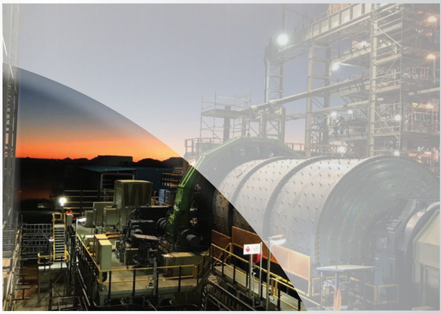

ELB GROUP LIMITED

("ELB", "the Company", or "the Group")

Unaudited condensed consolidated interim financial results

for the six months ended 31 December 2019

ELB GROUP LIMITED

('ELB' or 'the Company')
Incorporated in the Republic of South Africa
Registration number: 1930/002553/06
Share code: ELR ISIN: ZAE000035101

Unaudited condensed consolidated interim financial results
for the six months ended 31 December 2019

- Overall reduction in trading levels across the Group
- Revenue decreased to R1 148.4 million from R1 598.1 million
- Loss before tax for the period improved to R106.6 million from R218.6 million (restated) (previously reported R218.2 million)
- Loss per share improved to 352.7 cents from 963.5 cents (restated) (previously reported 814.4 cents)
- Headline loss per share improved to 64.8 cents from 966.7 cents (restated) (previously reported 817.0 cents)
- Net asset value per share decreased to 1 396.4 cents from 1 756.9 cents at 30 June 2019 (31 December 2018: 921.5 cents (restated))
- ELB Engineering Services placed under Business Rescue
- No dividend is declared for the interim period ended 31 December 2019 (2018: Nil)

COMMENTARY

Introduction

ELB is an internationally recognised engineering solutions provider and capital equipment supplier. The Company and its subsidiaries ("the Group") operate in Africa and Australasia.

The results for the interim period ended 31 December 2019 ("2019") were negatively impacted by the depressed trading environment across all markets in which the Group operates as well as by the unrecoverable costs associated with the delays in finalising certain key projects.

Financial results

Revenue for the period declined to R1 148.4 million in 2019 from R1 598.1 million at 31 December 2018 ("2018"). Revenue decreased in all segments, most notably in the Engineering Services segment.

Loss before tax in 2019 improved to R106.6 million from a loss of R218.6 million in 2018 (restated). The loss in 2019 included a R7 million restructuring provision, right of use asset impairments of R25.5 million and a R55.8 million impairment on classification and measurement of the Australasian segment as held for sale.

The effective tax rate moved to a credit of 6.1% from a charge of 24.3%. The effective tax rate decreased as a result of a deferred tax asset that was recognised by the Australasian segment for its calculated tax losses and on temporary timing differences which are expected to reduce as projects near completion.

Loss for the period attributable to ELB shareholders improved to a loss of R100.4 million in 2019 from a loss of R273.4 million in 2018 (restated). Total comprehensive income for the period attributable to ELB shareholders improved to a loss of R102.7 million in 2019 from a loss of R273 million in 2018 (restated), after taking into account the translation of the Group's foreign operations and other comprehensive income remeasurements.

Loss per share for the period improved to a loss of 352.7 cents in 2019 from a loss per share of 963.5 cents in 2018 (restated). Headline loss per share for the period improved to a loss of 64.8 cents in 2019 from headline loss per share of 966.7 cents in 2018 (restated).

The net asset value per share increased to 1 396.4 cents in 2019 from 921.5 cents in 2018 (restated).

Adoption of new accounting standard

The adoption of IFRS 16: Leases ("IFRS 16") resulted in the recognition of right of use assets of R69.5 million and lease liabilities of R73.2 million at 1 July 2019. On adoption, there was no impact on opening retained earnings given the transitional approach adopted by the Group.

Prior period restatement

The comparative information for 2018 was restated. The Group's consolidated annual financial statements for the financial year ended 30 June 2017 were selected for review by the JSE as part of its proactive monitoring of annual financial statements process. Following a referral to the Financial Reporting Investigation Panel, the JSE concluded that the Group's 2017 consolidated annual financial statements contained a prior period error, in relation to the accounting treatment of The ELB Educational Trust for Black South Africans ("the Trust"). In the JSE's opinion, the Trust should have been consolidated in the Group and a non-controlling interest should not have been recognised for the Trust's shares in ELB Engineering Proprietary Limited, a subsidiary of the Company. The impact of the restatement is disclosed in the notes to the condensed consolidated interim financial statements.

The impact on the current period's results of consolidating the Trust and excluding the non-controlling interest is such that it has the effect of increasing the loss and headline loss per share and the equity attributable to the Company's shareholders.

Segment results

Equipment

Revenue decreased marginally to R443.5 million in 2019 from R463.2 million in 2018. Profit before tax increased marginally to R36.9 million in 2019 from R35.9 million in 2018.

The market remains in a state of uncertainty with economic conditions being difficult particularly in South Africa. Public expenditure continues to be diverted from productive investment to propping up failed state-owned entities which is having a negative impact on the public and private construction sector. The demand for construction equipment has continued in a declining trend, while the demand for earthmoving and mining equipment and related sectors are relatively positive considering the current economic conditions.

Engineering Services

Revenue decreased to R427.5 million in 2019 from R847.9 million in 2018. The decrease is as a result of a reduction in the number of projects undertaken by the segment and the impact of the disposal of B&W Instrumentation and Electrical (Pty) Ltd Group ("B&W"),which in 2018 contributed R77.8 million to revenue. Curbed public and private expenditure and the delay in the approval and award of state tenders continues to negatively impact the segment.

Loss before tax decreased to R74.4 million in 2019 from R265.5 million in 2018. The current period loss included a R7 million restructuring provision that was recognised at period end for a head count reduction and a right of use asset impairment of R24 million on the segment's leased property and office equipment. The impairment was necessitated given the segment's loss-making position and the fact that efforts to sub-lease the Rivonia head office have not come to fruition. In 2018, B&W contributed a profit before tax of R13.9 million.

The Gamsberg Zinc project achieved operational completion on 20 January 2020. Performance guarantee testing was expected to commence and be completed on or before 31 March 2020 but, was suspended as a result of a plant shut down due to the Covid-19 pandemic. Performance guarantee testing will recommence once the plant is reopened. The Group maintains a positive working relationship with the client and remains committed to a successful handover.

Australasia

Revenue decreased to R279.8 million in 2019 from R287.2 million in 2018. Loss before tax of R59.6 million in 2019 decreased from a profit before tax of R14.6 million in 2018. The segment qualified for disclosure as a discontinued operation on 31 December 2019. An impairment charge of R55.8 million was recognised on classification as held for sale and as a discontinued operation and measurement to fair value less costs to sell. Notwithstanding the impact of a lower average exchange rate on the translation of the Australasian segment's results and the impairment on fair value less costs to sell measurement, the segment reported a loss following challenging trading conditions which resulted in reduced margins.

