ELB GROUP LIMITED

Company Annual Financial Statements 2018

Know-How Solutions Provider

INTEGRATED ANNUAL REPORT 2018

CONTENTS

ELB is an internationally recognised know-how solutions provider and capital equipment supplier in the fields of materials handling, mineral separation, industrial projects, power solutions and Industry 4.0.

This is achieved through ELB generated innovation, in-house capability and the supply of world-class equipment and technology.

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

ELB is an industry leader in the supply of:

- Equipment for construction, earth moving, mining & quarrying;
- Engineered solutions for bulk materials handling, industrial projects and the minerals & metals industries;
- Structural, mechanical, electrical, instrumentation and piping (SMEIP) erection and installation; and
- Underground utility and waste processing equipment.

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

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the financial statements, comprising the balance sheet at 30 June 2018, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

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

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

The annual financial statements of ELB Group Limited which appear on pages 2 to 27 were approved by the board of directors on 18 September 2018 and are signed by:

SJ Meijers
Group Chief Executive Officer

MC Easter
Group Financial Director

CERTIFICATE OF THE COMPANY SECRETARY

In our capacity as the company secretary, we hereby confirm, in terms of the Companies Act of South Africa, that for the year ended 30 June 2018, ELB Group Limited has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act and that all such returns are, to the best of our knowledge and belief, true, correct and up to date.

Per P Bezuidenhout
Elbex Proprietary Limited
Company secretary

PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

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

These annual financial statements were published on 18 September 2018.

The annual financial statements of the Company are presented separately from the consolidated annual financial statements and were approved by the directors on 18 September 2018, the same date as these financial statements. The consolidated annual financial statements are available on the ELB website at www.elb.co.za.

DIRECTORS REPORT

The directors submit the financial statements for the year ended 30 June 2018 with their report on the results and operations.

NATURE OF THE BUSINESS

The Company operates as an investment holding company deriving most of its distributable income from dividends. The ELB Group is an internationally recognised know-how solutions provider and capital equipment supplier in the fields of materials handling, mineral separation, industrial projects, power solutions and Industry 4.0. This is achieved through ELB generated innovation, in-house capability and the supply of world-class equipment and technology.

FINANCIAL RESULTS

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

SHARE CAPITAL

Details of the authorised and issued share capital at 30 June 2018 are set out in note 7 to the financial statements.

On 8 March 2011 shareholders approved a resolution which placed 4,200,000 of the authorised ordinary shares of the Company under the control of the directors as a specific authority for the purposes of the Company's Share Incentive Schemes. The Company has utilised 280 038 of this authority to date. ELB shares held by the Group's share trust and incentive shares not as yet paid for by participants are regarded as shares under the control of the trust and are eliminated on consolidation as treasury shares.

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

The directors consider that a general authority be put in place to authorise the Company to provide direct or indirect financial assistance to any person or trust in connection with the acquisition of shares or options for shares in the Company or in any inter-related company pursuant to the Company's employee share schemes. This general authority would be valid for a period of two years from the date of adoption of this special resolution. Accordingly, shareholders will be asked to approve such general authority at the annual general meeting on 22 November 2018.

GENERAL AUTHORITY FOR THE COMPANY TO ACQUIRE ITS OWN SHARES

The directors consider that it will be advantageous for the Company to have a general authority to acquire its own shares, either by the Company or by another company within the Group or a trust controlled by the Company. Such authority will be utilised if the directors consider that it is in the best interests of the Company and shareholders to effect any such acquisitions having regard to prevailing circumstances and the cash resources of the Company at the appropriate time. Shares repurchased by the Group may be utilised pursuant to any approved share incentive scheme, or cancelled and restored to the status of authorised and unissued shares. Accordingly, shareholders will be asked to approve such general authority at the annual general meeting on 22 November 2018.

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

The directors consider that a general authority should be put in place to authorise the board of the Company to grant direct or indirect financial assistance to any company forming part of the Company's group of companies, including in the form of loans, the guaranteeing of their debts or the subordination of intra-company loans. Such authority will assist the Company, inter alia, in making inter-company loans to subsidiaries as well as granting letters of support and guarantees in appropriate circumstances. The existence of a general authority would avoid the need to refer each instance to shareholders for approval. This new general authority would be valid up to and including the 2019 annual general meeting of the Company. Accordingly, shareholders will be asked to approve such general authority at the annual general meeting on 22 November 2018.

DIVIDENDS

The board has declared a final dividend of 50 cents (2017: 50 cents) per ordinary share. The total dividend for the year is therefore 82 cents per ordinary share versus 82 cents per ordinary share for the 2017 financial year.

DIRECTORATE

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

With effect from 23 November 2017, Ms Buyisiwe Makhunga and Ms Refilwe Nkabinde were appointed to the Board of directors of ELB as independent non-executive directors. There have been no other changes to the board of directors during the year.

In terms of the Companies Act, Ms Makhunga and Nkabinde's appointment to the board is required to be confirmed by shareholders at the forthcoming annual general meeting. Furthermore, in terms of the Company's MOI, the following directors retire at the forthcoming annual general meeting and, being eligible, are available for re-election: Messrs PJ Blunden, CJ Smith, B Makhunga, JC van Zyl.

Details of directors' remuneration and options in respect of ordinary shares in the Company are contained in note 20 to the financial statements. Details of directors' interests in the ordinary shares of the Company are provided on page 25.

