ELB GROUP

Annual Report 2010

Contents

Chairman's statement

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

ELB is an investment holding company owning 85 percent of ELB Engineering Limited (ELB Engineering Group) with the remaining 15 percent owned by the ELB Educational Trust established as the Group's BEE partner promoting the education of historically disadvantaged South Africans specifically in engineering disciplines.

ELB ENGINEERING GROUP

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

Construction Equipment

- Ditch Witch Trenching & Directional Drilling Equipment
- MST Backhoe Loaders
- Mitsubishi Motor Graders
- Sakai Compaction Equipment
- Mustang Skid Steer Loaders

Earthmoving Equipment

- Kawasaki Wheel Loaders
- Sumitomo Tracked Excavators

Mining / Quarrying Equipment

- Allu-SM Screener-Crusher Buckets
- Furukawa Drill Rigs
- Furukawa Hydraulic Breakers
- Taurus Heavy Duty Rotary Barrel Screens **
- ELB Static & Mobile Conveyors **
- Pegson Mobile & Static Crushing Plants
- Oresizer Vertical Shaft Impact Crushers **
- Powerscreen Mobile & Static Screens
- Tecman Underground and Surface Boom Systems
- Telestack conveyor systems

** Designed and manufactured by ELB Equipment

In order to service its customer base effectively, ELB Equipment based in Boksburg has branches in Cape Town, Durban, Kimberley, Kathu, Brits, George, Middleburg 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 is an importer and distributor of Underground and Utility Construction Equipment.

Product Lines include

- Ditch Witch Trenching and Directional Drilling Equipment, Compact Utility Equipment Vacuums and Electronic Pipe and Cable Locators
- Stanley Hydraulic Power Packs and Tools
- Trenchmaster Mini Trencher
- Bedmaster Bed Defining Machines
- McLaughlin Case Boring Equipment, Augers and Cutter Heads
- Belle Concrete and Mortar Mixers and Compaction Equipment
- Tesmec Rock Trenching Equipment and Bucket Wheel Trenchers and Rock Milling Equipment
- Akkerman Inc. Microtunnelling, Pipe Jacking Tunnelling products
- Komptech GMBH commercial composting and alternative fuel processing machinery; mobile diesel and electric powered equipment to shred, sort, sift and windrow turn organic material for the production of compost and biomass alternative organic based fuel from green waste, forestry residue and organic industrial waste products.

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

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

ELB ENGINEERING SERVICES The business focuses on the supply of a total engineered materials handling solutions to the mining, minerals, industrial, port and power sectors based on its own in house capability as well as technology agreements with world class product and know how companies.

Bulk Materials Handling

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

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

Chairman's statement

(continued)

Pneumatic Conveying

ELB Engineering Services' capability for the supply of most types of pneumatic conveying is supported by the world class technology from Claudius Peters. Claudius Peters provides the vast majority of equipment required for the grinding, handling, cooling, mixing, storing and out loading in the Cement, Lime, Ash, Alumina and Gypsum industry. Claudius Peters are considered a world leader in providing total solutions into the above industries.

Cyclonaire, from the USA, provide specialised pneumatic conveying booster technology via ELB in the region.

Modular Plants

EPE is a joint venture between ELB Engineering Services and PBA from Cape Town, to provide the modular process plant into the total solution for this business.

Life Extension Services

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

Ports of Africa

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

FINANCIAL RESULTS

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

Sales decreased marginally by 0,4 percent from R1 246 million in 2009 to R1 241 million in 2010.

Headline earnings per share on the other hand increased by 3,4 percent from 189,1 cents per share in 2009 to 195,6 cents per share in 2010.

Net asset value per share increased by 19,3 percent from 1 078 cents per share in 2009 to 1 286 cents per share in 2010.

PROSPECTS

The ELB Group will continue to benefit from its strategy of focusing on material handling and appropriate process plant solutions.

The prospects for the coming twelve months are more encouraging than they were this time last year.

DIVIDENDS

The final dividend of 30 cents per share reflects the Board's confidence in the prospects for the ELB Group going forward.

The total dividend for the year is therefore 42 cents per share versus 30 cents per share for the 2009 financial year.

SOCIAL RESPONSIBILITY

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

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

CONCLUSION

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

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

A G Fletcher
20 October 2010

ENGINEERED TO DELIVER

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 financial period under review save for guidelines regarding the composition of the board of directors and the audit committee as indicated below. The recommendations contained in the King lll Report on Corporate Governance are under review and the intention is that the Group will have complied with as many recommendations as possible by the end of the new financial reporting period. 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, essentially the roles of the chairman and the senior executive directors have been separated. The board is chaired by Mr AG Fletcher, whilst the executive management of the operations conducted by the Group is the responsibility of the chief executive officers of the operating subsidiaries. This ensures a balance of authority and precludes any one director from exercising unfettered powers of decision-making. In May 2010 the board appointed Mr T de Bruyn to the position of lead independent director and on 28 September 2010 the appointment of Mr IAR Thomson as an independent non-executive director was confirmed.

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

Meetings are held at least five times a year, appropriately timed to review quarterly results and the budget for the forthcoming year. The agenda includes, as necessary, strategic 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 committee which is chaired by Mr AG Fletcher. 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. The audit committee is also responsible for considering the appropriateness of the expertise and experience of the financial director on an annual basis, and has satisfied itself of such appropriateness.

In keeping with this policy, the audit committee has satisfied itself of the independence of the external auditor. BDO South Africa Advisory Services (Pty) Ltd (BDO) has been appointed to fulfil the role of internal auditor within the ELB Equipment Holdings Limited sub-group whilst experts in the field of contract management and accounting are utilised to evaluate the risks inherent in the business of ELB Engineering Services (Proprietary) Limited and conduct appropriate internal audit tests. 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 the independent non-executive directors, Messrs T de Bruyn and IAR Thomson and Dr JP Herselman. Mr T de Bruyn served as chairman of the audit committee until 28 September 2010 when Mr IAR Thomson assumed the role of chairman. An executive director in the person of the chairman of the board, Mr AG Fletcher, attends meetings by invitation. Both the external auditors and the internal auditors and experts have unrestricted access to this committee and attend meetings whenever necessary to report on their findings and to discuss accounting; auditing; risk identification, measurement and mitigation; internal and contract controls and financial reporting matters. Executive directors responsible for the sub-groups and members of the management teams are invited to attend such meetings whenever their presence is considered necessary.

The audit committee met four times during the financial year.

THE REMUNERATION COMMITTEE

The members of the remuneration committee are Messrs AG Fletcher and T de Bruyn and Dr JP Herselman. The committee 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 chief executive officers of the operating subsidiaries. The committee also approves proposals in respect of certain incentive arrangements.

The remuneration committee met twice during the financial year.

THE NOMINATIONS COMMITTEE

The members of the nominations committee are Dr JP Herselman and Mr T de Bruyn with Dr JP Herselman acting as chairman as the board chairman is an executive director. The committee is responsible for the assessment and nomination of potential new directors on a formal and transparent basis but does not have full authority to appoint such directors as such authority vests in the board of directors. Following the appointment of new directors to the board, an induction 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.

The nominations committee met once during the financial year.

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.'

Corporate governance

INTERNAL CONTROL

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

THE INTERNAL AUDIT FUNCTION

The internal audit function of ELB Engineering Services (Proprietary) Limited is outsourced to experts in the fields of contract management and accounting whilst the internal audit function of the ELB Equipment Holdings Limited sub-group is outsourced to BDO. During the course of the June 2010 financial year, the Equipment sub-group 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 sub-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.

Notwithstanding the application of this internal audit methodology within the Equipment sub-group and the use of experts in the case of ELB Engineering Services (Proprietary) Limited, 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 issues through appropriate committees and in accordance with Group procedures and the relevant legislation.

CODE OF ETHICS AND CORPORATE CONDUCT

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

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. The directors and company secretary may, in appropriate circumstances, take independent professional advice at the company's expense.

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

All share dealings of directors require the prior approval of the chairman whilst those of the chairman require the approval of the chairman of the audit committee. 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 communication 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 these meetings present 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 Listings Requirements.

DIRECTORATE 1 JULY 2009 - 31 JULY 2010 : ATTENDANCE OF MEETINGS

NAME	BOARD						AUDIT COMMITTEE				REMUNERATION COMMITTEE		NOMINATIONS COMMITTEE
	2009			2010			2009		2010		2009	2010	2010
	July	Sept	Nov	Mar	May	July	Sept	Nov	Mar	May	Nov	June	June
AG Fletcher	√	√	√	√	√	√	o	o	o	o	√	√	o
PJ Blunden	√	√	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A
T de Bruyn	√	√	√	√	√	√	√	√	√	√	√	√	√
JP Herselman	√	√	√	√	√	√	√	√	√	√	√	√	√
TJ Matsau	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
SJ Meijers	√	√	√	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A
MV Ramollo	√	√	x	√	√	√	N/A	N/A	N/A	N/A	N/A	N/A	N/A

√ In attendance
N/A Not applicable
o Attended meeting by invitation
x Submitted apologies and was granted a leave of absence in terms of the Company's Articles of Association

Board of directors

EXECUTIVE

Anthony Garth Fletcher (58) ‡

BCom, CA(SA)

Chairman of the board.
Appointed financial director in May 2009.
Appointed chairman of the board in May 2006.
Appointed to the board in 1996.
Also served as chairman from 1998 - 2003.

Peter John Blunden (55)

BCom

Chief executive - ELB Equipment.

Appointed to the board in 2002.
Joined the Group in 1978.

Dr Stephen John Meijers (49)

PhD (Mech Eng), BSc (Mech Eng), MAP (Wits), SEP (Wits/Harvard)

Chief executive - ELB Engineering Services.
Appointed to the board in May 2006.

Mollo Victor Ramollo (55)

BSc (Elec Eng)

Appointed to the board in 2003.

NON EXECUTIVE

Theunis de Bruyn (42) †‡#*

BCom, CA(SA)

Appointed to the board in 2005.

Dr John Paul Herselman (67) †‡#*

Dr Ing, Dipl Ing, BSc (Chem Eng)

Appointed to the board in 1986.

Ian Alan Richard Thomson (67) †*

BCom, CA(SA)

Appointed to the board in September 2010.

† Member of the audit committee

‡ Member of the remuneration committee

Member of the nominations committee

* Independent

Seven year financial review

FINANCIAL INFORMATION

	2010 R 000	2009 R 000	2008 R 000	2007 R 000	2006 R 000	2005 R 000	2004 R 000
Sales	**1 241 323**	1 245 817	1 096 173	983 361	693 681	574 627	580 332
Operating costs excluding depreciation, amortisation and abnormal items	**(1 157 413)**	(1 170 147)	(993 579)	(915 304)	(663 333)	(556 770)	(548 841)
Operating profit before depreciation, amortisation and abnormal items	**83 910**	75 670	102 594	68 057	30 348	17 857	31 491
Depreciation and amortisation	**(4 837)**	(5 108)	(4 184)	(4 476)	(6 495)	(7 051)	(8 112)
Operating profit before abnormal items	**79 073**	70 562	98 410	63 581	23 853	10 806	23 379
Abnormal items (refer also to note 2 below)	**3 609**	4 232	1 206	(3 824)	(12 829)	3 631	–
Operating profit	**82 682**	74 794	99 616	59 757	11 024	14 437	23 379
Finance income	**11 894**	27 953	21 886	12 198	6 571	8 163	9 465
Finance expenses	**(5 162)**	(9 717)	(9 034)	(5 687)	(4 940)	(3 487)	(5 352)
Profit before income tax	**89 414**	93 030	112 468	66 268	12 655	19 113	27 492
Income tax expense	**(26 974)**	(29 562)	(34 709)	(27 618)	(10 776)	(3 983)	(13 480)
Profit for the year	**62 440**	63 468	77 759	38 650	1 879	15 130	14 012
Attributable to:							
Ordinary shareholders of ELB	**54 789**	55 526	68 007	30 386	1 871	14 486	11 855
Non controlling interests in subsidiaries	**7 651**	7 942	9 752	8 264	8	644	2 157
	62 440	63 468	77 759	38 650	1 879	15 130	14 012
Headline earnings	**51 042**	51 296	66 757	30 207	12 079	7 558	11 782
Ordinary dividends paid (note 3 below)	**8 371**	13 514	10 969	5 455	2 725	6 829	8 507

OTHER STATISTICS

	2010	2009	2008	2007	2006	2005	2004
Ordinary shares in issue at the year end (excluding treasury shares)	**24 746 269**	27 017 602	27 456 862	27 406 133	27 151 554	27 354 649	27 300 534
Net asset value per ordinary share (cents)	**1 286**	1 078	961	704	597	589	546
Headline earnings per ordinary share (cents)	**195.6**	189.1	243.2	110.9	44.2	27.6	42.1
Interim and final dividends for the year per ordinary share (cents)	**42**	30	60	30	15	10	30
Ordinary dividend cover (times) (based on headline earnings)	**4.7**	6.3	4.1	3.7	2.9	2.8	1.4

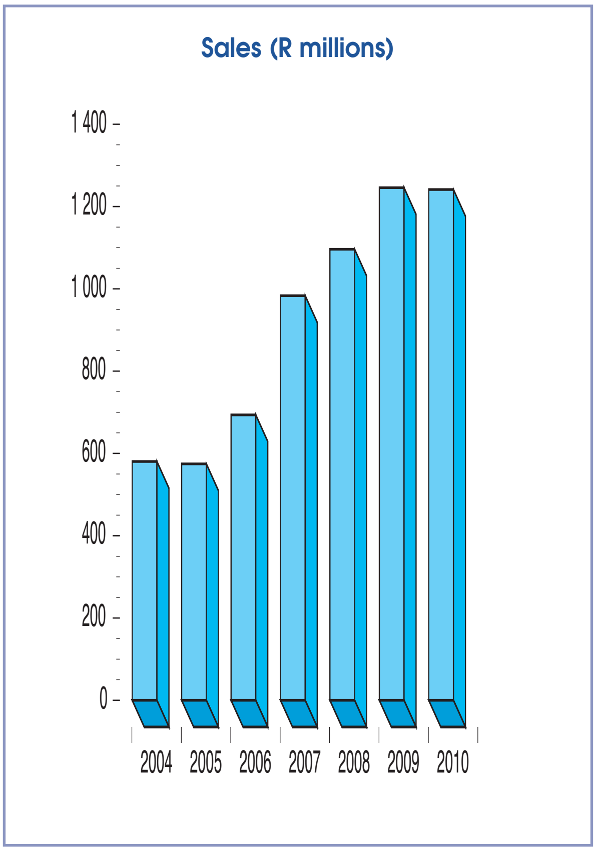
NOTES

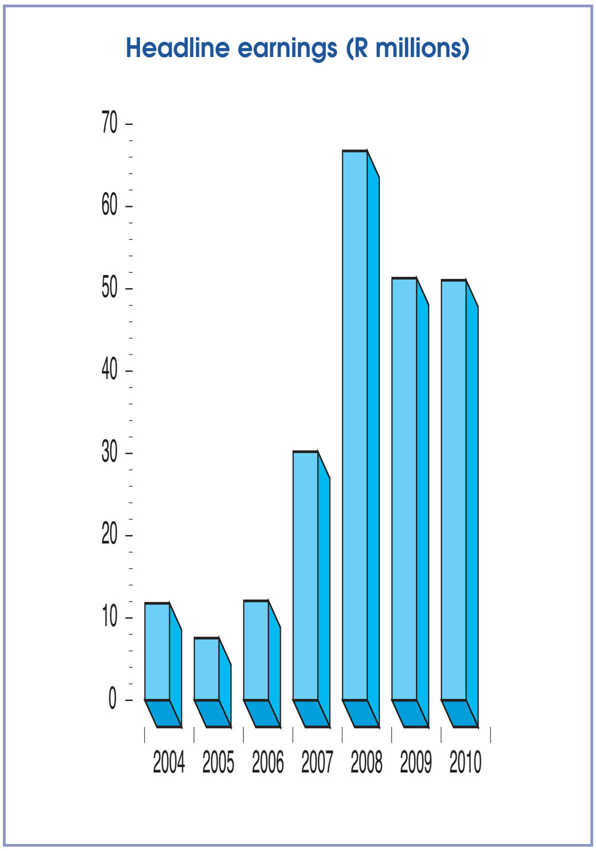
1 The financial information in this review includes both continuing and discontinued operations.

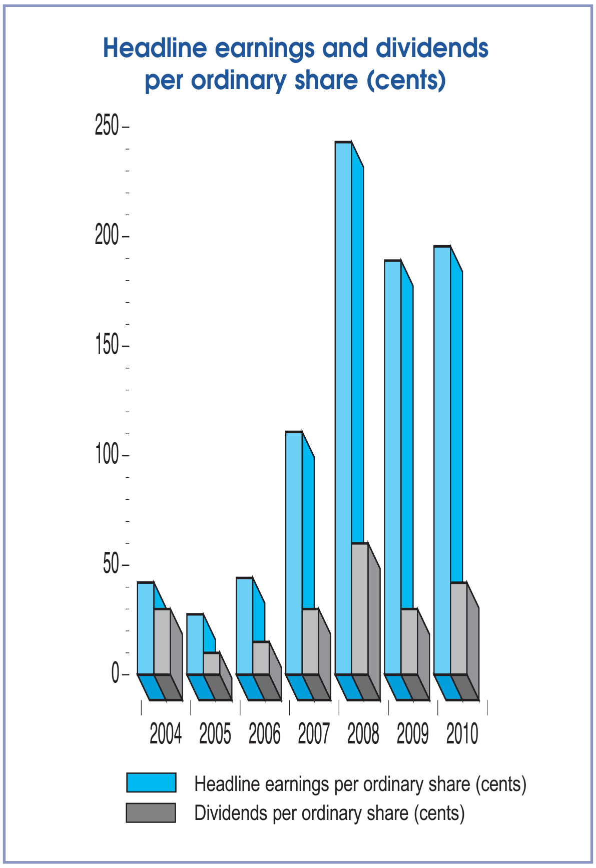
2 During the seven year period the following entities were sold:
ELB Timber Products (Pty) Limited (ELB Timber Products) with effect from 31 May 2008 (2008 financial year)
ELB Ultrabord (Pty) Limited (ELB Ultrabord) with effect from 29 February 2008 (2008 financial year)
ELB McWade Electrical (Pty) Limited (ELB McWade) with effect from 30 September 2004 (2005 financial year)
The results of those operations are included to their dates of disposal. Profits and losses on disposal are included in abnormal items.

