

## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 7 of this Circular apply *mutatis mutandis* to this entire document, including the cover page, except where the context indicates a contrary intention.

### Action required by Certificated and Dematerialised Shareholders

This document should be read in its entirety with particular attention to the section entitled "Action Required by Shareholders in relation to the Transactions", which commences on page 13 of this Circular. ELB Shareholders are referred to page 13 of this Circular, which contains full details of the action required of them in regard to this Circular.

If you are in any doubt as to what action you should take, please consult your Broker, banker, legal adviser, CSDP or other professional adviser immediately. If you have disposed of all your ELB Shares, this Circular should be handed to the purchaser of such ELB Shares or to the Broker, banker, CSDP or other agent through whom the disposal was effected.

**ELB do not accept responsibility, and will not be held liable, for any action of, or omission by, any CSDP or Broker including, without limitation, any failure on the part of any CSDP or Broker of a Dematerialised Shareholder to notify such Shareholder of, *inter alia*, the General Meeting or any business to be concluded thereat and the Transactions as set out in this Circular.**



### ELB Group Limited

(Incorporated in the Republic of South Africa)

(Registration number 1930/002553/06)

Share code: ELR

ISIN: ZAE000035101

("ELB" or "the Company")

## CIRCULAR TO SHAREHOLDERS

### regarding:

- the category 1 disposal of 100% of the shares in and claims against ELB Australia;
- a specific authority for the Employee Trust, the Company or any Subsidiary to repurchase 4 029 352 Shares held by Employee Scheme Participants and the Excess Trust Shares, in terms of section 5 of the Listings Requirements and section 48(8) of the Companies Act;
- a cancellation of all repurchased shares and Unexercised Options and the subsequent cancellation of the Employee Scheme;
- the general authority to place authorised but unissued Shares under the control of the Directors in terms of section 38 of the Companies Act;
- a general authority to issue Shares for cash in terms of section 5 of the Listings Requirements;
- an amendment of ELB's MOI to convert ELB's par value shares to no par value shares as contemplated in Regulation 31(6) of the Companies Regulations; and
- an amendment of ELB's MOI to effect an increase in the authorised ordinary share capital of ELB through the creation of an additional 450,000,000 authorised Shares,

### and enclosing:

- a fair and reasonable opinion in terms of sections 114(2) and 114(3) of the Companies Act and Regulation 90 of the Companies Regulations;
- extracts of section 115 of the Companies Act dealing with the approval requirements for fundamental transactions and section 164 of the Companies Act dealing with Dissenting Shareholders' appraisal rights;
- the Notice convening the General Meeting; and
- a Form of Proxy (*white*) (for use by Certificated Shareholders and Own-Name Dematerialised Shareholders only);

### Corporate Finance Advisor

**APEX**  
PARTNERS

### Independent Reporting Accountants

**BDO**

### Transaction Sponsor

  
**questco**  
CORPORATE ADVISORY

### Independent Expert

 **MOORE**

**Date of issue: Thursday, 23 April 2020**

This Circular is available in English only. A copy hereof may be obtained during normal business hours from the registered office of ELB, the address of which appears in the "Corporate Information and Advisers" section on page 2 of this Circular, from the date of issue of the Circular until the date of the General Meeting, both dates inclusive. An electronic version of this Circular is also available on ELB's website [www.elb.co.za/investor-relations](http://www.elb.co.za/investor-relations)

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## IMPORTANT NOTICES

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### **FOREIGN SHAREHOLDERS**

*This Circular has been prepared for the purposes of complying with the Listings Requirements, the Companies Act and the Companies Regulations and is published in terms thereof and the information disclosed may not be the same as that which would have been disclosed if this Circular had been prepared in accordance with the laws and regulations of any jurisdiction outside of South Africa. The release, publication or distribution of this Circular in jurisdictions other than South Africa may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than South Africa should inform themselves about and observe, any applicable requirements. Any failure to comply with the applicable requirements may constitute a violation of the securities laws of any such jurisdiction.*

