 901) 50 482
Income tax overpaid		167	– 167
Cash and cash equivalents		128 052	– 128 052
		346 811	(3 901) 342 910
Total assets		380 963	401 381 364
EQUITY AND LIABILITIES			
Ordinary shareholders equity			
Issued capital		25 192	– 25 192
Treasury shares		(23 563)	– (23 563)
Reserves	35.8	750	(18 668) (17 918)
Retained profit (refer to all the IFRS notes)		146 667	18 812 165 479
		149 046	144 149 190
Preference shares		8	– 8
Minority interest		3 478	– 3 478
Total equity		152 532	144 152 676
Non current liabilities			
Interest bearing borrowings		385	– 385
Deferred tax liabilities		1 301	– 1 301
		1 686	– 1 686
Current liabilities			
Creditors	35.5 & 35.7	138 433	257 138 690
Interest bearing creditors		47 894	– 47 894
Income tax payable		9 734	– 9 734
Short term borrowings and bank overdrafts		30 684	– 30 684
		226 745	257 227 002
Total equity and liabilities		380 963	401 381 364

35 Implementation of IFRS (continued)**GROUP****35.3 Property, plant and equipment**

Useful lives and residual values of particular items of property, plant and equipment were revised, taking cognisance of the criteria of IAS 16. The result was to reduce equity and reduce the carrying amount of property, plant and equipment by R11 000 at 1 July 2003, and to increase equity and increase the carrying amount of the assets by R401 000 at 30 June 2004. The effect in the 2004 financial year was a reduction of R412 000 in the depreciation expense.

Impairment tests were performed on those items of property, plant and equipment where impairment indicators were evident, but no impairment recognitions were necessary.

35.4 Goodwill

The Group previously included an amount of R1 627 000 as goodwill under intangible assets in the balance sheet at 30 June 2004, being the amount carried by the Group's 80% held subsidiary, ELB McWade, at that time. It is considered that the goodwill is more accurately allocable to the plant and equipment in the business acquired by ELB McWade, and to which business the goodwill was attributed. The useful lives of the goodwill and the said plant and equipment were both five years with no residual value. Accordingly a reallocation from intangible assets to property, plant and equipment of R1 627 000 has been made to the 2004 balance sheet amounts previously reported. An amortisation expense of R543 000 previously reported in 2004 has now become a depreciation expense for that year. There is no change to the equity. The 80% interest in ELB McWade was sold with effect from 30 September 2004.

No impairment indicators were manifest in the plant and equipment under discussion and no impairment losses were recognised.

35.5 Operating lease expenses

In accordance with the requirements of IAS 17 operating lease expenses are now accounted for on a straight line basis over the tenure of the leases. The effect was to reduce equity and increase other current liabilities by R24 000 at 1 July 2003, and reduce equity and increase other current liabilities by R190 000 at 30 June 2004, as compared to amounts previously reported. The effect in the 2004 financial year was an additional expense of R166 000.

35.6 Deferred rent expense

At 30 June 2004 an amount of R3 901 000 was included in other current assets and represented expenses incurred at the commencement of an operating lease. The expense is being written off on a straight line basis over ten years, which is the tenure of the lease. This treatment accords with the reporting of operating lease expenses under IAS 17. It is considered that the carrying amount of the deferred rent expense is more appropriately reflected as a separate non current asset. Accordingly the amount of R3 901 000 previously included in other current assets has been reclassified as a separate non current asset.

There was no write off of the expense in 2004.

Refer also to note 20.

35 Implementation of IFRS (continued)**GROUP****35.7 Share based payments**

Share options were granted to several employees on 15 November 2002 in terms of the employee share incentive schemes. In accordance with IFRS 2 the Group now recognises an expense in the income statement over the vesting period of the options. The share incentive schemes have sufficient shares in stock, which are included in treasury shares on consolidation, to cover the vested portion of the unexercised options and therefore the options do not change the components of equity. The accrual of the expense in respect of unexercised options is carried in other current liabilities. The result of the implementation was to reduce equity and increase other current liabilities by R140 000 at 1 July 2003, and reduce equity and increase other current liabilities by R67 000 at 30 June 2004, as compared to amounts previously reported. The effect in 2004 was an additional expense of R27 000.