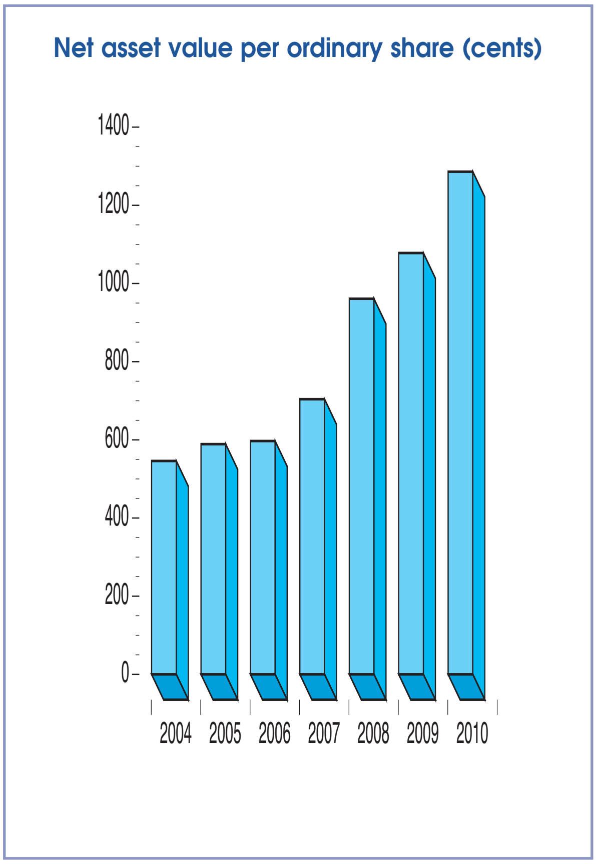
3 The amounts for ordinary dividends paid are the ordinary dividends declared and paid during the year

Financial highlights









Directors' responsibility statement

The directors of the Company are responsible for the preparation and presentation of the Group and Company annual financial statements of ELB Group Limited, comprising the balance sheets at 30 June 2010, and the directors' report, the income statements, the statements of comprehensive income, the statements of changes in equity and the cash flow statements for the year then ended, the accounting policies, the explanatory notes to the annual financial statements and the schedule of subsidiaries and joint ventures; in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of South Africa, and as set out on pages 11 to 67. The Company's independent auditor is responsible for conducting an audit in accordance with International Standards on Auditing and for examining the annual financial statements in order to determine whether the financial statements are in accordance with IFRS, the Companies Act of South Africa; and for reporting to shareholders their opinion on the annual financial statements. The auditor's unmodified report appears on page 10.

The directors' responsibility includes maintaining adequate accounting records and an effective system of risk management, selecting and applying appropriate accounting policies, making accounting estimates that are reasonable in the circumstances and the preparation of the supplementary schedules included in these financial statements.

The directors are also responsible for developing and maintaining effective systems of internal control to provide reasonable assurance as to the accuracy of the annual financial statements and also to provide reasonable assurance as to the prevention and detection of material misstatement and loss. These systems and procedures are implemented and monitored by suitably trained, skilled personnel. The Group's internal audit function appraises independently the Group entities' internal controls and reports to the audit committee. The audit committee reviews matters concerning risk, risk management, accounting policies, internal control and auditing and financial reporting. Nothing has come to the attention of the directors to indicate any material breakdowns of the internal controls, systems and procedures during the year.

The directors have reviewed the budgets and forecasts of the Group's businesses and have no reason to doubt the continued support of the Group's suppliers and bankers. Based on these projections and considering the Group's current financial position and the financing facilities available to it, and after taking into account the continued support of the Group's suppliers and bankers, the directors believe that the Group has adequate resources to continue its operations for the foreseeable future. Accordingly the directors are satisfied that the going concern basis of accounting remains appropriate, and the Group and Company annual financial statements have been prepared on that basis.

Approval of the Group and Company annual financial statements

The Group and Company annual financial statements of ELB Group Limited, as identified in the first paragraph, have been approved by the board of directors and are signed on its behalf by:

AG Fletcher
Chairman

T de Bruyn
Director

Boksburg
20 October 2010

Certificate by the company secretary

I, the undersigned DG Jones, hereby certify that to the best of my knowledge and belief, arrived at after due and careful enquiry, for the year ended 30 June 2010, the Company has lodged with the Registrar of Companies all returns as are required of a public company in terms of the South African Companies Act of 1973, as amended, and that all such returns are true, correct and up to date, and that all legal requirements have been fulfilled.

DG Jones
Company secretary

20 October 2010

Independent auditor's report

To the members of ELB Group Limited

Report on the financial statements

We have audited the group annual financial statements and the annual financial statements of ELB Group Limited, which comprise the balance sheets at 30 June 2010, and the income statements, the statements of comprehensive income, the statements of changes in equity and cash flow statements for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 11 to 67.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of ELB Group Limited at 30 June 2010, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc
Registered Auditor

Per C Esslemont
Chartered Accountant (SA)
Registered Auditor
Director
20 October 2010

Directors' report

To the shareholders

Your directors submit the annual financial statements for the Company and the Group for the year ended 30 June 2010 with their report on the results and operations.

NATURE OF THE BUSINESS

The Company operates as an investment holding company deriving most of its distributable income from dividends. The major investment at the end of June 2010 is in ELB Engineering Limited (ELB Engineering Group) which supplies equipment and technical solutions through two sub-groups, ELB Equipment Holdings Limited (ELB Equipment Holdings) and ELB Engineering Services (Proprietary) Limited (ELB Engineering Services). ELB Equipment Holdings continues to administer the Group treasury.

ELB ENGINEERING GROUP

ELB owns 85% of the ordinary share capital as well as 100% of the cumulative convertible redeemable preference shares issued by ELB Engineering Group. The South African equipment operations housed in the division ELB Equipment Limited produced creditable results although conditions remained difficult. The Ditch Witch Australia joint venture operations, in which ELB Equipment Holdings has an 84.2% interest, reported profits in excess of those budgeted notwithstanding the difficult trading conditions. ELB Engineering Services continued to expand its business and also reported sales and profits ahead of budget.

Headline earnings attributable to the Company's investment in ELB Engineering Group amounted to R39,9 million (2009 - R42,3 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). The accounting policies are consistent with those outlined in the 2009 annual report with the following exceptions. IAS 1 (revised) introduced changes to the presentation of the financial statements. IFRS 8 requires that segment information be now based on internal management reports rather than the definitions and classifications of the old standard. IAS 23 stipulates that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset be capitalised as part of the cost of the asset, instead of being expensed which was the benchmark treatment of the previous version. No borrowing costs were capitalised in the financial year under review in term of the revised IAS 23.

GENERAL

The Group continues to support the principles of good corporate governance contained in the first King Report and the subsequent King II Report and is in the process of reviewing and implementing principles outlined in the more recent King lll Report. Further details are provided in the Corporate Governance statement on pages 4 and 5 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 12 cents (2009 – 10 cents) per ordinary share was paid on 10 May 2010 and a final dividend in respect of the year of 30 cents (2009 – 20 cents) per ordinary share was declared on 21 September 2010 and is payable on 1 November 2010.

Dividends in respect of the 6% 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 2010 are set out in notes 16 and 17 to the annual 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 3 800 6% fixed cumulative preference shares at the end of June 2009, 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 33 860 000 shares at 30 June 2009 remained unchanged at the end of June 2010.

On 19 November 2007 shareholders approved a resolution which placed 5% of the authorised ordinary shares of the Company under the control of the directors for the purposes of the Company's Share Incentive Scheme. At the year end, 30 June 2010, 2 215 000 (2009 - 2 215 000) options over ordinary shares in the Company had been granted in terms of the Scheme. Since 30 June 2010, and to the date of this report, a further 210 000 options have been granted. No options had been exercised by 30 June 2010. Subsequent to this date and to the date of this report 344 000 options have been exercised. The ordinary shares in the Company allocated to the participants as a consequence of such exercise have been issued from shares held by the Trust which were acquired in the open market for purposes of the Scheme.

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 6 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 70.

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

Appointments
IAR Thomson 28 September 2010

Resignations
TJ Matsau 1 September 2009

In compliance with the JSE Listings Requirements, Mr T de Bruyn, an independent non-executive director, was appointed the lead independent director on 21 May 2010.

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 MV Ramollo and IAR Thomson.

Details of directors' remuneration and options in respect of ordinary shares in the Company are contained in note 33 to the annual financial statements. Details of directors' interests in the ordinary shares of the Company are provided on page 68.

POST BALANCE SHEET DATE EVENTS

No material fact or circumstance has occurred after the financial year end, being 30 June 2010, and the date of this report.

Accounting policies

Introduction

The reporting entity is ELB Group Limited (the Company), a company domiciled in South Africa. The Company and its subsidiaries, joint ventures and share trusts are collectively referred to as the Group. The annual financial statements for the year ended 30 June 2010 comprise the annual financial statements of the Company (the Company annual financial statements) and the consolidated annual financial statements which incorporate the annual financial statements of the Company and the annual financial statements of its subsidiaries, joint ventures and share trusts (the Group annual financial statements). The separate Company annual financial statements and Group annual financial statements are together referred to hereafter as the annual financial statements.

The annual financial statements were authorised for issue by the directors of the Company on 20 October 2010.

Compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of those Standards, as issued by the International Accounting Standards Board (IASB); the South African statements and interpretations of Generally Accepted Accounting Practice (GAAP) as well as the accounting guides and circulars, all issued by the South African Institute of Chartered Accountants (SAICA); and the requirements of the Companies Act of South Africa.

Basis of preparation

The annual financial statements are presented in South African Rands, which is the functional currency of the Company, rounded to the nearest thousand. They are prepared on the historical cost basis, modified by restatement of certain financial instruments to fair value. Accrual accounting is used. The annual financial statements are also prepared on the going concern basis since the directors believe that the Company and the Group have adequate resources to continue operating for the foreseeable future. Details supporting the going concern assessment are given in the directors' responsibility statement.

During the year the following accounting standards, which had an effect on the reporting of the Group for the year, became effective.

Amendments to IAS 1 – Presentation of financial statements.

The term 'total comprehensive income' was introduced by the revised IAS 1. The term covers all changes in equity during a period other than changes arising from transactions with owners in their capacity as owners. Total comprehensive income may be presented in an income statement, which arrives at profit for the period, as before, and a separate statement of comprehensive income detailing the other equity changes ('other comprehensive income') covered by the term. This presentation has been adopted in these annual financial statements.

Alternatively total comprehensive income may be presented in a single statement of comprehensive income, which effectively combines the income statement and all non owner equity changes in a single statement. Such a statement would have a significant effect on the presentation of the annual financial statements. The alternative presentation has not been adopted.

Amendments to IAS 23 – Borrowing costs

The revised IAS 23 generally requires the capitalisation of borrowing costs that can be directly attributable to the acquisition, construction or production of a qualifying asset, as part of the cost of such asset. The revised standard does not permit the option, practised by the Group until 30 June 2009, of recognising all borrowing costs as an expense, which was the benchmark treatment of the previous version. The change in accounting policy will be applied prospectively to new qualifying assets acquired, constructed or produced after 30 June 2009. The change will have particular relevance to the purchase of property. In the year ended 30 June 2010 (the first period of application) although an additional property was acquired, the requirements for capitalising borrowing costs did not arise and no interest was capitalised. The revision therefore had no effect in the current year.

IFRS 7 – Financial instruments: disclosure

An amendment to the standard requires that, in the risk analysis for financial instruments, the financial instruments measured at fair value through profit or loss be tabled in a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

IFRS 8 – Operating segments

The new standard introduces the 'management approach' to segment reporting. This approach requires segment reporting to be based on the internal reports regularly reviewed by the Group's chief operating decision maker in order to assess each segment's performance and to allocate resources to each segment.

Implementation of the above standards had no effect on profit or earnings per ordinary share for the year. Other standards and interpretations which became effective in the current financial year were either not relevant to the operations of the Group or had no effect on the Group's accounting policies.

Except for the implementation of the above standards, the accounting policies set out below have been applied consistently to all periods presented in these annual financial statements and have also been applied consistently by all Group entities. Accounting policies are the specific principles, bases, conventions, rules and practices applied in preparing and presenting the annual financial statements. Changes in accounting policies are accounted for in accordance with the transitional provisions in the applicable standard. If no such guidance is given the change is applied retrospectively as if the accounting policy had been applied in the past, and comparative amounts are restated where applicable. Where it is impractical to apply a change retrospectively the change is applied prospectively to transactions, other events and conditions occurring after the date that the policy changed.

The preparation of the annual financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expense. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting policies involving a higher degree of complexity and where assumptions and estimates are significant to the financial statements are useful life, residual value and impairment of property, plant and equipment, the recognition of deferred income tax assets, construction contracts and the provisions for trade back commitments. Further information is given in the accounting policies relating to these activities.

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that management have assessed as having a significant risk of causing material adjustment to the carrying amounts of assets and liabilities in the next financial year.

Foreign currency transactions

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

Prior period errors

Where an error relating to a prior period is sufficiently material so as to distort the presentation of the results or the financial position, then such error is reflected as a prior period correction in the statement of changes in equity, and the comparatives in the annual financial statements are restated.

Consolidation

Basis

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

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the Group annual financial statements from the date that control commences until the date that control ceases.

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

Joint ventures

Joint ventures are entities over which the Group exercises joint control in terms of a contractual agreement. Joint ventures are proportionately consolidated, whereby the Group's share of the joint ventures' assets, liabilities, income, expenses and cash flows are combined with similar items on a line by line basis in the Group annual financial statements from the date that joint control commences until the date that joint control ceases.

Share trusts and treasury shares

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

Business combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Group. The cost of the acquisition of a subsidiary or interest in any other business entity is measured at the aggregate fair values, at the date of exchange, of the assets given, liabilities incurred, and equity instruments issued, plus any costs directly attributable to the business combination.

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

Goodwill is measured initially as the excess of the fair value of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Where the Group's interest in the net assets recognised at the acquisition date is in excess of the cost of the acquisition, the Group reassesses the identification and measurement of the acquiree's net assets and the measurement of the cost of acquisition. If after reassessment the Group's interest in the net assets exceeds the cost of the acquisition, the excess is recognised in profit or loss as a bargain purchase price.

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

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

The Group carried no goodwill at the dates of the current and comparative balance sheets.

Foreign entities

All foreign entities within the Group have functional currencies different to the presentation currency of the Group. The functional currency of an entity is determined based on the currency of the primary economic environment in which the entity operates. The results and financial positions of the foreign entities are included in the Group annual financial statements using the methods of translation described hereafter. The income statements are translated at the weighted average rates of exchange for the appropriate periods, except for material non recurring or material infrequent items that are translated at the exchange rate at the date of the transactions. The balance sheets are translated at the rates of exchange ruling at the balance sheet date. Items in the statements of comprehensive income and the statements of changes in equity are translated at the weighted average rate of exchange for regularly recurring transactions or the rate of exchange at the date of the transaction for non recurring or infrequent transactions. The gains or losses on translation are recognised in the foreign currency translation reserve through the Group statement of comprehensive income and the Group statement of changes in equity. Items in the foreign currency translation reserve that are no longer relevant to any operations or structures of the Group are transferred out of the reserve to retained earnings. Such redundant items usually arise from the disposal or restructure of operations, or from changes in accounting policies.

Recognition and derecognition of assets and liabilities

An asset is a resource controlled by an entity as a result of a past event and from which future economic benefits are expected to flow. An asset is recognised when it is probable that future economic benefits associated with it will flow to the Group and its cost or fair value can be measured reliably.

A liability is a present obligation of an entity arising from a past event the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. A liability is recognised when it is probable that future economic benefits associated with it will flow from the Group and its cost or fair value can be measured reliably.

A financial asset is any asset that is cash or cash equivalent; a contractual right to receive cash or cash equivalent or another financial asset; a contractual right to exchange financial instruments with another entity on potentially favourable terms; or a contract that will or may be settled in the entity's own equity instruments.

A financial liability is any liability that is a contractual obligation to deliver cash or cash equivalent or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or a contract that will or may be settled in the entity's own equity instruments.

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

Financial assets or parts thereof are derecognised and removed from the balance sheet when the contractual right to receive the cash flows or other financial assets have been transferred or have expired or if substantially all the risks and rewards of ownership have passed. Where substantially all the risks and rewards of ownership have not been transferred or retained, the financial assets are derecognised if they are no longer controlled. Where control is retained financial assets are recognised only to the extent of the continuing involvement in those assets.

All other assets are derecognised on disposal or when no future economic benefits are expected from their use.

Financial liabilities are derecognised when the relevant obligations have either been discharged or cancelled, or have expired.

Property, plant and equipment

Property, plant and equipment represent tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and are expected to be used during more than one reporting period.

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

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

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

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount of an asset is the cost of the asset, or other amount substituted for cost, less its residual value. Residual value is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal; if the asset were already of the age and in the condition expected at the end of its useful life. Useful life is the period over which an asset is expected to be available for use or the number of production or similar units expected to be obtained from the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as seperate items (major components) of property, plant and equipment.

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

The aircraft is owned by a joint venture partnership in which the Group has a 34% interest. The aircraft is not depreciated but is stated at its fair value at each balance sheet date. The fair value adjustment is recognised in profit or loss.

Profits and losses on disposals of property, plant and equipment are determined by comparing the proceeds from the disposals with the carrying amounts of the items sold, and are recognised in profit or loss.

Intangible assets

Intangible assets are identifiable non monetary assets without physical substance.

Intangible assets are stated at cost, less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to their residual values on a straight line basis over their useful lives, which are relatively short and usually five years.

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

The Group carried no intangible assets at the dates of the current and comparative balance sheets.

Research costs, arising from original and planned investigations undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognised in profit or loss as they are incurred.

Impairment of non financial assets

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

Impairment losses are recognised whenever the carrying amount of a non financial asset or its cash generating unit, as is applicable, exceeds the recoverable amount. Impairment losses are recognised in profit or loss.

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

Interest in subsidiaries

The Company's interest in subsidiaries comprises equity investments in the subsidiaries and loans to the subsidiaries. These are carried at cost less impairments. Impairments are assessed with reference to the net equity and projected profitability of subsidiaries.

Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. A fixed price contract is a contract where the contractor agrees to a fixed contract price or a fixed rate per unit of output, and might be subject to cost escalation clauses. Escalation clauses allow amounts payable under such contracts to be adjusted for increases in items such as salary and wage rates, amended charges by statutory authorities, market prices of materials and commodities, currency exchange rates and delivery charges. A cost plus contract is a contract where the contractor is reimbursed for allowable or otherwise defined costs, plus a percentage of these costs or a fixed fee.

Revenue from fixed price construction contracts is recognised for each contract on the stage of completion method, based generally on the ratio of costs incurred to date to total estimated costs, or on completed manhours to date to estimated total manhours, or on the proportion of physical progress to date to the completed contract. All possible contingencies requiring additional costs or manhours, or which impede physical progress, are reviewed in determining the stage of completion. In management's judgement and from historical experience, contracts which are not yet 30% complete are considered to be contracts where the outcome cannot be estimated with reasonable assurance, and revenue on these contracts is recognised only to the extent of contract costs incurred to date that are considered to be recoverable.

Revenue from cost plus construction contracts is recognised for the services rendered to date in terms of the contracts.

Terms and conditions negotiated with clients vary from one construction contract to another. These terms and conditions influence contract pricing and are inextricably interwoven with contract profitability.

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

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

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

Inventories

Inventories are assets held for sale in the normal course of business, or held in the process of production for such sale, or held in the form of materials or supplies to be consumed in the production process or in the rendering of services.

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

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

Financial instruments

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

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value plus transaction costs. Fair value adjustments are recognised in profit or loss. Subsequent to initial recognition loans and receivables are stated at amortised cost using the effective interest rate method, less impairments. Impairment is equal to the difference between the carrying amount of a loan or receivable and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairments are established when there is evidence that amounts will not be realised in accordance with the original terms of the loans and receivables. In addition collective impairments are made based on management's assessment of current trading and economic conditions. Impairments and impairment reversals and reductions are recognised in profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets classified as held for trading, derivative instruments and those financial assets designated at fair value through profit or loss on initial recognition. Financial assets at fair value through profit or loss are recognised initially at fair value and are measured subsequently also at fair value. Fair value gains and losses are recognised in profit or loss. Additional information on derivative instruments is included in a separate paragraph below.

Cash and cash equivalents

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

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

Financial liabilities

Financial liabilities at fair value through profit or loss, which includes derivative instruments, are recognised initially at fair value and are measured subsequently also at fair value. Trade and other payables and all other financial liabilities except those described above, are recognised initially at fair value plus transaction costs and thereafter stated at amortised cost using the effective interest rate method. Fair value adjustments are recognised in profit or loss.