*This Circular is not intended to and does not constitute or form part of an offer to sell or an invitation to purchase or subscribe for any securities or a solicitation of any vote or approval in any jurisdiction. This Circular does not constitute a prospectus or a prospectus-equivalent document. Shareholders are advised to read this Circular, which contains the full terms and conditions of the Transactions, with care.*

*Any decision to approve the Transactions or other response to the proposals should be made only on the basis of the information in this Circular.*

### **FORWARD-LOOKING STATEMENTS**

This Circular contains statements about ELB that are, or may be, forward-looking statements. All statements, other than statements of historical fact are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning: strategy; the economic outlook for the industry; production; cash costs and other operating results; growth prospects and outlook for operations, individually or in the aggregate; liquidity and capital resources and expenditure and the outcome and consequences of any pending litigation proceedings. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “estimated”, “potential” or similar words and phrases.

Examples of forward-looking statements include statements regarding a future financial position or future profits, cash flows, corporate strategy, anticipated levels of growth, estimates of capital expenditures, acquisition strategy, expansion prospects or future capital expenditure levels and other economic factors, such as, *inter alia*, interest rates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. ELB cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industry in which ELB operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions regarding ELB, as made by ELB, and although ELB believes them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements or assumptions include other matters not yet known to ELB or not currently considered material by ELB.

ELB Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of ELB not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement are not known. ELB has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by law.

Any forward-looking statement has not been reviewed nor reported on by the external auditors.

### **MATERIAL RISKS**

The Company detailed material risks to the business in its Annual Report for 30 June 2019. Shareholders are referred to this information, which is available on the Company's website at the following link:

<https://www.elb.co.za/wp-content/uploads/2019/10/Integrated-Annual-Report-2019.pdf>

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## CORPORATE INFORMATION AND ADVISERS

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### Company Secretary

Seamless Secretarial Solutions Proprietary Limited  
(Registration number: 2019/148037/07)  
518 Kolbe Street, Roodepoort, 1724

### Registration number and registered office

ELB Group Limited  
(Registration number: 1930/002553/06)  
14 Atlas Road, Anderbolt, Boksburg, 1459  
(PO Box 565, Boksburg, 1460)

### Place and date of incorporation

26 August 1930, South Africa

### Corporate Finance Advisor

Apex Partners Holdings Proprietary Limited  
(Registration number 2011/002794/07)  
Building 4, Ground Floor  
39 Rivonia Road, Commerce Square,  
Sandton, 2196  
(Suite 66, Private Bag X9976, Sandton, 2146)

### Independent Reporting Accountants

BDO South Africa Incorporated  
(Registration number 1995/002310/21)  
6th Floor, 123 Hertzog Boulevard,  
Foreshore, Cape Town, 8001  
(PO Box 2275, Cape Town, 8000)

### Independent Expert

Moore Advisory JHB Proprietary Limited  
(Registration number 2017/332039/07)  
50 Oxford Road, Parktown,  
Johannesburg, 2193  
(PO Box 3094, Houghton, 2041)

### Directors

Charles Pettit (CEO)  
Anthony Fletcher (Chairman)^  
Altea Spagnuolo (FD)  
Buyisiwe Makhunga\*#  
Refilwe Nkabinde\*#  
Johan van Zyl\*\* (Lead Independent Director)  
Peter Blunden  
John Herselman  
Cornelius Smith (Alternate to Peter Blunden)

\*Non-executive #Independent

^ *Chairman, Anthony Fletcher, resigned 14 April 2020, new appointment not yet made at the Last Practicable Date*

### Transaction Sponsor

Questco Proprietary Limited  
(Registration number: 2002/005616/07)  
1st Floor Yellowwood House,  
Ballywoods Office Park,  
33 Ballyclare Drive, Bryanston, 2196

### Transfer Secretaries

Computershare Investor Services Proprietary Limited  
(Registration number 2004/003647/07)  
Rosebank Towers, 15 Biermann Avenue, Rosebank,  
2196  
(Private Bag X9000, Saxonwold, 2132)

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## SALIENT DATES AND TIMES

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The definitions and interpretations commencing on page 7 of this Circular shall apply, *mutatis mutandis*, to this section.

