ELB Group Limited

Consolidated provisional financial results
for the year ended 30 June 2020

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

Provisional summarised consolidated financial results for the year ended 30 June 2020

- Overall reduction in trading levels across the Group
- Revenue decreased to R1 764.9 million (2019: R2 206.4 million)
- Loss before tax deteriorated to R173.3 million (2019: Profit before tax of R40.9 million)
- Loss per share deteriorated to 839.0 cents (2019: 114.3 cents)
- Headline loss per share deteriorated to 1 423.2 cents (2019: 167.3 cents)
- Net asset value per share decreased to 698.8 cents (2019: 1 756.9 cents)
- Effective 6 April 2020, ELB Engineering Services Proprietary Limited was placed under business rescue
- No dividend was declared for the year ended 30 June 2020 (2019: Nil)

Commentary

Introduction

ELB is an industrial group with subsidiaries operating in capital equipment distribution and construction. With values rooted in a proud heritage that spans over a century, ELB provides world-class equipment and services to maximise client operations and investments. The Company and its subsidiaries ("Group") is South African owned and managed.

The results for the year ended 30 June 2020 ("2020") were negatively impacted by the depressed trading environment across all markets in which the Group operates, the COVID-19 pandemic and the implications of ELB Engineering Services Proprietary Limited ("ELBES") entering business rescue.

Financial results

Revenue for the year declined to R1 764.9 million in 2020 from R2 206.4 million for the year ended 30 June 2019 ("2019"). Revenue decreased in all segments. Loss before tax in 2020 amounted to R173.3 million compared to a profit before tax of R40.9 million in 2019. The loss in 2020 included:

- a R10.4 million profit on disposal of the Australian segment;
- a gain on loss of control of a subsidiary of R150.6 million;
- retrenchment and guarantee provisions of R254.6 million;
- a gain on bargain purchase on the acquisition of a subsidiary of R22.9 million; and
- a right of use asset impairment of R24.1 million.

The effective tax rate decreased from 176% in 2019 to 38% in 2020. The tax charge in 2020 relates mainly to non-recoverable temporary differences that were written off within the Engineering Services segment.

Loss for the year attributable to ELB shareholders deteriorated to a loss of R238.9 million in 2020 from a loss of R32.5 million in 2019. Total comprehensive income for the period attributable to ELB ordinary shareholders deteriorated to a loss of R301.3 million in 2020 from a loss of R34.9 million in 2019, after taking into account the translation of the Group's foreign operations and other comprehensive income remeasurements.

Loss per share for the year deteriorated to 839.0 cents in 2020 from a loss per share of 114.3 cents in 2019. Headline loss per share for the year deteriorated to a loss of 1 423.2 cents in 2020 from a headline loss per share of 167.3 cents in 2019.

The net asset value per share decreased to 698.8. cents in 2020 from 1 756.9 cents in 2019.

Adoption of new accounting standard

The adoption of IFRS 16: Leases ("IFRS 16") resulted in the recognition of right of use assets of R68.9 million and lease liabilities of R72.6 million at 1 July 2019. On adoption, there was no impact on opening retaining earnings given the transitional approach adopted by the Group.

COVID-19 profit impact

COVID-19 caused a substantial disruption to ELB's customers which has resulted in considerable reductions in trading volumes and profits for ELB Equipment and, prior to the effective date of disposal, for ELB Australasia. Until a vaccine has been developed, COVID-19 has also introduced a high level of uncertainty into revenue forecasting.

Segment results

Equipment

Revenue decreased to R732.8 million in 2020 from R926.7 million in 2019. Profit from operations decreased to R1.3 million in 2020 from R72.2 million in 2019. Revenue and profits from operations decreased as a direct result of the COVID-19 pandemic, depressed economic conditions and the negative impact of the weakening Rand during the year, particularly at year-end. The revised trading outlook necessitated a Section 189 retrenchment process in order to reduce the cost base of ELB Equipment to match expected trading/turnover levels going forward.

Engineering Services

On 6 April 2020, the Engineering Services voluntarily applied for business rescue. Subsequent to filing, the Group no longer has the practical ability to unilaterally direct the affairs of the company and as a result, has accounted for a loss of control of the subsidiary and has presented the results as a discontinued operation.

Revenue decreased to R544.3 million in 2020 from R838.8 million in 2019. The decrease is as a result of:

- a reduction in the number of projects undertaken by the segment;
- the impact of the disposal of B&W Instrumentation and Electrical (Pty) Ltd Group ("B&W"), which in 2019 contributed R148.1 million to revenue; and
- revenue being recognised only for the period up until ELBES entered business rescue.

Loss before tax increased from R83.4 million in 2019 to R184.1 million in 2020. The current year loss included a R150.6 million gain recognised on the loss of control of ELBES, a R24.1 million right of use asset impairment for leased assets and a provision for certain sureties and guarantees in place for projects being undertaken by ELBES (refer to note 6 of the summarised group provisional financial results for further details).

The segment's trading operations remained heavily loss-making as a result of continued cost overruns and operating overheads not being recovered as a result of a steady decline in new business won. The business was restructured in January 2020 following a strategic review of the operations; however, the new business targets were not achieved resulting in further Group support being withdrawn.

Australasia

Revenue decreased to R533.6 million in 2020 from R621.7 million in 2019. Profit before tax decreased to R13.4 million in 2020 from R36.3 million in 2019. The segment qualified for disclosure as a discontinued operation at 31 December 2019 and was effectively sold on 30 June 2020. Notwithstanding the impact of the exchange rate on the translation of the Australasian segment's results, profit before tax included a R10.4 million profit on disposal of the segment. The impact of the COVID-19 pandemic and challenging trading conditions resulted in reduced trading volumes and margins.

Central

The Group's investment entities and administrative functions are grouped together in the central segment. The segment recognised a gain on bargain purchase of a subsidiary of R22.9 million and incurred various administrative costs throughout the year.