Derivative instruments

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

Derivative instruments used are foreign currency forward exchange contracts (FECs) which are classified as held for trading and measured at fair value. Fair value adjustments are recognised in profit or loss. Fair value is determined by comparing the contractual value to the value of an equivalent FEC with the same maturity date but contracted at the balance sheet date.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to reimburse the holder for losses sustained by the holder where the debtor or debtors specified in the contract fails to make payments that are contractually due. Financial guarantee contracts that are issued by the Group are recognised initially at fair value plus transaction costs and are stated subsequently at the higher of the amount of the obligation under contract determined in accordance with IAS 37 and the amount initially recognised, less accumulated amortisation. Fair value adjustments and amortisation expenses are recognised in profit or loss.

Offset

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

Non current assets held for sale and discontinued operations

Non current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Then, on initial classification as held for sale, non current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement. Gains are not recognised in excess of any cumulative impairment loss.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations. Classification as a discontinued operation occurs upon the earlier of disposal or when the operation meets the criteria to be classified as held for sale. Discontinued operations are separately recognised in the annual financial statements once management has made a commitment to discontinue the operation without a realistic possibility of withdrawal. The comparative income statement and comparative statement of comprehensive income are restated as if the operation had been discontinued from the start of the comparative period.

Provisions

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

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating losses are not provided for.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established the Group recognises any impairment loss on the assets associated with that contract.

Revenue

Sales

Sales revenue comprises the fair value of the consideration received or receivable for the sale of goods, revenue recognised on construction contracts, and for other services rendered in the course of the Group's operating activities. Sales revenue excludes value added tax (VAT), goods and services tax (GST), and rebates and discounts. Sales within the Group are eliminated. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer. Revenue for services rendered is recognised as services are rendered. Revenue for services rendered includes commission, which is stated separately. Revenue is not recognised when it cannot be measured reliably or where there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods, or continuing management involvement with the goods delivered or services rendered.

The recognition of revenue on construction contracts is detailed in the accounting policy regarding that activity.

Interest received

Interest received is recognised on a time proportion basis using the effective interest rate method.

Dividends received

Dividends are recognised when the right to receive payment is established; with the exception of dividends on preference share investments which are recognised on a time proportion basis, using the effective interest rate method, in the period to which they relate.

Cost of sales

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

Employee benefits

Employee benefits expense

All short term employee benefit expenses such as salaries, bonuses, allowances, leave pay entitlement and medical aid and other contributions are measured and recognised in full on an undiscounted basis in profit or loss in the period in which the employees render the related services. Termination costs are recognised in full on an undiscounted basis in profit or loss when the commitment to the termination plan is made. Dividends declared by the Company and received by the ELB Participants Share Trust and thereafter distributed to participants are classified as employee benefits expense; as are dividends on Company shares allocated to participants by the ELB Share Incentive Trust, but which are not yet paid up and remain under the control of the Trust.

Retirement benefits

The Group provides a defined contribution retirement plan and a defined benefit retirement plan (now closed to new entrants), the assets of which are held in separate funds, for the benefit of employees. The Group's contributions to the plans are recognised as an expense in the period to which they relate.

A defined contribution retirement plan is a post employment benefit plan under which an entity pays contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

A defined benefit retirement plan is a post employment benefit plan other than a defined contribution retirement plan. The Group's net obligation in respect of the defined benefit retirement plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and past periods. The benefit is discounted to its present value. Any unrecognised past service costs and the fair value of the plan assets are deducted. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the defined benefit retirement plan is in surplus, which is the position currently, and in the absence of imminent circumstances likely to eliminate the surplus, the Group would usually recognise no additional costs other than contributions. The Group applies the corridor method for recognising actuarial gains or losses in respect of the defined benefit retirement plan. There has been no spreading and the full gain or loss in excess of the corridor is recognised in each reporting period.

Share based payment transactions

Equity settled share options

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

Leases

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

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

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

Abnormal items

Abnormal items are items of income and expense whose size, nature or incidence do not occur in the normal day to day operations of the Group and are necessary for separate classification so as to give a meaningful presentation of the operating performance of the Group.

Interest paid

Interest paid comprises interest paid on borrowings calculated on the principal outstanding and using the effective interest rate method.

Borrowing costs

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

Income tax

Income tax expense or credit on the profit or loss for the period comprises payable and deferred income tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, where such income tax is accordingly also so recognised. Payable income tax comprises income tax calculated on the basis of the expected taxable income for the period, using the income tax rates based on the laws that have been enacted or substantively enacted by the reporting date, and which are applicable for the period; and any adjustments of income tax payable for prior periods. When an adjustment in respect of a prior period arises from an error and is sufficiently material so as to misrepresent the results for the reporting period, then such error is treated in accordance with the accounting policy on prior period errors.

Deferred income tax is determined using the balance sheet method and is measured at the income tax rates based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax is recognised on taxable and deductible temporary differences, unutilised secondary tax on companies (STC) credits, other income tax credits and income tax losses carried forward. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their income tax bases. Deferred income tax is not recognised for the following temporary differences:

– the initial recognition of goodwill;

– the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither the accounting profit nor the taxable income; and

– temporary differences associated with investments in subsidiaries, joint ventures and branches where the entity is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The income tax rates applicable to temporary differences are those income tax rates, described above, that are expected to be applied to the temporary differences when they reverse.

The effect on deferred income tax of any changes in income tax rates is recognised in profit or loss, except where it relates to items previously charged or credited to other comprehensive income or directly to equity through the statement of changes in equity where the deferred income tax effects are accordingly also so recognised. Deferred income tax assets are recognised to the extent that it is probable that future taxable income will be available against which unused income tax credits, income tax losses carried forward and deductible temporary differences can be recovered. Deferred income tax assets are reduced to the extent that it is no longer probable that the related income tax benefits will be realised. Deferred income tax liabilities are amounts of income taxes payable in future periods in respect of taxable temporary differences.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right of offset and where the deferred income tax relates to the same fiscal authority with the same taxable entity.

Headline earnings

Headline earnings comprise the net profit attributable to ordinary shareholders of the Company after adjusting for profit or loss on the disposal of plant and equipment and material income and expense items excluded from headline earnings in accordance with The South African Institute of Chartered Accountants' circular 3 of 2009 on headline earnings.

Earnings per ordinary share and headline earnings per ordinary share

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

Dividends paid and payable

Dividends declared to equity holders are included in the statement of changes in equity in the period in which they are declared. STC expenses and STC credits are recognised in profit or loss in the period in which the dividends are declared.

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues (including revenues and expenses relating to transactions with other components of the Group) and for which discrete financial information is available. The operating results and financial information of the Group's segments is reported to the Group's chief operating decision maker, to assess the performance of the segments and to make decisions regarding resources to be allocated to the segments.

Inter segmental transactions, where applicable, are made on an arms length basis.

The Group's format for segment reporting is based on operating segments and is representative of the internal structure used for management reporting. The Group reports its segments based on the location of its operating activities. Segment reports are made on operations in Africa and operations in Australia.

Accounting standards, amendments and interpretations in issue but not yet effective

Certain new standards and amendments and interpretations to existing standards have been published that are mandatory but not effective for the Group annual financial statements, and which the Group has not early adopted. These standards will not have a material effect on the Group annual financial statements.

IFRS 9 – Financial instruments
Effective for financial periods commencing on or after 1 January 2013. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39 – Financial instruments: recognition and measurement. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012. Although having a minimal present effect for the Group, the new standard could simplify future classifications and measurements.

IAS 24 – Related party disclosures
Effective for financial periods commencing on or after 1 January 2011. This standard clarifies and simplifies the definition of a related party.

Other new standards, amendments and interpretations not yet effective will not have a significant effect on the Group annual financial statements. Those applicable to the Group are:

IFRS 7 – Financial instruments: disclosure
IAS 1 – Presentation of financial statements

Balance sheets

at 30 June 2010

	Note	Group 2010 R 000	Group 2009 R 000	Company 2010 R 000	Company 2009 R 000
ASSETS					
Non current assets					
Property, plant and equipment	1	**62 158**	39 617	**–**	–
Interest in subsidiaries	2			**121 458**	137 854
Non current loans receivable	4	**3 951**	3 469	**54 620**	26 551
Deferred income tax assets	8.1	**13 924**	16 802	**56**	372
		80 033	59 888	**176 134**	164 777
Current assets					
Construction contract work not yet billed	9	**34 141**	30 209	**–**	–
Inventories	10	**277 887**	342 870	**–**	–
Trade and other receivables	11	**183 428**	143 936	**4 132**	2 050
Derivative financial assets	12	**1 974**	–	**–**	–
Income tax refundable		**8 905**	1 597	**278**	258
Other current assets	13	**16 586**	7 251	**–**	30
Non current assets held for sale	14	**87**	598	**704**	3 496
Cash and cash equivalents	15	**352 145**	290 289	**62**	61
		875 153	816 750	**5 176**	5 895
Total assets		**955 186**	876 638	**181 310**	170 672
EQUITY AND LIABILITIES					
Equity attributable to ordinary shareholders of the Company					
Issued capital	16.3	**25 192**	25 192	**25 192**	25 192
Treasury shares	5 & 16.4	**(55 123)**	(31 161)		
Reserves	18	**13 580**	902	**10 033**	6 855
Retained earnings		**334 685**	296 263	**145 288**	137 920
		318 334	291 196	**180 513**	169 967
Preference shares	17	**8**	8	**8**	8
Total equity attributable to equity holders of the Company		**318 342**	291 204	**180 521**	169 975
Non controlling interests in subsidiaries		**35 738**	27 759		
Total equity		**354 080**	318 963	**180 521**	169 975
Non current liabilities					
Interest bearing borrowings	19	**10 543**	7 606	**–**	–
Provision for trade back commitments	20	**10 097**	11 107	**–**	–
Deferred income tax liabilities	8.2	**942**	620	**–**	–
		21 582	19 333	**–**	–
Current liabilities					
Construction contract liabilities	9	**161 739**	104 495	**–**	–
Trade and other payables - non interest bearing	21	**273 796**	216 120	**572**	574
Trade and other payables - interest bearing	22	**99 075**	150 158	**–**	–
Other financial liabilities	23	**85**	11 949	**–**	–
Provision for trade back commitments - current portion	20	**1 813**	942	**–**	–
Income tax payable		**538**	9 169	**–**	–
Other current liabilities	24	**42 478**	45 509	**217**	123
		579 524	538 342	**789**	697
Total equity and liabilities		**955 186**	876 638	**181 310**	170 672

Income statements

for the year ended 30 June 2010

	Note	Group 2010 R 000	Group 2009 R 000	Company 2010 R 000	Company 2009 R 000
Sales	26	**1 241 323**	1 245 817	**636**	660
Operating costs excluding depreciation	27	**(1 157 413)**	(1 170 147)	**3 365**	(7 414)
Operating profit / (loss) before depreciation		**83 910**	75 670	**4 001**	(6 754)
Depreciation	1	**(4 837)**	(5 108)	**–**	–
Profit / (loss) from operations		**79 073**	70 562	**4 001**	(6 754)
Profit / (loss) on realisation of non current assets held for sale	14	**3 609**	4 232	**1 134**	(533)
Finance income	34	**11 894**	27 953	**1 850**	3 636
Finance expenses	35	**(5 162)**	(9 717)	**(11)**	(13)
Dividends received from subsidiary				**12 062**	11 109
Profit before income tax		**89 414**	93 030	**19 036**	7 445
Income tax expense	36	**(26 974)**	(29 562)	**(833)**	(1 339)
Profit for the year		**62 440**	63 468	**18 203**	6 106
Profit for the year attributable to:					
Ordinary shareholders of the Company		**54 789**	55 526	**18 203**	6 106
Non controlling interests in subsidiaries		**7 651**	7 942		
		62 440	63 468	**18 203**	6 106
Earnings per ordinary share (cents)					
Basic earnings per ordinary share	39	**209.9**	204.7		
Diluted earnings per ordinary share	39	**209.9**	204.7		

Details of headline earnings and headline earnings per ordinary share are included in notes 38 and 39

Details of dividends declared and paid on the ordinary shares are included in note 40

Statements of comprehensive income

for the year ended 30 June 2010

	Note	Group 2010 R 000	Group 2009 R 000	Company 2010 R 000	Company 2009 R 000
Profit for the year		**62 440**	63 468	**18 203**	6 106
Other comprehensive income					
Foreign currency translation adjustments for foreign operations					
Adjustments	42.1	**2 330**	(14 927)		
Income tax effect		**–**	–		
Total other comprehensive income		**2 330**	(14 927)	–	–
Total comprehensive income for the year		**64 770**	48 541	**18 203**	6 106
Total comprehensive income for the year attributable to:					
Ordinary shareholders of the Company		**56 769**	42 838	**18 203**	6 106
Non controlling interests in subsidiaries		**8 001**	5 703		
		64 770	48 541	**18 203**	6 106

Statements of changes in equity

for the year ended 30 June 2010

Group

	Note	Issued capital R 000	Treasury shares R 000	Reserves R 000	Retained earnings R 000	**Total R 000**	Pref-erence shares R 000	Minority interests in subsidiaries R 000	**Total equity R 000**
		Attributable to ordinary shareholders of the Company							
Balance at 30 June 2008		25 192	(24 758)	9 163	254 251	**263 848**	8	21 710	**285 566**
Comprehensive income for the year									
Profit for the year					55 526	**55 526**		7 942	**63 468**
Other comprehensive income									
Foreign currency translation adjustments for foreign entities									
Adjustments	42.1			(12 688)		**(12 688)**		(2 239)	**(14 927)**
Income tax effect				–		**–**		–	**–**
Total comprehensive income for the year				(12 688)	55 526	**42 838**		5 703	**48 541**
Ordinary dividends paid	40				(13 514)	**(13 514)**		(435)	**(13 949)**
Increase in share options reserve	31			4 427		**4 427**		781	**5 208**
Increase in treasury shares held									
ELB Share Incentive Trust	42.9		(6 403)			**(6 403)**			**(6 403)**
Balance at 30 June 2009		25 192	(31 161)	902	296 263	**291 196**	8	27 759	**318 963**
Comprehensive income for the year									
Profit for the year					54 789	**54 789**		7 651	**62 440**
Other comprehensive income									
Foreign currency translation adjustments for foreign entities									
Adjustments	42.1			1 980		**1 980**		350	**2 330**
Income tax effect				–		**–**		–	**–**
Total comprehensive income for the year				1 980	54 789	**56 769**		8 001	**64 770**
Ordinary dividends paid	40				(8 371)	**(8 371)**		(498)	**(8 869)**
Increase in share options reserve	31			2 702		**2 702**		476	**3 178**
Redundant items in the foreign currency translation reserve transferred to retained earnings				7 996	(7 996)	**–**		–	**–**
Increase in treasury shares held									
ELB Share Incentive Trust	42.9		(15 431)			**(15 431)**			**(15 431)**
ELB Participants Share Trust	42.9		(8 531)			**(8 531)**			**(8 531)**
Balance at 30 June 2010		25 192	(55 123)	13 580	334 685	**318 334**	8	35 738	**354 080**

Statements of changes in equity

for the year ended 30 June 2010 (continued)

Company

	Note	Issued capital R 000	Reserves R 000	Retained earnings R 000	Total R 000	Pref-erence shares R 000	Total equity R 000
		Attributable to ordinary shareholders					
Balance at 30 June 2008		25 192	1 647	148 744	**175 583**	8	**175 591**
Comprehensive income for the year							
Profit for the year				6 106	**6 106**		**6 106**
Total comprehensive income for the year				6 106	**6 106**		**6 106**
Ordinary dividends paid	40			(16 930)	**(16 930)**		**(16 930)**
Increase in share options reserve	31		5 208		**5 208**		**5 208**
Balance at 30 June 2009		25 192	6 855	137 920	**169 967**	8	**169 975**
Comprehensive income for the year							
Profit for the year				18 203	**18 203**		**18 203**
Total comprehensive income for the year				18 203	**18 203**		**18 203**
Ordinary dividends paid	40			(10 835)	**(10 835)**		**(10 835)**
Increase in share options reserve	31		3 178		**3 178**		**3 178**
Balance at 30 June 2010		25 192	10 033	145 288	**180 513**	8	**180 521**

Cash flow statements

for the year ended 30 June 2010

	Note	Group 2010 R 000	Group 2009 R 000	Company 2010 R 000	Company 2009 R 000
Cash flows from operating activities					
Operating profit / (loss) before depreciation		**83 910**	75 670	**4 001**	(6 754)
Deduct: Foreign currency exchange adjustments to cash and cash equivalents included in net operating costs in the income statement but reflected as an adjustment to cash and cash equivalents in the cash flow statement	42.2	**4 676**	(2 777)	**–**	–
		79 234	78 447	**4 001**	(6 754)
Non cash adjustments	42.3	**2 794**	8 832	**(6 198)**	5 052
Changes in working capital	42.4	**60 697**	(44 459)	**2 160**	5 081
Profit / (loss) on realisation of non current assets held for sale	14	**3 609**	4 232	**1 134**	(533)
Provision for trade back commitments					
Costs charged against the provision	20	**(265)**	(338)	**–**	–
Cash inflow from operating activities before interest, dividends received and income tax		**146 069**	46 714	**1 097**	2 846
Interest received	34	**11 658**	27 385	**1 850**	3 636
Interest paid	35	**(4 617)**	(9 010)	**(11)**	(13)
Dividends received from subsidiary				**12 062**	11 109
Income tax paid	42.5	**(39 627)**	(52 216)	**(537)**	(2 978)
Cash inflow from operating activities before dividends paid		**113 483**	12 873	**14 461**	14 600
Dividends paid					
Ordinary shareholders	42.6	**(8 371)**	(13 514)	**(10 835)**	(16 930)
Non controlling shareholders in subsidiaries		**(498)**	(435)		
Cash inflow / (outflow) from operating activities (A)		**104 614**	(1 076)	**3 626**	(2 330)
Cash flows from investment activities					
Additions and improvements to property	1	**(18 247)**	(836)	**–**	–
Acquisition of interest in aircraft	1	**(3 866)**	–		
Net purchases of plant and equipment	42.7	**(4 948)**	(3 147)	–	–
Decrease in amounts owing by subsidiaries				**19 919**	8 773
Cash (outflow) / inflow from investment activities (B)		**(27 061)**	(3 983)	**19 919**	8 773
Cash flows from financing activities					
(Increase) / decrease in non current loan receivable	42.8	**(534)**	807	**–**	–
Increase in non current loans to the share trusts				**(23 544)**	(6 472)
Increase / (decrease) in non current borrowings on mortgage bonds		**2 483**	(2 158)	**–**	–
Increase / (decrease in non current borrowings on finance leases		**464**	(110)	**–**	–
Decrease in funding by ordinary shareholders	42.9	**(23 962)**	(6 403)	**–**	–
Cash outflow from financing activities (C)		**(21 549)**	(7 864)	**(23 544)**	(6 472)
Cash inflow / (outflow) for the year (A + B + C)		**56 004**	(12 923)	**1**	(29)
Foreign currency exchange and translation adjustments to cash and cash equivalents	42.2	**5 852**	(12 022)		
Increase / (decrease) in cash and cash equivalents		**61 856**	(24 945)	**1**	(29)
Cash and cash equivalents at the beginning of the year		**290 289**	315 234	**61**	90
Cash and cash equivalents at the end of the year		**352 145**	290 289	**62**	61
Reconciliation to the balance sheet					
Current assets - cash and cash equivalents		**352 145**	290 289	**62**	61

1 Property, plant and equipment

Group

	Property R 000	Aircraft R 000	Plant and machinery R 000	Vehicles R 000	Office furniture and equipment R 000	Computer equipment R 000	Total R 000
2009							
Carrying amounts at the beginning of the year	30 179	–	2 129	6 565	1 027	1 920	41 820
Additions	836	–	565	1 744	702	421	4 268
Depreciation	(882)	–	(565)	(2 254)	(356)	(1 051)	(5 108)
Disposals at carrying amounts	–	–	(2)	(192)	(5)	(399)	(598)
Foreign currency translation adjustments	–	–	(71)	(593)	(23)	(78)	(765)
Carrying amounts at the end of the year	30 133	–	2 056	5 270	1 345	813	39 617
Cost	33 013	–	4 704	13 121	3 256	6 323	60 417
Accumulated depreciation	(2 880)	–	(2 648)	(7 851)	(1 911)	(5 510)	(20 800)
Carrying amounts as above	30 133	–	2 056	5 270	1 345	813	39 617
2010							
Carrying amounts at the beginning of the year	**30 133**	**–**	**2 056**	**5 270**	**1 345**	**813**	**39 617**
Additions	**18 247**	**3 866**	**363**	**3 060**	**693**	**1 344**	**27 573**
Depreciation	**(993)**	**–**	**(575)**	**(2 212)**	**(421)**	**(636)**	**(4 837)**
Fair value adjustments	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Disposals at carrying amounts	**–**	**–**	**(58)**	**(208)**	**(14)**	**(7)**	**(287)**
Foreign currency translation adjustments	**–**	**–**	**12**	**73**	**(1)**	**8**	**92**
Carrying amounts at the end of the year	**47 387**	**3 866**	**1 798**	**5 983**	**1 602**	**1 522**	**62 158**
Cost	**51 259**	**3 866**	**3 944**	**14 800**	**3 503**	**6 194**	**83 566**
Accumulated depreciation	**(3 872)**	**–**	**(2 146)**	**(8 817)**	**(1 901)**	**(4 672)**	**(21 408)**
Fair value adjustments	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Carrying amounts as above	**47 387**	**3 866**	**1 798**	**5 983**	**1 602**	**1 522**	**62 158**

The aircraft is owned by a joint venture in which the Group has a 34% proportionate share. The amounts for the aircraft reported above are the Group's proportionate share. The aircraft is not depreciated but is stated at its fair value at each balance sheet date.