POST BALANCE SHEET EVENTS

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

AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 30 June 2018.

AUDIT AND RISK COMMITTEE CHARTER

During the year, the audit and risk committee charter has been updated to align it with changes made to statutory acts, regulatory requirements and corporate governance codes. The revised charter has been approved by the board of directors. The committee has conducted its affairs in compliance with this charter and has discharged its responsibilities contained therein.

AUDIT AND RISK COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS

The committee consists of four independent, non-executive directors and meets at least four times per annum in accordance with the charter. The ELB chairman, group chief executive, group financial director, group accountant, internal auditor, external auditor, and chief executive officers and financial directors of subsidiary companies attend meetings by invitation.

ROLES AND RESPONSIBILITIES

The committee's roles and responsibilities include its statutory duties as per the Companies Act of South Africa, its regulatory duties as per the JSE Listings Requirements and the responsibilities assigned to it by the board.

Statutory duties

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

- Nominated for appointment as external auditor of the Company, KPMG Inc., as registered auditor which, in the opinion of the committee, is independent of the Company;
- Determined the fees to be paid to the external auditor and the terms of engagement;
- Ensured that the appointment of the external auditor complies with the Companies Act of South Africa and any other legislation relating to the appointment of auditors;
- Determined the nature and extent of those non-audit services that the external auditor may provide to the Company;
- Pre-approved any proposed agreement with the external auditor for the provision of non-audit services to the Company to a certain value;
- Discharged those statutory obligations of an audit committee as prescribed by section 94 of the Companies Act of South Africa acting in its capacity as the appointed audit and risk committee of the Company.

Duties assigned by the board

In addition to its statutory duties, the board has allocated the independent oversight to the committee of:

- the effectiveness of the company's assurance functions and services, with particular focus on combined assurance arrangements, including external assurance service providers, internal audit and the finance function;
- the management of financial and other risks that affect the integrity of external reports issued by the company;
- the oversight of risk governance; and
- the integrity of the annual financial statements and, to the extent delegated by the board, other external reports issued by the company.

INTERNAL FINANCIAL CONTROLS

Internal controls comprise the methods and procedures adopted by management to provide reasonable assurance as to the safeguarding of assets, prevention and detection of errors, accuracy and completeness of accounting records and reliability of the annual financial statements.

Management have implemented selected internal audit procedures on a monthly basis over areas considered to be high risk in order to strengthen the internal control environment. The Internal Audit function, assisted by BDO Advisory Services (Pty) Ltd ("BDO") performs independent evaluations of the adequacy and effectiveness of certain of the Company's controls, financial reporting mechanisms and records, information systems and operations, and provides some assurance with regard to the safeguarding of assets and the integrity of financial information.

AUDIT AND RISK COMMITTEE REPORT

Considering the information and explanations given by management and the Internal Audit function, the committee is of the opinion that the Company's system of internal financial controls and financial reporting procedures are adequate and effective and forms a basis for the preparation of reliable financial statements.

EXTERNAL AUDITOR

The committee has satisfied itself that the external auditor, KPMG Inc., was independent of the Company, as set out in section 90 of the Companies Act of South Africa, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the external auditor in order to assist the committee in their assessment of the suitability for appointment of the audit firm and the designated individual partner in terms of the JSE Listings Requirements.

The committee, in consultation with executive management, agreed the engagement letter, terms, audit plan and budgeted audit fees for the 2018 financial year. There is a formal written policy and procedure that governs the process whereby the external auditor is considered for non-audit related services. The committee approved the terms of the written policy for the provision of non-audit services by the external auditor, and approved the nature and extent of non-audit services that the external auditor may provide.

INTERNAL AUDIT

An internal audit charter has been approved by the committee and the board. The committee approved the internal audit plan for the financial year ending 30 June 2018. The internal audit function is outsourced to BDO with responsibility for reviewing and providing assurance on the adequacy and effectiveness of the internal control environment.

The head of internal audit is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the committee on a regular basis. The head of internal audit has direct access to the committee, primarily through its chairman.

EXPERTISE AND EXPERIENCE OF FINANCIAL DIRECTOR AND FINANCE FUNCTION

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

ANNUAL FINANCIAL STATEMENTS

The committee has reviewed the annual financial statements and is satisfied that the information contained in these statements as well as the application of accounting policies and practices are reasonable. The committee recommended the integrated annual report for approval by the board of directors.

On behalf of the committee

IAR Thomson
Audit and risk committee chairman
18 September 2018

INDEPENDENT AUDITOR'S REPORT

To the shareholders of ELB Group Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the separate financial statements of ELB Group Limited (the company) set out on pages 10 to 29, which comprise the balance sheet as at 30 June 2018, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of ELB Group Limited at 30 June 2018, and its separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Key Audit Matters

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

Other information

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

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

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

Responsibilities of the directors for the separate financial statements

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

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

Auditor's responsibilities for the audit of the separate financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

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

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

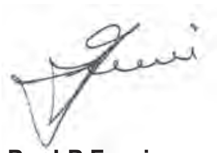
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of ELB Group Limited for 66 years.