Cash flow

The Group had a net cash outflow from operations of R190.5 million, compared to a net cash outflow from operating activities of R59.1 million in the prior year, with a decrease in net cash and cash equivalents to R161.4 million from R212.7 million at the prior year end. Of the net cash on hand at 30 June 2020, R81 million was ceded and pledged to a local bank to cover trading facilities, R1.1 million is held offshore with ELB subsidiaries and the balance was substantially committed to fund contract outlays.

Going concern

Despite the challenging circumstances, the ELB board of directors ("the Board") believes that the Group remains a going concern. As at the date of publication of this report, the Group continues to proactively engage and liaise with project clients to mitigate the risk of the Group's parental guarantees being called on. The underlying clients and counterparties to indemnities issued in relation to these guarantees remain reserved. In the event that the parental guarantees are called on, or the Group is not able to successfully conclude the delisting from the JSE, the Group's going concern status will be compromised.

Prospects

General trading conditions remain challenging across the markets in which the Group operates. The Group plans to continue to further rationalise its cost base and simplify its structure in order to focus on its core Equipment business. The proposed delisting of the Company from the securities exchange of the JSE is an integral part of this plan.

Dividend

Given the loss-making position of the Group, the Board has elected not to declare a dividend for the year ended 2020 (2019: Nil).

Board of directors

The following changes occurred to the Board:

- Mr T de Bruyn (effective 5 December 2019, resigned as independent non-executive director)
- Mr CE Pettit (effective 5 December 2019, appointed as Group CEO and 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 ELBES)
- Dr JP Herselman (previous independent non-executive director, effective 17 December 2019 appointed as executive director and interim CEO of ELBES)
- 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)
- Mr AG Fletcher (effective 14 April 2020, resigned as executive director and Chairman of the Board)
- Mr JP Herselman (effective 30 June 2020, resigned as executive director and as CEO of ELBES)
- Mr J van Zyl (effective 6 May 2020, appointed as Chairman of the Board)
- Mr CJ Smith (passed away on 20 June 2020)
- Mr PJ Blunden (with effect from 1 July 2020, assumed the role of non-executive director of the Board).

Group balance sheet

	Audited Year ended 30-Jun-20 R' 000	Audited Year ended 30-Jun-19 R' 000
Assets		
Non-current assets	**166 024**	299 425
Property, plant and equipment	**91 346**	156 350
Goodwill and intangible assets	**-**	1 472
Right of use assets	**4 588**	
Pension fund employer surplus account	**39 650**	39 650
Deferred tax assets	**30 440**	101 953
Current assets	**918 327**	1 502 286
Contract assets	**6 695**	212 284
Inventories	**383 213**	858 934
Trade and other receivables, other financial assets, income tax receivables and other current assets	**366 997**	186 447
Cash and cash equivalents	**161 422**	244 621
Asset held for sale	**305**	-
Total assets	**1 084 656**	1 801 711
Equity and liabilities		
Equity attributable to ordinary shareholders of the Company	**198 959**	500 249
Issued capital	**37 408**	109 178
Treasury shares	**-**	(71 770)
Reserves	**11 186**	74 574
Retained earnings	**150 365**	388 267
Non-controlling interests	**(2 819)**	(1 069)
Total equity	**196 140**	499 180
Non-current liabilities	**56 262**	32 560
Interest bearing borrowings	**38 770**	18 501
Lease liabilities	**3 565**	
Deferred tax liabilities	**13 927**	14 059
Current liabilities	**832 254**	1 269 971
Contract liabilities and onerous contract provisions	**7 710**	113 935
Interest-bearing borrowings	**262 484**	77 571
Lease liabilities	**1 473**	
Trade and other payables, other financial liabilities, income tax payables and other current liabilities	**305 938**	1 046 536
Provisions	**254 649**	
Bank overdraft	**-**	31 929
Total liabilities	**888 516**	1 302 531
Total equity and liabilities	**1 084 656**	1 801 711

Group statement of profit or loss and other comprehensive income

	Audited Year ended 30 Jun 2020 R' 000	Audited Year ended 30 Jun 2019 *Restated R' 000
Continuing operations		
Revenue	**835 433**	1 110 586
Operating costs excluding gain on bargain purchase, depreciation and amortisation of non-financial assets and expected credit losses	**(822 501)**	(1 014 790)
Operating profit before gain on bargain purchase, depreciation and amortisation of non-financial assets and expected credit losses	**12 932**	95 796
Gain on bargain purchase	**22 957**	
Depreciation and amortisation of non-financial assets	**(9 387)**	(9 999)
Expected credit losses	**(19 566)**	(6 086)
Profit from operations	**6 936**	79 711
Finance income	**9 787**	12 029
Finance expenses	**(8 918)**	(5 812)
Profit before income tax	**7 805**	85 928
Income tax credit/(expense)	**1 970**	(22 356)
Profit for the year from continuing operations	**9 775**	63 572
Discontinued operations		
Revenue	**929 531**	1 095 853
Operating costs excluding provisions, gains/(loss) on disposal of subsidiaries, gain on loss of control, depreciation and amortisation of non-financial assets and expected credit losses	**(988 195)**	(1 105 219)
Operating loss before provisions, gains/(loss) on disposal of subsidiaries, gain on loss of control, depreciation and amortisation of non-financial assets and expected credit losses	**(58 664)**	(9 366)
Provisions	**(254 649)**	
Gain/(loss) on disposal of subsidiaries	**10 444**	(12 939)
Gain on loss of control	**150 613**	
Depreciation and amortisation of non-financial assets	**(14 629)**	(10 201)
Expected credit losses	**(355)**	(63)
Loss from operations	**(167 240)**	(32 569)
Finance income	**177**	1 211
Finance expenses	**(14 004)**	(13 673)
Loss before income tax	**(181 067)**	(45 031)
Income tax expense	**(67 611)**	(49 637)
Loss for the year from discontinued operations	**(248 678)**	(94 668)
Loss for the year	**(238 903)**	(31 096)
Other comprehensive loss	**(62 752)**	(2 401)
Items that will not be reclassified to profit or loss		
Non-controlling interests in foreign currency translation adjustments	**(359)**	(4)
Pension fund employer surplus account remeasurements	**(3 272)**	(3 530)
Aeroplane revaluation surplus decrease	**-**	(894)
Income tax relating to items that will not be reclassified to profit or loss	**916**	1 237
Items that may be reclassified to profit or loss		
Foreign currency translation reserve adjustments attributable to ordinary shareholders of the Company	**(60 037)**	17
Income tax relating to items that may be reclassified	**-**	773
Total comprehensive loss	**(301 655)**	(33 497)