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

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 2010 is R12 497 000 (2009 - R10 759 000).

Properties with carrying amounts totalling R44 528 000 (2009 - R27 169 000) have been encumbered as security for mortgage bonds, and vehicles with carrying amounts totalling R890 000 (2009 - R359 000) have been secured in terms of finance lease and credit instalment agreements. Refer to note 19.

Capital commitments

	Contracted or ordered R 000	Authorised but not yet contracted or ordered R 000	**Total 2010 R 000**	Total 2009 R 000
Property				
Additions to existing properties	8 845	1 678	**10 523**	18 137
Purchase of additional property	–	–	**–**	5 200
Additions to additional property	–	–	**–**	500
Vehicles	192	–	**192**	–
Office furniture and equipment	9	–	**9**	–
	9 046	1 678	**10 724**	23 837

The commitment of R201 000 for purchases of vehicles and office furniture and equipment will be funded from available cash and cash equivalents. The commitment of R10 523 000 for additions to existing properties will be funded by draw downs on current mortgage bonds over such properties.

Notes to the annual financial statements

for the year ended 30 June 2010 (continued)

2 Interest in subsidiaries

	Company 2010 R 000	Company 2009 R 000
Ordinary shares		
Cost	**2**	2
Equity based share options	**9 783**	6 605
	9 785	6 607
Preference shares	**90 000**	90 000
	99 785	96 607
Loans to subsidiaries	**87 183**	107 102
Impairment	**(65 510)**	(65 855)
Carrying amount	**21 673**	41 247
Total carrying amount	**121 458**	137 854

Additional details are given on page 67.

3 Joint ventures

The Company's 85% held subsidiary, ELB Engineering Limited, has the following indirect interests in joint ventures:

Ditch Witch Australia Pty Limited - 84,21053% (2009 - 84,21053%)
ELB Flying Services - 34% (2009 - nil)
ELB PBA Engineering Solutions (Pty) Limited - 50% (2009 - 50%)
Ports of Africa (Pty) Limited - 50% (2009 - 50%)

Proportionate share of joint venture operations included in the Group annual financial statements

	Group 2010 R 000	Group 2009 R 000
Sales	**111 090**	130 329
Profit before income tax	**6 253**	13 668
Property, plant and equipment	**7 541**	3 249
Current assets	**79 391**	73 938
Total assets	**86 932**	77 187
Long term liabilities	**455**	–
Current liabilities	**30 157**	28 837
Total liabilities	**30 612**	28 837
Net assets	**56 320**	48 350
Cash inflow / (outflow):		
Operations	**6 983**	4 917
Distributions paid	**(4 001)**	(13 051)
Investment activities	**(5 259)**	(398)
Financing activities	**465**	(464)
	(1 812)	(8 996)

Additional information on joint ventures is given on page 67.

	Note	Group 2010 R 000	Group 2009 R 000

4 Non current loans receivable

4.1 Non current loan receivable arising from the sale of ELB Timber Products (Pty) Limited

	Note	2010 R 000	2009 R 000
Carrying amount at the beginning of the year		**4 843**	4 842
Repayments		**(500)**	(500)
Interest receivable		**534**	193
Effective interest rate adjustment	34	**236**	568
Impairment		**(260)**	(260)
Carrying amount at the end of the year		**4 853**	4 843
Current portion included in trade and other receivables	11	**(902)**	(1 374)
Non current amount receivable		**3 951**	3 469

The actual transactional statement of the loan is given below together with a listing of the non transactional IFRS adjustments.

	2010 R 000	2009 R 000
Actual amount receivable at the beginning of the year	**5 693**	6 000
Repayments	**(500)**	(500)
Interest receivable	**534**	193
Actual amount receivable at the end of the year	**5 727**	5 693
Non transactional cumulative IFRS adjustments		
Present value adjustment (at start of loan)	**(1 158)**	(1 158)
Effective interest rate adjustment	**804**	568
Impairment	**(520)**	(260)
IFRS carrying amount at the end of the year as above	**4 853**	4 843
Actual current portion of actual amount receivable	**1 000**	1 500

The loan is repayable in tranches of R1 million at six month intervals ending in October 2011 in terms of the agreement. Repayments of the loan continued to fall behind the repayments schedule stipulated in the agreement, in the year ended 30 June 2010, indicating further impairment of the loan during the year. Accordingly the expected future cash flows were reassessed. The reassessment considered prevailing economic conditions affecting the loan repayments. A further impairment resulted from the exercise. Emphasis is being placed on accelerating the loan repayments, especially as the economic situation improves. If achieved, accelerated loan repayments will result in a reduction of the accumulated impairment loss.

Interest at 6% per annum compounded monthly accrues on the actual balance outstanding. For purposes of arriving at a fair value of the loan at its commencement an effective interest rate of 15% per annum was used. This effective interest rate was a market related rate for similar type loans. Interest is recognised at the effective interest rate in accordance with IFRS requirements, and this necessitates an effective interest rate adjustment to the actual interest receivable. The higher effective interest rate over the actual interest rate on the loan gave rise to a negative present value adjustment at the commencement of the loan.

The shares in and loan receivable from ELB Timber Products (Pty) Limited (ETP) acquired by the purchaser on the sale of ETP, have been ceded to a subsidiary of the Company as security for due performance in terms of the agreement of sale. The Company is also entitled to representation on the board of ETP.

The ELB name may be retained in the name of ETP and also in the trading name, ELB Timbers, until the settlement of the obligations by the purchaser in terms of the agreement of sale, whereupon the name ELB shall be removed from the names of ETP and ELB Timbers.

Refer also to note 25.

4 Non current loans receivable (continued)

4.2 Loans to the group share trusts

	Note	Company 2010 R 000	Company 2009 R 000
ELB Participants Share Trust	6	**29 279**	20 748
ELB Share Incentive Trust	7	**25 390**	10 407
Gross amounts		**54 669**	31 155
Impairment of the ELB Share Incentive Trust		**(35)**	(4 560)
		54 634	26 595
Current portion of the ELB Share Incentive Trust loan receivable included in trade and other receivables	11	**(14)**	(44)
		54 620	26 551

The underlying securities of the loans to the two Trusts are ordinary shares in the Company, which are under the control of the Trusts.

5 Treasury shares

	Note	Group 2010 R 000	Group 2009 R 000
ELB Participants Share Trust			
Amount receivable from the Trust, equal to the investment by the Trust in ordinary shares of the Company	4.2 & 16.4	**29 279**	20 748
ELB Share Incentive Trust			
Amount receivable from the Trust	4.2	**25 390**	10 407
Loan repayments made by the Trust from dividends received on ELB shares held in its own name, for later issue to participants in terms of the share incentive scheme operated by the Trust		**454**	–
Amount owing by the Trust to participants		**–**	6
Amount representing loans by the Trust to participants, and the cost of shares held by the Trust and available for issue to participants	16.4	**25 844**	10 413
Treasury shares as reflected for the Group	16.4	**55 123**	31 161

Refer also to notes 6 and 7.

6 ELB Participants Share Trust

The Trust was established to enable employees and executive directors (collectively '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 has been made to the Trust enabling the Trust to acquire ordinary share in the Company to achieve the purpose outlined above. The loan has no fixed terms of repayment. The loan amount at 30 June 2010 was R29 279 000 (2009 - R20 747 963) and the number of ELB shares held by the Trust at 30 June 2010 was 6 772 000 (2009 - 5 870 650).

7 ELB Share Incentive Trust

The Trust was established to enable employees and executive directors (collectively 'the participants') to acquire ordinary shares in the Company. The loan to the Trust is interest free and has no fixed terms of repayment. The loans granted by the Trust to the participants are correspondingly also interest free. The trustees of the share incentive scheme may not release shares until paid for in full.

		Number of shares	
	Note	**2010**	2009
Scheme share participations			
Scheme shares at the beginning of the year	16.2	**971 748**	532 488
Shares purchased in the open market during the year	16.2	**1 497 283**	520 000
Shares paid for in full during the year	16.2	**(127 300)**	(80 740)
Scheme shares at the end of the year		**2 341 731**	971 748

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

After one year	– up to 10% of the loan
After two years	– up to 25% of the loan
After three years	– up to 45% of the loan
After four years	– up to 70% of the loan
After five years	– up to 100% of the loan

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

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

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

	Note	Group 2010 R 000	Group 2009 R 000	Company 2010 R 000	Company 2009 R 000
8 Deferred income tax					
Income tax rates used in the determination of deferred income tax assets and deferred income tax liabilities are:					
South African income tax – 28% (2009 - 28%)					
South African secondary tax on companies (STC) – 10% (2009 - 10%)					
Australian income tax – 30% (2009 - 30%)					
Amount of estimated income tax losses at the year end not included in deferred income tax assets or deferred income tax liabilities	36	**1 211**	1 294	**–**	–
8.1 Deferred income tax assets					
Analysis					
Temporary differences					
Aircraft		**(53)**	–	**–**	–
Plant and equipment		**(136)**	(81)	**–**	–
Construction contract work not yet billed		**(4 271)**	(1 425)	**–**	–
Inventories		**1 983**	1 593	**–**	–
Client retentions on construction contracts		**(78)**	(614)	**–**	–
Receivables and other assets		**1 251**	1 159	**–**	–
Prepaid expenses		**(307)**	(213)	**–**	–
Non current assets held for sale		**–**	–	**–**	372
Provision for trade back commitments		**3 335**	3 374	**–**	–
Construction contract liabilities		**3 989**	3 570	**–**	–
Accrual for anticipated costs related to sales of goods		**1 213**	541	**–**	–
Leave pay accrued		**2 425**	2 216	**–**	–
Other employee benefits accrued		**1 902**	1 963	**–**	–
Warranties		**1 830**	2 148	**–**	–
Other payables and liabilities		**323**	2 044	**–**	–
Secondary tax on companies (STC) credit	36	**518**	526	**56**	–
Income tax losses carried forward		**–**	1	**–**	–
		13 924	16 802	**56**	372
Movement for the year					
Balance at the beginning of the year		**16 802**	13 656	**372**	109
Transfer from deferred income tax liabilities	8.2	**–**	(138)	**–**	–
Income tax (credit) / expense	36	**(2 980)**	3 975	**(316)**	263
Foreign currency translation adjustments		**102**	(691)	**–**	–
Balance at the end of the year		**13 924**	16 802	**56**	372
8.2 Deferred income tax liabilities					
Analysis					
Temporary differences					
Property		**1 190**	971		
Aircraft		**1**	–		
Income tax losses carried forward		**(249)**	(351)		
		942	620		
Movement for the year					
Balance at the beginning of year		**620**	430		
Transfer to deferred income tax assets	8.1	**–**	(138)		
Income tax expense	36	**322**	328		
Balance at the end of the year		**942**	620		

	Note	Group 2010 R 000	Group 2009 R 000	Company 2010 R 000	Company 2009 R 000
9 Construction contracts					
Construction contract liabilities					
The amount shown separately under current liabilities in the balance sheet comprises:					
Provisions relevant to completion to date		**4 780**	2 191	**–**	–
Billings to clients in advance of completion to date		**156 959**	102 304	**–**	–
		161 739	104 495	**–**	–
Construction contracts additional information					
Revenue recognised for the year on construction contracts	26	**608 970**	485 552	**–**	–
At the year end, for construction contracts not yet complete, the aggregate amount of costs incurred and recognised profits, less recognised losses, amounted to		**1 414 553**	851 867	**–**	–
Costs incurred on construction contracts, plus profits recognised, and not yet included in billings to clients at the year end, recorded separately under current assets in the balance sheet as construction contract work not yet billed, totalled		**34 141**	30 209	**–**	–
Amount receivable from construction contract clients at the year end	11	**144 036**	100 633	**–**	–
Retentions held by clients at the year end and included in the amount receivable from construction contract clients		**279**	2 195	**–**	–
10 Inventories					
Merchandise and components		**71 684**	67 194	**–**	–
Work in progress		**13 592**	13 294	**–**	–
Finished goods		**192 611**	262 382	**–**	–
		277 887	342 870	**–**	–
Inventories recognised as an expense in the year		**465 129**	543 044	**–**	–
Inventories recognised as an expense includes:					
Write down of inventories to net realisable value		**2 120**	15 503	**–**	–

Notes to the annual financial statements

for the year ended 30 June 2010 (continued)

	Note	Group 2010 R 000	Group 2009 R 000	Company 2010 R 000	Company 2009 R 000
11 Trade and other receivables					
Amounts receivable from construction contract clients	9	**144 036**	100 633	**–**	–
Impairment of construction contract receivables		**(180)**	(414)	**–**	–
Other trade receivables		**37 243**	42 582	**–**	–
Impairment of other trade receivables		**(4 297)**	(3 520)	**–**	–
Total trade receivables		**176 802**	139 281	**–**	–
Current portion of non current loan receivable	4.1	**902**	1 374	**–**	–
Amount receivable from the realisation of non current assets held for sale		**4 100**	2 000	**4 100**	2 000
Other current receivables		**2 607**	1 740	**8**	–
Impairment of other current receivables		**(983)**	(459)	**–**	–
Amounts receivable from the group share trusts					
Current portion of non current loans receivable	4.2			**14**	44
Current account				**10**	6
		183 428	143 936	**4 132**	2 050

Trade receivables

	Group 2010 R 000	Group 2009 R 000
Amounts receivable	**181 279**	143 215
Impairment	**(4 477)**	(3 934)
Total trade receivables as above	**176 802**	139 281
Currency analysis		
South African Rands	**171 022**	132 923
Australian Dollars	**8 350**	10 292
Euros	**1 464**	–
Mocambique Meticais	**397**	–
United States Dollars	**46**	–
	181 279	143 215
Ageing		
Not past due	**136 420**	65 277
Past due 0 - 30 days	**9 453**	43 916
Past due 30 - 60 days	**5 359**	5 311
Past due 60 - 90 days	**1 524**	2 072
Past due more than 90 days	**28 523**	26 639
	181 279	143 215
Ageing after impairment allocation		
Not past due	**135 171**	64 608
Past due 0 - 30 days	**9 289**	43 511
Past due 30 - 60 days	**4 552**	5 054
Past due 60 - 90 days	**559**	1 708
Past due more than 90 days	**27 231**	24 400
	176 802	139 281
Impairment		
Balance at the beginning of the year	**3 934**	2 723
Additional impairments		
Specific customers and clients	**3 041**	2 799
Non specific	**–**	270
Reversals of impairments		
Specific customers and clients	**(1 695)**	(1 107)
Non specific	**(135)**	–
Impairments applied to irrecoverable amounts	**(689)**	(721)
Foreign currency translation adjustments	**21**	(30)
Balance at the end of the year	**4 477**	3 934
Impairments to specific customers and clients	**3 915**	3 251
Non specific impairments	**562**	683
	4 477	3 934

The management of credit risk is outlined in the notes on financial risk management. 44.5

Other current receivables above include an amount of R108 869 being the balance of a loan made by a group company to a director of that company. The loan bears interest at the prime lending rate and is repayable by a series of deductions emanating from performance bonuses, incentive scheme dividends and leave bonuses at a rate of 100% of each activity; as well as by additional cash repayments by the director. The loan is due for full repayment by the end of November 2010.

	Group 2010 R 000	Group 2009 R 000	Company 2010 R 000	Company 2009 R 000
12 Derivative financial assets				
Foreign currency forward exchange contracts (FECs) marked to market by comparing with year end contract values of FECs with similar maturity dates	**1 974**	–	**–**	–
13 Other current assets				
Taxes refundable (excluding income tax)	**7 414**	5 509	**–**	30
Prepaid expenses	**9 172**	1 723	**–**	–
Other	**–**	19	**–**	–
	16 586	7 251	**–**	30

14 Non current assets held for sale

The non current assets held for sale consist of property, referred to as the Lydenburg property. The property was transferred at market value to the Company in May 2008 from a subsidiary which was then sold. The property originally comprised four erven. During the year ended 30 June 2009 two erven were sold and a further erf was sold in the year ended 30 June 2010. The remaining unsold erf at 30 June 2010 is vacant land.

The property is carried by the Group at its original cost and by the Company at fair value less costs to sell.