<b>Action</b>	<b>2020</b>
Record date for Shareholders to be recorded in the Register in order to be entitled to receive the Circular ( <b>Record Date</b> )	<b>Friday, 17 April</b>
Posting of the Circular to Shareholders and notice convening General Meeting released on SENS	<b>Thursday, 23 April</b>
Posting of the Circular to Shareholders and notice convening General Meeting in the press	<b>Friday, 24 April</b>
Last day to trade in Shares in order to be recorded in the Register on the Voting Record Date ( <b>Voting Last Day to Trade</b> )	<b>Tuesday, 12 May</b>
<b>Voting Record Date</b> for Shareholders to be recorded in the Register in order to be eligible to vote at the General Meeting	<b>Friday, 15 May</b>
Forms of Proxy to be received by the Transfer Secretaries preferably by 10:00 on	<b>Thursday, 21 May</b>
Last date and time for ELB Shareholders to give notice to ELB objecting to the Specific Repurchases in terms of section 164(3) of the Companies Act, by 10:00 on	<b>Monday, 25 May</b>
<b>General Meeting at 10:00 on</b>	<b>Monday, 25 May</b>
Results of General Meeting released on SENS on or about	<b>Monday, 25 May</b>
Results of General Meeting published in the South African press on or about	<b>Tuesday, 26 May</b>
<i>If the Specific Repurchases are approved by Shareholders at the General Meeting with sufficient voting rights such that no Shareholder may require the Company to obtain Court approval for the Scheme as contemplated in section 115(3)(a) of the Companies Act:</i>	
Last day for Shareholders who voted against the Specific Repurchases to require the Company to seek Court approval for the Specific Repurchases in terms of section 115(3)(a) of the Companies Act, if at least 15% of the total votes of Shareholders at the General Meeting were exercised against the Specific Repurchases	<b>Monday, 1 June</b>
Last day for the Company to send notice of adoption of the special resolution to Dissenting Shareholders, in accordance with section 164(4) of the Companies Act	<b>Monday, 8 June</b>
Last day for a Shareholder who voted against the Specific Repurchases to apply to Court for leave to apply to Court for a review of the Specific Repurchases in terms of section 115(3)(b) of the Companies Act	<b>Monday, 8 June</b>
<i>The following dates assume that no Shareholders exercise their rights in terms of section 115(3)(b) of the Companies Act as required and will be confirmed in the finalisation announcement if the Specific Repurchases become unconditional:</i>	
Finalisation announcement expected to be released on SENS	<b>Tuesday, 23 June</b>
Finalisation announcement expected to be published in the South African press	<b>Wednesday, 24 June</b>
Expected implementation date of the Specific Repurchases	<b>Monday, 6 July</b>
Settlement of loans linked to the Employee Scheme	<b>Tuesday, 7 July</b>
Expected cancellation of Employee Scheme Shares and the Excess Trust Shares at commencement of trade on the JSE	<b>Tuesday, 7 July</b>

## Notes

1. All dates and times are subject to change with the approval of the JSE and/or TRP to the extent required. The dates have been determined based on certain assumptions regarding the dates by which certain regulatory approvals including, but not limited to, that of the JSE and TRP, will be obtained. Any change will be released on SENS.
2. Shareholders should note that as transactions in Shares are settled in the electronic settlement system used by Strate, settlement of trades takes place 3 (three) Business Days after such trade.
3. In the event that a Shareholder lodges a Form of Proxy with the Transfer Secretaries less than **48** hours (excluding Saturdays, Sundays and official public holidays) before the General Meeting, such Shareholder may submit a Form of Proxy at any time before the commencement of the General Meeting (or any adjournment of the General Meeting) or hand it to the chairman of the General Meeting before the appointed proxy exercises any of the relevant Shareholder's rights at the General Meeting (or any adjournment of the General Meeting).
4. If the General Meeting is adjourned or postponed, Forms of Proxy submitted for the initial General Meeting will remain valid in respect of any adjournment or postponement of the General Meeting.
5. Shareholders should take note that the TRP does not consider the commercial advantages or disadvantages of affected transactions when it approves such transactions.
6. All times given in this Circular are local times in South Africa.