KPMG Inc.
Registered auditor



Per LP Fourie
Chartered Accountant (SA)
Registered Auditor
Director

18 September 2018

KPMG Crescent
85 Empire Road, Parktown
Johannesburg 2193

BALANCE SHEET

as at 30 June 2018

	Note	2018 R '000	2017 R '000
ASSETS			
Non-current assets			
Investments in subsidiaries	2	114 297	113 126
Loan to subsidiary	3	67 252	78 551
Other financial assets	4	69 843	44 479
Pension fund employer surplus account	5	39 650	39 938
		291 042	**276 094**
Current assets			
Other financial assets	4	2 977	22 033
Cash and cash equivalents		62	35
Total assets		**294 081**	**298 162**
EQUITY AND LIABILITIES			
EQUITY			
Issued capital	7	109 178	109 479
Reserves	8	15 566	39 837
Retained earnings		157 336	129 004
Total equity		**282 080**	**278 320**
LIABILITIES			
Non-current liabilities			
Deferred tax liability	6	11 102	11 182
Current liabilities			
Loan from subsidiary	3	51	7 660
Trade and other payables	9	669	893
Income tax payable		151	81
Other current liabilities		28	26
		899	**8 660**
Total liabilities		**12 001**	**19 842**
Total equity and liabilities		**294 081**	**298 162**

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Note	2018 R '000	2017 R '000
Sales	10	2 260	2 307
Dividends received from subsidiaries		26 515	9 720
Net operating income	11	1 236	453
Profit from operations	11	**30 011**	**12 480**
Finance income	13	4 309	5 579
Finance expense		-	(4)
Profit before income tax		**34 320**	**18 055**
Income tax expense	14	(2 082)	(2 555)
Profit for the year		**32 238**	**15 500**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Pension fund employer surplus account remeasurements	5	(3 733)	(3 474)
Income tax effect of remeasurements		1 045	973
Total items that will not be reclassified to profit or loss		**(2 688)**	**(2 501)**
Other comprehensive income for the year		**(2 688)**	**(2 501)**
Total comprehensive income for the year		**29 550**	**12 999**
Profit attributable to :			
Ordinary shareholders of the Company		32 238	15 500
Total comprehensive income attributable to:			
Ordinary shareholders of the Company		29 550	12 999

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	Issued capital R '000	Reserves R '000	Retained earnings R '000	Total equity R '000
Balance at 1 July 2016	**107 702**	**38 543**	**184 191**	**330 436**
Profit for the year			15 500	15 500
Other comprehensive income			(2 501)	(2 501)
Total comprehensive income for the year			**12 999**	**12 999**
Ordinary dividends paid			(10 329)	(10 329)
Equity settled share options expense		1 808		1 808
ELB ordinary shares repurchased and cancelled	(3 223)		(58 371)	(61 594)
ELB ordinary shares issued	5 000			5 000
Transfer from share options reserve to retained earnings for share options which became fully paid		(514)	514	-
Total (distributions to)/contributions from owners of the Company	**1 777**	**1 294**	**(68 186)**	**(65 115)**
Balance at 1 July 2017	**109 479**	**39 837**	**129 004**	**278 320**
Profit for the year			32 238	32 238
Other comprehensive income			(2 688)	(2 688)
Total comprehensive income for the year			**29 550**	**29 550**
Ordinary dividends paid			(26 660)	(26 660)
Equity settled share options expense		1 171		1 171
ELB ordinary shares repurchased and cancelled	(301)			(301)
Transfer from share options reserve to retained earnings for share options which became fully paid		(7 520)	7 520	-
Transfer from treasury share transfer reserve to retained earnings for share options which became fully paid		(17 922)	17 922	-
Total (distributions to)/contributions from owners of the Company	**(301)**	**(24 271)**	**(1 218)**	**(25 790)**
Balance at 30 June 2018	**109 178**	**15 566**	**157 336**	**282 080**
Note	7	8		

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2018

	Note	2018 R '000	2017 R '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	15	24 864	8 705
Interest received	13	4 309	5 579
Interest paid		-	(4)
Ordinary dividends paid		(26 660)	(10 329)
Income tax paid	16	(1 047)	(1 737)
Net cash inflow from operating activities		**1 466**	**2 214**
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment of loan to subsidiary		11 299	2 456
Advancement of loan to ELB Share Incentive Trust		(4 828)	(4 698)
Net cash inflow/(outflow) from investing activities		**6 471**	**(2 242)**
CASH FLOWS FROM FINANCING ACTIVITIES			
ELB ordinary shares repurchased and cancelled		(301)	-
Repayment of loan from subsidiary		(7 609)	-
Net cash outflow from financing activities		**(7 910)**	**-**
Increase/(decrease) in cash and cash equivalents		**27**	**(28)**
Cash and cash equivalents at the beginning of the year		35	63
Cash and cash equivalents at end of the year		**62**	**35**

1. Summary of significant accounting policies

1.1 Introduction

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

1.2 Compliance

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

1.3 Preparation

The financial statements are presented in South African rands, which is the functional currency of the Company, rounded to the nearest thousand. They are prepared on the historical cost basis, excluding the pension fund employer surplus account, which is measured at fair value. The accounting policies described hereafter have been applied consistently to all periods presented in these financial statements.

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

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

1.4 Significant judgements and accounting estimates

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

1.5 Interest in subsidiaries

The Company's interest in subsidiaries comprises equity investments in the subsidiaries and equity contributions in respect of equity-settled options granted within the Group over the Company's ordinary shares. These are measured at cost less impairments. Impairments are assessed with reference to the projected profitability of the subsidiaries.