35.8 Translation adjustments

IAS 21 Revised has introduced functional currency as the determinant for reflecting translation adjustments through the income statement. All the Group's foreign operations have foreign functional currencies and therefore all translation adjustments are now recorded as direct changes in reserves. The 2004 translation loss of R13 622 000 on the foreign treasury cash, previously reported in the income statement, has been restated as a direct change in reserves in the statement of changes in ordinary shareholders equity.

Other translation losses in 2004 of R5 046 000, previously reported as direct changes in retained profit in the statement of changes in ordinary shareholders equity, have been restated as direct changes in reserves in the same statement.

35.9 Deferred tax on foreign treasury reserves

As disclosed in the 2004 annual financial statements, management had prudently in the past raised a deferred tax liability on the foreign treasury reserves. The deferred tax was reversed at 30 June 2004 following the enactment of legislation regarding the tax exemption of foreign dividends. The fluctuating currency exchange rate was the major influence on the reported amount of these reserves and consequently on the amount of the deferred tax liability. With the translation adjustments on the reserves now restated as direct changes in the reserves, the deferred tax changes have been similarly reflected. The 2004 reduction in deferred tax liability of R4 087 000 on the foreign treasury reserves has been restated as a direct change in retained profit in the statement of changes in ordinary shareholders equity. The reversal of R14 071 000 at 30 June 2004, of the deferred tax liability on the foreign treasury reserves, has been treated in the same way.

35.10 Discontinued operations

In accordance with the requirements of IFRS 5, the net profit attributable to discontinued operations is now reported as a single line item in the income statement. In the 2004 comparatives as previously reported, the continuing and discontinued operations were not separated. Similar changes have been made in the cash flow statement.

36 Related party transactions

Related party relationships exist between group companies. All buying and selling transactions are concluded at arm's length and are eliminated upon consolidation. Inter company current accounts do not bear interest. Short term inter company loans bear interest at market rates. Long term inter company loans generally do not bear interest.

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

37 Financial risk management

37.1 Foreign currency management

Unless the customer has accepted the currency risk, all imports into South Africa of equipment relating to specific customer orders are covered by forward exchange contracts (FECs). Equipment imports, not yet paid for, are covered by FECs as soon as customer orders are obtained except, as before, where the customer is carrying the currency risk. Significant other trading transactions are usually covered by FECs.

At 30 June 2005 the Group had the following uncovered foreign currency denominated amounts in the balance sheets of its South African operations.

	2005 R 000	2004 R 000
Current assets		
Debtors		
United States Dollars	–	1 433
Cash and cash equivalents		
United States Dollars	–	153
Euros	–	20
	<u>–</u>	<u>1 606</u>
Current liabilities		
Non interest bearing creditors		
United States Dollars	66	207
Euros	1 056	401
Japanese Yen	18 368	18 736
British Pounds	16 069	12 161
Interest bearing creditors		
Japanese Yen	12 014	9 251
British Pounds	6 675	1 737
	<u>54 248</u>	<u>42 493</u>

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

FECs of South African operations at 30 June 2005 are summarised below.

	FEC foreign amounts 2005 R 000	2004 R 000	FEC Rand amounts 2005 R 000	2004 R 000
Trade imports - specific				
United States Dollars	–	25	–	166
Euros	18	–	149	–
Japanese Yen	477 343	475 713	29 329	30 486
British Pounds	5 128	1 504	62 862	18 581
			<u>92 340</u>	<u>49 233</u>
Trade imports - general				
United States Dollars	–	184	–	1 214
Euros	–	12	–	94
			<u>–</u>	<u>1 308</u>
Total trade imports			<u>92 340</u>	<u>50 541</u>
Trade exports - specific				
Japanese Yen	670	–	40	–
Trade exports - general				
United States Dollars	–	63	–	431
Total trade exports			<u>40</u>	<u>431</u>

The differences between FEC contract values and fair values at 30 June 2005 have been accrued as FEC assets in current debtors or FEC liabilities in current creditors in respect of net gain adjustments or net loss adjustments respectively in the operating units. The net gains and losses are taken through net operating costs in the income statement.