Cash flow

The Group had a net cash outflow from operating activities of R48.4 million, compared to a net cash outflow from operating activities of R108.8 million in the prior year (restated), with a decrease in net cash and cash equivalents to R150.7 million from R193.8 million at the prior year end (restated). R81 million of the net cash on hand as at 31 December 2019 is ceded and pledged to a local bank to cover trading facilities, R1.1 million is held offshore with ELB subsidiaries and the remaining amount is committed to fund contract outlays.

Going concern

On 8 January 2020 ELB informed its shareholders via SENS that ELB would be undertaking a restructuring of its Engineering Services business; a downsizing of its head office function; and the sale of its Australasian segment (collectively referred to as "the initiatives"). The initiatives have all been successfully completed and the final associated costs and the receipt of the Australasian proceeds are expected in the current financial year.

However, despite the successful conclusion of the initiatives, ELB Engineering Services (Pty) Ltd's ("ELBES") new business forecasts have not materialised. This has placed unsustainable cash funding requirements on the Group and a decision has therefore been made that the Group can no longer support ELBES. The ELBES board of directors has therefore resolved to proceed with placing ELBES under business rescue in terms of Chapter 6 of the Companies Act. The required resolutions have been filed and Daniel Terblanche has been appointed as the business rescue practitioner.

As a result of the initiatives taken to reduce costs, sell assets and place ELBES under business rescue, the Board is confident that the remaining Group remains a going concern.

Prospects

There are opportunities for the Group to further rationalise its cost base as well as to grow revenue through disciplined acquisition of market share in the Equipment segment. However, general trading conditions remain extremely challenging across the markets in which the Group operates, and the current situation is expected to worsen by the impact of the Covid-19 pandemic. Prospects are therefore muted at best for the foreseeable future.

Dividend

Given the loss-making position of the Group, the Board has elected not to declare a dividend for the interim period ended 31 December 2019.

Board of directors

The following changes occurred to the Board:

- Mr CE Pettit (effective 5 December 2019, appointed as Group CEO and executive director)
- Mr T de Bruyn (effective 5 December 2019, resigned as independent non-executive director)
- Dr SJ Meijers (effective 5 December 2019, resigned as Group CEO and executive director and effective 17 December 2019, resigned as CEO of ELB Engineering Service (Pty) Ltd)
- Dr JP Herselman (previous independent non-executive director, effective 17 December 2019 appointed as executive director and interim CEO of ELB Engineering Services (Pty) Ltd)
- Mr MV Ramollo (effective 31 January 2020, resigned as executive director)
- Mr MC Easter (effective 31 January 2020, resigned as Group financial director and executive director)
- Mr I Thomson (effective 31 January 2020, retired as non-executive director)
- Ms AMT Spagnuolo (effective 31 January 2020, appointed as Group financial director and executive director)

Condensed consolidated interim balance sheet

	Unaudited 31 Dec 19 R' 000	Unaudited 31 Dec 18 Restated* R' 000	Audited 30 Jun 19 R' 000
Assets			
Non-current assets	**243 472**	351 414	299 425
Property, plant and equipment	**96 645**	184 749	156 350
Goodwill and intangible assets	**–**	15 358	1 472
Right of use assets	**4 240**		
Pension fund employer surplus account	**39 650**	39 650	39 650
Deferred tax assets	**102 937**	111 657	101 953
Current assets	**1 043 030**	1 428 966	1 502 286
Contract assets	**216 028**	137 635	212 284
Inventories	**462 542**	833 388	858 934
Trade and other receivables, other financial assets, income tax receivables and other current assets	**178 585**	195 969	186 447
Cash and cash equivalents	**185 875**	261 974	244 621
Assets held for sale	**464 844**		
Total assets	**1 751 346**	1 780 380	1 801 711
Equity and liabilities			
Equity attributable to ordinary shareholders of the Company	**397 597**	261 729	500 249
Issued capital	**109 178**	109 178	109 178
Treasury shares	**(71 770)**	(74 575)	(71 770)
Reserves	**76 334**	76 303	74 574
Retained earnings	**283 855**	150 823	388 267
Non-controlling interests	**(757)**	(918)	(1 069)
Total equity	**396 840**	260 811	499 180
Non-current liabilities	**49 316**	40 807	32 560
Interest-bearing borrowings	**16 434**	25 409	18 501
Lease liabilities	**18 959**		
Deferred tax liabilities	**13 923**	15 398	14 059
Current liabilities	**1 026 388**	1 478 762	1 269 971
Contract liabilities and onerous contract provisions	**115 574**	218 638	113 935
Interest-bearing borrowings	**137 365**	96 870	77 571
Lease liabilities	**15 373**		
Trade and other payables, other financial liabilities, income tax payables and other current liabilities	**715 934**	1 095 062	1 046 536
Restructuring provision	**7 000**		
Bank overdraft	**35 142**	68 192	31 929
Liabilities held for sale	**278 802**		
Total liabilities	**1 354 506**	1 519 569	1 302 531
Total equity and liabilities	**1 751 346**	1 780 380	1 801 711

* Restated. Refer to note 4 for further details.

Condensed consolidated interim statement of profit or loss and other comprehensive income

	Unaudited Six months ended 31 Dec 19 R' 000	Unaudited Six months ended 31 Dec 18 *Restated R' 000	Audited Year ended 30 Jun 19 R' 000
Continuing operations			
Revenue	**868 551**	1 310 911	1 584 732
Operating costs excluding depreciation and amortisation of non-financial assets	**(894 386)**	(1 532 350)	(1 553 118)
Operating (loss)/profit before impairment of financial assets and depreciation and amortisation of non-financial assets	**(25 835)**	(221 439)	31 614
Depreciation and amortisation of non-financial assets	**(12 553)**	(9 063)	(16 479)
Impairment of financial assets	**(5 607)**	–	(6 149)
(Loss)/profit from operations	**(43 995)**	(230 502)	8 986
Finance income	**5 478**	6 025	12 857
Finance expenses	**(8 679)**	(8 766)	(17 251)
(Loss)/profit before income tax	**(47 196)**	(233 243)	4 592
Income tax expense	**5 081**	(49 551)	(61 120)
Loss for the period from continuing operations	**(42 115)**	(282 794)	(56 528)
Discontinued operations			
Revenue	**279 843**	287 218	621 707
Operating costs excluding impairment of disposal group and financial assets and depreciation and amortisation of non-financial assets	**(273 803)**	(270 264)	(579 740)
Operating profit before impairment of disposal group and financial assets and depreciation and amortisation of non-financial assets	**6 040**	16 954	41 967
Impairment of disposal group	**(55 750)**		
Depreciation and amortisation of non-financial assets	**(7 053)**	(1 888)	(3 811)
Impairment of financial assets	**–**	–	–
(Loss)/profit from operations	**(56 763)**	15 066	38 156
Finance income	**54**	327	383
Finance expenses	**(2 699)**	(765)	(2 234)
(Loss)/profit before income tax	**(59 408)**	14 628	36 305
Income tax expense	**1 401**	(3 672)	(10 873)
(Loss)/profit for the period from discontinued operations	**(58 007)**	10 956	25 432
Net loss for the year	**(100 122)**	(271 838)	(31 096)

* Restated. Refer to note 4 for further details.