	Group 2010 R 000	Group 2009 R 000	Company 2010 R 000	Company 2009 R 000
Property held for sale				
Carrying amount at the beginning of the year	**598**	1 291	**3 496**	10 036
Reverse opening adjustment to fair value less costs to sell	**–**	–	**1 328**	390
Cost of erven sold during the year	**(511)**	(693)	**(4 120)**	(5 602)
Raise closing adjustment to fair value less costs to sell	**–**	–	**–**	(1 328)
Carrying amount at the end of the year	**87**	598	**704**	3 496
Erf / erven sold during the year:				
Selling price	**4 400**	5 000	**4 400**	5 000
Cost as above	**(511)**	(693)	**(4 120)**	(5 602)
Selling expenses	**(280)**	(75)	**(280)**	(75)
Profit / (loss) on sale	**3 609**	4 232	**–**	(677)
Reverse opening adjustment to fair value less costs to sell applicable to the erf / erven sold	**–**	–	**1 134**	144
Profit / (loss) on sale according to IFRS	**3 609**	4 232	**1 134**	(533)
Adjustment to fair value less costs to sell:				
Reverse opening adjustment as above	**–**	–	**1 328**	390
Opening adjustment applicable to the erf/erven sold	**–**	–	**(1 134)**	(144)
Raise closing adjustment as above	**–**	–	**–**	(1 328)
Adjustment for the year according to IFRS	**–**	–	**194**	(1 082)
15 Cash and cash equivalents				
Short term cash deposits, bank balances and cash on hand	**352 145**	290 289	**62**	61
Encumbered cash and cash equivalents				
Included in cash and cash equivalents are the following encumbered cash deposits:				
Call and term cash deposits with a South African bank, ceded and pledged to that bank to cover import letters of credit issued by the bank on behalf of the South African equipment operation	**32 000**	39 000	**–**	–
Cash deposits with an insurance company as a guarantee for due performance under certain construction contracts	**39 240**	–	**–**	–
	71 240	39 000	**–**	–

16 Ordinary share capital and premium

	Note	Group 2010 R 000	Group 2009 R 000	Company 2010 R 000	Company 2009 R 000
16.1 Authorised ordinary share capital					
50 000 000 ordinary shares of 4 cents each		**2 000**	2 000	**2 000**	2 000

	Note	Group 2010 Number	Group 2009 Number	Company 2010 Number	Company 2009 Number
16.2 Number of ordinary shares in issue					
Number of shares in issue at the beginning of the year					
Issued by the Company		**33 860 000**	33 860 000	**33 860 000**	33 860 000
Treasury shares					
ELB Participants Share Trust	6	**(5 870 650)**	(5 870 650)		
ELB Share Incentive Trust	7	**(971 748)**	(532 488)		
		27 017 602	27 456 862	**33 860 000**	33 860 000
Transactions of the ELB Participants Share Trust					
Shares purchased by the Trust in the open market	6	**(901 350)**	–		
Transactions of the ELB Share Incentive Trust					
Shares purchased by the Trust in the open market	7	**(1 497 283)**	(520 000)		
Incentive scheme shares paid up by participants and released by the Trust	7	**127 300**	80 740		
Number of shares in issue at the end of the year		**24 746 269**	27 017 602	**33 860 000**	33 860 000

	Note	Group 2010 R 000	Group 2009 R 000	Company 2010 R 000	Company 2009 R 000
16.3 Issued ordinary shares and premium					
33 860 000 (2009 – 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
16.4 Treasury shares					
Shares under the control of:					
ELB Participants Share Trust	5	**(29 279)**	(20 748)		
ELB Share Incentive Trust	5	**(25 844)**	(10 413)		
		(55 123)	(31 161)		
Treasury shares increase during the year	42.9	**(23 962)**	(6 403)		

16.5 Authority to issue 5% of the unissued ordinary shares for purposes of the Company's share incentive scheme

An ordinary resolution at the annual general meeting held on 19 November 2007 placed 5% of the authorised ordinary shares of the Company under the control of the directors as a general authority in terms of the South African Companies Act, and authorised the directors to allot and issue such ordinary shares in the Company upon the terms and conditions as determined by the rules of the Company's share incentive scheme, subject to the provisions of the South African Companies Act, the articles of association of the Company and the listings requirements for the Johannesburg Stock Exchange.

16.6 Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor and market confidence and to sustain future development of the business. The board of directors monitors the spread of shareholders, the level of dividends to shareholders and return on capital. The Group defines return on capital as the ratio of headline earnings to the average equity attributable to the ordinary shareholders of the Company, expressed as a percentage. The Group's target is to achieve a return on capital of 20 percent per annum. In 2010 the return was 16,7% per annum (2009 - 18,5% per annum).

	Note	Group 2010 R 000	Group 2009 R 000	Company 2010 R 000	Company 2009 R 000
17 Preference shares					
Authorised					
150 000 (2009 - 150 000) 6% fixed cumulative redeemable preference shares of 200 cents each		**300**	300	**300**	300
Issued					
3 800 (2009 - 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 earnings of the Company which would otherwise have been available for distribution as dividends to the ordinary shareholders.	18				
18 Reserves					
Capital redemption reserves		**742**	742	**242**	242
Reserve for redemption of preference shares	17	**8**	8	**8**	8
Share options reserve		**8 316**	5 614	**9 783**	6 605
Premium on buy out of non controlling interest in subsidiary		**(853)**	(853)		
Foreign currency translation reserve		**5 367**	(4 609)	**–**	–
		13 580	902	**10 033**	6 855
19 Non current borrowings					
Interest bearing					
Mortgage bonds secured over properties with carrying amounts totalling R44 528 000 (2009 - R27 169 000)		**12 200**	10 049	**–**	–
Finance lease and credit instalment agreements secured over vehicles with carrying amounts totalling R890 000 (2009 - R359 000)		**786**	75	**–**	–
		12 986	10 124	**–**	–
Current portion included in trade and other payables – interest bearing	22	**(2 443)**	(2 518)	**–**	–
Non current portion		**10 543**	7 606	**–**	–
The interest rates, terms and maturity profiles of the interest bearing borrowings are indicated in the note on liquidity risk.	44.4				

	Note	Group 2010 R 000	Group 2009 R 000	Company 2010 R 000	Company 2009 R 000
20 Provision for trade back commitments					
Balance at the beginning of the year		**12 049**	8 629	**–**	–
Additional provisions		**468**	4 016	**–**	–
Unused provisions reversed		**(887)**	(965)	**–**	–
Net (increase) / reduction of sales revenue		**(419)**	3 051	**–**	–
Utilised during the year		**(265)**	(338)	**–**	–
Unwinding of present value adjustments	35	**545**	707	**–**	–
Balance at the end of the year		**11 910**	12 049	**–**	–
Current portion included in current liabilities		**(1 813)**	(942)	**–**	–
Non current portion included in non current liabilities		**10 097**	11 107	**–**	–

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

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

	Note	Group 2010 R 000	Group 2009 R 000	Company 2010 R 000	Company 2009 R 000
21 Trade and other payables - non interest bearing					
Trade payables		**220 613**	161 399	**–**	–
Other payables		**53 183**	54 721	**572**	574
		273 796	216 120	**572**	574
22 Trade and other payables - interest bearing					
Interest bearing trade payables		**96 632**	147 640	**–**	–
Current portion of interest bearing non current borrowings	19	**2 443**	2 518	**–**	–
		99 075	150 158	**–**	–
The interest rates, terms and maturity profiles of the interest bearing trade and other payables are indicated in the note on liquidity risk.	44.4				
23 Other financial liabilities					
Derivative financial liabilities					
Foreign currency forward exchange contracts (FECs) marked to market by comparing with year end contract values of FECs with similar maturity dates		**–**	11 879	**–**	–
Financial guarantee liability					
Financial guarantee issued to the supplier of a former subsidiary, which has since been sold; measured initially at the present value, over the expected life of the guarantee, of the estimated commercial bank fees for a guarantee of similar risk; with subsequent amortisation over such expected life	25	**85**	70	**–**	–
		85	11 949	**–**	–

	Group		Company	
	2010	2009	**2010**	2009
	R 000	R 000	**R 000**	R 000
24 Other current liabilities				
Taxes payable (excluding income tax)	**10 378**	10 539	**137**	123
Amounts payable under employee benefit plans	**22 638**	19 279	**–**	–
Insurance premiums and insurance claims excess accrued	**592**	522	**–**	–
Other accruals	**8 870**	15 169	**80**	–
	42 478	45 509	**217**	123

25 Contingent liabilities

Group

A group entity has issued a guarantee of R830 000 in favour of a raw material supplier to ELB Timber Products (Pty) Limited, a former indirect subsidiary which has now been sold. The guarantee is cancellable by three calendar months notice. A financial guarantee liability of R85 000 has been accrued in respect of the guarantee. Refer also to notes 4.1 and 23.

The Company's indirect subsidiary, ELB Engineering Services (Pty) Limited, operates in the engineering contracting business and is exposed to the risks associated with engineering contracts. These risks are managed on the basis of limited liability.

All known liabilities of the Group have been accrued. However a contractual dispute has arisen that the directors believe will be unlikely to result in a material loss.

Notes to the annual financial statements

for the year ended 30 June 2010

	Note	Group 2010 R 000	Group 2009 R 000	Company 2010 R 000	Company 2009 R 000
26 Sales					
Sale of goods		**631 645**	758 049	**–**	–
Revenue recognised on construction contracts		**608 970**	485 552	**–**	–
Services - external		**234**	479	**–**	–
- inter company				**636**	660
Commission		**474**	1 737	**–**	–
		1 241 323	1 245 817	**636**	660
27 Operating costs					
Cost of sales		**965 905**	974 012	**–**	–
Other operating costs / (income)		**191 508**	196 135	**(3 365)**	7 414
		1 157 413	1 170 147	**(3 365)**	7 414
Operating costs include the following items of expense / (income):					
Inventories recognised as an expense	10	**465 129**	543 044	**–**	–
Research and development expenditure		**785**	3 103	**–**	–
(Profit) / loss on disposal of plant and equipment		**(225)**	313	**–**	–
Auditors remuneration – annual audit		**2 693**	2 266	**33**	213
– other services		**283**	330	**–**	–
Auditors expenses		**25**	20	**–**	–
Administration and technical services		**6 595**	6 844	**73**	102
Net operating lease expenses – premises		**7 278**	6 561	**–**	–
– equipment		**321**	216	**–**	–
There are no contingent rents payable under any operating leases					
Details of future minimum lease expenses and income is given in note 28					
Trade and other receivables adjustments	29	**3 027**	2 150	**–**	–
Foreign currency exchange adjustments (excluding foreign currency translation adjustments for foreign entities, disclosed in the Group statement of comprehensive income and the Group statement of changes in equity)	30	**(10 041)**	20 437	**–**	–
Employee benefits expense	31	**168 692**	156 628	**421**	354
(Decrease) / increase in impairments of non current loans receivable (these two intra group adjustments are eliminated in the Group consolidation)					
ELB Share Incentive Trust				**(4 525)**	4 560
ELB Timber Holdings (Pty) Limited				**(345)**	(446)
Non current assets held for sale adjusted to fair value less costs to sell (this item is eliminated in the Group consolidation)	14			**(194)**	1 082

Notes to the annual financial statements

for the year ended 30 June 2010 (continued)

	Note	Group 2010 R 000	Group 2009 R 000	Company 2010 R 000	Company 2009 R 000
28 Future minimum operating lease expenses / (income)					
Future minimum lease expenses / (income) at 30 June 2010 under non cancellable operating leases comprise:					
Payments under lease agreements:					
Not later than one year		**7 250**	4 811	**–**	–
Later than one year and not later than five years		**8 651**	1 692	**–**	–
Later than five years		**–**	–	**–**	–
Minimum future sub lease receipts		**–**	–	**–**	–
IAS 17 straight line adjustments		**(150)**	(207)	**–**	–
There are no contingent rents payable under any operating leases					
29 Trade and other receivables adjustments					
Net amounts written off		**1 702**	886	**–**	–
Increase in impairments		**1 325**	1 264	**–**	–
Net expense		**3 027**	2 150	**–**	–
30 Foreign currency exchange adjustments - loss / (gain)					
(excluding foreign currency translation adjustments for foreign entities, disclosed in the Group statement of comprehensive income and the Group statement of changes in equity)					
Trade and other receivables		**119**	55	**–**	–
Trade and other payables		**8 370**	8 283	**–**	–
Foreign currency forward exchange contracts (FECs)		**(13 854)**	9 322	**–**	–
Cash and cash equivalents held by group entities in currencies other than their functional currencies		**(4 676)**	2 777	**–**	–
		(10 041)	20 437	**–**	–
31 Employee benefits expense					
Short term benefits		**157 015**	144 732	**417**	350
Post employment benefits					
Retirement fund contributions	32	**9 108**	9 254	**–**	–
Total direct benefits		**166 123**	153 986	**417**	350
Indirect benefits		**2 569**	2 642	**4**	4
Total employee benefits expense		**168 692**	156 628	**421**	354
Number of employees at the end of the financial year		**412**	406	**3**	3

	Note	Group 2010 R 000	2009 R 000
31 Employee benefits expense (continued)			
Dividends on treasury shares included in short term employee benefits expense		**2 009**	3 047
Dividends on treasury shares comprise:			
Dividends received by the ELB Participants Share Trust and passed on to participants	6		
Dividends received by participants on shares allocated to them and not yet paid for and for which loans have been granted by the ELB Share Incentive Trust	7		

In terms of the ELB Share Incentive Trust schemes, the directors may direct the trustees to offer shares or grant options in respect of shares to specified employees and executive directors. The maximum number of shares which may be issued or transferred or options that may be granted is limited to 3 500 000 shares, of which 1 235 400 shares or options were available for issue at 30 June 2010 (2009 – 1 108 100).

Share option schemes (equity settled)

Participants are entitled to exercise their options as follows:
After one year - up to 20% of the shares
After two years - up to 40% of the shares
After three years - up to 60% of the shares
After four years - up to 80% of the shares
After five years - up to 100% of the shares
If an option is not exercised within ten years from the grant date it will lapse.

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

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

Details of outstanding share options at 30 June 2010 were:

Expiry date	Date granted	Exercise price (cents)	Number of options Granted	Exercised	Lapsed	Outstanding
March 2018	March 2008	1,250	2 100 000	–	–	2 100 000
September 2018	September 2008	1,250	115 000	–	–	115 000
			2 215 000	–	–	2 215 000

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

	Number of options 2010	2009
Outstanding at the beginning of the year	**2 100 000**	2 100 000
Granted during the year	**–**	115 000
Outstanding at the end of the year	**2 215 000**	2 215 000

	Group 2010 R 000	2009 R 000
Equity settled share options expense recognised in profit or loss and included in short term employee benefits expense	**3 178**	5 208

The fair value of the share options granted is determined at grant date using the binomial option pricing model. Inputs to the model include the market price of the underlying shares at the grant date, the expected option lifetime, the projected volatility of the share price, the anticipated dividend yield, the risk free interest rate and the assumed employee attrition. The grant date fair value of the options are:

Options granted in March 2008:
Options that vested in March 2009 – 554 cents per option
Options that vested in March 2010 – 593 cents per option
Options that vest in March 2011 – 618 cents per option
Options that vest in March 2012 – 631 cents per option
Options that vest in March 2013 – 635 cents per option

Options granted in September 2008:
Options that vested in September 2009 – 554 cents per option
Options that vest in September 2010 – 593 cents per option
Options that vest in September 2011 – 618 cents per option
Options that vest in September 2012 – 631 cents per option
Options that vest in September 2013 – 635 cents per option

The weighted average exercise price of the share options is 1 250 cents. Assuming no attrition and that the market price per share will remain above the exercise price such that the participants exercise their options within a month of each vesting date, the weighted average future contractual life of the share options at 30 June 2010 is fifteen months.

32 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 governed by 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. The last actuarial valuation was performed in January 2010.The actuaries also perform a valuation at each year end in terms of the requirements of IAS 19. At the last valuation in June 2010 the fund was in a sound financial position.

In respect of the local defined benefit pension fund, which is in a positive funded status, no assets have been recognised by the Company or its subsidiaries. The disclosure given below of the funded status is for reporting purposes only, and does not necessarily indicate any assets available to the Company or its subsidiaries.

			Group		
	2010	2009	2008	2007	2006
	R 000	R 000	R 000	R 000	R 000
Valuation of the defined benefit pension fund					
Fair value of fund assets (see below)	**122 486**	110 089	128 998	137 645	111 489
Deduct: Present value of funded obligation (see below)	**115 183**	103 889	122 672	129 172	88 527
Surplus	**7 303**	6 200	6 326	8 473	22 962
Fair value of fund assets					
Fair value at the beginning of the year	**110 089**	128 998	137 645	111 489	95 602
Contributions	**203**	221	209	213	269
Expected return	**10 611**	12 368	11 305	9 077	7 663
Benefit payments	**(8 153)**	(10 864)	(9 505)	(9 607)	(11 169)
Expected fair value at the end of the year	**112 750**	130 723	139 654	111 172	92 365
Actuarial gain / (loss)	**9 736**	(20 634)	(10 656)	26 473	19 124
Actual fair value at the end of the year	**122 486**	110 089	128 998	137 645	111 489
Present value of funded obligation					
Present value at the beginning of the year	**103 889**	122 672	129 172	88 527	84 858
Service cost	**431**	448	280	267	302
Interest cost	**9 002**	10 572	9 965	6 709	6 354
Benefit payments	**(8 153)**	(10 864)	(9 505)	(9 607)	(11 169)
Expected present value at the end of the year	**105 169**	122 828	129 912	85 896	80 345
Actuarial loss / (gain)	**10 014**	(18 939)	(7 240)	43 276	8 182
Actual present value at the end of the year	**115 183**	103 889	122 672	129 172	88 527
Fund amendments	**None**	None	None	None	None
Actual return on fund assets – amount	**20 347**	(8 266)	649	35 550	26 787
– percentage	**19,2%**	(6,7)%	0,5%	28,9%	23,7%

32 Post employment benefits (continued)

Retirement (continued)

The South African Pension Funds Act of 1956 as amended precludes the Group from accessing a share of the surplus unless application so to do is lodged with the Financial Services Board. The Group has not lodged such application and the Group appointed trustees of the fund have indicated that the Group has no intention of accessing any portion of the surplus. Accordingly no amount of the surplus has 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 in surplus there has been no need to recognise any costs other than contributions.

	Group				
	2010	2009	2008	2007	2006
Principal actuarial assumptions used in the valuations					
Discount rate	**9%**	9%	9%	8%	8%
Expected return on plan assets	**10%**	10%	10%	8,5%	8,5%
Consideration has been given to the rate of return currently being earned and the rates of return expected to be available for reinvestment over the future period until maturity of the pension benefits.					
Future salary increases	**7%**	7%	7,5%	6%	6%
Future pension increases	**6%**	6%	6,5%	3,75%	3,75%
Employer contributions recognised in profit or loss	**R 000**	R 000	R 000	R 000	R 000
Contributions by group companies on behalf of members:					
Defined benefit funds	**205**	184	192	189	177
Defined contribution funds	**8 903**	9 070	7 965	7 119	5 652
	9 108	9 254	8 157	7 308	5 829

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 employee benefits expense disclosed in note 31. Contributions by group companies on behalf of members to defined benefit funds in the financial year ending on 30 June 2011 is expected to be approximately R219 000.

Medical

The Group currently pays a subsidy of R37 000 per annum in respect of three retired members of the ELB Group Limited Pension Fund. The subsidy, over the life expectancy of the three members, has been fully accrued in the balance sheet. Apart from this subsidy, the Group carries no obligations in respect of post employment medical expenses.