Approximate currency exchange rates at 30 June 2005 were:

	2005	2004
Number of South African Rands to one:		
United States Dollar	6.65475	6.15065
Euro	8.05392	7.50102
British Pound	11.92330	11.18992
Australian Dollar	5.06592	4.30040
Number of Japanese Yen to one South African Rand	16.66704	17.69406

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

37 Financial risk management (continued)

37.2 Interest rate management

The Group is exposed to interest rate risk as funds are borrowed at floating rates. This risk is moderate and is mitigated by the substantial surplus of funds within the Group, and by arrangement with financial institutions for borrowing facilities to be available at market rates in the cases of short term cash shortages.

Surplus funds are placed with 'A' grade financial institutions and in money market securities.

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

The Company's articles of association restrict the amount that the Group may borrow on the authority of the directors. At 30 June 2005 the maximum permissible Group borrowings amounted to R 163,6 million (2004 - R 152,7 million).

37.3 Credit risk

The Group has a large and diverse number of clients and customers comprising its customer base, dispersed across different industries, including customers in Australia. There is no significant exposure to any individual customer or client.

Accordingly the Group has no significant concentration of credit risk.

37.4 Fair values

The carrying amounts of all financial assets and financial liabilities in the balance sheets approximate to their fair value. Appropriate impairment losses have been recognised and accruals against claims have been made, where necessary.

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

38 Segment information

38.1 Primary segments

Continuing operations

The group is structured into two operating segments.

ELB Equipment Holdings supplies equipment and technical solutions and administers the group treasury.

ELB Timbers manufactures and supplies peeled and sliced veneers, plywood products, furniture components, specialised packaging solutions and particle board.

	Total R 000	ELB Equipment Holdings R 000	ELB Timbers R 000
INCOME STATEMENTS for the year ended 30 June 2005			
Sales revenue	551 261	464 338	86 923
Net operating costs excluding depreciation	(538 492)	(448 887)	(89 605)
Operating profit/(loss) before depreciation and abnormal items	12 769	15 451	(2 682)
Depreciation	(6 484)	(2 260)	(4 224)
Operating profit/(loss) before abnormal items	6 285	13 191	(6 906)
Abnormal items	(2 829)	(1 048)	(1 781)
Profit / (loss) from operations	3 456	12 143	(8 687)
Net treasury income / (expense)	4 573	4 753	(180)
Profit / (loss) before tax	8 029	16 896	(8 867)
Income tax (expense) / credit	(477)	(658)	181
Net profit / (loss) for the year	7 552	16 238	(8 686)
Attributable to:			
Ordinary shareholders of ELB Group Limited	7 555	16 241	(8 686)
Minority interest	(3)	(3)	-
	7 552	16 238	(8 686)
HEADLINE EARNINGS			
Net profit attributable to ordinary shareholders of ELB Group Limited as above	7 555	16 241	(8 686)
<i>Deduct:</i> Capital items included in attributable net profit as below	447	528	(81)
Headline earnings/(loss)	7 108	15 713	(8 605)
Capital items included in attributable net profit			
Profit on sale of portion of interest in subsidiary	63	63	-
Profit/(loss) on disposal of plant and equipment	592	673	(81)
Income tax effect of capital items	(196)	(196)	-
Minority interest in capital items	(12)	(12)	-
	447	528	(81)
Abnormal items			
Profit on sale of portion of interest in subsidiary	63	63	-
Relocation of factory	(1 781)	-	(1 781)
Interest on revised tax assessments of subsidiary	(697)	(697)	-
VAT dispute	(305)	(305)	-
Interest on VAT dispute	(109)	(109)	-
	(2 829)	(1 048)	(1 781)

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

38 Segment information (continued)

38.1 Primary segments (continued)

Continuing operations

	Total	ELB Equipment Holdings	ELB Timbers
	R 000	R 000	R 000
INCOME STATEMENTS			
for the year ended 30 June 2004			
Sales revenue	508 233	453 253	54 980
Net operating costs excluding depreciation	(495 183)	(432 669)	(62 514)
Operating profit/(loss) before depreciation	13 050	20 584	(7 534)
Depreciation	(5 764)	(1 999)	(3 765)
Profit/(loss) from operations	7 286	18 585	(11 299)
Net treasury income / (expense)	4 612	4 634	(22)
Profit/(loss) before tax	11 898	23 219	(11 321)
Income tax expense	(8 446)	(7 411)	(1 035)
Net profit/(loss) for the year	3 452	15 808	(12 356)
Attributable to:			
Ordinary shareholders of ELB Group Limited	3 417	15 773	(12 356)
Minority interest	35	35	–
	3 452	15 808	(12 356)
HEADLINE EARNINGS			
Net profit/(loss) attributable to ordinary shareholders of ELB Group Limited as above	3 417	15 773	(12 356)
Deduct: Capital items included in attributable net profit as below	57	19	38
Headline earnings/(loss)	3 360	15 754	(12 394)
Capital items included in attributable net profit			
Profit on disposal of plant and equipment	86	31	55
Income tax effect of capital items	(26)	(9)	(17)
Minority interest in capital items	(3)	(3)	–
	57	19	38