1.6 Financial instruments

Measurement

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

Financial assets

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

Loans and receivables

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

Loans and receivables comprise the loan to subsidiary, other financial assets and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances. Subsequent to initial recognition cash and cash equivalents are measured at amortised cost using the effective interest method.

1.6 Financial instruments (continued)

Financial liabilities

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

Trade and other payables and loans from related parties

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

Offset

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

Derecognition

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

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

1.7 Impairment of non-financial assets

The Company's non-financial assets are assessed annually at the balance sheet date to determine whether there are any indications of impairment. If any such indication exists for any asset, the recoverable amount for that asset is estimated in order to determine the extent of any impairment loss for the asset.

The recoverable amount is the higher of the asset's fair value less costs of disposal or the asset's value in use. Value in use is estimated taking into account future cash flows, forecast market conditions and the expected life of the asset. Such cash flows are discounted using 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 (CGU) to which the asset belongs. An asset's CGU is the smallest identifiable group of assets that include the asset and that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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

1.8 Impairment of financial assets

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

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

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

1.9 Share capital

Ordinary shares

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

1.10 Revenue

Interest received

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

1.10 Revenue (continued)

Dividends received

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

Administration fees

Revenue from administration fees is recognised as services are rendered by the Company on behalf of its subsidiaries.

1.11 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.

Retirement benefits

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

Defined benefit obligations

A defined benefit retirement plan is a post-employment benefit plan other than a defined contribution retirement plan. The Company's net obligation in respect of the defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in return for their services in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of the defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method.

When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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

Share-based payment transactions - equity settled share options

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

1.12 Income tax

Current income tax

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

Deferred tax

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

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

1.12 Income tax (continued)

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

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

Dividend Withholding Tax

Dividend Withholding Tax is a tax on shareholders receiving dividends. The Company withholds dividends tax on behalf of its shareholders at a rate of 20% on dividends declared. Amounts withheld are not recognised as part of the Company's tax charge but rather as part of the dividend paid recognised directly in equity.

Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholding tax recognised as part of the tax expense unless it is otherwise reimbursable in which case it is recognised as an asset.

1.13 New standards and interpretations in issue but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2018. These include the following standards and interpretations, and amendments to standards that are applicable to the business of the Company, which have not been applied in preparing these financial statements:

IFRS 9 – Financial instruments

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

This standard's impact on the Company will include changes in the measurement bases of the Company's financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an 'incurred loss" model under IAS 39 to an 'expected credit loss' model, which may increase the impairment allowance in respect of receivables recognised by the Company.

The standard is effective for annual periods beginning on or after 1 July 2018 with retrospective application and early adoption is permitted. The Company expects to adopt the standard for the first time in the 2019 financial statements. Management has assessed the impact of this standard and has concluded that no material impact is expected due to the nature of the financial assets.

IFRS 15 – Revenue from contracts with customers

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

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

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

IFRIC 23 – Uncertainty over income tax treatments

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

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

1.14 Non-applicable standards, amendments and interpretations

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

	2018 R '000	2017 R '000
2. Investment in subsidiaries		
ELB Engineering Proprietary Limited	114 297	113 126
ELB International Proprietary Limited	*	*
	114 297	**113 126**

* - Less than R1 000.

The investment in subsidiaries consists of:		
Ordinary shares	2	2
Preference shares	90 000	90 000
Equity contributions in respect of equity settled share options granted	24 295	23 124
	114 297	**113 126**

3. Loans to/(from) subsidiaries

ELB Engineering (Pty) Ltd	67 252	78 551
ELB International (Pty) Ltd	(51)	(7 660)
	67 201	**70 891**

The amount of R67 252 000 (2017: R78 551 000) owing by ELB Engineering (Pty) Ltd has no fixed repayment terms and bears interest at the rate prevailing on the Group's bank call deposit. There is no intention to recall the loan in the foreseeable future.

The amount of R51 000 (2017: R7 660 000) owing to ELB International (Pty) Ltd is interest free and is repayable on demand.

Disclosed as:		
Non-current assets	67 252	78 551
Current liabilities	(51)	(7 660)
	67 201	**70 891**

Fair value of loans to/(from) subsidiaries

The fair value of the loan to subsidiary is considered to approximate its carrying amount given its approximation to market-comparable interest rates. The loan from subsidiary is considered to approximate its carrying amount given its short-term nature.

4. Other financial assets

Loan to related party		
ELB Share Incentive Trust	77 112	72 284
Impairment allowance	(4 292)	(5 772)
	72 820	**66 512**
Classification:		
At amortised cost	72 820	66 512
Presented as:		
Non-current assets	69 843	44 479
Current assets	2 977	22 033
	72 820	**66 512**

Fair value information

The loan to the ELB Share Incentive Trust ("the Trust") is interest free and has no set contractual repayment terms. The loan has been presented based on expected repayment terms over the life of the options granted under the share incentive schemes. The loan is anticipated to reduce annually by the expected dividends received each year on the treasury shares held by the Trust which have not yet been exercised by scheme participants and on ELB ordinary shares repaid and released by the Trust to participants.

The fair value of the loan is considered to approximate its carrying amount given its contractual short-term nature.

5. Pension fund employer surplus account

Defined benefit pension fund

The Group's defined benefit pension fund, the ELB Group Limited Pension Fund, consists of pensioner members only (2017: one employee member). The pension fund provides pension benefits to past employees of the Group. The fund is closed to new entrants. The defined benefit pension fund is independently administered and is legally separated from the Company. The trustees of the defined benefit pension fund comprise two employer representatives and two representatives elected by the members.

