

ELB GROUP LIMITED

Incorporated in the Republic of South Africa
(Registration number 1930/002553/06)
ISIN: ZAE000035101
JSE Code: ELR
("ELB" or "the Company")



DISPOSAL OF ELB'S INTEREST IN THE ELB FLYING SERVICES PARTNERSHIP

1. BACKGROUND AND RATIONALE

The board of directors of ELB ("the Board") announces that, through its subsidiaries ELB Engineering Proprietary Limited ("**Engineering**") and ELB Engineering Services Proprietary Limited ("**Engineering Services**"), the Company, on 11 July 2019, agreed to dispose of its interest in the ELB Flying Services Partnership ("**Partnership**"), to be effected through:

- a) the disposal by Engineering Services of its 49% interest in the Partnership ("**Partnership Interest**") to Mr AG Fletcher, or his nominee; and
- b) the disposal by Engineering of 100% of the issued share capital of ELB Trident Equipment Proprietary Limited ("**Trident**") and related claims ("**Trident Shares and Claims**") to Tanjo Financial Services Proprietary Limited ("**Tanjo**"),

(collectively, "**the Transaction**").

Tanjo is a company controlled by Mr AG Fletcher, the current Chairman of the Board. Trident holds a 2% interest in the Partnership and has no other business activities.

The Partnership is established for the sole and exclusive purpose and object of acquiring, owning, managing and leasing an aircraft and in the course of the Partnership business to generate rental and other income for the benefit of the Partners and to carry out all such other activities as may be necessary or desirable in relation to the aircraft and from the successful operation of the Partnership.

ELB has entered into the Transaction to provide additional working capital.

2. TERMS OF THE TRANSACTION

2.1. Consideration

The consideration payable to Engineering Services for its 49% interest in the Partnership is an amount of R8,232,000, payable in cash.

The consideration payable to Engineering for the Trident Shares and Claims is an amount of R336,000, payable in cash.

The total aggregated cash consideration for the Transaction is R8,568,000.

2.2. Independent Expert requirements

The Company is required to procure an opinion from an independent expert acceptable to the JSE Limited ("**JSE**"), confirming whether the Transaction is fair as far as shareholders of ELB are concerned and to provide such confirmation to the JSE in accordance with paragraph 10.7(b) of the JSE Listings Requirements.

2.3. Conditions precedent

There are no material conditions precedent outstanding.

2.4. **Effective date**

The effective date of the transaction is 30 June 2019 ("**Effective Date**").

2.5. **Other significant terms**

The agreements giving effect to the Transaction provides Engineering and Engineering Services with a call option ("**the Option**"), whereby Engineering and Engineering Services will have the option of reacquiring the Trident Shares and the Partnership Interest respectively at any time before 28 February 2020 ("**Expiry Date**"), for a consideration that will equal the purchase consideration set out in 2.1 above, plus any further contributions made to the Partnership between the Effective Date and the Expiry Date, plus interest at the RMB call rate from time to time.

Other warranties and terms agreed between the parties to the Transaction are standard for a transaction of this nature.

3. **FINANCIAL INFORMATION**

The net loss attributable to the partners of the Partnership amounted to R126 494 for the financial year ended 30 June 2019, and the net assets attributable to the partners equalled R746 199 as at 30 June 2019, being the last financial year-end of the Partnership. The Partnership's financial results are prepared in accordance with the general principles applicable to partnership accounting, and in particular on the historical cost basis.

The net loss after tax of Trident amounted to R4 183 for the six-month period ended 31 December 2018, and the net assets equalled R91 022 as at 31 December 2018, being the last interim financial period-end of Trident for which financial results are available. Trident's financial results are prepared in accordance with International Financial Reporting Standards.

The above financial information is based on the unaudited management accounts of the Partnership and Trident, and the Company is satisfied with the quality of the management accounts.

4. **CATEGORISATION**

The Transaction constitutes a small related party transaction in terms of the JSE Listings Requirements.

The Option will be categorised at the time of exercise thereof in accordance with paragraph 9.1(b) of the JSE Listings Requirements.

5. **OPINION OF THE INDEPENDENT EXPERT**

A further announcement will be made once the requisite opinion for the Independent Expert is available in accordance with paragraph 10.7(c) of the JSE Listings Requirements.

Rivonia

15 July 2019

Sponsor and Corporate Advisor



Questco Corporate Advisory Proprietary Limited