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

38 Segment information (continued)

38.1 Primary segments (continued)

Continuing operations

SUMMARY OF CONTINUING OPERATIONS

	Year ended 30 June	
	2005	2004
	R 000	R 000
Sales revenue	551 261	508 233
Net profit / (loss) attributable to ordinary shareholders	7 555	3 417
Headline earnings / (loss)		
Headline earnings / (loss) as reported above	7 108	3 360
Deduct: Particular trading items detailed below (no tax or minority interest adjustments are applicable)	(2 892)	(1 153)
Headline earnings before particular items	10 000	4 513
Relocation of factory	(1 781)	–
Interest on revised tax assessments of subsidiary	(697)	–
VAT dispute	(305)	–
Interest on VAT dispute	(109)	–
Prior year tax adjustment	–	(1 153)
	(2 892)	(1 153)

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

38 Segment information (continued)

38.1 Primary segments (continued)

Assets, minority interest and liabilities 30 June 2005

	Total R 000	ELB Equipment Holdings R 000	ELB Timbers R 000	Eliminate inter company R 000
Non current assets	50 859	56 461	24 147	(29 749)
Current assets	368 241	378 367	36 843	(46 969)
Total assets	419 100	434 828	60 990	(76 718)
Minority interest	207	207	–	–
Non current liabilities	10 145	6 889	67 580	(64 324)
Current liabilities	245 370	229 523	28 241	(12 394)
Total liabilities	255 515	236 412	95 821	(76 718)

30 June 2004

	Total R 000	ELB Equipment Holdings R 000	ELB Timbers R 000	Discontin- ued ELB McWade R 000	Eliminate inter company R 000
Non current assets	38 454	47 084	23 060	7 061	(38 751)
Current assets	342 910	322 174	29 667	28 966	(37 897)
Total assets	381 364	369 258	52 727	36 027	(76 648)
Minority interest	3 478	162	–	3 316	–
Non current liabilities	1 686	271	65 545	7 402	(71 532)
Current liabilities	227 002	204 929	12 288	12 262	(2 477)
Total liabilities	228 688	205 200	77 833	19 664	(74 009)

Notes to the Annual Financial Statements

for the year ended 30 June 2005 (continued)

38 Segment information (continued)

38.2 Geographic segments

	2005 R 000	2004 R 000
Sales revenue - continuing operations		
South Africa	501 638	465 813
International	49 623	42 420
	551 261	508 233
Non current assets		
South Africa	45 621	33 861
International	5 238	4 593
	50 859	38 454
Current assets		
South Africa	325 112	246 853
International	43 129	96 057
	368 241	342 910
Total assets		
	419 100	381 364
Non current liabilities		
South Africa	9 370	1 415
International	775	271
	10 145	1 686
Current liabilities		
South Africa	234 128	217 382
International	11 242	9 620
	245 370	227 002
Total liabilities		
	255 515	228 688

39 Special resolutions

No special resolutions were passed by other Group companies since the last annual report.