The fund exposes the Company to interest rate and market risks. The fund is actuarially valued every year. The last statutory actuarial valuation was for the year ended 31 December 2017. The actuaries also perform a valuation at each financial year end in terms of the requirements of IAS 19. As at 30 June 2018 the fund was in a sound financial position.

	2018 R '000	2017 R '000
Valuation of the defined benefit pension fund		
Fair value of plan assets	179 674	171 358
Present value of benefit obligation	(133 967)	(131 404)
Effect of asset ceiling	(6 057)	(16)
	39 650	**39 938**
Fair value of plan assets		
Fair value at the beginning of the year	171 358	176 801
Employee contributions	25	92
Interest income	14 776	13 657
Benefit payments	(14 400)	(12 273)
	171 759	178 277
Actuarial gain/(loss) on plan assets	7 915	(6 919)
	179 674	**171 358**
Present value of benefit obligation		
Present value at the beginning of the year	131 404	136 538
Current service cost	169	161
Interest cost	11 186	10 439
Benefit payments	(14 400)	(12 273)
	128 359	134 865
Actuarial (loss)/gain on benefit obligation	5 608	(3 461)
	133 967	**131 404**
Effect of asset ceiling		
Effect at the beginning of the year	16	-
Interest cost	1	-
Remeasurement	6 040	16
	6 057	**16**
Income recognised in profit or loss		
Current service cost	(169)	(161)
Net interest income	3 589	3 218
Employee contributions	25	92
	3 445	**3 149**
Remeasurements recognised in other comprehensive income		
Actuarial gain/(loss) on plan assets	7 915	(6 919)
Actuarial (loss)/gain on benefit obligation	(5 608)	3 461
Effect of asset ceiling	(6 040)	(16)
	(3 733)	**(3 474)**

	2018 R '000	2017 R '000
5. Pension fund employer surplus account (continued)		
Composition of plan assets		
Bank balances, deposits or money market instruments	11 068	22 174
Debt instruments	18 039	29 782
Equities	138 133	116 523
Real estate investment trusts	4 438	1 045
Commodities, hedge funds, private equity funds and any other assets	7 996	1 834
	179 674	**171 358**

Included in money market instruments, debt instruments, equities, real estate investment trusts and commodities are R168 606 000 (2017: R147 358 000) of plan assets that have quoted prices in active markets.

Actual return on plan assets

	2018	2017
Amount	22 691	6 738
Percentage	13,8 %	3,9 %

Principal actuarial assumptions used for accounting purposes

	2018	2017
Discount rate	8,8 %	9,0 %
Expected return on plan assets	8,8 %	9,0 %
Future pension increases	6,0 %	6,0 %
General inflation rate	6,0 %	6,0 %

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

6. Deferred tax liability

General

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

- South African income tax - 28% (2017: 28%)

Deferred tax movement for the year

	2018	2017
Balance at the beginning of the year	(11 182)	(11 273)
Recognised through profit or loss	(965)	(882)
Recognised through other comprehensive income		
Pension fund employer surplus account	1 045	973
Balance at the end of the year	**(11 102)**	**(11 182)**

Deferred tax comprise:

	2018	2017
Temporary differences		
Pension fund employer surplus account	(11 102)	(11 182)
	(11 102)	**(11 182)**

	2018 R '000	2017 R '000
7. Issued capital		
7.1 Authorised share capital		
50 000 000 ordinary shares of 4 cents each	2 000	2 000
7.2 Issued share capital		
Ordinary shares of 4 cents each and share premium thereon	109 178	109 479

7.3 Number of shares in issue

	2018 Number	2017 Number
Number of shares in issue at the beginning of the year	32 518 579	35 824 527
Issue of shares	-	240 038
Shares repurchased and cancelled	(15 685)	(3 545 986)
Number of shares in issue at the end of the year	**32 502 894**	**32 518 579**

On 6 April 2018, the Company concluded an odd-lot offer and specific offer to shareholders, whereby the company repurchased ordinary shares from shareholders holding less than 100 ordinary shares at R19.02 per share ("the Odd-lot Offer"); and from shareholders holding between 100 and 500 ordinary shares (inclusive) at R19.97 cents per share ("the Specific Repurchase"). Details of the transaction are available in the circular posted to shareholders on 12 February 2018.

On 11 October 2016, shareholders approved the repurchase by the Company of 3 545 986 ordinary shares from ELB International (Pty) Ltd, a wholly owned subsidiary. Following the repurchase, the shares were cancelled and restored to the status of authorised but unissued shares. Details of the transaction are available in the circular posted to shareholders on 16 August 2016.

7.4 Authority to issue additional shares

An ordinary resolution at a general meeting held on 8 March 2011 placed 4 200 000 of the authorised ordinary shares of the Company under the control of the directors and authorised the directors to allot and issue such ordinary shares in the Company in accordance with the respective rules of the ELB Share Incentive Scheme, the ELB Executive Share Incentive Scheme 2010, the Companies Act of South Africa and the JSE Limited Listings Requirements. The Company has utilised 240 038 shares under this authority.

7.5 Capital management

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

There are no externally imposed capital requirements.