Group statement of profit or loss and other comprehensive income

	Audited Year ended 30 Jun 2020 R' 000	Audited Year ended 30 Jun 2019 *Restated R' 000
(Loss)/profit for the year attributable to:		
Ordinary shareholders of the Company from continuing operations	**10 535**	62 581
Ordinary shareholders of the Company from discontinued operations	**(249 432)**	(95 037)
Non-controlling interests from continuing operations	**(760)**	1 729
Non-controlling interests from discontinued operations	**754**	(369)
	(238 903)	(31 096)
Total comprehensive (loss)/income for the year attributable to:		
Ordinary shareholders of the Company from continuing operations	**33 677**	64 189
Ordinary shareholders of the Company from discontinued operations	**(334 967)**	(99 042)
Non-controlling interests from continuing operations	**(1 119)**	1 107
Non-controlling interests from discontinued operations	**754**	249
	(301 655)	(33 497)
(Losses)/earnings per share (cents)		
Basic earnings per share from continuing operations	**37.0**	220.3
Basic losses per share from discontinued operations	**(876.0)**	(334.6)
Total basic losses per share	**(839.0)**	(114.3)
Diluted basic earnings per share from continuing operations	**37.0**	220.3
Diluted basic losses per share from discontinued operations	**(876.0)**	(334.6)
Total diluted basic losses per share	**(839.0)**	(114.3)

*Restated for discontinued operations.

Group statement of changes in equity

	Audited Year ended 30 Jun 2020 R'000	Audited Year ended 30 Jun 2019 R'000
Opening balance	**499 180**	546 379
Total comprehensive loss	**(301 655)**	(33 497)
Loss for the year	**(238 903)**	(31 096)
Other comprehensive loss	**(62 752)**	(2 401)
Total contributions by and distributions to owners	**-**	(13 446)
Ordinary dividends paid	**-**	(14 690)
Disposal of treasury shares	**-**	389
Treasury shares paid up and released to participants	**-**	855
Changes in ownership interests in subsidiaries	**(1 385)**	(256)
Acquisition of non-controlling interests	**-**	(223)
Disposal of non-controlling interest	**(1 385)**	(33)
Closing balance	**196 140**	499 180
Comprising:		
Issued capital	37 408	109 178
Treasury shares	-	(71 770)
Reserves	11 186	74 574
Retained earnings	150 365	388 267
Equity attributable to ordinary shareholders of the Company	**198 959**	500 249
Non-controlling interests	**(2 819)**	(1 069)
Total equity	**196 140**	499 180

Group statement of cash flows

	Audited Year ended 30-Jun-20 R' 000	Audited Year ended 30-Jun-19 R' 000
Net cash flows utilised by operating activities	**(197 387)**	(126 089)
Cash utilised by operations	**(190 506)**	(59 142)
Finance income	**10 387**	13 240
Finance expense	**(11 965)**	(19 486)
Taxation paid	**(5 303)**	(46 011)
Dividends paid	**-**	(14 690)
Net cash flows from investing activities	**19 271**	11 864
Purchase of property, plant and equipment	**(10 136)**	(31 894)
Proceeds from the sale of property, plant and equipment	**2 345**	19 410
Acquisition of subsidiary, net of cash and cash equivalents and additional equity investment in subsidiary	**2 758**	
Proceeds on loss of control, net of cash and cash equivalents	**42 302**	
Disposal of subsidiaries, net of cash and cash equivalents	**(26 464)**	24 348
Proceeds on disposal of partnership	**8 466**	
Net cash flows from financing activities	**119 702**	114
Interest-bearing borrowings raised	**155 011**	5 945
Interest-bearing borrowings repaid	**(23 208)**	(6 463)
Lease liabilities repaid	**(12 101)**	
Acquisition of non-controlling interests	**-**	(223)
Treasury shares paid up and released to participants	**-**	855
Decrease in cash and cash equivalents	**(58 414)**	(114 111)
Cash and cash equivalents at the beginning of the year	**212 692**	318 712
Effect of exchange rate movements on cash balances	**7 144**	8 091
Cash and cash equivalents at the end of the year	**161 422**	212 692

Consolidated segment information

Audited	**Total**	**Continuing operations**				**Discontinued operations**			**Consolidation and elimination**
		Equipment	**Engineering Services**	**Central**	**Total**	**Engineering Services**	**Australasia**	**Total**	
	R' 000	**R' 000**	**R' 000**	**R' 000**	**R' 000**	**R' 000**	**R' 000**	**R' 000**	**R' 000**
Year ended 30 June 2020									
Revenue									
External revenue	**1 764 964**	**729 530**	**63 471**	**7**	**793 008**	**438 404**	**533 552**	**971 956**	**-**
Inter-segment revenue	**-**	**3 279**	**42 425**	**12 402**	**58 106**	**-**	**-**	**-**	**(58 106)**
Total revenue	**1 764 964**	**732 809**	**105 896**	**12 409**	**851 114**	**438 404**	**533 552**	**971 956**	**(58 106)**
(Loss)/profit before income tax	**(173 262)**	**17 384**	**10 274**	**(1 732)**	**25 926**	**(194 323)**	**13 367**	**(180 956)**	**(18 232)**
Assets	**1 084 656**	**962 120**	**70 680**	**305 552**	**1 338 352**	**-**	**-**	**-**	**(253 696)**
Liabilities	**888 516**	**449 577**	**32 226**	**410 168**	**891 971**	**-**	**-**	**-**	**(3 455)**