Condensed consolidated interim statement of profit or loss and other comprehensive income *(continued)*

	Unaudited Six months ended 31 Dec 19 R' 000	Unaudited Six months ended 31 Dec 18 *Restated R' 000	Audited Year ended 30 Jun 19 R' 000
Continuing operations			
Other comprehensive income	**(2 218)**	328	(2 401)
Items that will not be reclassified to profit or loss			
Non-controlling interests in foreign currency translation adjustments	**(4)**	(46)	(4)
Pension fund employer surplus account remeasurements	**(1 765)**	(1 500)	(3 530)
Aeroplane revaluation surplus increase/(decrease)	**–**	678	(894)
Income tax relating to items that will not be reclassified to profit or loss	**494**	230	1 237
Items that may be reclassified to profit or loss			
Foreign currency translation reserve adjustments attributable to ordinary shareholders of the Company	**(1 128)**	934	17
Income tax relating to items that may be reclassified	**185**	32	773
Total comprehensive income for the year	**(102 340)**	(271 510)	(33 497)
Loss for the period attributable to:			
Ordinary shareholders of the Company from continuing operations	**(42 432)**	(284 314)	(57 888)
Ordinary shareholders of the Company from discontinued operations	**(58 007)**	10 956	25 432
Non-controlling interests from continuing operations	**317**	1 520	1 360
	(100 122)	(271 838)	(31 096)
Total comprehensive income attributable to:			
Ordinary shareholders of the Company from continuing operations	**(43 306)**	(284 480)	(56 280)
Ordinary shareholders of the Company from discontinued operations	**(59 347)**	11 496	21 427
Non-controlling interests from continuing operations	**313**	1 474	1 356
	(102 340)	(271 510)	(33 497)

* Restated. Refer to note 4 for further details.

Condensed consolidated interim statement of profit or loss and other comprehensive income *(continued)*

	Unaudited Six months ended 31 Dec 19 R' 000	Unaudited Six months ended 31 Dec 18 *Restated R' 000	Audited Year ended 30 Jun 19 R' 000
(Losses)/earnings per share (cents)			
Basic losses per share from continuing operations	**(149.0)**	(1 002.2)	(203.8)
Basic (losses)/earnings per share from discontinued operations	**(203.7)**	38.6	89.5
Total basic losses per share	**(352.7)**	(963.5)	(114.3)
Diluted basic (losses)/earnings per share from continuing operations	**(149.0)**	(1 001.7)	(203.8)
Diluted basic (losses)/earnings per share from discontinued operations	**(203.7)**	38.6	89.5
Total diluted basic losses per share	**(352.7)**	(963.1)	(114.3)

* Restated. Refer to note 4 for further details.

Condensed consolidated interim statement of changes in equity

	Unaudited Six months ended 31 Dec 19 R' 000	Unaudited Six months ended 31 Dec 18 *Restated R' 000	Audited Year ended 30 Jun 19 R' 000
Opening balance as previously reported*	**499 180**	878 466	879 049
Prior period error*		583	–
Restated balance at 1 July	**499 180**	879 049	879 049
Adjustment on initial application of IFRS 15, net of tax		(332 670)	(332 670)
Restated opening balance	**499 180**	546 379	546 379
Total comprehensive income for the period	**(102 340)**	(271 510)	(33 497)
Loss for the period	**(100 122)**	(271 838)	(31 096)
Other comprehensive income	**(2 218)**	328	(2 401)
Total contributions by and distributions to owners	**–**	(13 835)	(13 479)
Ordinary dividends paid	**–**	(14 690)	(14 690)
Disposal of non-controlling interest	**–**	–	(33)
Disposal of treasury shares	**–**	–	389
Treasury shares paid up and released to participants	**–**	855	855
Changes in ownership interests in subsidiaries			
Acquisition of non-controlling interests	**–**	(223)	(223)
Closing balance	**396 840**	260 811	499 180
Comprising:			
Issued capital	**109 178**	109 178	109 178
Treasury shares	**(71 770)**	(74 575)	(71 770)
Reserves	**76 334**	76 303	74 574
Retained earnings	**283 855**	150 823	388 267
Equity attributable to ordinary shareholders of the Company	**397 597**	261 729	500 249
Non-controlling interests	**(757)**	(918)	(1 069)
Total equity	**396 840**	260 811	499 180

* Restated. Refer to note 4 for further details.

Condensed consolidated interim statement of cash flows

	Unaudited Six months ended 31 Dec 19 R' 000	Unaudited Six months ended 31 Dec 18 *Restated R' 000	Audited Year ended 30 Jun 19 R' 000
Net cash flows from operating activities	**(48 379)**	(108 817)	(126 089)
Cash utilised by operations	**(42 064)**	(67 996)	(59 142)
Finance income	**5 532**	6 352	13 240
Finance expense	**(7 412)**	(9 531)	(19 486)
Taxation paid	**(4 435)**	(22 952)	(46 011)
Dividends and distributions paid	**–**	(14 690)	(14 690)
Net cash flows from/(utilised by) investing activities	**1 510**	(10 948)	11 864
Purchase of property, plant and equipment	**(7 688)**	(13 242)	(31 894)
Proceeds from the sale of plant and equipment	**404**	2 294	19 410
Proceeds on disposal of subsidiaries	**328**		24 348
Proceeds on disposal of partnership	**8 466**		
Net cash flows (utilised by)/from financing activities	**(1 315)**	1 496	114
Interest-bearing borrowings raised	**19 048**	7 485	5 945
Interest-bearing borrowings repaid	**(6 255)**	(6 621)	(6 463)
Lease liabilities repaid	**(14 108)**		
Acquisition of non-controlling interests	**–**	(223)	(223)
Treasury shares paid up and released to participants	**–**	855	855
Decrease in cash and cash equivalents	**(48 184)**	(118 269)	(114 111)
Cash and cash equivalents at the beginning of the year	**212 692**	318 712	318 712
Effect of exchange rate movements on cash balances	**(173)**	(6 661)	8 091
Cash and cash equivalents held for sale	**(13 602)**		
Cash and cash equivalents at the end of the year	**150 733**	193 782	212 692

* Restated. Refer to note 4 for further details.