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

	2018 R '000	2017 R '000
8. Reserves		
Treasury shares transfer reserve	8 677	26 599
Share options reserve	6 889	13 238
	15 566	**39 837**

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

Treasury shares transfer reserve

The treasury shares transfer reserve arose from the transfer of a capital profit, net of capital gains tax paid by the Company, by a Group share trust to the Company. The capital profit received by the Company was placed in the reserve. The capital profit transferred to the Company was part of the total capital profit on the transfer of treasury shares by the Group share trust to other Group entities and is reduced as those treasury shares are paid up by current share scheme partipants and released into the market.

Share options reserve

The share options reserve comprises the cumulative value of the equity settled share options granted to employees of the Group in terms of the Group's share incentive schemes. The reserve is reduced for options that are exercised and paid for in full, and for options that lapse.

	2018 R '000	2017 R '000
9. Trade and other payables		
Trade payables	1	-
Other current payables	668	893
	669	**893**

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

	2018 R '000	2017 R '000
10. Sales		
Administration fees	2 260	2 307

11. Profit from operations

Profit from operations is stated after accounting for the following:

	2018 R '000	2017 R '000
Net other operating (income)/costs	(1 236)	(453)
Other items		
Return on pension fund employer surplus account	(3 445)	(3 149)
Fees paid to directors	2 011	1 804
Impairment of loan to related party reversed	(1 480)	(596)

12. Employee benefits

Share incentive schemes

In terms of the ELB Share Incentive schemes, the directors may direct the ELB Share Incentive Trust to offer shares or grant options in respect of shares to specified employees and executive directors. For shares or options granted from December 2010 onwards the maximum number of shares that may be issued or options that may be granted is limited to 4 000 000 shares or options. Loans are granted by the Trust to the participants to acquire these shares on exercise. The loans granted by the Trust are interest free. The trustees of the ELB Share Incentive Trust may not release these shares until they are paid for in full.

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

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

Reconciliation of scheme shares

	2018 Number	2017 Number
Unpaid shares granted prior to December 2010	115 000	1 318 176
Unpaid shares granted after December 2010	3 002 454	2 607 454
Shares not yet paid for by participants	3 117 454	3 925 630
Shares held by the Trust for issue to participants	981 135	153 346
Scheme shares held at the end of the year	**4 098 589**	**4 078 976**

Details of the outstanding share options at year end are:

Option grant date	Expiry date	Exercise price (cents)	Number of options: Options outstanding at beginning of the year	Granted	Exercised/ Lapsed	Options outstanding at the end of the year
2018						
September 2010	September 2020	1 289	22 000	-	-	22 000
June 2013	June 2023	3 322	250 000	-	(25 000)	225 000
May 2017	May 2027	2 083	1 350 000	-	(135 000)	1 215 000
March 2018	March 2028	1 869	-	550 000	(500 000)	50 000
			1 622 000	**550 000**	**(660 000)**	**1 512 000**
2017						
March 2008	March 2018	1 250	19 000	-	(19 000)	-
September 2010	September 2020	1 289	22 000	-	-	22 000
June 2013	June 2023	3 322	250 000	-	-	250 000
May 2017	May 2027	2 083	-	2 205 000	(855 000)	1 350 000
			291 000	**2 205 000**	**(874 000)**	**1 622 000**

The weighted average exercise price per share of the options exercised during the year amounted to 1 957 cents (2017: 2 063 cents) and the weighted average share price per share on those options exercised during the year amounted to 2 180 cents (2017: 2 020 cents).

Options granted during the year

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

These inputs are quantified below:

- Fair value per option at grant date: 213 (2017: 82) cents per option;
- Market price at grant date: 2 000 (2017: 2 005) cents per share
- Exercise price: 1 869 (2017: 2 083) cents per share
- Expected volatility: 38.0% (2017: 37.6%)
- Expected option life: 0 to 3 (2017: 0 to 3) years
- Risk-free interest rate: 8.08% (2017: 8.76%)

The expected volatility is based on the average volatility over a ten year period prior to grant date

	2018 R '000	2017 R '000
13. Finance income		
External interest received	2	2
Intercompany interest received	4 307	5 577
	4 309	**5 579**
14. Income tax expense		
Normal		
Current period	1 116	1 519
Securities Transfer Tax	1	154
	1 117	**1 673**
Deferred		
Current period	965	882
	2 082	**2 555**

Reconciliation of the income tax rate

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

	2018	2017
Applicable tax rate	28 %	28 %
Dividends received	(22)%	(15)%
Impairment of loan to related party reversed	(1)%	(1)%
Securities Transfer Tax	- %	1 %
Non-deductible expenses	1 %	1 %
Effective tax rate	**6 %**	**14 %**

	2018	2017
15. Cash generated from operations		
Profit from operations	30 011	12 480
Adjustments for:		
Return on pension fund employer surplus account	(3 445)	(3 149)
Impairment of loan to related party reversed	(1 480)	(596)
Changes in working capital:		
Trade and other payables	(224)	(31)
Other current liabilities	2	1
	24 864	**8 705**
16. Income tax paid		
Balance at beginning of the year	(81)	(145)
Income tax expense for the year	(1 117)	(1 673)
Balance at end of the year	151	81
	(1 047)	**(1 737)**

17. Dividend payable

The Company has over the years allowed the dividend cover to fluctuate from year-to-year owing to the cyclical nature of the business. Bearing this in mind, a final dividend of 50 cents (2017: 50 cents) per ordinary share in respect of the current year's earnings, amounting to R16 251 000 (2017: R16 259 000) on the total 32 502 894 (2017: 32 518 579) ordinary shares in issue at the date of declaration, was declared on 18 September 2018 and is payable on 26 November 2018. The dividend is subject to the South African dividend withholding tax of 20%.