33 Directors' remuneration

	Short term benefits								
	Salaries R 000	Fees R 000	Performance bonuses R 000	Allowances R 000	Dividends on treasury shares (a) R 000	Imputed for income tax purposes (b) R 000	Medical aid contributions R 000	Retirement fund contributions R 000	**Total R 000**
Detail for 2010									
Executive directors									
PJ Blunden	1 538	–	595	192	191	–	63	288	**2 867**
AG Fletcher	2 301	–	–	139	127	–	90	–	**2 657**
Dr SJ Meijers	1 528	–	700	209	194	25	48	158	**2 862**
MV Ramollo	621	92	–	–	–	–	68	72	**853**
	5 988	92	1 295	540	512	25	269	518	**9 239**
Non executive directors									
T de Bruyn	–	158	–	–	–	–	–	–	**158**
Dr JP Herselman	–	167	–	–	–	–	–	–	**167**
	–	325	–	–	–	–	–	–	**325**
	5 988	417	1 295	540	512	25	269	518	**9 564**
Paid by the Company		417							**417**
Paid by subsidiaries	5 988		1 295	540			269	518	**8 610**
Paid by the share trusts					512				**512**
Imputed for income tax purposes						25			**25**
	5 988	417	1 295	540	512	25	269	518	**9 564**
Detail for 2009									
Executive directors									
PJ Blunden	1 314	–	595	192	296	–	64	350	**2 811**
AG Fletcher	2 116	–	–	139	197	–	66	–	**2 518**
Dr SJ Meijers	1 465	–	–	196	202	20	40	147	**2 070**
MV Ramollo	591	85	–	–	–	–	42	68	**786**
	5 486	85	595	527	695	20	212	565	**8 185**
Non executive directors									
T de Bruyn	–	145	–	–	–	–	–	–	**145**
Dr JP Herselman	–	145	–	–	–	–	–	–	**145**
TJ Matsau (c)	–	60	–	–	–	–	–	–	**60**
	–	350	–	–	–	–	–	–	**350**
Total	5 486	435	595	527	695	20	212	565	**8 535**
Paid by the Company		350							**350**
Paid by subsidiaries	5 486	85	595	527			212	565	**7 470**
Paid by the share trusts					695				**695**
Imputed for income tax purposes						20			**20**
	5 486	435	595	527	695	20	212	565	**8 535**

(a) Dividends on treasury shares comprise participation in ELB dividends through the ELB Participants Share Trust, and dividends on shares allocated but not yet paid for in the ELB Share Incentive Trust. Details on the operations of the two Trusts are presented in notes 6 and 7.

(b) Amounts imputed for income tax purposes comprise imputed interest on the unpaid balances of interest free loans granted by the ELB Share Incentive Trust in respect of incentive shares allocated to participants; and imputed benefits on the vesting of such incentive shares. These amounts are not recorded as expenses of the Group or the Company. Dr SJ Meijers was allocated 9 900 scheme shares at 825 cents per share by the ELB Share Incentive Trust on 6 February 2007. An interest free loan of R81 675 was granted to Dr Meijers by the Trust as a result of the allocation. No repayment on the loan had been made by Dr Meijers by 30 June 2010. In the remuneration statement above, R19 202 is the imputed interest benefit and R5 826 the imputed vesting benefit, giving a total amount imputed for income tax purposes of R25 428. The 2009 amount consists of imputed interest only. Refer to note 7 for details on the operation of the scheme.

(c) Mr TJ Matsau was appointed to the board on 8 July 2008 and resigned on 1 September 2009.

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.

33 Directors' remuneration (continued)

Directors' share options

Details regarding the share option scheme are contained in note 31.

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

	Date granted	Exercise price (cents)	Number of options Granted	Exercised	Lapsed	Outstanding
PJ Blunden	March 2008	1 250	500 000	–	–	500 000
Dr SJ Meijers	March 2008	1 250	500 000	–	–	500 000
MV Ramollo	March 2008	1 250	75 000	–	–	75 000
			1 075 000	–	–	1 075 000

There were no changes in the number of share options held by directors during the year.

	Group 2010 R 000	Group 2009 R 000
Portion of the equity settled share option expense relating to directors recognised in profit or loss	**1 515**	2 553

Key management personnel

All key management personnel in the Group are directors of the Company, and therefore no additional disclosure to that given above for directors is applicable.

	Note	Group 2010 R 000	Group 2009 R 000	Company 2010 R 000	Company 2009 R 000
34 Finance income					
Interest received on financial assets					
External		**11 658**	27 385	**204**	–
Inter company				**1 646**	3 636
Effective interest rate adjustment on a financial asset	4.1	**236**	568	**–**	–
		11 894	27 953	**1 850**	3 636
35 Finance expenses					
Interest paid on financial liabilities		**4 617**	9 010	**11**	13
Unwinding of present value adjustments on provision for trade back commitments	20	**545**	707	**–**	–
		5 162	9 717	**11**	13

36 Income tax expense / (credit)

	Note	Group 2010 R 000	Group 2009 R 000	Company 2010 R 000	Company 2009 R 000
South African income tax					
Current year					
Payable		**20 881**	28 015	**366**	633
Secondary tax on companies (STC)		**1 125**	1 877	**151**	969
Deferred		**3 570**	(4 249)	**316**	(263)
Prior years					
Payable		**(136)**	(524)	**–**	–
Deferred		**(85)**	446	**–**	–
Foreign income tax					
Current year					
Payable		**1 801**	3 838	**–**	–
Deferred		**(183)**	163	**–**	–
Prior years					
Payable		**1**	3	**–**	–
Deferred		**–**	(7)	**–**	–
		26 974	29 562	**833**	1 339
Payable income tax		**23 672**	33 209	**517**	1 602
Deferred income tax		**3 302**	(3 647)	**316**	(263)
		26 974	29 562	**833**	1 339
Deferred income tax for the year is accounted for as follows:					
Decrease / (increase) in deferred income tax assets	8.1	**2 980**	(3 975)	**316**	(263)
Increase in deferred income tax liabilities	8.2	**322**	328	**–**	–
		3 302	(3 647)	**316**	(263)

Reconciliation of the rate of income tax		**%**	%	**%**	%
Income tax as a percentage of profit or loss before tax		**30**	32	**4**	18
(Increase) / decrease in tax rate arising from:					
Secondary tax on companies (STC)		**(1)**	(2)	**(1)**	(13)
Dividends received from subsidiary				**18**	42
Other non taxable income, non deductible expenses, incentives and foreign tax differentials		**(1)**	(2)	**7**	(19)
Standard income tax rate		**28**	28	**28**	28

Other income tax information	Note	**R 000**	R 000	**R 000**	R 000
Estimated income tax losses at the year end to be carried forward		**2 102**	2 552	**–**	–
Amount of the above income tax losses that have not not been included in deferred income tax assets or deferred income tax liabilities	8	**1 211**	1 294	**–**	–
Secondary tax on companies (STC) credit available at the year end for set off against STC on future dividends of the Company. The STC credit is included in deferred income tax assets.	8.1	**518**	526	**56**	–

Notes to the annual financial statements

for the year ended 30 June 2010 (continued)

37 Taxed profits and losses of subsidiaries

The interest of the Company for the year ended 30 June 2010 in the aggregate after tax profits of subsidiaries amounted to R53 821 000 (2009 - R55 298 000) and in the aggregate losses to R883 000 (2009 - R1 207 000).

38 Headline earnings

	Note		Group 2010 R 000		2009 R 000
Calculation of headline earnings					
Profit attributable to ordinary shareholders of the Company per the income statement			**54 789**		55 526
Deduct: Items excluded from headline earnings:					
Profit / (loss) on disposal of plant and equipment:					
Amount included in operating profit	27	**225**		(313)	
Income tax effect		**(63)**		87	
Non controlling interests		**(24)**		34	
			138		(192)
Profit on realisation of non current assets held for sale:					
Profit before tax	14	**3 609**		4 232	
Income tax effect		**–**		190	
			3 609		4 422
			3 747		4 230
Headline earnings			**51 042**		51 296

Refer also to the segment information in note 45

39 Earnings per ordinary share

	Note	Group 2010	Group 2009
Weighted average number of ordinary shares in issue during the year			
Issued ordinary shares at the beginning and end of the year		**33 860 000**	33 860 000
Effect of treasury shares under the control of the trusts		**(7 758 983)**	(6 732 040)
Weighted average number of ordinary shares in issue for basic earnings per share calculations		**26 101 017**	27 127 960
Effect of outstanding share options		**–**	–
Weighted average number of ordinary shares in issue for diluted earnings per share calculations.		**26 101 017**	27 127 960
		Cents	Cents
Earnings per share attributable to ordinary shareholders of the Company			
Earnings per share calculated on the profit for the year attributable to ordinary shareholders of ELB Group Limited of R54 789 000 (2009 - R55 526 000). Refer to the income statement.			
Basic		**209.9**	204.7
Diluted		**209.9**	204.7
Headline earnings per ordinary share			
Headline earnings per ordinary share calculated on headline earnings of R51 042 000 (2009 - R51 296 000).	38		
Basic		**195.6**	189.1
Diluted		**195.6**	189.1

40 Dividends paid on the ordinary shares

	Cents per share	Final dividend in respect of previous year's earnings - number of shares	Interim dividend in respect of current year's earnings - number of shares	Final dividend in respect of previous year's earnings R 000	Interim dividend in respect of current year's earnings R 000	Total R 000
Year ended 30 June 2009						
Final dividend relating to earnings for the 2008 financial year	40	33 860 000		13 544		13 544
Interim dividend relating to earnings for the 2009 financial year	10		33 860 000		3 386	3 386
Dividends paid disclosed by the Company	50	33 860 000	33 860 000	13 544	3 386	16 930
Dividends on treasury shares		(6 829 598)	(6 842 398)	(2 732)	(684)	(3 416)
Dividends paid disclosed by the Group		27 030 402	27 017 602	10 812	2 702	13 514
Year ended 30 June 2010						
Final dividend in respect of the previous year's earnings paid 26 October 2009	**20**	**33 860 000**		**6 772**		**6 772**
Interim dividend in respect of the current year's earnings paid 10 May 2010	**12**		**33 860 000**		**4 063**	**4 063**
Dividends paid disclosed by the Company	**32**	**33 860 000**	**33 860 000**	**6 772**	**4 063**	**10 835**
Dividends on treasury shares		**(6 846 554)**	**(9 120 531)**	**(1 369)**	**(1 095)**	**(2 464)**
Dividends paid disclosed by the Group		**27 013 446**	**24 739 469**	**5 403**	**2 968**	**8 371**

A final dividend of 30 cents per ordinary share in repect of the current year's earnings, amounting to R10 158 000 on the total 33 860 000 ordinary shares in issue at the date of declaration, was declared on 21 September 2010 and is payable on 1 November 2010 (2009 - 20 cents per ordinary share on 33 860 000 ordinary shares amounting to R6 772 000). Secondary tax on companies (STC) of R1 015 800 (2009 - R677 200) will be payable on the dividend, against which an STC credit of R517,675 (2009 - R525 808) is available in respect of dividends paid by a subsidiary. Neither the final dividend nor the tax thereon has been accrued by the Company or the Group in these annual financial statements. The STC credit available is included in full in the the deferred tax assets of the Group. The Company accrues that portion of any STC credit that is carried forward from its last dividend cycle before the year end. At 30 June 2010 this amounted to R55 666.

Together with the interim dividend of 12 (2009 - 10) cents per ordinary share the total dividends in respect of the current financial year's earnings amount to 42 (2009 - 30) cents per ordinary share.

41 Dividends on 6% preference shares

The dividends for the year on the 6% preference shares of R2 each amount to R456 (2009 - R456).

	Note	Group 2010 R 000	2009 R 000
42 Notes to the cash flow statements			
42.1 Foreign currency translation adjustments for foreign entities for the year			
Foreign currency translation adjustments for foreign entities for the year reported in the Group statement of comprehensive income and the Group statement of changes in equity		**2 330**	(14 927)
The allocation of the foreign currency translation adjustment for the year to the external assets and external liabilities of the foreign entities is as follows:			
Plant and equipment	1	**92**	(765)
Deferred tax asset	8.1	**102**	(691)
Income tax account	42.5	**(16)**	341
Non current liabiliities		**10**	17
Working capital	42.4	**966**	(4 584)
Cash and cash equivalents	42.2	**1 176**	(9 245)
		2 330	(14 927)

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

The above detailed analysis of the foreign currency translation adjustments for foreign entities for the year has been performed for the first time in this financial year. The analysis enhances compliance with IAS 7.

In the 2009 annual financial statements the translation adjustment for cash and cash equivalents was reflected in the cash flow statement as an adjustment to the cash and cash equivalent balances. The other components of the foreign currency translation adjustments were reported as a cash flow item under operating activities.

Comparative amounts have been restated.

42 Notes to the cash flow statements (continued)

42.2 Foreign currency exchange and translation adjustments to cash and cash equivalents

	Note	Group 2010 R 000	Group 2009 R 000
Foreign currency exchange adjustments to cash and cash equivalents held by operating entities in currencies other than the functional currency of the entities, reported in the income statement	30	**4 676**	(2 777)
Foreign currency translation adjustments for foreign entities for the year, reported in the Group statement of comprehensive income and the Group statement of changes in equity	42.1	**1 176**	(9 245)
Foreign currency translation and exchange adjustments to cash and cash equivalents as reported in the cash flow statement		**5 852**	(12 022)

The foreign currency exchange adjustments to cash and cash equivalents held by operating entities in currencies other than their functional currency has been reported as above for the first time in this financial year. Previously the amount was included in the operating profit before depreciation in the cash flows from operating activities. The amended reporting treatment improves compliance with IAS 7.

Comparative amounts have been restated.

42.3 Non cash adjustments

	Note	Group 2010 R 000	Group 2009 R 000	Company 2010 R 000	Company 2009 R 000
(Profit) / loss on disposal of plant and equipment	27	**(225)**	313	**–**	–
(Decrease) / increase in impairment of loans					
ELB Share Incentive Trust	27			**(4 525)**	4 560
ELB Timber Holdings (Pty) Limited	27			**(345)**	(446)
Non current loan receivable	4.1	**260**	260		
Non current assets held for sale - adjustment to fair value less costs to sell					
Reverse opening adjustment	14	–	–	(1 328)	(390)
Raise closing adjustment	14	–	–	–	1 328
Provision for trade back commitments					
Net (increase) / reduction of sales revenue	20	**(419)**	3 051	**–**	–
Share options expense recognised		**3 178**	5 208	**–**	–
		2 794	8 832	**(6 198)**	5 052

42 Notes to the cash flow statements (continued)

		Group		Company	
	Note	**2010 R 000**	2009 R 000	**2010 R 000**	2009 R 000
42.4 Changes in working capital					
Increase in construction contract work not yet billed		**(3 932)**	(5 234)	**–**	–
Decrease in inventories		**66 491**	5 328	**–**	–
Increase in trade and other receivables		**(39 076)**	(72 130)	**(2 082)**	(1 943)
Increase in derivative financial assets		**(1 974)**			
(Increase) / decrease in other current assets		**(9 316)**	7 896	**30**	1 412
Decrease in non current assets held for sale		**511**	693	**4 120**	5 602
Increase in construction contract liabilities		**57 244**	76 704	**–**	–
Increase / (decrease) in trade and other payables - non interest bearing		**56 869**	(627)	**(2)**	(2)
Decrease in trade and other payables - interest bearing		**(51 080)**	(78 480)	**–**	–
(Decrease) / increase in other financial liabilities		**(11 864)**	9 391	**–**	–
(Decrease) / increase in other current liabilities		**(3 176)**	12 000	**94**	12
		60 697	(44 459)	**2 160**	5 081
Net foreign currency translation adjustments for foreign entities for working capital allocated to and included in the individual components of working capital above	42.1	**966**	(4 584)		
42.5 Income tax paid					
Balances at the beginning of the year					
Income tax refundable		**1 597**	160	**258**	–
Income tax payable		**(9 169)**	(27 080)	**–**	(1 118)
Payable income tax expense for the year	36	**(23 672)**	(33 209)	**(517)**	(1 602)
Foreign currency translation adjustments for foreign operations	42.1	**(16)**	341		
Balances at the end of the year					
Income tax recoverable		**(8 905)**	(1 597)	**(278)**	(258)
Income tax payable		**538**	9 169	**–**	–
		(39 627)	(52 216)	**(537)**	(2 978)
42.6 Dividends paid to ordinary shareholders					
Dividends declared and paid in the year					
Final in respect of the previous year's earnings	40	**(5 403)**	(10 812)	**(6 772)**	(13 544)
Interim in respect of the current year's earnings	40	**(2 968)**	(2 702)	**(4 063)**	(3 386)
		(8 371)	(13 514)	**(10 835)**	(16 930)
42.7 Net purchases of plant and equipment					
Purchases at cost					
Plant and machinery	1	**(363)**	(565)	**–**	–
Vehicles	1	**(3 060)**	(1 744)	**–**	–
Office furniture and equipment	1	**(693)**	(702)	**–**	–
Computer equipment	1	**(1 344)**	(421)	**–**	–
		(5 460)	(3 432)	**–**	–
Proceeds on disposals		**512**	285	**–**	–
		(4 948)	(3 147)	**–**	–

42 Notes to the cash flow statements (continued)

	Note	Group 2010 R 000	Group 2009 R 000
42.8 (Increase) / decrease in non current loan receivable			
Repayments during the year	4.1	**500**	500
Interest receivable on the loan for the year	4.1	**(534)**	(193)
(Decrease) / increase in amount allocated to current portion, before discounting	4.1	**(500)**	500
		(534)	807
42.9 Funding by ordinary shareholders			
Treasury shares			
ELB Share Incentive Trust			
ELB shares purchased by the Trust in the open market		(15 810)	(6 657)
ELB shares paid up by participants and released by the Trust		384	249
Adjustments to participants loan accounts		(5)	5
		(15 431)	(6 403)
ELB Participants Share Trust			
ELB shares purchased by the Trust in the open market		(8 531)	–
	16.4	(23 962)	(6 403)

43 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 and long term inter company loans bear interest at market rates. The loan by the Company to its wholly owned subsidiary, ELB Timber Holdings (Pty) Limited (ETH), is interest free.

A former subsidiary of ETH, ELB Timber Products (Pty) Limited (ETP), was sold on credit to the chief executive officer of ETP with effect from 31 May 2008.
Details of the consequent loan are reported in note 4.1.

Directors remuneration is reported in note 33.

Material transactions of the Company with its subsidiaries are:
- Management and administration services rendered to indirect subsidiary, ELB Equipment Holdings Limited - reported in note 26.
- Loans to subsidiaries - reported in note 2 and on page 67.

The Group has entered into a joint venture partnership together with an executive director of the Company and another to acquire and operate an aircraft. The Group's interest in the joint venture is 34%. Group companies will from time to time charter the aircraft on an arm's length basis.

Information on joint venture operations is contained in note 3, and the principal group entities are listed on page 67.

44 Financial risk management

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

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

44 Financial risk management (continued)

44.1 Financial instruments

At 30 June 2010 the following financial instruments were held:

		Group		Company	
		2010	2009	**2010**	2009
	Note	**R 000**	R 000	**R 000**	R 000
Financial assets					
Loan receivable at fair value					
Non current loan receivable	4.1	**3 951**	3 469	**–**	–
Loans and receivables at amortised cost					
Loans to the group share trusts	4.2			**54 620**	26 551
Trade and other receivables	11	**183 428**	143 936	**4 132**	2 050
Financial assets held for trading					
Derivative financial assets	12	**1 974**		**–**	
Cash and cash equivalents	15	**352 145**	290 289	**62**	61
Total financial assets		**541 498**	437 694	**58 814**	28 662
Financial liabilities					
Financial liabilities at amortised cost					
Non current interest bearing borrowings	19	**10 543**	7 606	**–**	–
Trade and other payables					
Non interest bearing	21	**273 796**	216 120	**572**	574
Interest bearing	22	**99 075**	150 158	**–**	–
Financial guarantee liability	23	**85**	70	**–**	–
Financial liabilities held for trading					
Derivative financial liabilities	23	**–**	11 879	**–**	–
Total financial liabilities		**383 499**	385 833	**572**	574
Fair value hierarchy of financial instruments measured at fair value through profit or loss					
Level one		**–**	–	**–**	–
Level two					
Derivative financial assets					
Foreign currency forward exchange contracts	12	**1 974**	–	**–**	–
Derivative financial liabilities					
Foreign currency forward exchange contracts	23	**–**	11 879	**–**	–
Level three		**–**	–	**–**	–
Non current loan receivable	4.1	**3 951**	3 469	**–**	–

IFRS 7 in paragraph 27A classifies the fair value hierarchy as follows:
level one: fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
level two: fair value measurements derived from inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices); and
level three: fair value measurements derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of financial instruments

The carrying amounts of financial instruments are either at fair value based on the methods and assumptions for determining fair value as stated in the accounting policies or at values which approximate fair value based on the nature or maturity period of the financial instrument.