Condensed consolidated interim segment information

		Continuing operations					Discontinued operations
Unaudited	Total R' 000	Equipment R' 000	Engineering Services R' 000	Central R'000	Consolidation and elimination R' 000	Total R' 000	Australasia R'000
Six months ended 31 December 2019							
Revenue							
External revenue	1 148 394	441 016	427 528	7	–	868 551	279 843
Inter-segment revenue	–	2 433	–	10 630	(13 063)	–	–
Total revenue	1 148 394	443 449	427 528	10 637	(13 063)	868 551	279 843
(Loss)/profit before income tax	(106 604)	36 929	(74 428)	(2 409)	(7 085)	(46 993)	(59 611)
Assets	1 751 346	999 344	474 275	49 506	(236 623)	1 286 502	464 844
Liabilities	1 354 506	467 534	838 481	27 246	(257 557)	1 075 704	278 802

		Continuing operations					Discontinued operations
Unaudited *Restated	Total R' 000	Equipment R' 000	Engineering Services R' 000	Central R'000	Consolidation and elimination R' 000	Total R' 000	Australasia R'000
Six months ended 31 December 2018							
Revenue							
External revenue	1 598 129	462 999	847 885	27	–	1 310 911	287 218
Inter-segment revenue	–	196	–	9 771	(9 967)	–	–
Total revenue	1 598 129	463 195	847 885	9 798	(9 967)	1 310 911	287 218
(Loss)/profit before income tax*	(218 615)	35 894	(265 461)	(4 318)	642	(233 243)	14 628
Assets	1 780 380	1 025 214	390 637	97 699	(203 649)	1 309 901	470 479
Liabilities	1 519 569	533 466	910 596	28 977	(184 391)	1 288 648	230 921

		Continuing operations					Discontinued operations
Audited *Restated	Total R' 000	Equipment R' 000	Engineering Services R' 000	Central R'000	Consolidation and elimination R' 000	Total R' 000	Australasia R'000
Year ended 30 June 2019							
Revenue							
External revenue	2 206 439	924 807	659 884	41	–	1 584 732	621 707
Inter-segment revenue	–	1 859	5 063	18 710	(25 632)	–	–
Total revenue	2 206 439	926 666	664 947	18 751	(25 632)	1 584 732	621 707
Profit/(loss) before income tax	40 897	90 884	(83 371)	9 837	(12 758)	4 592	36 305
Assets	1 801 711	1 064 752	483 541	72 561	(317 779)	1 303 075	498 636
Liabilities	1 302 531	544 080	789 147	25 805	(306 631)	1 052 401	250 130

* Restated. Refer to note 4 for further details.

Headline (losses)/earnings, shares in issue and per share measurements

	Unaudited Six months ended 31 Dec 19	Unaudited Six months ended *Restated 31 Dec 18	Audited Year ended 30 Jun 19
Calculation of Headline Earnings (R'000)			
Continuing Operations			
Loss attributable to ordinary shareholders of the Company	**(42 432)**	(284 314)	(57 888)
Adjustment: items excluded from headline (losses)/ earnings	**26 166**	(852)	(15 102)
Profit on disposal of property, plant and equipment #	**(222)**	(1 183)	(2 967)
Loss/(profit) on sale of subsidiary #	**37**	–	(25 813)
Impairment of intangible asset #	**982**	–	91
Impairment of right of use asset #	**25 457**	–	–
Impairment of goodwill #	**–**	–	12 783
Profit on sale of partnership #	**(150)**	–	–
Income tax effect	**62**	331	804
Headline losses	**(16 266)**	(285 166)	(72 990)
Discontinued operations			
(Loss)/profit attributable to ordinary shareholders of the Company	**(58 007)**	10 956	25 432
Adjustment: items excluded from headline (losses)/ earnings	**55 808**	(29)	31
Loss/(profit) on disposal of property, plant and equipment #	**80**	(41)	44
Impairment of disposal group #	**55 750**	–	–
Income tax effect	**(22)**	12	(13)
Headline (losses)/earnings	**(2 199)**	10 927	25 463
Total headline/(losses)	**(18 465)**	(274 239)	(47 527)

* Restated. Refer to note 4 for further details.
\# Items of which are disclosed as part of operating expenses in the condensed consolidated interim statement of profit or loss

Headline (losses)/earnings, shares in issue and per share measurements *(continued)*

	Unaudited Six months ended 31 Dec 19	Unaudited Six months ended *Restated 31 Dec 18	Audited Year ended 30 Jun 19
Weighted average number of ordinary shares in issue ('000)			
Number of shares at the beginning of the year	**32 503**	32 503	32 503
Less: Effect of treasury shares in Group entities at the beginning of the year	**(4 029)**	(4 171)	(4 171)
Basic number of shares in issue at the beginning of the period	**28 474**	28 332	28 332
Weighted average effect of changes during the period			
Treasury shares released to incentive scheme participants	**–**	38	54
Treasury shares released to incentive scheme participants	**–**		18
Weighted average number of shares in issue	**28 474**	28 370	28 404
Effect of outstanding share options	**–**	13	3
Diluted weighted average number of shares in issue	**28 474**	28 383	28 407
Basic number of shares in issue at the end of the period ('000)			
Ordinary shares in issue	**32 503**	32 503	32 503
Less: Treasury shares in issue	**(4 029)**	(4 102)	(4 029)
Ordinary shares in issue on which net asset value and tangible net asset value per ordinary share is calculated	**28 474**	28 401	28 474

* Restated. Refer to note 4 for further details.

Headline (losses)/earnings, shares in issue and per share measurements *(continued)*

	Unaudited Six months ended 31 Dec 19	Unaudited Six months ended *Restated 31 Dec 18	Audited Year ended 30 Jun 19
Per share measures (Cents)			
(Losses)/earnings per ordinary share			
Basic	**(352.7)**	(963.5)	(114.3)
Continuing operations	**(149.0)**	(1 002.2)	(203.8)
Discontinued operations	**(203.7)**	38.6	89.5
Diluted	**(352.7)**	(963.1)	(114.3)
Continuing operations	**(149.0)**	(1 001.7)	(203.8)
Discontinued operations	**(203.7)**	38.6	89.5
Headline (losses)/earnings per ordinary share			
Basic	**(64.8)**	(966.7)	(167.3)
Continuing operations	**(57.1)**	(1 005.2)	(257.0)
Discontinued operations	**(7.7)**	38.5	89.6
Diluted	**(64.8)**	(966.2)	(167.3)
Continuing operations	**(57.1)**	(1 004,7)	(256.9)
Discontinued operations	**(7.7)**	38.5	89.6
Net asset value per ordinary share (equity attributable to ordinary shareholders of ELB/ ordinary share in issue)	**1 396.4**	921.5	1 756.9
Tangible net asset value per ordinary share (equity attributable to ordinary shareholders of ELB less goodwill and intangible assets, right of use assets, pension fund employer surplus account and net deferred tax assets/ordinary share in issue)	**929.6**	388.9	1 303.8
Dividends declared for the period per ordinary share	**–**	–	–

* Restated. Refer to note 4 for further details.