Subsidiaries

NAME	Currency	Issued ordinary capital 000's	Details of holding company's interest					
			Effective interest		Equity investment		Indebtedness	
			2005 %	2004 %	2005 R 000	2004 R 000	2005 R 000	2004 R 000
Local direct interest								
ELB Equipment Holdings Limited	ZAR	30 000	100	100	24 787	24 787	58 783	38 837
ELB Timber Holdings (Pty) Limited	ZAR	–	100	100	–	–	29 749	29 749
ELB McWade Electrical (Pty) Limited (sold 30 September 2004)	ZAR	2 000	–	80	–	19 774	–	7 402
Local indirect interest (principal operating subsidiaries only)								
Batmon Nominees (Pty) Limited	ZAR	1	100	100				
BEP (Pty) Limited	ZAR	–	100	100				
BRI Pipelines (Pty) Limited	ZAR	–	100	100				
ELB Capital Investments (Pty) Limited	ZAR	–	100	100				
ELB Engineering Services (Pty) Limited	ZAR	–	70	70				
ELB Equipment Limited	ZAR	–	100	100				
Elbex (Pty) Limited	ZAR	–	100	100				
ELB Investments (Pty) Limited	ZAR	–	100	100			29 103	29 103
ELB McWade Engineering (Pty) Limited	ZAR	–	80	42				
ELB Timber Products (Pty) Limited	ZAR	13 070	100	100				
ELB Ultrabord (Pty) Limited	ZAR	2 500	100	100				
Equipment Industrial Supplies (Pty) Limited	ZAR	–	74	80				
Plycraft (Pty) Limited	ZAR	–	100	100				
Veneercraft (Pty) Limited	ZAR	–	100	100				
Foreign indirect interest (principal operating subsidiaries only)								
Batequip Pty Limited	AUD	–	80	80				
Bel Finance Limited	USD	4	100	100				
Elbquip Holdings Pty Limited	AUD	3 000	100	100				
Metquip Pty Limited	AUD	2 650	100	100				
Carrying amounts before impairment					24 787	44 561	117 635	105 091
Impairment					–	–	(26 000)	(26 000)
Carrying amounts after impairment					24 787	44 561	91 635	79 091

Of the long term amount of R29 749 000 owing by ELB Timber Holdings (Pty) Limited (ELB Timber) to ELB Group Limited (ELB), R20 000 000 has been subordinated by ELB for the benefit of the other creditors of ELB Timber.

The currencies listed above are:

AUD - Australian Dollars, USD - United States Dollars, ZAR - South African Rands All the subsidiaries have 30 June financial year ends.

Analysis of Ordinary Shareholders

	Number of shareholders	Number of shares	% of shares issued
Public shareholders	867	10 336 732	30,53
Non public shareholders	26	17 017 917	69,47
Treasury shares	3	6 505 351	19,37
	893	33 860 000	100,00
Directors (direct and indirect holdings)	7	6 618 418	19,55
Share trusts	6	5 641 443	16,66

MAJOR SHAREHOLDERS

ELB Participants Share Trust	5 586 355	16,50
Virroxsam (Proprietary) Limited	5 165 112	15,25
Rand Merchant Bank (a division of FirstRand Bank Limited)	5 096 298	15,05
SJ Wilson	2 030 000	6,00

Directors' Interests - Ordinary Shares

Name	2005 Beneficial		2004 Beneficial	
	Direct	Indirect	Direct	Indirect
WGL Bateman	964 788	5 165 112	1 232 900	6 897 000
PJ Blunden	30 118	150 000	30 118	150 000
AG Fletcher	100	129 500	100	2 129 500
JC Hall		20 000		20 000
JP Herselman		158 600		158 600
MA Hindle				7 000
D Naidoo				5 600
MV Ramollo	100		100	
RGH Smith	100		100	
TOTAL	995 206	5 623 212	1 263 318	9 367 700

No director of ELB Group Limited held any shares as a non beneficial interest in the share capital of ELB Group Limited for the year ended 30 June 2005.

The only change which has occurred in the directors' interests in the ordinary share capital of ELB Group Limited between 30 June 2005 and 30 September 2005 is the acquisition by T de Bruyn of 100 shares.

Administration

ELB GROUP LIMITED

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

Ordinary Shares

Share Code ELR
ISIN Code ZAE 000035101

Preference Shares

Share Code ELRP
ISIN Code ZAE 000035333

Company Secretary

DG Jones
H Dip Tax, MBA, CA(SA), FCIS

Registered Office

14 Atlas Road
Anderbolt
Boksburg
1459

Postal Address

PO Box 565
Boksburg
1460

TRANSFER SECRETARIES

Computershare Investor Services 2004 (Proprietary) Limited

Registration Number 004/003647/07
70 Marshall Street
Johannesburg 2001
PO Box 61051
Marshalltown 2107