The total dividends in respect of the current financial year's earnings amount to 82 cents per ordinary share (2017: 82 cents per ordinary share).

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

18. Post balance sheet events

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

19. Related parties

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

	Note	2018 R '000	2017 R '000
Related party balances and transactions			
Related party balances			
Loans to/(from) subsidiaries	3	67 201	70 891
Other financial assets	4	72 820	66 512
Related party transactions			
Administration fees received from ELB Equipment Holdings (Pty) Ltd		2 260	2 307
Dividends received from subsidiaries		26 515	9 720
Interest received from subsidiary	13	4 307	5 577

Material shareholders

The beneficial holders of 5% or more of the issued ordinary shares of the Company at 30 June 2018, according to the information available to the directors, were:

	Number of ordinary shares	%
Tanjo One (Pty) Ltd	3 294 612	10,14
Investec Asset Management	1 694 563	5,21

Directors interest in ordinary shares

	Beneficial holdings at 30 June 2018			Beneficial holdings at 30 June 2017		
Name	Total	Direct	Indirect	Total	Direct	Indirect
PJ Blunden	860 000	860 000	-	860 000	860 000	-
T de Bruyn	25 100	15 000	10 100	25 100	15 000	10 100
MC Easter	75 000	75 000	-	-	-	-
AG Fletcher	3 294 712	100	3 294 612	3 294 712	100	3 294 612
Dr JP Herselman	158 600	-	158 600	158 600	-	158 600
B Makhunga	-	-	-	-	-	-
Dr SJ Meijers	1 300 100	1 300 100	-	1 310 000	1 310 000	-
R Nkabinde	-	-	-	-	-	-
MV Ramollo	1 876	1 876	-	12 376	12 376	-
CJ Smith	334 769	334 769	-	402 000	402 000	-
IAR Thomson	7 100	100	7 000	7 100	100	7 000
JC van Zyl	-	-	-	-	-	-
	6 057 257	**2 586 945**	**3 470 312**	**6 069 888**	**2 599 576**	**3 470 312**

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

20. Directors' remuneration

Executive directors

2018	Salaries R '000	Fees (a) R '000	Performance bonuses R '000	Allowances R '000	Commission R '000	Medical aid contributions R '000	Retirement fund contributions R '000	Total R '000
PJ Blunden	2 742	-	1 477	192	-	82	334	4 827
MC Easter	1 906	-	777	-	-	-	464	3 147
AG Fletcher	3 170	-	665	139	-	167	-	4 141
Dr SJ Meijers	3 436	-	2 119	180	-	65	322	6 122
MV Ramollo	962	291	-	-	-	220	149	1 622
CJ Smith	1 413	-	468	114	750	32	442	3 219
Total	**13 629**	**291**	**5 506**	**625**	**750**	**566**	**1 711**	**23 078**

2017	Salaries R '000	Fees (a) R '000	Performance bonuses R '000	Allowances R '000	Commission R '000	Medical aid contributions R '000	Retirement fund contributions R '000	Total R '000
PJ Blunden	2 521	-	299	192	-	74	328	3 414
MC Easter	1 658	-	584	-	-	-	546	2 788
AG Fletcher	3 185	-	149	139	-	148	-	3 621
Dr SJ Meijers	3 143	-	1 537	205	-	53	296	5 234
MV Ramollo	894	273	-	-	-	197	139	1 503
CJ Smith	1 304	-	159	119	350	30	390	2 352
Total	**12 705**	**273**	**2 728**	**655**	**350**	**502**	**1 699**	**18 912**

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

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 one and two months. The executive directors are defined as key management personnel and are viewed as prescribed officers.

Non-executive director fees	2018 R '000	2017 R '000
T de Bruyn	305	286
Dr JP Herselman	376	353
B Makhunga	43	-
R Nkabinde	43	-
IAR Thomson	662	619
JC van Zyl	291	273
	1 720	**1 531**

Directors share incentives

The IFRS 2 expense recognised in profit or loss in respect of share incentive instruments granted to directors is as follows:

MC Easter	-	62
Dr. SJ Meijers	1 065	-
MV Ramollo	-	25
CJ Smith	-	111
	1 065	**198**

The gain/(loss) on the exercise of share incentive instruments is as follows:

MC Easter	(62)	-
Dr. SJ Meijers	1 780	-
CJ Smith	-	(45)
	1 718	**(45)**

20. Directors' remuneration (continued)

Directors' share options

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

				Number of options Changes during the year		
Director	Option grant date	Exercise price (cents)	Options outstanding at the beginning of the year	Granted	Exercised	Options outstanding at the end of the year
MC Easter	June 2013	3 322	150 000	-	-	150 000
	May 2017	2 083	75 000	-	(75 000)	-
Dr SJ Meijers	March 2018	1 869	-	500 000	(500 000)	-
MV Ramollo	May 2017	2 083	30 000	-	-	30 000
			255 000	**500 000**	**(575 000)**	**180 000**

Directors' share loans

In terms of the ELB Share Incentive Scheme rules, participants may elect to fund the exercise of their incentive scheme options via an interest-free loan. On exercise of their allocated options, participants have up to ten years in which to repay their share option loan. The benefits received by the directors in terms of the scheme are as follows:

		Changes during the year		
Director	Balance at 30 June 2017 R '000	Loans granted R '000	Loans repaid R '000	Balance at 30 June 2018 R '000
MC Easter	-	1 562	-	1 562
Dr SJ Meijers	17 156	9 345	(6 332)	20 169
MV Ramollo	154	-	(154)	-
CJ Smith	6 767	-	(1 405)	5 362
	24 077	**10 907**	**(7 891)**	**27 093**

The benefit received by the directors on their interest-free loans amounted to:

	2018 R '000	2017 R '000
MC Easter	84	-
Dr. SJ Meijers	1 551	1 601
MV Ramollo	16	20
CJ Smith	538	391
	2 189	**2 012**

21. Financial risk management

21.1 Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

21.2 Financial instruments

	Note	2018 R '000	2017 R '000
Carrying amount of financial assets			
Loans and receivables at amortised cost			
Loan to subsidiary	3	67 252	78 551
Loan to related party	4	72 820	66 512
Cash and cash equivalents		62	35
Total financial assets		**140 134**	**145 098**
Carrying amount of financial liabilities			
Financial liabilities at amortised cost			
Loan from subsidiary	3	51	7 660
Trade and other payables	9	669	893
Total financial liabilities		**720**	**8 553**

21.3 Credit risk

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

Credit policies are in operation and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit above certain amounts. Ageing analyses are used and special credit allowances are monitored on a regular basis. Reputable financial institutions are used where necessary for effecting cash transfers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

21. Financial risk managem

21.4 Liquidity risk

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

The Company manages liquidity risk by compiling and monitoring cash flow forecasts. The risk is reduced by the bank facilities available to the Company.

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

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

Contractual cashflow analysis

At 30 June 2018	Note	Carrying amount R '000	Contractual cashflows R '000	Within 1 year R '000	2 - 5 years R '000	Greater than 5 years R '000
Loan from subsidiary	3	51	51	51	-	-
Trade and other payables	9	669	669	669	-	-
		720	**720**	**720**	**-**	**-**
At 30 June 2017						
Loan from subsidiary	3	7 660	7 660	7 660	-	-
Trade and other payables	9	893	893	893	-	-
		8 553	**8 553**	**8 553**	**-**	**-**

21.5 Market risk

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

21.5.1 Interest rate management

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

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

	2018 R '000	2017 R '000
Interest rate profile		
At the reporting date, the interest rate profile of the Company's interest bearing financial instruments were:		
Variable rate instruments		
Financial assets	67 314	78 586
	67 314	**78 586**
Sensitivity analysis		
Should interest rates have been 1% (2017: 1%) lower or higher during the year and assuming all other variables remained constant, it is estimated that profit or loss for the year after income tax of the Company would have (decreased)/increased by the amounts indicated below:		
Interest rates 1% per annum lower	(485)	(566)
Interest rates 1% per annum higher	485	566

ORDINARY SHARE STATISTICS

for the year ended 30 June 2018

	30 June 2018	30 June 2017
Listed on the JSE in 1951		
Market price (cents per share)		
High	**2 510**	2 490
Low	**1 630**	1 550
Year end closing	**2 100**	1 950
Total number of shares traded	**6 962 175**	8 114 972
Total value of shares traded (rands)	**133 547 855**	154 798 290
Number of shares traded as a percentage of total shares issued	**21,42%**	25,00%

ANALYSIS OF ORDINARY SHAREHOLDERS

at 30 June 2018

	Number of shareholdings	Number of shares	% of shares issued
Public shareholders	**929**	**23 541 156**	72,4%
Non-public shareholders	**81**	**8 961 738**	27,6%
	1 010	**32 502 894**	100,0%
Non-public shareholders comprises:			
Directors of ELB Group Limited (direct and indirect)	**21**	**6 057 257**	18,7%
Directors of major subsidiaries (direct and indirect)	**4**	**328 437**	1,0%
Shareholders subject to incentive schemes and treasury shares	**56**	**2 576 044**	7,9%
Major beneficial shareholders			
Tanjo One (Pty) Ltd*		**3 294 612**	10,1%
Investec Asset Management		**1 694 563**	5,2%

**Entity through which AG Fletcher, a Director, holds an indirect beneficial interest in the Company.*

SHAREHOLDERS' DIARY

Financial year end	30 June
Annual general meeting	November
Financial Reports	
Interim report for the half year	March
Provisional report for the year	September
Integrated annual report for the year	October

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

NOTES

ADMINISTRATION

ELB Group Limited

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

Ordinary shares

Share code: ELR
International Security Identification Number
ISIN: ZAE000035101

Company secretary

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

Registered office

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Postal address

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Website

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Email

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Telephone

+27 11 306 0700

Fax

+27 11 918 7208

Share transfer secretaries

Computershare Investor Services (Pty) Ltd
Registration number: 2004/003647/07
2nd Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

Independent auditor

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

Principal commercial bankers

First National Bank
(a division of FirstRand Bank Limited)
The Standard Bank of South Africa Limited
Australia and New Zealand Banking Group Limited
(ANZ Bank)

Sponsor

Questco Corporate Advisory Proprietary Limited
1st Floor, Yellowwood House, Ballywoods Office Park
33 Ballyclare Drive, Bryanston, 2191

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