Notes

ELB Group Limited ((“ELB”, “the Company”, or “the Group”) is a South African registered company. The condensed consolidated interim financial statements of the company comprise the Company and its subsidiaries (together referred to as the “Group”), share and educational trusts and its interests in joint operations.

1. Basis of preparation and accounting polices

The condensed consolidated interim financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for interim financial reporting, and the requirements of the Companies Act of South Africa, 71 of 2008, as amended (Companies Act) applicable to condensed financial statements. The JSE Listings Requirements require interim financial statements to be prepared in accordance with and containing the information required by IAS 34 Interim Financial Reporting, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies applied in the preparation of these condensed consolidated interim financial statements, are in terms of International Financial Reporting Standards (IFRS) and, except as described in note 2, are consistent with those applied in the annual financial statements for the year ended 30 June 2019. These condensed consolidated interim financial statements have not been reviewed or audited by the auditors.

The condensed consolidated interim financial statements are prepared on the historical cost basis except for the following items which are measured using an alternative basis at each reporting date:
- Derivative financial instruments measured at fair value through profit and loss.
- Pension fund employer surplus account measured at the fair value of the planned assets less the present value of the defined benefit obligation.
- Share-based payment awards are measured at fair value. The fair value of equity instruments granted is estimated using industry accepted techniques on initial recognition.

The directors take full responsibility for the preparation of the these condensed consolidated interim financial statements. The condensed consolidated interim financial statements were compiled under the supervision of Altea Spagnuolo, Group Financial Director, and were approved on 6 April 2020.

2. Changes in accounting policies due to the adoption of new and revised accounting standards and interpretations

The adoption of certain new standards and interpretations, which became effective in the current period, has resulted in changes to accounting policies and disclosures, of which only the adoption of IFRS 16: Leases (“IFRS 16”) had a material impact on the financial position of the Group.

IFRS 16: Leases

The Group adopted IFRS 16 with effect from 1 July 2019, using the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under the previous applicable standards, IFRIC 4 and IAS 17.

IFRS 16 has one model for lessees which results in leases previously classified as operating leases and recorded off-balance sheet being capitalised on the balance sheet, requiring a lessee to recognise a right-of-use asset and a concomitant lease liability.

Definition of a lease

The Group assesses whether a contract is, or contains, a lease based on the definition of a lease.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, for contracts entered into before 1 July 2019, the Group relied on its assessment made under IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

As a lessee

As prescribed by IFRS 16, lease liabilities are measured at the present value of remaining lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate at the date of initial application. The Group elected to recognise the right of use assets equal to the lease liability at 1 July 2019, adjusted for any straight lining adjustments at 1 July 2019. As a result, the cumulative effect of initial application of the standard had no impact on equity at the adoption date.

Practical expedients and key judgements applied
In applying IFRS 16 for the first time, the Group used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.
- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Using hindsight in determining the lease term if the contract contains options to extend or terminate the lease.
- Low value assets and short-term leases - the Group has elected to apply the practical expedient to account for all short-term leases (leases with a contract term of less than twelve months) as operating expenses. All leases where the underlying asset being used is of low value (leases with a contract value of less than R50 000 – typically office equipment and vehicle leases may classify for recognition as low value contract leases) are assessed on a lease-by-lease basis and accounted for as expenses as incurred.
- Lease term:
  - o where a lease contract is currently ongoing on a monthly basis, that the lease term be limited to the one-month enforceable period and therefore that the lease be excluded from the lease population for the calculation of the right-of-use asset and liability on adoption of the standard and;
  - o where a contract contains a renewal clause, that management is reasonably certain to exercise extension options based on past renewal behaviour, taking into consideration the strategic nature of the asset.

Impact on the financial statements:

Measurement of lease liabilities:
The table below details the reconciliation between operating lease commitments (disclosed under IAS 17) at 30 June 2019 and lease liabilities recognised on 1 July 2019

	R'000
Operating lease commitments disclosed as at 30 June 2019	80 259
*Less/plus errors that were identified in the operating lease commitments disclosed as at 30 June 2019	4 301
Discounted using the incremental borrowing rate at 1 July 2019. The weighted average rates applied by the Group was 6.7%	(11 393)
Less: short-term leases not recognised as a liability	564
Less: low-value leases not recognised as a liability	-
Plus: extension options reasonably certain to be exercised	-
Lease liability recognised as at 1 July 2019	72 603
Of which related to:	
Current lease liabilities	22 403
Non-current lease liabilities	50 200
	72 603

*The errors that were identified in the operating lease commitments disclosed as at 30 June 2019 related to lease expenses that were duplicated, intercompany leases that weren't eliminated on consolidation and lease expenses beyond five years that were not disclosed. These errors are deemed immaterial.

Measurement of right-of-use assets:
The Group has elected to recognise the right of use assets equal to the lease liability at 1 July 2019, adjusted for any straight lining adjustments at 1 July 2019.

	R'000
Lease liabilities recognised as at 1 July 2019	72 603
Less straight lining accruals	(3 691)
Right of use assets recognised at 1 July 2019	**68 912**
Of which related to:	
Leased properties	58 832
Leased vehicles	10 080
	68 912

Summary of the adjustments recognised in the statement of financial position on 1 July 2019:

The change in the accounting policy affected the following items in the statement of financial position on 1 July 2019:

Summary of the adjustments recognised in the statement of financial position on 1 July 2019:

The change in the accounting policy affected the following items in the statement of financial position on 1 July 2019:

	R'000
Increase in right-of-use assets	68 912
Increase in lease liabilities	(72 603)
Decrease in straight-lining accrual	3 691
Movement in deferred tax assets	–
Net impact on retained earnings at 1 July 2019	–

3. **Impact of new, amended or revised standards issued but not yet effective**
New accounting standards, amendments to accounting standards and interpretation issued which are relevant to the Group, but not yet effective on 30 June 2019, have not been adopted. The Group continuously evaluates the impact of these standards and amendments.