Audited	**Total**	**Continuing operations**				**Discontinued operations**			**Consolidation and elimination**
		Equipment	**Engineering Services**	**Central**	**Total**	**Engineering Services**	**Australasia**	**Total**	
*Restated	**R' 000**	**R' 000**	**R' 000**	**R' 000**	**R' 000**	**R' 000**	**R' 000**	**R' 000**	**R' 000**
Year ended 30 June 2019									
Revenue									
External revenue	**2 206 439**	924 807	17 476	41	942 324	642 408	621 707	1 264 115	-
Inter-segment revenue	-	1 859	173 818	18 710	194 387	5 063	-	5 063	(199 450)
Total revenue	**2 206 439**	926 666	191 294	18 751	1 136 711	647 471	621 707	1 269 178	(199 450)
Profit/(loss) before income tax	**40 897**	90 884	(2 567)	9 837	98 154	(80 804)	36 305	(44 499)	(12 758)
Assets	**1 801 711**	1 064 752	76 276	72 561	1 213 589	407 265	498 636	905 901	(317 779)
Liabilities	**1 302 531**	544 080	33 008	25 805	602 893	756 139	250 130	1 006 269	(306 631)

*Restated for discontinued operations.

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

	Audited Year ended 30-Jun-20	Audited Year ended 30-Jun-19 *Restated
Calculation of headline (losses)/earnings (R'000)		
Continuing operations		
Profits attributable to ordinary shareholders of the Company	**10 535**	62 581
Adjustment: items excluded from headline (losses)/earnings	**(23 230)**	(323)
Profit on disposal of property, plant and equipment#	**(235)**	(449)
Gain on disposal of subsidiaries#	**(104)**	
Gain on bargain purchase (refer to note 5 for further details)	**(22 957)**	
Income tax effect on items excluded from headline (losses)/earnings	**66**	126
Headline (losses)/profits	**(12 695)**	**62 258**
Discontinued operations		
Losses attributable to ordinary shareholders of the Company	**(249 432)**	(95 037)
Adjustment: items excluded from headline earnings	**(143 120)**	(14 748)
Profit on disposal of property, plant and equipment#	**(10)**	(2 474)
Impairment of intangible asset#	**981**	91
Profit on disposal of partnership#	**(150)**	-
Gain on loss of control (refer to note 4 for further details)	**(150 613)**	
Impairment of right of use asset#	**24 103**	-
Impairment of goodwill#	**-**	12 783
Profit on disposal of subsidiary	**(10 444)**	(25 813)
Income tax effect on items excluded from headline earnings	**(6 987)**	665
Headline losses	**(392 552)**	**(109 785)**
Total headline losses	**(405 247)**	**(47 527)**
Weighted average number of ordinary shares in issue ('000)		
Number of shares at the beginning of the year	32 503	32 503
Less: Effect of treasury shares in Group entities at the beginning of the year	(4 029)	(4 171)
Basic number of shares in issue at the beginning of the year	**28 474**	**28 332**
Weighted average effect of changes during the year		
Treasury shares released to incentive scheme participants	-	54
Treasury shares released to incentive scheme participants	-	18
	28 474	28 404
Effect of outstanding share options	-	3
Diluted weighted average number of shares in issue	**28 474**	**28 407**
Basic number of shares in issue at the end of the year ('000)		
Ordinary shares in issue	32 503	32 503
Less: Treasury shares in issue^	(4 029)	(4 029)
Ordinary shares in issue on which net asset value and tangible net asset value per ordinary share is calculated	**28 474**	**28 474**

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

	Audited Year ended 30-Jun-20	Audited Year ended 30-Jun-19 *Restated
Per share measurements (cents)		
(Losses)/earnings per ordinary share		
Basic	**(839.0)**	(114.3)
Continuing operations	**37.0**	220.3
Discontinued operations	**(876.0)**	(334.6)
Diluted	**(839.0)**	(114.3)
Continuing operations	**37.0**	220.3
Discontinued operations	**(876.0)**	(334.6)
Headline (losses)/earnings per ordinary share		
Basic	**(1 423.2)**	(167.3)
Continuing operations	**(44.6)**	219.2
Discontinued operations	**(1 378.6)**	(386.5)
Diluted	**(1 423.2)**	(167.3)
Continuing operations	**(44.6)**	219.2
Discontinued operations	**(1 378.6)**	(386.5)
Net asset value per ordinary share (equity attributable to ordinary shareholders of ELB/ordinary share in issue)	**698.8**	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)	**485.4**	1 303.8
Dividends declared for the year per ordinary share	-	-

Items which are disclosed as part of operating costs in the condensed consolidated provisional statement of profit or loss

^ Shareholders approved the cancellation of the treasury shares at the general shareholder meeting on 25 May 2020. The treasury shares were effectively cancelled on 7 July 2020.

*Restated for discontinued operations.

Notes

ELB Group Limited ("ELB", "the Company", or "the Group") is a South African registered company. The provisional summarised consolidated 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 operation.

1. **Basis of preparation and accounting polices**

The provisional summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for financial reporting, and the requirements of the Companies Act of South Africa, 71 of 2008, as amended ("Companies Act") applicable to provisional summarised consolidated financial statements. Provisional reports must be prepared in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, and must also, as a minimum contain the information required by IAS 34: Interim Financial Reporting. The accounting policies applied in the preparation of these provisional summarised consolidated financial statements, are in terms of 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.