AUDITORS

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

BANKERS

First National Bank
(A division of FirstRand Bank Limited)
4 First Place
Bank City
Corner Simmonds & Pritchard Streets
Johannesburg

SPONSORS

Rand Merchant Bank
(A division of FirstRand Bank Limited)
1 Merchant Place
Corner Fredman Drive & Rivonia Road
Sandton 2196
PO Box 786273
Sandton 2146

Shareholders Diary

Financial year end

30 June

Annual general meeting

November

Financial reports

Interim report for the half year
Preliminary report for the year
Annual report

March
September
October

Dividends

Declared

Paid

Ordinary shares
Interim
Final
6% fixed cumulative preference shares
Six months ending 31 December
Six months ending 30 June

March
September
March
September

April
October
April
October

Notice of Annual General Meeting

Notice is hereby given that the seventy fifth Annual General Meeting of shareholders of ELB Group Limited (the Company) will be held in the Board Room, ELB Equipment Limited, 14 Atlas Road, Anderbolt, Boksburg, on Monday 21 November 2005 at noon for the following purposes:

1. ORDINARY BUSINESS

- 1.1 To consider the annual financial statements of the Company for the year ended 30 June 2005 together with the reports of the directors and auditors contained therein.
 - 1.2 To elect a director in place of Mr J C Hall who retires in accordance with the Company's Articles of Association, but, being eligible, offers himself for re-election.
 - 1.3 To elect a director in place of Mr T de Bruyn who retires in accordance with the Company's Articles of Association, but, being eligible, offers himself for re-election.
- Biographical details of all directors of the Company are set out on page
- 1.4 To ratify the directors' fees and bonuses.

2. SPECIAL BUSINESS

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

2.1 Ordinary Resolution:

Authority to place unissued shares under control of the directors

"Resolved that all the authorised but unissued shares in the capital of the Company be hereby placed under the control of the directors as a general authority in terms of section 221(2) of the Companies Act number 61 of 1973, as amended ("the Companies Act"), who are hereby authorised to allot and issue shares in the Company upon such terms and conditions as the directors in their sole discretion deem fit, including the shares which are at the disposal of the directors for the purposes of the Company's Share Incentive Scheme, subject to the provisions of the Companies Act, the Articles of Association of the Company and the Listing Requirements of the JSE Limited ("JSE").

2.2 Special Resolution

General authority:

RESOLVED THAT the Company, and/or any subsidiary of the Company, is authorised to acquire the ordinary issued shares of the Company from time to time as a general consent in terms of Sections 85(2) and 85(3) of the Companies Act, on such terms and conditions and in such numbers as the directors of the Company may determine, subject to the Articles of Association of the Company, the provisions of the Companies Act and the JSE Listings Requirements, where applicable, provided that:-

Notice of Annual General Meeting

(continued)

- the repurchase of securities will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party;
- this general authority shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the Company's ordinary shares are acquired by the Company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten per cent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the Company;
- the acquisitions of ordinary shares in the aggregate in any one financial year do not exceed 20% (twenty per cent) of the Company's issued ordinary share capital as at the beginning of the financial year;
- the Company and the Group are in a position to repay their debts in the ordinary course of business for the following year;
- the consolidated assets of the Company and the Group, being fairly valued in accordance with International Financial Reporting Standards, are in excess of the consolidated liabilities of the Company for the following year;
- the ordinary capital and reserves of the Company and the Group are adequate for the next twelve months;
- the available working capital is adequate to continue the operations of the Company and the Group in the following year;
- upon entering the market to proceed with the repurchase, the Company's Sponsor has confirmed the adequacy of the Company's working capital for the purposes of undertaking a repurchase of shares in writing to the JSE;
- after such repurchase the Company will still comply with the JSE Listings Requirements concerning shareholder spread requirements;
- the Company or its subsidiary are not repurchasing securities during a prohibited period as defined in the JSE Listings Requirements;
- when the Company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement will be made; and
- the Company only appoints one agent to effect any repurchase(s) on its behalf

Notice of Annual General Meeting

(continued)

Other disclosure in terms of the JSE Listings Requirements Section 11.26

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

- Directors and management - page [];
- Major shareholders of the Company - page [];
- Directors interests in securities - page []; and
- Share capital of the Company - page [].