4. **Prior period error**
The Group's financial statements for the year ended 30 June 2017 ("2017") was selected for review by the JSE as part of its pro-active monitoring of annual financial statements process. Following a referral to the Financial Reporting Investigation Panel, the JSE concluded that the Groups' 2017 financial statements contained a prior period error. The ELB Educational Trust for Black South Africans (the "Trust") should have been consolidated as part of the Group and a non-controlling-controlling interest should not have been recognised for the Trust's shares in ELB Engineering Proprietary Limited. Comparative information has accordingly been restated.

NOTES

The impact of the prior period error, on each line item affected, for the interim period ended 31 December 2018 is disclosed below:

	Previously reported R'000	31-Dec-18 Adjustment R'000	Restated R'000
Balance Sheet			
Assets			
Current assets			
Cash and cash equivalents	261 762	212	261 974
	1 428 754	212	**1 428 966**
Total assets	**1 780 168**	212	**1 780 380**
Equity and liabilities			
Treasury shares	(74 531)	(44)	(74 575)
Reserves	64 691	11 612	76 303
Retained earnings	153 405	(2 582)	150 823
Total equity attributable to equity holders of the Company	**252 743**	8 986	**261 729**
Non controlling interests	7 856	(8 774)	(918)
Total equity	**260 599**	**212**	**260 811**
Total equity and liabilities	**1 780 168**	212	**1 780 380**
Statement of comprehensive income			
Operating costs excluding depreciation and amortisation	(1 802 238)	(376)	(1 802 614)
Operating profit before depreciation and amortisation	**(204 109)**	**(376)**	**(204 485)**
Profit from operations	**(215 060)**	**(376)**	**(215 436)**
Finance income	6 347	5	6 352
Profit before income tax	**(218 244)**	**(371)**	**(218 615)**
Profit for the year	**(271 467)**	**(371)**	**(217 838)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Non-controlling interests in foreign currency translation adjustments	94	(140)	(46)
Income tax relating to items that may not by reclassified	234	(4)	230
	(494)	(144)	**(638)**

Notes

	Previously reported R'000	31-Dec-18 Adjustment R'000	Restated R'000
Items that may be reclassified to profit or loss			
Foreign currency translation reserve adjustments attributable to ordinary shareholders of ELB	794	140	934
Income tax relating to items that may by reclassified	28	4	32
	822	**144**	**966**
Total other comprehensive income for the year	**328**	**–**	**328**
Total comprehensive income for the year	**(271 139)**	**(371)**	**(271 510)**
Profit attributable to:			
Ordinary shareholders of the Company	(231 034)	(42 324)	(273 358)
Non-controlling interests	(40 433)	41 953	1 520
	(271 467)	**(371)**	**(271 838)**
Total comprehensive income attributable to:			
Ordinary shareholders of the Company	(230 878)	(42 106)	(272 984)
Non-controlling interests	(40 261)	41 735	1 474
	(271 139)	**(371)**	**(271 510)**
Earnings per ordinary share (cents)			
Basic earning per ordinary share	**(814,4)**	(149,1)	**(963,1)**
Diluted earnings per ordinary share	**(814,0)**	(149,1)	**(963,1)**
Basic earnings per ordinary share	**(814,0)**	(149,1)	**(966,7)**
Diluted earnings per ordinary share	**(816,6)**	(149,6)	**(966,2)**
Statement of cash flows			
Cash flows from operating activities			
Cash (utilised by)/generated from operations	(204 109)	(376)	(204 485)
Interest received	3 184)	5	(3 179)
Net cash outflow from operating activities	**(108 446)**	**(371)**	**(108 817)**
Decrease in cash and cash equivalents	**(117 898)**	**(371)**	**(118 269)**
Cash and cash equivalents at the beginning of the year	318 129	583	318 712
Cash and cash equivalents at end of the year	**193 570**	**212**	**193 782**

5. **Discontinued operations**
At 31 December 2019, the Australian equipment segment met the IFRS 5: Non-current assets held for sale requirements to be classified and measured as held for sale. On measurement of the disposal group to fair value (expected selling price) less costs, an impairment charge of R55.8 million was recognised. Refer to note 10 for further details

The liabilities held for sale at 31 December 2019 comprised:	Carrying value before impairment R'000	Impairment R'000	Carrying value after impairment R'000
Property, plant and equipment	51 301	(34 217)	17084
Right of use assets	32 283	(21 533)	10 750
Deferred income assets	13 064		13 064
Inventories	363 749		363 749
Trade and other receuvables	36 018		36 018
Other financial assets	1 749		1 749
Income tax refundable	5 907		5 907
Other current assets	2 921		2 921
Cash and cash equivalents	13 602		13 602
	520 594	(55 750)	464 844

The liabilities held for sale at 31 December 2019 compromised:	Carrying Value R'000
Lease liabilities (current and non-current liabilities)	(22 960)
Deferred income tax liabilities	(632)
Interest bearing borrowings	(4 926)
Lease liabilities	(9 527)
Trade and other payables	(219 524)
Income tax payable	(12)
Other current liabilities	(21 221)
	(278 802)
Cash flows from discontinued operation:	
Net cash used by operating activities	(11 164)
Net cash utilised by investing activities	(3 875)
Net cash utilised by financing activities	(5 345)
Net cash flow outflow for the period	(20 384)

6. **Related party transactions**
Group entities entered into various sale and purchase transactions with related parties in the Group in the ordinary course of business, the nature of which was consistent with those previously reported. All transactions and balances with these related parties have been eliminated in the consolidated results.

Given the challenging trading conditions, effective 31 December 2019, ELB Engineering Services (Pty) Ltd and ELB Engineering (Pty) Ltd informed Mr. AG Fletcher that the options to reacquire their respective investments in the Flying Services partnership (realising a profit on sale of R0.2 million, proceeds of R8,5 million) and ELB Trident Equipment (Pty) Ltd (realising a loss on sale of R0.04 million, proceeds of R0.3 million) would not be exercised. The details relating to the disposals were disclosed in note 36 in the 30 June 2019 Integrated report.

7. **Fair value classification and measurement**
The ELB Group measures foreign currency forward exchange contracts at fair value using inputs as described in Level 2 of the fair value hierarchy. The fair values for foreign currency forward exchange contracts are based on quotes from brokers. Similar contracts are traded in an active market and the quotes reflect the actual transactions on similar instruments. All other financial assets or liabilities carrying values approximate their fair values based on the nature or maturity period of the financial instrument. There were no transfers between Levels 1, 2 or 3 of the fair value hierarchy.

8. **Capital expenditure incurred and future capital expenditure commitments**
Capital expenditure of R7.7 million (31 December 2018: R13 million, 30 June 2019: R32.5 million) was incurred during the period on property, plant and equipment. There were no material capital expenditure commitments at each reporting date.