The provisional summarised consolidated financial statements are prepared in thousands of South African Rand ("R'000") 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.

The directors take responsibility for the preparation of the these provisional summarised consolidated financial statements. The financial statements prepared on the going concern basis were compiled under the supervision of Altea Spagnuolo CA(SA), Group Financial Director, and were approved on 27 November 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") has 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 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 July 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 expense All leases where the underlying asset being used is of low value (underlying assets with a value of less than R50 000 – typically office equipment may classify for recognition as low value leases) are assessed on a lease-by-lease basis and accounted for as expenses on a straight line basis.
•Lease term:
- 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	(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 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:

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	-

As a result of the adoption of IFRS 16, the total depreciation recognised during the year on the right of use assets amounted to R12.9 million, interest on lease liabilities amounted to R3.6 million and a right of use asset impairment of R36 million (R12 million of the impairment relates to an impairment processed in the Australasian segment on classification as held for sale and R24 million relates to an impairment processed in the Engineering Services Segment). The total lease charge for the year was R23.2 million.

Excluding the abovementioned adjustments, none of the other new, revised or amended accounting standards or interpretations that were adopted at the beginning of the year had a material impact on the financial statements.

Notes

3. Discontinued operations - Australian equipment segment

At 31 December 2019, the Australian equipment segment met the IFRS 5 - *Non-Current Assets Held for Sale and Discontinued Operations* requirements to be classified and measured as held for sale. Effective 30 June 2020, the Group sold its Australian operations. The Australian segment housed the Group's Ditch Witch and Komptech businesses which imported, distributed and maintained underground utility construction and green waste processing equipment. The assets and liabilities of the business disposed are presented below. The net cash flows attributable to the operating, investing and financing activities of the segment were:

Assets:	**R'000**
Property, plant and equipment	30 380
Right of use assets	15 614
Deferred income tax assets	17 115
Inventories	311 569
Trade and other receivables	35 752
Other financial assets	1 509
Income tax refundable	2 654
Other current assets	4 121
Cash and cash equivalents	26 317
Total	**445 031**
Liabilities:	
Lease liabilities (current and non-current liabilities)	(23 016)
Deferred income tax liabilities	(859)
Interest bearing borrowings	(4 522)
Loans (current and non-current liabilities)	(120 188)
Trade and other payables	(134 878)
Income tax payable	(860)
Other current liabilities	(29 061)
Total	**(313 384)**
Total net assets sold	(131 647)
Total proceeds received for the sale of shares	103 299
Impairment on classification as held for sale	(46 743)
Foreign currency translation reserve ("FCTR") recycled through profit or loss	85 535
Net profit on disposal	**10 444**
Cash flows from discontinued operation:	
Net cash generated by operating activities	7 863
Net cash utilised by investing activities	(5 910)
Net cash utilised by financing activities	(9 622)
Net cash flow outflow for the year	**(7 669)**

4. **Discontinued operations - ELB Engineering Services (Pty) Ltd and its subsidiaries (loss of control)**

Shareholders were informed on 6 April 2020 that ELB Engineering Services (Pty) Ltd's ("ELBES") new business forecasts did not materialise. This had placed unsustainable funding requirements on the Group and a decision was therefore made that the Group could no longer support ELBES. The ELBES board of directors therefore resolved to proceed with placing ELBES into business rescue in terms of Chapter 6 of the Companies Act, Act 71 of 2008. The required resolutions were filed and Daniel Terblanche was appointed as the business rescue practitioner. A business rescue plan is in the process of being prepared for presentation to affected parties. The Group retains 100% shareholding in ELBES, the shareholding is valued at Rnil. On 6 April 2020, the company qualified for disclosure as a discontinued operation.

An assessment was performed in order to establish whether the Group continues to control (as defined in IFRS 10 - Consolidated Financial Statements) ELBES following its filing for business rescue. It was concluded that the Group no longer has the practical ability to unilaterally direct the affairs of the company and as a result accounted for a loss of control of a subsidiary as at 6 April 2020. The net gain recognised on deconsolidation as a result of the loss in control amounted to:

Assets:	**R'000**
Property, plant and equipment	15 995
Deferred income tax assets	2 348
Other financial assets	1 346
Construction contract work not yet billed	159 186
Inventories	2 165
Trade and other receivables	83 608
Other current assets	12 322
Cash and cash equivalents	8 567
Total	**285 537**
Liabilities:	
Lease liabilities (current and non-current liabilities)	(24 764)
Deferred income tax liabilities	(549)
Loans from related parties	(298 336)
Construction contract liabilities	(134 139)
Interest bearing borrowings	(15 492)
Trade and other payables	(175 939)
Income tax payable	(33)
Other current liabilities	(33 136)
Bank overdraft	(50 869)
Total	**(733 257)**
Net negative net asset position	**(447 720)**
Non controlling interests	(1 229)
Impairment of loans from related parties	298 336
Net gain on loss of control	(150 613)
Cash flows from discontinued operation:	
Net cash utilised by operating activities	(70 952)
Net cash generated by investing activities	8 111
Net cash utilised by financing activities	45 039
Net cash flow outflow for the period	(17 802)

5. **Acquisition of subsidiary**

Effective 17 June 2020, ELB Engineering (Pty) Ltd (wholly owned subsidiary of ELB Group) acquired 100% of ELBCON (Pty) Ltd ("ELBCON") from ELBES in terms of a post commencement financing arrangement. ELBCON is reported as part of the Engineering Services segment. ELBCON provides construction services to the mining, mineral power and industrial sectors.