Litigation statement

In terms of section 11.26 of the JSE Listings Requirements of the JSE, the directors, whose names are given on page [] of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the Group's financial position.

Directors' responsibility statement

The directors, whose names are given on page [] of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain

such facts have been made and that this resolution contains all information required by law and the JSE Listings Requirements.

Material change

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

Reason for and effect of the Special Resolution

The reason for and effect of this special resolution is to authorise the Company and/or its subsidiary company by way of a general authority to acquire its own issued shares on such terms, conditions and such amounts determined from time to time by the directors of the Company subject to the limitations set out above.

Intention

The directors of the Company have no specific intention to effect the provisions of this special resolution but will, however, continually review the Company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of this special resolution.

And to transact any other business that may be transacted at an annual general meeting.

Notice of Annual General Meeting

(continued)

Voting and proxies

Members of the Company (members) who have not dematerialised their shares in the Company (shares), or who have dematerialised their shares with "own name" registration, are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead at the meeting. The person so appointed need not be a member. Proxy forms must be forwarded, to reach the registered office of the Company, or the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, at the address given below no later than noon on Thursday, 17 November 2005.

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

Members who have dematerialised their shares, other than those members who have dematerialised their

shares with "own name" registration, should contact their CSDP or broker in the manner and time stipulated in their agreements in order to furnish them with their voting instructions and to obtain the necessary authority to attend the meeting should such members wish to do so.

By order of the Board

DG Jones

Company Secretary

Boksburg 1459

Computershare Investor Services

2004 (Proprietary) Limited

70 Marshall Street

Johannesburg 2001

PO Box 61051

Marshalltown 2107

Johannesburg

21 October 2005

Proxy Form

ELB GROUP LIMITED

Registration No. 1930/002553/06
 (Incorporated in the Republic of South Africa)
 ISIN Code ZAE000035101 Share Code ELR
 ("the Company")

For completion by shareholders who have not dematerialised their shares or who have dematerialised their shares but with own name registration.

For use by certificated shareholders and "own name registered" dematerialised shareholders, at the general meeting of the Company to be held at noon on Monday 21 November 2005, at 14 Atlas Road, Anderbolt, Boksburg.

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

FORM OF PROXY FOR THE SEVENTY FIFTH ANNUAL GENERAL MEETING OF ELB GROUP LIMITED

I/We (please print)
 of address (please print)
 being the holder/s of shares in the Company, do hereby appoint
 1or failing him/her
 2or failing him/her
 3 the chairman of the meeting

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting, which will be held for the purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against such resolutions and/or abstain from voting in respect of the shares registered in my/our name(s), in accordance with the following (see note 3):

	In favour	Against	Abstain
1. Approval of annual financial statements			
2. Election of director Mr JC Hall			
3. Election of director Mr T de Bruyn			
4. Approval of director's emoluments			
Ordinary resolution			
Authority to place unissued shares under the control of the directors			
Special resolution			
Authority to repurchase shares			

Signed at on 2005
 Signature (see note 5).....
 Assisted by me where applicable (see note 8)

Please read the notes overleaf.

Notes to the Form of Proxy

1. A form of proxy is only to be completed by those shareholders who hold shares in certificated form or are recorded on sub-register electronic form in "own name". All other beneficial owners who have dematerialized their shares through a Central Securities Depository Participant ("CSDP") or broker and wish to attend the meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.
2. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the spaces provided, with or without deleting "the chairman of the meeting", but any such deletion must be initialed by the shareholder. The person whose name is first on this form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. Please insert an "X" in the relevant spaces indicating how your votes are to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorize the proxy to vote or abstain from voting at the general meeting as he/she deems fit in respect of all the shareholders' votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
4. The form of proxy appointing a proxy must reach the registered office of the Company or the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107 Johannesburg) by not later than noon on Thursday 17 November 2005.
5. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless recorded by the Company or waived by the chairman of the meeting.
7. Any alteration or correction made to this form of proxy must be initialed by the signatory/ies.
8. A minor must be assisted by his/her parents or guardian unless the relevant documents establishing his/her capacity are produced or have been registered by the Company.
9. The chairman of the general meeting may accept any form of proxy which is completed, other than in accordance with these notes, if the chairman is satisfied as to the manner in which the shareholder wishes to vote.