9. **Contingencies**
The Group operates in the engineering contracting business and is exposed to the risks associated with engineering contracts which does from time to time include the need to resolve disputes by way of mediation, arbitration and if need be, litigation. These risks are managed on the basis of limited liability and appropriate insurances.

A subsidiary is currently involved in arbitration and a legal dispute with a supplier over claims that it seeks to recover and counter claims from the supplier for alleged amounts due and payable in terms of its contract with the subsidiary, which claims have been rejected by the subsidiary. The financial impact and timing of cash flows, if any, cannot yet be determined.

10. **Post balance sheet events**
Other than the matters noted below, there were no significant events arising between the end of the financial year and the date of these financial statements which had a material impact on the financial position or results of the Group at period end.

Gamsberg project update:
The Gamsberg Zinc project achieved operational completion on 20 January 2020. Performance guarantee testing was expected to commence and be completed on or before 31 March 2020 but, was suspended as a result of a plant shut down due to the Covid-19 pandemic. Performance guarantee testing will recommence once the plant has reopened. The Group maintains a positive working relationship with the client and remains committed to a successful handover.

Restructuring initiatives:
On 8 January 2020, the ELB Group released a SENS announcement noting that it had commenced restructuring initiatives. The restructuring entailed undertaking a restructuring of Engineering Services (Pty) Ltd; a downsizing of its head office function and a potential disposal of its Australian equipment segment. The requirement to implement the restructuring was driven by the depressed trading environment as well as the losses incurred on the Gamsberg Zinc Project.

At 31 December 2019, the criteria to recognise a restructuring provision were met (per IAS 37 — Provisions, Contingent Liabilities and Contingent Assets) and therefore a R7 million restructuring provision that was recognised for a head count reduction.

Restructuring initiatives update:

Bridge financing:
Effective 20 January 2020, the Group secured a bridge loan of R100 million ("the Bridge Loan") from FirstRand Bank Limited (acting through its Rand Merchant Bank Division) ("RMB") to finance the restructuring including the exit of onerous contracts and headcount reduction, on the basis of a guarantee provided to RMB by Apex Partners Holdings (Pty) Ltd ("Apex Partners"), a material shareholder of ELB ("the Guarantee"). The Bridge Loan was conditional upon additional security being provided to RMB by Apex Partners. Apex Partners provided this security by entering into a put and call option agreement with RMB to purchase and take assignment of RMB's rights and title to the Bridge Loan on certain terms and conditions ("Option"). In the event that the Option as set out in the Option agreement is exercised, Apex Partners would step into RMB's position and become the lender to ELB, resulting in secured funding being provided by a related party to the Group, which is a related party transaction in terms of section 10 of the Listings Requirements. The Option will be subject to Shareholder approval if it is required to be exercised.

Related party transactions:
Apex Partners concluded a fee agreement with ELB on 28 February 2020 for the credit support provided to the Group in respect of the Bridge Loan. The fee is calculated as 2% of the value of the Bridge Loan (R2 million plus VAT).

10. Post balance sheet events *(continued)*

In addition, Apex Partners is providing corporate advisory services to ELB, as well as the secondment of Charles Pettit as Group CEO under an advisory agreement concluded on 25 February 2020 ("Advisory Agreement"), the salient terms of which include

- a term of agreement from 1 January 2020 up to and including 31 March 2020 with a monthly retainer that will total R2.27 million over the 3 month period, excluding VAT, payable to Apex Partners under the Advisory Agreement, aggregated with a payment paid to Apex Partners in January 2020 totalling R0.73 million, collectively totalling a maximum fee of R3 million ("Advisory Fee");
- the scope of services includes assessing and assisting in resolving short, medium and longer term cash flow requirements, development of detailed turnaround and restructuring plans as required, implementing corporate action and restructuring initiatives, including obtaining all approvals required, negotiating with all stakeholders (lenders, creditors, suppliers, customers, employees, shareholders etc) on behalf of ELB, providing strategic guidance and the secondment of Charles Pettit as Group CEO; and
- a termination clause entitling ELB to terminate the Advisory Agreement on 3 months' written notice.

The payment of the Guarantee Fee and the Advisory Fee together will exceed 0.25% of the current market capitalisation of ELB as at the date of this announcement but will not exceed 5% of the market capitalisation of ELB and accordingly is considered a small related party transaction in terms of section 10 of the Listings Requirements.

Proposed disposal of Australian equipment segment:

On the 10 March 2020, the Group, via its wholly owned subsidiary ELB Engineering (Pty) Ltd ("ELB Engineering"),signed an agreement on the sale of its Australian equipment business through the disposal of 100% of the shares in its Australian subsidiary Metquip (Pty) Ltd ("ELB Australia"), to Leone Family Holdings (Pty) Ltd, through its subsidiary Contura Mining (Pty) Ltd, or its nominee, an entity within the CFC Group of Companies ("CFC"). CFC is a diversified group of businesses with interests in distribution, supply chain logistics and specialised mining, infrastructure and utility services. The following salient terms apply:

- a total purchase consideration of AUD19.25 million, to be settled in cash, ("Purchase Price") of which approximately AUD10.31 million will be used to settle promissory notes owing from ELB Australia to ELB Engineering;
- usual warranties and indemnities for a transaction of this nature will be provided by the Group. These will be secured by AUD1.7 million in guarantees or escrow arrangements (9% of the Purchase Price);
- usual undertakings for a transaction of this nature will be provided by the Group to CFC. ELB Engineering has agreed to provide a restraint of trade for a 5 year period from completion, which extends to the sale of current ELB Australia products within current operating jurisdictions, namely Australia and New Zealand;
- the conditions precedent, which are to be fulfilled by no later than 31 May 2020 include:

o approval from more than 50% of the Shareholders at a Shareholders' meeting. In this regard ELB has received irrevocable support to vote in favour of the Disposal from the following Shareholders: Apex Partners (19.6%), Visio Fund Management (19%), and Tango One Proprietary Limited (11.6%) which together hold 50.2% of the issued share capital in ELB, excluding treasury shares;

o approval from the SARB; and

o other conditions customary for a transaction of this nature including change of control consents and variations and extensions of key material contracts and leases.

ELB Australia imports, distributes and maintains underground utility construction equipment and green waste processing equipment. Markets served are gas, water, sewage, electricity, communications, the defence force, and airport and dock authorities.

The proceeds from the disposal will be utilised to settle debt within the group and for general corporate purposes. The expected effective date of the disposal is 31 May 2020.

Refer to note 5 for further details.