The fair value of the identifiable assets and liabilities at acquisition date were:

Assets:	**R'000**
Property, plant and equipment	16 137
Right of use assets	978
Deferred income tax assets	1 759
Construction contract work not yet billed	6 695
Inventories	53
Trade and other receivables	29 661
Other current assets	1 215
Cash and cash equivalents	9 456
Total	**65 954**
Liabilities:	
Lease liabilities (current and non-current liabilities)	(983)
Construction contract liabilities	(7 710)
Trade and other payables	(10 123)
Other current liabilities	(5 127)
Total	**(23 943)**

Notes

	R'000
Total identifiable net assets at fair value	42 011
Purchase consideration	(19 054)
Gain on bargain purchase	22 957

Analysis of cash flows at acquisition:	
Purchase consideration	19 054 @
Portion payable after year end @	(12 356) @
Cash paid	6 698
Cash and cash equivalents at acquisition	(9 456) **
Net cash flow on acquisition:	**(2 758)**

@ R6.6 million of the purchase consideration was paid before year end and R12.4 million of the total purchase consideration was paid after year end. At year end, the outstanding purchase consideration was disclosed as part of trade and other payables.

** Cash acquired on acquisition relates to committed cash received in advance to fund project costs.

6. **Provisions**

The provisions at 30 June 2020 relate to:

Restructuring provision:

On 8 January 2020, the ELB Group released a SENS announcement noting that it had commenced restructuring initiatives. Restructuring provision recognised relates to headcount reduction in the Equipment Segment which was driven by the depressed trading environment and poor outlook for this business. The provision is expected to be fully utilised over the next 12 months.

Guarantees:

1. Guarantee provisions have been provided for at year end and relate to performance, retention and advance payment bonds that are guaranteed by ELB Group Limited and issued to project clients of ELBES through banks and insurers. These performance, retention and advance payment bonds were previously disclosed as contingent liabilities and have subsequently been recognised as provisions as a result of a change in circumstances. The Group operates in the engineering contracting business and continues to be exposed to the risks associated with ongoing engineering contracts entered into by ELBES. ELB Group Limited (the Company) has limited sureties and guarantees in place with facility providers and has issued parental guarantees for the unconditional performance of ELBES on certain projects.

Following the voluntary filing for Business Rescue by ELBES, many of the contracts the Company had entered into provide the project client with the right to call on the guarantees issued. The Group has performed a detailed assessment of these sureties and guarantees in order to determine the exposure to the Group. A provision has been provided for at year end and relates to performance, retention and advance payment bonds provided by ELB Group Limited to project clients of ELBES through banks and insurers.

The expected timing of outflow is uncertain as the provisions relate to engineering, procurement and construction projects that are not yet complete. The completion of the underlying projects has been affected by the COVID-19 pandemic lockdown and performance criteria not yet achieved. The provisions are based on the facts and circumstances at balance sheet date and represent a significant area of judgement and estimation. The circumstances which resulted in guarantee provisions being recognised relate to the following triggering events:

•ELBES being placed under business rescue;
•ELBES being insolvent;
•Project delays which will result in delay damages; and
•Plant performance deficiencies.

In the event that ELB Group Limited is required to make payment under these guarantees it will have a claim against ELBES. However, ELBES is in Business Rescue and any claim is unlikely to be recoverable. Therefore, a reimbursement asset has not been recognised.

Extensive consultations with project engineers, project experts, the finance team of ELBES, group management, overseen by the Audit and Risk Committee and the Board were undertaken and the current project status' were considered in order to quantify the value of the provision to recognise at year-end. A comprehensive subsequent events review was also performed in order to determine whether there were any adjusting events after the reporting period that would suggest that the year-end results should be revised/adjusted and to date the evidence obtained supports the recognition and measurement of the guarantee provisions at yearend.

Contingent liabilities have been disclosed in note 10 with respect to parental guarantees for the unconditional performance of ELBES on certain projects. ELBES continues to work constructively to complete these projects and successfully limit the exposure that these sureties and guarantees have on the Group. On the publication date of this report, a guarantee of R111 million was called by a client but ultimately not drawn down as a result of the renegotiation of security arrangements which required ELBES consortium partner to issue an enhanced indemnity to the insurance company providing the guarantee and ELB Group in turn to issue a R100m counter indemnity to ELBES consortium partner on the project. The rights of the clients and the counter parties to indemnities issued by ELB Group in relation to these guarantees remain reserved.

2. During October 2019, the Group guaranteed ELBES's lease commitments for office equipment to a service provider. During May 2020, the service provider called on its guarantee and accordingly, the Grou recognised a provision as it is liable to settle the outstanding lease commitments.

7. **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 (except for ELBES) in the consolidated results.

Effective 31 December 2019, ELBES and ELB Engineering (Pty) Ltd informed Mr. AG Fletcher (previous Chairman of the Board) 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.

The users of the provisional summarised consolidated financial statements are referred to the circular containing the details of the Disposal, Employee Scheme Transactions and MOI Amendment issued on 23 April 2020. Using the terms defined therein, following the results of the of the General Meeting on 25 May 2020 and the receipt of the compliance certificate from the TRP, all conditions precedent for the Employee Scheme Transactions were fulfilled. A finalisation announcement was published on 23 June 2020.

Effective 17 June 2020, ELB Engineering (Pty) Ltd (wholly owned subsidiary of ELB Group) acquired 100% of ELBCON (Pty) Ltd ("ELBCON") from ELBES in terms of a post commencement financing arrangement. Refer to note 5 for further details.

8. **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.

Foreign currency forward exchange contract assets and liabilities are disclosed as part of other financial assets and liabilities and amounted to:

	30-Jun-20 R'000	30-Jun-19 R'000
Foreign currency forward exchange contract assets	641	1 608
Foreign currency forward exchange contract liabilities	(9 180)	(4 416)

9. **Capital expenditure incurred and future capital expenditure commitments**

Capital expenditure of R10.1 million (30 June 2019: R31.9 million) was incurred during the year on property, plant and equipment. There were no material capital expenditure commitments at each reporting date.