The fair value of non current loans and receivables is estimated as the present value of future cash flows discounted at the market rate of interest at the balance sheet date. Trade and other receivables have not been discounted on account of their short term nature.

Non current interest bearing borrowings comprise mainly mortgage bonds at market related floating rates of interest, and therefore the fair value is insignificantly different to the carrying amount. Trade and other payables have not been discounted because of their short term nature. The financial guarantee liability has been measured initially at the present value, over the expected life of the guarantee, of the estimated commercial bank fees for a guarantee with similar risk; with subsequent amortisation over such expected life. Derivative financial assets and liabilities consist of foreign currency forward exchange contracts (FECs) where the fair value is established by comparing with year end contract values of FECs with similar maturity dates.

44 Financial risk management (continued)

44.2 Foreign currency management

The Group incurs currency risk as a result of purchases, sales and borrowings that are denominated in a currency other than the Group's functional currency. The currencies in which the Group deals primarily are United States Dollars, Euros, Japanese Yen, British Pounds, Australian Dollars and Mocambique Meticais.

In the South African equipment operation, unless the customer has accepted the currency risk, all imports into South Africa of equipment relating to specific customer orders are covered by foreign currency forward exchange contracts (FECs). Equipment imports not yet paid for are covered by FECs as soon as customer orders are obtained except, as before, where the customer is carrying the currency risk. When exchange rates are considered to be particularly favourable, management may cover by FECs certain equipment imports not yet paid for and not yet subject to customer orders.

Significant other trading transactions are usually covered by FECs.

At 30 June 2010 the Group had the following uncovered foreign currency denominated amounts in the balance sheets of its South African operations.

	2010 **R 000**	2009 R 000
Current assets		
Trade receivables		
United States Dollars	**46**	–
Euros	**1 464**	–
Mocambique Meticais	**397**	–
Cash and cash equivalents		
United States Dollars	**1 245**	42 720
Euros	**773**	15
British Pounds	**30**	–
Mocambique Meticais	**1 678**	–
Angolan Kwanzas	**1**	–
Namibian Dollars	**1**	–
Zambian Kwachas	**1**	–
	5 636	42 735
Current liabilities		
Trade payables - non interest bearing		
United States Dollars	**199**	2 704
Euros	**1 790**	16 923
Japanese Yen	**13 564**	3 043
British Pounds	**3 831**	2 732
Australian Dollars	**143**	37
Mocambique Meticais	**5 452**	–
Trade payables - interest bearing		
United States Dollars	**2 165**	–
Japanese Yen	**13 480**	58 652
British Pounds	**7 645**	–
	48 269	84 091
Net uncovered position: net liabilities	**42 633**	41 356

44 Financial risk management (continued)

44.2 Foreign currency management (continued)

The contract values of FECs of South African operations at 30 June 2010 are summarised below.
No FECs are designated as cash flow hedges.

	FEC Foreign amounts		FEC Rand amounts		FEC Fair value amounts	
	2010	2009	**2010**	2009	**2010**	2009
	000	000	**R 000**	R 000	**R 000**	R 000
Trade imports - specific						
United States Dollars	**–**	344	**–**	2 982	**–**	2 678
Euros	**594**	48	**5 922**	690	**5 636**	536
Japanese Yen	**896 222**	971 647	**75 600**	88 621	**79 153**	78 675
British Pounds	**2 527**	870	**30 672**	12 582	**29 370**	11 164
			112 194	104 875	**114 159**	93 053
Trade imports - general						
United States Dollars	**209**	–	**1 617**	–	**1 626**	–
British Pounds	**–**	99	**–**	1 358	**–**	1 300
Total trade imports			**113 811**	106 233	**115 785**	94 353
Total trade exports			**–**	–	**–**	–

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

The following exchange rates applied during the year:

	Closing rate		Average rate	
	2010	2009	**2010**	2009
Number of South African Rands to one:				
United States Dollar	**7.65172**	7.77318	**7.59645**	8.82359
Euro	**9.37263**	10.91512	**10.51595**	12.10379
British Pound	**11.47786**	12.87781	**12.02122**	14.28501
Australian Dollar	**6.49885**	6.29565	**6.65139**	6.60491
Number of foreign currency units to one South African Rand				
Japanese Yen	**11.57714**	12.35435	**12.06181**	11.42620
Mocambique Metical	**4.42260**	3.42460	**3.88050**	3.13717

44 Financial risk management (continued)

44.2 Foreign currency management (continued)

Exposure to currency risk

	United States Dollars USD 000	Euros EUR 000	Japanese Yen JPY 000	British Pounds GBP 000	Australian Dollars AUD 000	Mocambique Meticais NZN 000
The Group's exposure to foreign currency risk was:						
At 30 June 2010						
Trade and other receivables	**6**	**156**			**1 296**	
Cash and cash equivalents	**951**	**514**		**3**	**6 520**	**7 421**
Non current borrowings					**(70)**	
Trade and other payables						
Non interest bearing	**(26)**	**(753)**	**(513 087)**	**(334)**	**(3 085)**	**(22 370)**
Interest bearing	**(287)**	**(6)**	**(686 073)**	**(3 068)**	**(487)**	
Gross balance sheet exposure	**644**	**(89)**	**(1 199 160)**	**(3 399)**	**4 174**	**(14 949)**
FECs	**1 654**	**1 469**	**896 222**	**2 527**	**(2 963)**	
Net exposure	**2 298**	**1 380**	**(302 938)**	**(872)**	**1 211**	**(14 949)**
At 30 June 2009						
Trade and other receivables					1 633	
Cash and cash equivalents	6 293	248		3	6 479	
Trade and other payables						
Non interest bearing	(1 098)	(1 543)	(7 227)	(77)	(3 212)	
Interest bearing		(2)	(1 686 010)	(867)	(12)	
Gross balance sheet exposure	5 195	(1 297)	(1 693 237)	(941)	4 888	
FECs	1 167	48	971 647	969	(1 016)	
Net exposure	6 362	(1 249)	(721 590)	28	3 872	

	2010 R 000	2009 R 000
Sensitivity analysis		
Based on the net exposure of the Group's South African operations to foreign currency at 30 June 2010, it is estimated that a 5% (2009 - 5%) change in the Rand exchange rate at this date would have affected profit for the year by approximately the amounts indicated below, assuming all other variables remained constant.		
Estimated approximate increase / (decrease) in profit for the year:		
5% strengthening in the exchange rate (5% stronger Rand)	**1 392**	1 234
5% weakening in the exchange rate (5% weaker Rand)	**(1 392)**	(1 234)
Based on the net exposure of the Group to foreign currency at 30 June 2010, it is estimated that a 5% (2009 - 5%) change in the Rand exchange rate at this date would have affected total comprehensive income for the year by approximately the amounts indicated below, assuming all other variables remained constant.		
Estimated approximate (decrease) / increase in total comprehensive income for the year:		
5% strengthening in the exchange rate (5% stronger Rand)	**(482)**	(858)
5% weakening in the exchange rate (5% weaker Rand)	**482**	858

44 Financial risk management (continued)

44.3 Interest rate management

Financial instruments that are sensitive to interest rate risk are term and call cash deposits, bank accounts, interest bearing non current liabilities, interest bearing trade payables, short term borrowings and bank overdrafts. The interest rates applicable to these financial instruments compare favourably with those available in the market. The interest rate risk is moderate and is mitigated by the substantial surplus of funds within the Group, and by arrangement with financial institutions for borrowing facilities to be available at market rates in the cases of short term cash shortages.

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

Interest rate profile of interest bearing financial instruments

	Note	Carrying amount R 000	Fixed or floating rate	Estimated weighted average rate at the year end % per annum
At 30 June 2010				
Interest bearing financial assets				
Loan receivable	4.1	**4 853**	Fixed	6,0
Cash and cash equivalents				
South Africa		**299 476**	Floating	4,7
Australia		**42 371**	Floating	4,8
Other (part of Australia segment)		**10 298**	Floating	0,0
		356 998		
Interest bearing financial liabilities				
Mortgage bonds	19	**12 200**	Floating	9,4
Finance lease and credit instalment agreements				
Australia	19	**786**	Fixed	8,0
Trade payables	22	**96 632**	Fixed	5,0
		109 618		
At 30 June 2009				
Interest bearing financial assets				
Loan receivable	4.1	4 843	Fixed	6,0
Cash and cash equivalents				
South Africa		240 481	Floating	4,1
Australia		40 787	Floating	2,5
Other (part of Australia segment)		9 021	Floating	0,0
		295 132		
Interest bearing financial liabilities				
Mortgage bonds	19	10 049	Floating	10,0
Finance lease and credit instalment agreements				
Australia	19	75	Fixed	7,9
Trade payables	22	147 640	Fixed	3,6
		157 764		

	R 000	R 000
Should interest rates have been 1% per annum (2009 - 1% per annum) lower or higher during the year and assuming all other variables remained constant, it is estimated that the profit for the year after income tax of the Group would have (decreased) or increased by approximately the amounts indicated below:		
Interest rates 1% per annum lower	**(1 346)**	(741)
Interest rates 1% per annum higher	**1 346**	741

44 Financial risk management (continued)

44.4 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. These obligations are associated with trading activities which includes the Group's ability to achieve and maintain the necessary inventory turns.

The Group manages liquidity risk by compiling and monitoring cash flow forecasts and by arranging appropriate repayment terms with suppliers, if necessary. The risk is reduced by the Group's substantial cash and cash equivalents, as well as bank facilities available to the Group.

The Company's articles of association restrict the amount that the Group may borrow on the authority of the directors. At 30 June 2010 the maximum permissible Group borrowings amounted to R354 million (2009) - R319 million).

Maturities of financial liabilities

			Estimated approximate maturities		
	Note	Carrying amount R 000	Within one year R 000	One to five years R 000	Beyond five years R 000
Maturity profile at 30 June 2010					
Non current borrowings					
Mortgage bonds	19	**12 200**	**2 111**	**7 939**	**2 150**
Finance lease and credit instalment agreements	19	**786**	**332**	**454**	
Trade payables					
Non interest bearing	21	**220 613**	**220 613**		
Interest bearing	22	**96 632**	**96 632**		
Other current payables	21	**53 183**	**53 183**		
Derivative financial liabilities	23	**–**	**–**		
Financial guarantee liability	23	**85**	**23**	**62**	
		383 499	**372 894**	**8 455**	**2 150**
Maturity profile at 30 June 2009					
Non current borrowings					
Mortgage bonds	19	10 049	2 443	4 651	2 955
Finance lease and credit instalment agreements	19	75	75		
Trade payables					
Non interest bearing	21	161 399	161 399		
Interest bearing	22	147 640	147 640		
Other current payables	21	54 721	54 721		
Derivative financial liabilities	23	11 879	11 879		
Financial guarantee liability	23	70	22	48	
		385 833	378 179	4 699	2 955

44 Financial risk management (continued)

44.4 Liquidity risk (continued)

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

Mortgage bonds

Three mortgage bonds with a carrying amount of R12 200 000 at 30 June 2010 (2009 - two mortgage bonds with a carrying amount of R10 049 000) are with a registered South African bank, and are secured over property with a carrying amount at the year end of R44 528 000 (2009 - R27 169 000).

The estimated weighted average interest rate on the mortgage bonds at 30 June 2010 was approximately 9,39% per annum (2009 - 10,0% per annum). The interest rate is a floating rate.

The estimated approximate current portion (the portion to be repaid within a year) of the outstanding principal at 30 June 2010, was R2 111 000 (2009 current portion - R2 443 000), resulting in a non current portion of the bonds of R10 089 000 (2009 - R7 606 000).

Monthly repayments of the first bond, including interest, currently amount to R121 725 with a remaining repayment period at 30 June 2010 of three months. Any residual amount thereafter still owing, up to 60% of the maximum amount drawn down, subject to credit approval, will be repayable over a further sixty months. The interest rate on the bond at 30 June 2010 was 9% per annum (2009 - 10% per annum). Interest is compounded monthly.

Monthly repayments of the second bond, including interest, currently amount to R79 531 with a remaining repayment period at 30 June 2010 of thirty months. Any residual amount thereafter still owing, up to 60% of the maximum amount drawn down, subject to credit approval, will be repayable over a further sixty months. The interest rate on the bond at 30 June 2010 was 9% per annum (2009 - 10% per annum). Interest is compounded monthly.

Monthly repayments of the third bond, including interest, currently amount to R57 149 with a remaining repayment period at 30 June 2010 of fifty seven months. The interest rate on the bond at 30 June 2010 was 10,25% per annum. Interest is compounded monthly. The mortgage bond was granted during the current financial year.

Further information is given below.

	2010 R 000	2009 R 000
Estimated cash repayments		
Not later than one year	**3 101**	3 311
Later than one year but not later than five years	**10 331**	6 448
Later than five years	**2 472**	3 430
Total estimated cash repayments	**15 904**	13 189
Estimated future finance charges included in repayments	**(3 704)**	(3 140)
Carrying amount at 30 June 2010	**12 200**	10 049
Estimated principal to be repaid by 30 June 2011	**(2 111)**	(2 443)
Non current portion	**10 089**	7 606

Finance lease and credit instalment agreements

Finance lease and credit instalment agreements with a carrying amount of R786 000 at 30 June 2010 (2009 - R75 000) are with Australian financial institutions, and are secured over vehicles with a carrying amount of R890 000 at the year end (2009 - R359 000).

The agreements bear interest at rates ranging between 7,79% per annum and 8,54% per annum (2009 - 7,39% and 7,95% per annum), with a weighted average rate of 8,02% per annum (2009 - 7,85% per annum).

Further information is given below.

	2010 R 000	2009 R 000
Estimated cash repayments		
Not later than one year	**383**	78
Later than one year but not later than five years	**483**	–
Total estimated cash repayments	**866**	78
Estimated future finance charges included in repayments	**(80)**	(3)
Carrying amount at 30 June 2010	**786**	75
Estimated principal to be repaid by 30 June 2011	**(332)**	(75)
Non current portion	**454**	–

44 Financial risk management (continued)

44.4 Liquidity risk (continued)

Trade payables - interest bearing

Use is made of the extended credit facilities offered by foreign suppliers. The carrying amount of interest bearing trade creditors of R96 632 000 at 30 June 2010 (2009 - R147 640 000) is repayable with due dates between July 2010 and March 2011. The interest rates range between 4,0% per annum and 6,8% per annum (2009 - 2,0325% per annum and 8,12% per annum), with a weighted average rate of 5,02% per annum (2009 - 3,55% per annum). The interest rates compare favourably with those for borrowings in South Africa.

44.5 Credit risk

Financial assets are tabled in note 44.1 .

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

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

44.6 Price risk

The Group's exposure to commodity prices is minimal. Where any commodity is a significant cost in a fixed price construction contract undertaken by the Group, the possibility of inserting a cost escalation clause relating to such commodity, in such contract, would be carefully researched and assessed.

Notes to the annual financial statements

for the year ended 30 June 2009 (continued)

45 Segment information

The Group is structured into two segments: the entities that operate in Africa and the entities that operate in Australia. The current segment analysis, which is different to that reported in the 2009 financial year, adheres to the requirements of IFRS 8: Operating Segments, which is effective for the current financial year. This new standard requires the segment information to be consistent with the internal reports regularly reviewed by the Group's chief operating decision maker in order to assess each segment's performance and to allocate resources to each segment. The segment report in the 2009 annual financial statements was based on the requirements and definitions of IAS 14: Segment Reporting, which has been replaced by the new standard. In accordance with the old standard, in the 2009 financial year, the segment report was analysed into primary segments and geographic segments.
In the 2009 financial year, in accordance with the specifications of the previous standard, the Group had just one primary segment, and the geographic analysis was divided into South Africa operations and foreign operations.

The Africa operations derives sales revenue primarily from the supply of construction, earthmoving and mining and quarrying equipment, which includes the supply of total engineered materials handling solutions to the mining, minerals, industrial, port and power sectors. The Australia operations derives sales revenue mainly from the supply of construction, earthmoving and mining and quarrying equipment.

	Total R 000	Africa operations R 000	Australia operations R 000	Inter company eliminations R 000
30 June 2010				
Assets				
Non current assets				
Property, plant and equipment	**62 158**	58 493	3 665	–
Non current loan receivable	**3 951**	3 951	–	–
Deferred income tax assets	**13 924**	10 323	3 601	–
	80 033	72 767	7 266	–
Current assets				
Construction contract work not yet billed	**34 141**	34 141	–	–
Inventories	**277 887**	222 444	55 443	–
Trade receivables	**176 802**	168 623	8 179	–
Inter company current accounts	**–**	–	20 136	(20 136)
Other current receivables	**6 626**	6 552	74	–
Derivative financial assets	**1 974**	1 974	–	–
Income tax refundable	**8 905**	8 126	779	–
Other current assets	**16 586**	15 925	661	–
Non current assets held for sale	**87**	87	–	–
Cash and cash equivalents	**352 145**	299 476	52 669	–
	875 153	757 348	137 941	(20 136)
Total assets	**955 186**	830 115	145 207	(20 136)
Liabilities				
Non current liabilities				
Interest bearing borrowings	**10 543**	10 089	454	–
Provision for trade back commitments	**10 097**	10 097	–	–
Deferred tax liabilities	**942**	942	–	–
	21 582	21 128	454	–
Current liabilities				
Construction contract liabilities	**161 739**	161 739	–	–
Trade payables				
Non interest bearing	**220 613**	200 705	19 908	–
Interest bearing	**96 632**	96 632	–	–
Other interest bearing payables	**2 443**	2 111	332	–
Inter company current accounts	**–**	20 136	–	(20 136)
Other financial liabilities	**85**	85	–	–
Provision for trade back commitments - current portion	**1 813**	1 813	–	–
Income tax payable	**538**	462	76	–
Other current liabilities	**95 661**	86 696	8 965	–
	579 524	570 379	29 281	(20 136)
Total liabilities	**601 106**	591 507	29 735	(20 136)

Notes to the annual financial statements

for the year ended 30 June 2010 (continued)

45 Segment information (continued)

	Total R 000	Africa operations R 000	Australia operations R 000	Inter company eliminations R 000
30 June 2009				
Assets				
Non current assets				
Property, plant and equipment	**39 617**	36 371	3 246	–
Non current loan receivable	**3 469**	3 469	–	–
Deferred income tax assets	**16 802**	13 486	3 316	–
	59 888	53 326	6 562	–
Current assets				
Construction contract work not yet billed	**30 209**	30 209	–	–
Inventories	**342 870**	292 488	50 382	–
Trade receivables	**139 281**	129 139	10 142	–
Inter company current accounts	**–**	–	3 455	(3 455)
Other current receivables	**4 655**	4 517	138	
Income tax refundable	**1 597**	1 552	45	–
Other current assets	**7 251**	6 647	604	–
Non current assets held for sale	**598**	598	–	–
Cash and cash equivalents	**290 289**	240 481	49 808	–
	816 750	705 631	114 574	(3 455)
Total assets	**876 638**	758 957	121 136	(3 455)
Liabilities				
Non current liabilities				
Interest bearing borrowings	**7 606**	7 606	–	–
Provision for trade back commitments	**11 107**	11 107	–	–
Deferred tax liabilities	**620**	620	–	–
	19 333	19 333	–	–
Current liabilities				
Construction contract liabilities	**104 495**	104 495	–	–
Trade payables				
Non interest bearing	**161 399**	146 136	15 263	–
Interest bearing	**147 640**	147 640	–	–
Other interest bearing payables	**2 518**	2 443	75	–
Inter company current accounts	**–**	3 455	–	(3 455)
Other current financial liabilities	**11 949**	11 949	–	–
Provision for trade back commitments - current portion	**942**	942	–	–
Income tax payable	**9 169**	9 128	41	–
Other current liabilities	**100 230**	86 161	14 069	–
	538 342	512 349	29 448	(3 455)
Total liabilities	**557 675**	531 682	29 448	(3 455)

45 Segment information (continued)

	Total R 000	Africa operations R 000	Australia operations R 000	Inter company eliminations R 000
Year ended 30 June 2010				
Income statement				
Sales				
Sale of goods	**631 645**	522 453	109 192	–
Revenue recognised on construction contracts	**608 970**	608 970	–	–
Services	**234**	234	–	–
Commission	**474**	–	474	–
	1 241 323	1 131 657	109 666	–
Operating costs excluding depreciation (see note below)	**(1 157 413)**	(1 053 524)	(103 889)	–
Operating profit before depreciation	**83 910**	78 133	5 777	–
Depreciation	**(4 837)**	(3 773)	(1 064)	–
Profit from operations	**79 073**	74 360	4 713	–
Profit on realisation of non current assets held for sale	**3 609**	3 609	–	–
Finance income	**11 894**	10 185	1 709	–
Finance expenses	**(5 162)**	(5 132)	(30)	–
Profit before income tax	**89 414**	83 022	6 392	–
Income tax expense (see note below)	**(26 974)**	(25 355)	(1 619)	–
Profit for the year	**62 440**	57 667	4 773	–
Profit for the year attributable to:				
Ordinary shareholders of the Company	**54 789**	50 732	4 057	–
Non controlling interests in subsidiaries	**7 651**	6 935	716	–
	62 440	57 667	4 773	–
Calculation of headline earnings				
Profit attributable to ordinary shareholders of the Company, as above	**54 789**	50 732	4 057	–
Deduct: Items excluded from headline earnings as detailed below	**3 747**	3 747	–	–
Headline earnings	**51 042**	46 985	4 057	–
Items excluded from headline earnings				
Profit on disposal of plant and equipment	**225**	225	–	–
Profit on realisation of non current assets held for sale	**3 609**	3 609	–	–
Income tax effect of excluded items	**(63)**	(63)	–	–
Non controlling interests in excluded items	**(24)**	(24)	–	–
	3 747	3 747	–	–

A major client in the Africa operations segment accounted for 15,8% of the Group's sales in the year and 17,4% of that segment's sales, respectively.