2010 ELB Executive Share Incentive Scheme ("Employee Scheme"):

Given the reduction in ELB's share price, the unexercised share options are currently significantly out of the money, with the total Employee Vendor Loan balance divided by the total number of shares associated with

the loans equal to R19.01 versus a current share price of R2.50 (on 3 April 2020). Accordingly, the Employee Scheme can no longer be considered as an incentive to employees.

The board of directors of ELB proposes collapsing the Employee Scheme and cancelling the agreements between the Trust, employer companies and employees for all unexercised options and to repurchase shares from participants who have exercised their options, but not yet settled their liabilities to the Trust ("Specific Repurchase"). On repurchase, the shares previously held by the share scheme participants would transfer back to the Trust at the original option price, and the outstanding share option loan liabilities (number of share options previously exercised multiplied by the exercise price at grant date) due by employees will be settled on repurchase by arrangement with the Trust.

In order to collapse the Trust in its entirety, all remaining shares held by the Trust will be sold by the Trust to ELB (or any wholly owned subsidiary within the Group at the share price) and the remaining balance of the loan between ELB and the Trust waived. All repurchased shares will be cancelled.

Prior to the collapse of the Trust as above-mentioned, excess shares held by the Trust will be cancelled, which will be effected by way of a specific repurchase of shares from ELB ("Trust Share Repurchase").

Shareholder approval from at least 75% of Shareholders present in person or represented by proxy is required to give effect to the Specific Repurchase and the Trust Share Repurchase, excluding those Shareholders participating in the Specific Repurchase.

Proposed increase in authorised share capital:

ELB proposes an increase in its authorised share capital, through an amendment of its memorandum of incorporation ("MOI") to provide it with flexibility to raise equity capital as and when required in future. As ELB has not previously presented these resolutions at its annual general meeting, the Group now proposes to put forward a resolution to Shareholders for the Board to obtain a general authority to issue shares for cash, which will require approval from at least 75% of the votes present in person and represented by proxy.

Other post balance sheet events:

Business rescue proceedings commenced for ELB Engineering Services (Pty) Ltd

ELB Engineering Services (Pty) Ltd's new business forecasts have not materialised. This has placed unsustainable cash funding requirements on the Group and a decision has therefore been made that the Group can no longer support ELB Engineering Services (Pty) Ltd. The ELB Engineering Services (Pty) Ltd board of directors have therefore resolved to put ELB Engineering Services (Pty) Ltd in business rescue. The required resolutions have been filed and Daniel Terblanche has been appointed as the business rescue practitioner.

Covid-19:

- On the 23 March 2020, the president of South Africa imposed a national lockdown commencing on 26 March 2020 at midnight due to the ongoing Covid-19 pandemic.
- The impact of COVID-19 has not been significant on Group's year-to-date operating results but, will undoubtedly have an impact on the second half of the current financial year. Operational and supply chain disruptions are expected. Management is monitoring the situation closely and appropriate contingency plans are being developed to address known potential risks.

11. Going concern

In determining the appropriate basis of preparation of the condensed consolidated interim financial statements, the directors are required to consider whether the company and its subsidiaries can continue in operational existence for the foreseeable future. The Group's loss after tax for the period was R100.1 million (31 December 2018: loss after tax R271.8 million, 30 June 2019: profit after tax R31.1 million). The Group's total assets exceeded total liabilities by R396.8 million (31 December 2018: R260.8 million; 30 June 2019: R499.1 million). Current assets for the Group exceeded current liabilities by R202.7 million (31 December 2018: current liabilities exceeded current asset by R49.8 million; 30 June 2019: R 232.3 million).

The directors have made an assessment of the ability of the company and its subsidiaries (the "Group") to continue as a going concern. This basis presumes that funds and support will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The directors believe that the Group is a going concern based on the following facts and circumstances:

11. Going concern *(continued)*

- Based on liquidity and solvency analyses, the forthcoming budget and cash flow forecast for the 12 months preceding the date of the interim financial statements, the directors believe that the Group will be a going concern. The cash flow forecast has been accurately compiled using appropriate assumptions.

  The budgets, plans and forecasts have, together with the assumptions used, been interrogated and approved by the Board. The forecasts and plans that have been implemented by management indicate that the Group should have sufficient cash resources for the foreseeable future.
- The directors have considered the agreements reached and transactions concluded post year end, the actions taken by the Group, the financial plans and forecasts, including all available information, and are of the opinion that the going concern assumption is appropriate in the preparation of the financial statements.
- The board is not aware of any new material changes nor any material non-compliance with statutory or regulatory requirements that may adversely impact the Group.
- The viability of the Group is supported by its financial statements. Total assets exceed total liabilities, current assets exceed current liabilities and at 31 December 2019, the Group had net cash resources of R150.7 million available to it.
- The Group continues to engage with its banking and bonding facility providers, who remain committed to supporting the Group, through the provision of financing facilities
- The Equipment segment is profitable and is supported by a strong balance sheet.
- The proceeds from the disposal of ELB Australia will be utilised to settle debt and provide liquidity to the Group. The expected effective date of the disposal is 31 May 2020.
- While Covid-19 is expected to result in a reduction in operating profits, the impact thereof is not expected to impact on the Group's ability to continue to operate into the foreseeable future. Suppliers have been informed that as a result of the impact of Covid-19 on future cash inflows, all non-critical payments will be deferred. The Group Chairman and CEO have also reduced their salaries by 70%. Additional cost cutting measures (such as the suspension of all overtime, 20% reduction in senior management salaries, reduction in working hours for staff and other miscellaneous cost reductions (including the reduction of rental expenses) have been implemented by ELB Australia. Based on the information received up until the release date of these results, the Covid-19 pandemic is not expected to impact the disposal of ELB Australia.
- The Gamsberg Zinc project achieved operational completion on 20 January 2020. At the time that the President announced the lock down period in South Africa, ELB was in the process of ramping up the plant and awaiting a stable feed before starting the 72-hour performance guarantee test. As a result of the shutdown the testing was cancelled and will now continue after the shutdown period. The Group maintains a positive working relationship with the client and remains committed to a successful handover.
- ELB Engineering Services (Pty) Ltd continued to be loss making up to the release date of these financial results. The impact of the ELB Engineering Services (Pty) Ltd business rescue proceedings are not expected to impact the going concern basis on which the Group's interim condensed consolidated financial results are prepared. The risks associated with parental guarantees and Group cross-suretyships are expected to be largely mitigated through a successful business rescue process.

12. Interest-bearing borrowings

Interest-bearing borrowings have increased when compared to the prior comparative periods mainly as a result of the Group utilising financing facilities with interest bearing trade payables.

ELB GROUP LIMITED

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*Non-executive

Company secretary
Seamless Secretarial Solutions (Yvette Dembskey)

Release date
The unaudited condensed consolidated interim report was released on 6 April 2020.