Notes

10. **Contingent liabilities**

Project 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. Where probable, the Group has recognised guarantee provisions for the exposures that are likely to results in an outflow of resources required to settle the obligations - refer to note 6 for further details. ELB Group Limited has parental guarantees for the unconditional performance of ELBES on two projects. The parental guarantees remain in force until performance completion is achieved. The Group continues to work constructively to complete these projects and successfully limit the exposure that these parental guarantees have on the Group.

Detailed breakdown of potential parental guarantee exposures:

Project one:
The Company signed a parental guarantee for the surety and co-principal debtor for all of ELBES' contract obligations. The maximum exposure under the guarantee is limited to 100% of the project contract price as defined in the contract. The areas of exposure relate to buy down clauses and delay damages. If the parental guarantee is called on, the potential costs that the Group may incur range between R209 million and R2.1 billion.

Project two:
The Company signed a parental guarantee as surety and co-principal debtor for all of ELBES' contract obligations. The maximum exposure under the guarantee is limited to 120% of the project contract price as defined in the contract which the Company and its joint venture partner are jointly and severally liable for in their respective project contribution ratios being 45.5% and 55.5% respectively. The areas of exposure relate to liquidated delay damages, performance guarantees, delay and performance and total project failure. If the parental guarantee is called on, the potential costs that the Group may incur range between R190 million to R1.5 billion.

Disposal of the Australasian segment:
ELB Equipment Holdings Proprietary Limited provided indemnities to a financial institution which in turn issued on demand guarantees in favour of the purchaser of the Australian segment for any claims that may arise from the Seller's (ELB Engineering Proprietary Limited) warranties if breached. The Seller's warranties are contractually defined and cannot exceed the total value of the guarantees. The guarantees amount to AUD$1 687 500, of which AUD$562 500 expire at the end of 31 December 2020 and the remaining guarantee expires at the end of 31 December 2021.

Takeover Regulation Panel bank guarantee:
On 30 June 2020, FirstRand Bank Limited entered into a bank guarantee with ELB Group Limited for R45.8 million for the payment by the Company to participants for the general offer (which has subsequently fallen away, refer to note 11 for further details) and the scheme of arrangement.

Standard Bank Limited surety:
ELB Equipment Holdings (Pty) Ltd provided Standard Bank Limited with a surety for the repayment of ELBES' overdraft facility. Standard Bank has security over the debtors and contract asset balances in ELBES which at 30 June 2020 exceeded the value of the overdraft facility. Over time, should ELBES not be able to repay its overdraft facility, ELB Equipment Holdings (Pty) Ltd's will be required to settle any remaining balance of the overdraft facility.

11. **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 provisional summarised consolidated financial statements which had a material impact on the financial position or results of the Group at year end.

Guarantee and project updates
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. The Group maintains a strong and positive working relationship with the client and continues to work diligently with the client to provide conditions conducive to a successful handover. This positive working relationship has included facilitating two performance tests. These tests have not achieved the criteria specified in the process guarantee documentation but have provided the project team and the client with invaluable insight in terms of identifying areas requiring remediation or intervention.

On 24 October 2020, Ngodwana Energy (RF) Pty Ltd called on a performance bond on the Ngodwana Energy project due to the inability of ELBES to extend the bond. In order to prevent a drawdown on the guarantee, the Company subsequently agreed with ELBES' consortium partner on the project, KC Cottrell ("KCC"), that KCC would indemnify the insurance company providing the performance guarantee in order for the guarantee to be extended. ELB, in turn, has indemnified KCC and the insurance company for the ELBES share of the contractual liabilities arising from the project. These potential liabilities include, inter alia, plant defects and delay damages. The indemnity provided by the Company to KCC and the insurance company is limited in aggregate to a maximum of R100 million in relation to the Ngodwana Energy project. Based on an assessment of the current status of this project, the Company has fully provided for the guarantee at 30 June 2020.

Supplementary circular and termination of general offer
Shareholders are referred to the firm intention announcement as published on 1 July 2020 ("FIA") and the circular distributed to shareholders on Friday, 14 August 2020 ("the Circular") containing the details of the Offer and the Delisting. Unless the context dictates otherwise, capitalised terms used in this announcement are as defined in the FIA and the Circular.

On 1 July 2020, ELB announced the Offer to acquire all of the Scheme Shares held by Scheme Participants (other than the Remaining Shareholder) for the Scheme Consideration in accordance with the provisions of section 114(1)(e) of the Companies Act and paragraph 1.17(b) of the Listings Requirements by way of the Scheme and separate to the Scheme, but concurrently with it, a conditional General Offer by ELB to General Offer Participants (other than the Remaining Shareholder) for the General Offer Consideration, in accordance with the provisions of sections 48 and 117(1)(c)(v) of the Companies Act and paragraphs 1.15(c) and 5.69 of the Listings Requirements, which was to be implemented only if the Scheme fails.

As detailed in the Circular, a General Meeting for the purpose of approving the Resolutions required to give effect to the Scheme and the General Offer was scheduled to be held on Tuesday, 15 September 2020, but which date was contingent on ELB publishing the reviewed consolidated provisional financial results of the Group for the year ended 30 June 2020 ("Reviewed Financial Results") by no later than 8 September 2020.

As per the SENS announcement dated 8 September 2020, the Reviewed Financial Results were not published by 8 September 2020 and as a consequence, the planned General Meeting was postponed but would be rescheduled on further notice.

Subsequent to the publication of the Circular, the JSE has requested that additional financial information be provided to Shareholders prior to the General Meeting being convened, including inter alia the ELB Group audited financial statements for the year ended 30 June 2020.

In accordance with regulation 90(3)(b) of the Companies Regulations, the TRP has additionally requested a further, updated independent expert's report ("Second Expert's Report") to be prepared by a newly appointed independent expert in light of, inter alia, the delay in release of the Reviewed Financial Results.

A Supplementary Circular (which will include the Second Expert's Report, a new Notice of General Meeting and provide details of material changes to the Circular) was distributed to Shareholders on 27 November 2020.