Operating costs excluding depreciation include the following significant non cash items:				
Provision for trade back commitments				
Net increase in sales revenue	**(419)**	(419)	–	–
Share options expense recognised	**3 178**	3 178	–	–

Included in the income tax expense of the Africa operations is an income tax charge of R338 000 relating to income of the Australian operations and which is taxed in the hands of a South African group entity by the South African tax authority.

45 Segment information (continued)

	Total R 000	Africa operations R 000	Australia operations R 000	Inter company eliminations R 000
Year ended 30 June 2009				
Income statement				
Sales				
Sale of goods	**758 049**	629 457	128 592	–
Revenue recognised on construction contracts	**485 552**	485 552	–	–
Services	**479**	479	–	–
Commission	**1 737**	–	1 737	–
	1 245 817	1 115 488	130 329	–
Operating costs excluding depreciation (see note below)	**(1 170 147)**	(1 053 263)	(116 884)	–
Operating profit before depreciation	**75 670**	62 225	13 445	–
Depreciation	**(5 108)**	(3 946)	(1 162)	–
Profit from operations	**70 562**	58 279	12 283	–
Profit on realisation of non current assets held for sale	**4 232**	4 232	–	–
Finance income	**27 953**	25 282	2 671	–
Finance expenses	**(9 717)**	(9 693)	(24)	–
Profit before income tax	**93 030**	78 100	14 930	–
Income tax expense (see note below)	**(29 562)**	(25 565)	(3 997)	–
Profit for the year	**63 468**	52 535	10 933	–
Profit for the year attributable to:				
Ordinary shareholders of the Company	**55 526**	46 233	9 293	–
Non controlling interests in subsidiaries	**7 942**	6 302	1 640	–
	63 468	52 535	10 933	–
Calculation of headline earnings				
Profit attributable to ordinary shareholders of the Company, as above	**55 526**	46 233	9 293	–
Deduct: Items excluded from headline earnings as detailed below	**4 230**	4 208	22	–
Headline earnings	**51 296**	42 025	9 271	–
Items excluded from headline earnings				
(Loss) / profit on disposal of plant and equipment	**(313)**	(350)	37	–
Profit on realisation of non current assets held for sale	**4 232**	4 232	–	–
Income tax effect of excluded items	**277**	288	(11)	–
Non controlling interests in excluded items	**34**	38	(4)	–
	4 230	4 208	22	–

A major client in the Africa operations segment accounted for 11,0% of the Group's sales in the year and 12,2% of that segment's sales, respectively.

	Total R 000	Africa operations R 000	Australia operations R 000	Inter company eliminations R 000
Operating costs excluding depreciation include the following significant non cash items:				
Provision for trade back commitments				
Net decrease in sales revenue	**3 051**	3 051	–	–
Share options expense recognised	**5 208**	5 208	–	–

Included in the income tax expense of the Africa operations is an income tax charge of R494 000 relating to income of the Australian operations and which is taxed in the hands of a South African group entity by the South African tax authority.

Capital expenditure

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

	Total R 000	Africa operations R 000	Australia operations R 000	Inter company eliminations R 000
Year ended 30 June 2010				
Additions and improvements to property	**18 247**	18 247	–	–
Acquisition of interest in aircraft	**3 866**	3 866	–	–
Net purchases of plant and equipment	**4 948**	3 563	1 385	–
	27 061	25 676	1 385	–
Year ended 30 June 2009				
Additions and improvements to property	**836**	836	–	–
Net purchases of plant and equipment	**3 147**	2 752	395	–
	3 983	3 588	395	–

Subsidiaries and joint ventures

NAME	Currency	Issued ordinary capital 000's	Effective interest 2010 %	Effective interest 2009 %	Equity investment 2010 R 000	Equity investment 2009 R 000	Loans to subsidiaries 2010 R 000	Loans to subsidiaries 2009 R 000
			Company's interest in subsidiaries and joint ventures					
Direct interest in South African subsidiaries								
ELB Engineering Limited	ZAR	2	**85**	85	**99 785**	96 607	**16 814**	36 458
ELB Timber Holdings (Pty) Limited	ZAR	–	**100**	100	**–**	–	**70 369**	70 644
Indirect interest in South African subsidiaries (principal subsidiaries only)								
Batmon Nominees (Pty) Limited	ZAR	1	**85**	85				
BEP (Pty) Limited	ZAR	–	**85**	85				
ELB Engineering Services (Pty) Limited	ZAR	–	**85**	85				
ELB Equipment Holdings Limited	ZAR	30 000	**85**	85				
ELB Equipment Limited	ZAR	–	**85**	85				
Elbex (Pty) Limited	ZAR	–	**85**	85				
ELB Process Equipment Limited	ZAR	4	**85**	85				
ELB Trident Equipment (Pty) Limited	ZAR	–	**85**	85				
Equipment Industrial Supplies (Pty) Limited	ZAR	–	**63**	63				
Indirect interest in foreign subsidiaries (only principal operating subsidiaries)								
Incorporated in the Cayman Islands:								
Bel Finance Limited	USD	4	**85**	85				
Incorporated in Australia:								
Elbquip Holdings Pty Limited	AUD	3 000	**85**	85				
Metquip Pty Limited	AUD	2 650	**85**	85				
Indirect interest in joint ventures								
Incorporated in South Africa:								
ELB PBA Engineering Solutions (Pty) Limited	ZAR	–	**43**	85				
Ports of Africa (Pty) Limited	ZAR	100	**43**	43				
Partnership registered in South Africa								
ELB Flying Services	ZAR	–	**29**	–				
Incorporated in Australia:								
Ditch Witch Australia Pty Limited	AUD	1 425	**72**	72				
Carrying amounts before impairment					**99 785**	96 607	**87 183**	107 102
Impairment of loan to ELB Timber Holdings (Pty) Limited					**–**	–	**(65 510)**	(65 855)
Carrying amounts after impairment					**99 785**	96 607	**21 673**	41 247

The equity investment of ELB Group Limited (the Company) in ELB Engineering Limited comprises R1 700 in the issued ordinary shares of ELB Engineering Limited, being 85% thereof, and R9 783 300 equity contribution in respect of share options, totalling R9 785 000; and R90 000 000 in the issued preference shares, being 100% thereof. The non controlling 15% interest in the issued ordinary shares of ELB Engineering Limited is held by the ELB Educational Trust for Historically Disadvantaged South Africans.

The equity investment of the Company in ELB Timber Holdings (Pty) Limited is an amount of R100 in the issued ordinary shares of ELB Timber Holdings (Pty) Limited. The equity investment has been fully impaired.

The amount of R16 814 000 (2009 - R36 458 000) owing by ELB Engineering Limited to the Company bears interest at market rates.

The amount of R70 369 000 (2009 - R70 644 000) owing by ELB Timber Holdings (Pty) Limited (ELB Timber Holdings) to the Company is a long term loan and is interest free. The loan has been subordinated by the Company for the benefit of the other creditors of ELB Timber Holdings.

All subsidiaries and joint ventures have 30 June financial year ends, the same as the Company.

The currencies listed above are:
ZAR - South African Rands, USD - United States Dollars, AUD - Australian Dollars

Analysis of ordinary shareholders

at 30 June 2010

	Number of shareholders	Number of shares	% of shares issued
Public shareholders	724	20 049 939	59,2
Non public shareholders	7	4 696 330	13,9
Holders of treasury shares	2	9 113 731	26,9
	733	33 860 000	100,0
Directors (direct and indirect holdings)	6	4 652 930	13,7
ELB share trusts (treasury shares)	2	9 113 731	26,9

Major shareholders

ELB Participants Share Trust (treasury shares)	6 772 000	20,0
Blandford Estates (Pty) Limited	4 294 612	12,7
Golden Hind Partnership	4 243 922	12,5
ELB Share Incentive Trust (treasury shares)	2 341 731	6,9

Directors' interests in ordinary shares

	Beneficial holdings at 30 June 2010			Beneficial holdings at 30 June 2009		
Name	**Total**	**Direct**	**Indirect**	Total	Direct	Indirect
PJ Blunden	**179 418**	**179 418**	**–**	179 418	179 418	–
T de Bruyn	**10 100**	**100**	**10 000**	10 100	100	10 000
AG Fletcher	**4 294 712**	**100**	**4 294 612**	4 294 712	100	4 294 612
Dr JP Herselman	**158 600**	**–**	**158 600**	158 600	–	158 600
TJ Matsau (see note below)				100	100	–
Dr SJ Meijers	**10 000**	**100**	**9 900**	10 000	100	9 900
MV Ramollo	**100**	**100**	**–**	100	100	–
	4 652 930	**179 818**	**4 473 112**	4 653 030	179 918	4 473 112

Mr TJ Matsua resigned as a director on 1 September 2010.

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

Since the year end, and to the date of this report, two directors have exercised their options in terms of the Group's share option scheme, in respect of options which have vested. Ordinary shares in the Company have been allocated to the directors by the ELB Share Incentive Scheme from shares held by the Trust for the purpose of administering the scheme. Interest free loans from the Trust have been granted to the directors for the acquisition of the shares. The shares remain under the control of the Trust until paid for in terms of the scheme. The additional shareholdings of the directors is therefore beneficial but indirect. The directors and the shares allocated are:

Dr Meijers - 200 000 ordinary shares

Mr Ramollo - 30 000 ordinary shares

Ordinary share statistics

for the year ended 30 June 2010

	2010	2009
Listed on the JSE in 1951		
Market price (cents per share)		
High	**1 200**	1 550
Low	**580**	599
Year end closing	**1 100**	649
Total number of shares traded	**8 006 946**	4 692 761
Total value of shares traded (Rands)	**81 016 540**	50 527 935
Number of shares traded as a percentage of total shares issued	**23,65**	13,86

Shareholders' diary

Financial year end		**30 June**
Annual general meeting		**November**
Financial reports		
Interim report for the half year		March
Provisional report for the year		September
Annual report		October
Dividends	**Declared**	**Paid**
Ordinary dividends		
Interim	March	May
Final	September	November
6% fixed cumulative redeemable preference shares		
Six months ending 31 December	March	May
Six months ending 30 June	September	November

Administration

ELB Group Limited

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

Ordinary shares

Share code: ELR
ISIN: ZAE000035101

Preference shares

Share code: ELRP
ISIN: ZAE000035333

Company secretary

DG Jones
HDipTax, MBA, CA(SA), FCIS

Registered office

ELB Equipment Limited
14 Atlas Road
Anderbolt
Boksburg
1459

Postal address

PO Box 565
Boksburg
1460

Website

www.elb.co.za

Telephone

011 306 0700

Fax

011 918 7285

Share transfer secretaries

Computershare Investor Services (Pty) Limited
Registration number: 2004/003647/07
70 Marshall Street
Johannesburg
2001
PO Box 61051
Marshalltown
2107

Independent auditor

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

Banker

First National Bank
(a division of FirstRand Bank Limited)
4 First Place
Bank City
corner Simmonds and Pritchard Streets
Johannesburg
2001

Sponsor

Rand Merchant Bank
(a division of FirstRand Bank Limited)
1 Merchant Place
corner Fredman Drive and Rivonia Road
Sandton
2196

Notice of annual general meeting

Notice is hereby given that the eightieth 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 Tuesday, 23 November 2010 at noon (12h00) to pass the following resolutions with or without amendment:

1. ORDINARY BUSINESS

1.1 To consider the annual financial statements of the Company for the year ended 30 June 2010 together with the reports of the directors and auditors contained therein.

1.2 To re-appoint KPMG Inc as the independent auditors of the Company and Mr Colin Esslemont as the individual designated auditor of the Company for the ensuing financial year.

1.3 To elect a director in place of Mr MV Ramollo who retires in accordance with the Company's Articles of Association, but, being eligible, offers himself for re-election.

1.4 To elect a director in place of Mr IAR Thomson 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 6 of the annual report.

1.5 To re-elect Mr T de Bruyn as a member of the Audit Committee of the company.

1.6 To re-elect Dr JP Herselman as a member of the Audit Committee of the Company.

1.7 To re-elect Mr IAR Thomson as a member of the Audit Committee of the Company.

1.8 To ratify the non-executive directors' fees and bonuses as set out on page 44 of the annual report.

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

2. SPECIAL BUSINESS

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

2.1 Special resolution

General repurchase authority:

Resolved that, as a general approval contemplated in terms of sections 85 to 89 of the Companies Act No. 61 of 1973, as amended, (the Act) the acquisitions by the Company, and/or any subsidiary of the Company, from time to time of the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, be and is hereby authorised, but subject to the Articles of Association of the Company, the provisions of the Act and the JSE Listings Requirements, when applicable, and provided that –

- the acquisitions or ordinary shares in the aggregate in any one financial year do not exceed 10% (ten percent) of the Company's issued ordinary share capital as at the beginning of the financial year;
- the general repurchase of securities will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party (reported trades are prohibited);
- this 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;
- general repurchases may not be made at a price greater than 10% above the weighted average of the market value for the securities for the 5 (five) business days immediately preceding the date on which the transaction is effected. The JSE should be consulted for a ruling if the applicant's securities have not traded in such 5 day business day period;
- at any point in time a Company may only appoint one agent to effect any repurchases on the Company's behalf;
- the Company or its subsidiary may not repurchase securities during a prohibited period as defined in the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period; and
- 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.

The directors undertake that they will not effect a general repurchase of shares as contemplated above unless the following can be met:

- the Company and the Group are in a position to repay their debt in the ordinary course of business for a period of 12 months after the date of the general repurchase;

  the Company and the Group's assets, fairly valued in accordance with the accounting policies used in the latest audited consolidated annual financial statements, will exceed the liabilities of the Company and the Group for a period of 12 months after the date of the general repurchase;
- the share capital and reserves of the Company and the Group are adequate for ordinary business purposes for the next twelve months following the date of the general repurchase;
- the available working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the general repurchase; and
- before entering the market to proceed with the general repurchase, the Company's Sponsor will confirm the adequacy of the Company's and the Group's working capital in writing to the JSE.

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 – page 6;
- Major shareholders of the Company – page 68;
- Directors' interests in securities – page 68; and
- Share capital of the Company – pages 35 and 36;

Litigation statement

In terms of section 11.26 of the Listings Requirements of the JSE, the directors, whose names are given on page 6 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 6 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.

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

Reason for and effect of the Special Resolution

The reason for and effect of this special resolution number 2.1 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 in such amounts as determined from time to time by the directors of the Company subject to the limitations set out above.

Statement of board's intention

The directors of the Company have no specific intention to effect the provisions of special resolution number 2.1 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 special resolution number 2.1.

Voting and proxies

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

Proxy forms must be forwarded, to reach the registered office of the Company, or the transfer secretaries, Computershare Investor Services (Proprietary) Limited, at the address given below no later than noon (12h00) on Thursday, 18 November 2010.

Proxy forms must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration.

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

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

Shares held by a share trust or scheme will not have their votes at the annual general meeting taken into account for purposes of resolutions proposed in terms of the JSE Listings Requirements.

Unlisted securities, if applicable and treasury shares may also not vote.

By order of the Board

DG Jones
Company Secretary
Boksburg 1459

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

20 October 2010

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

*For completion by shareholders who have not dematerialsed their shares or who have dematerialised their shares but with "own name" registratio*n.

Proxy form

For use by certificated shareholders and "own name registered" dematerialised shareholders, at the annual general meeting of the Company to be held at noon (12h00) on Tuesday, 23 November 2010, at the premises of ELB Equipment Limited which are located at 14 Atlas Road, Anderbolt, Boksburg.

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

FORM OF PROXY FOR THE EIGHTIETH ANNUAL GENERAL MEETING OF ELB GROUP LIMITED

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

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

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

1. .... or failing him/her

2. .... or failing him/her

3. the chairman of the annual general meeting

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

	In Favour	Against	Abstain
1.1 Approval of annual financial statements			
1.2 Re-appoint KPMG Inc as auditors Re-appoint Mr C Esslemont as individual designated auditor			
1.3 Election of director Mr MV Ramollo			
1.4 Election of director Mr IAR Thomson			
1.5 Election of audit committee member Mr T de Bruyn			
1.6 Election of audit committee member Dr JP Herselman			
1.7 Election of audit committee member Mr IAR Thomson			
1.8 Ratify non-executive directors' fees and bonuses			
2.1 Approval of special resolution: general authority to repurchase shares			

Signed at .... on 2010

Signature *(see note 5)* ....

Assisted by me where applicable *(see note 8)* ....

Please read the notes on the reverse side hereof.

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 dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker and wish to attend the meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

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

4. The form of proxy appointing a proxy must reach the registered office of the Company or the transfer secretaries, Computershare Investor Services (Proprietary) Limited, 70 Marshall Street Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by not later than noon (12h00) on Thursday, 18 November 2010.

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 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.

E L B G R O U P L I M I T E D

ELB Equipment Limited, 14 Atlas Road, Anderbolt, Boksburg, 1459
PO Box 565, Boksburg, 1460
Tel +27 11 306 0700
Fax +27 11 918 7285
Website: www.elb.co.za