As the Offer timetable will deviate materially from what was anticipated in the Circular, it will not be possible for the General Offer to be declared unconditional as to acceptances by 16:30 on 20 October 2020 as required in terms of Regulation 102(10) of the Companies Regulations. The 90% acceptance condition will also not be waived by the Independent Board and the ELB Board. Consequently, the General Offer is terminated.

The General Meeting will therefore be convened only to vote on Special Resolution 1 – Approval of the Scheme Resolution. All other Resolutions proposed in the Circular (including the Repurchase Resolution, Specific Repurchase Resolution and the Delisting Resolution) will no longer be proposed to Shareholders to vote thereon.

Australian equipment segment
Subsequent to year end, the Group was paid the proceeds from the disposal of the Australian equipment segment. Refer to notes 3 and 16 for further details.

Bridge loan repayment
On 3 July 2020, the ELB Engineering (Pty) Ltd repaid FirstRand Bank Limited R105.9 million for the bridge loan that was advanced on 21 January 2020 and a further R6.5 million for the short-term debt owed by ELBES. These amounts were repaid from the proceeds of the Metquip Proprietary Limited/Australasian segment.

ELBES update:
On 6 November 2020 creditors of ELBES voted to extend the time period in which to publish a business rescue plan by two months to 7 January 2020. The extension was requested in order to provide the business rescue practitioner with additional time to be able to complete the investigation and quantification of the liabilities owed by ELBES.

Covid-19 pandemic update
Covid-19 caused a substantial disruption to ELB's customers which has resulted in considerable reductions in trading volumes and profits for ELB Equipment and, prior to the effective date of disposal, for ELB Australasia. Until a vaccine has been developed, Covid-19 has also introduced a high level of uncertainty into revenue forecasting. As at 30 September 2020, turnover in ELB Equipment Holdings was down by 40% compared to the same period in the prior year and is currently loss making.

Notes

12. **Going concern**

In determining the appropriate basis of preparation for the consolidated financial statements at 30 June 2020, the directors were 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 year was R238.9 million (30 June 2019: loss after tax R31.1 million). The Group's total assets exceeded total liabilities by R196.1 million (30 June 2019: R499.1 million). Current assets for the Group exceeded current liabilities by R86.3 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:

• Based on liquidity and solvency analyses, the forthcoming budget and cash flow forecast for the twelve months following the date of the financial statements and the proposed delisting of the Company from th JSE, 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 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 exceeded total liabilities and current assets exceeded current liabilities at 30 June 2020.

•The Group continues to engage with its banking and bonding facility providers, the majority of whom remain supportive of the Group and have not withdrawn their existing financing facilities.

• When compared to the prior year, the Covid-19 pandemic contributed to a substantial reduction in operating profits for the 2020 financial year however, the impact thereof is not expected to impact on tl Group's ability to continue to operate into the foreseeable future. The Group had sufficient headroom within its agreed banking facilities to continue to operate during the period. Should a further national lock-down be implemented, the Group's trading results are likely to be negatively impacted.

As at the date of publication of this report:

• the Group continues to proactively engage and liaise with project clients to mitigate the risk of the Group's parental guarantees being called on (refer to note 10 for further details). The underlying clients' and counter parties to indemnities issued by the Group in relation to these guarantees remain reserved.

• should the guarantees for which the Company has signed surety over or the parental guarantees be called on, the Company be unable to successfully conclude the delisting from the JSE or Covid-19 continues t significantly impact trading activities across the Group, it would impact on the Company's ability to continue as a going concern. As a result, there is a material uncertainty related to the conditions noted above that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

13. **Issued share capital**

Issued share capital decreased when compared to the prior comparative period as a result of the treasury shares that were approved for repurchase by shareholders at the general shareholder meeting on 25 May 2020. The treasury shares were effectively cancelled on 7 July 2020 (refer to the Disposal, Employee Scheme Repurchase Cancellation and MOI Amendment circular that was published on 23 April 2020 for further details).

14. **Interest bearing borrowings**

Interest-bearing borrowings increased when compared to the prior comparative period as a result of the Group utilising financing facilities with interest bearing trade payables and the bridge loan that was advanced by FirstRand Bank Limited to ELB Engineering (Pty) Ltd. Refer to note 11 for further details.

15. **Trade and other receivables, other financial assets, income tax receivables and other current assets**

Trade and other receivables, other financial assets, income tax receivables and other current assets increased when compared to the prior comparative period mainly as a result of a R223.5 million receivable that was recognised for the disposal of the Australasian equipment segment. The receivable included R120.2 million for promissory notes that were repaid on disposal and R103.3 million for the sale of shares. Refer to notes 3 and 11 for further details.

16. **Independent audit by the auditors**

This summarised report is extracted from the audited information, but is itself not audited. The directors take full responsibility in extracting the information from the consolidated annual financial statements. The consolidated financial results for the year ended 30 June 2020 have been audited by the Company's auditor, BDO South Africa Inc. in accordance with the International Standards of Auditing. The auditors expressed an unmodified audit opinion, with a material uncertainty paragraph related to going concern included for the year ended 30 June 2020. The material uncertainty relates to the fact that ELB Group Limited signed surety over guarantees for the unconditional completion of the projects in ELB Engineering Services Proprietary Limited. ELB Engineering Services Proprietary Limited has been placed in business rescue. In the event that these guarantees are called upon, the Group's going concern status may be compromised. The audited annual financial statements and the audit report are available for inspection on the Company's website (https://www.elb.co.za/investor-relations-2/) and at ELB's registered office

ELB Group Limited

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B Makhunga*, R Nkabinde* and PJ Blunden#.
* Independent non-executive #Non-executive

Company secretary
Seamless Secretarial Solutions (Pty) Ltd (Yvette Dembskey)

Release date
The consolidated provisional financial results were released on 27 November 2020.