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## DEFINITIONS AND INTERPRETATIONS

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In this Circular, unless the context indicates a contrary intention, a word or an expression which denotes any gender includes the other genders, a natural person includes a juristic person and *vice versa*, the singular includes the plural and *vice versa*, and the following words and expressions bear the meanings assigned to them below:

“Advisory and CEO Services”	means the provision of corporate finance and restructuring support and related services by Apex Partners to ELB in terms of the Advisory Agreement;
“Advisory Agreement”	means the advisory engagement letters as entered into between the Company and Apex Partners as at 30 December 2019 and 25 February 2020 governing the scope of work and services and the fees for the Advisory and CEO Services, including the services of Charles Pettit as CEO of ELB (in lieu of a salary), the details of which were set out in a SENS announcement published on 28 February 2020;
“Apex Partners”	means Apex Partners Holdings Proprietary Limited (Registration number 2011/002794/07), a private company incorporated in South Africa and a 19.6% shareholder in ELB as at the Last Practicable Date (based on ELB’s issued share capital excluding treasury shares), corporate advisor to ELB and a related party to ELB in terms of paragraph 10.1 b(i) and 10.1 b(vii) of the Listings Requirements;
“Appraisal Rights”	means the rights afforded to ELB Shareholders under section 164 of the Companies Act, as set out in Annexure 7 of this Circular;
“Associate”	means the meaning assigned to this term in the Listings Requirements;
“AUD”	means Australian Dollar, the official currency of Australia;
“Bridge Loan”	means the R100 million loan (one hundred million Rand) provided by RMB to the Company in terms of a bridge loan agreement dated 20 January 2020;
“Broker”	means any person registered as a “broking member (equities)” in terms of the rules of the JSE made in accordance with the provisions of the Financial Markets Act;
“Business Day”	means any day other than a Saturday, Sunday or official public holiday in South Africa;
“Cautionary Announcement”	means the SENS announcement published on 8 January 2020 where initial details regarding proposed restructuring initiatives were communicated to Shareholders and which are further referenced in the Terms Announcement;
“cents”	means South African cents, the official currency of South Africa;
“Certificated Shares”	means Shares that have not been Dematerialised, the title to which is evidenced by a share certificate or other Document of Title;
“Certificated Shareholders”	means all registered holders of Certificated Shares;
“CFC”	means Leone Family Holdings Pty Ltd (company number 69 618 356 586), a private company incorporated in accordance with the laws of Australia, and the ultimate beneficial shareholder of the CFC Group of Companies, with its registered office at Suite A2, 118 Railway Street, West Perth, Australia, and the acquiror of ELB Australia. CFC is not a related party to ELB;

“Court”	means any South African High Court with competent jurisdiction to approve the implementation of the Specific Repurchase Resolutions pursuant to section 115 of the Companies Act and/or to determine the fair value of Shares and make an order pursuant to section 164(14) of the Companies Act;
“CIPC”	means the Companies and Intellectual Property Commission under the Companies Act;
“Circular”	means this entire bound document dated <b>Thursday, 23 April 2020</b> including the annexures hereto, the Notice and Form of Proxy ( <i>white</i> );
“Common Monetary Area”	means South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
“Companies Act”	means the Companies Act, No. 71 of 2008, as amended, and, where appropriate, includes a reference to the Companies Regulations;
“Companies Regulations” or “Regulations”	means the Companies Regulations 2011, promulgated in terms of section 223 of the Companies Act and Item 14 of Schedule 5 to the Companies Act under GN R351 in GG 34239 of 26 April 2011 (which include the Takeover Regulations);
“COVID-19”	means corona 2, SARS-CoV-2, a novel respiratory tract virus that has resulted in a global pandemic and restrictions on trade and movement all around the world and in particular in South Africa in terms of a declaration of a State of Emergency by the president of South Africa on 23 March 2020;
“CSDP”	means a Central Securities Depository Participant registered as a participant in terms of the Financial Markets Act;
“Custody Agreement”	means the custody mandate agreement between a Dematerialised Shareholder and a CSDP or Broker, regulating their relationship in respect of Dematerialised Shares held by a Dematerialised Shareholder on ELB’s uncertificated securities register administered by a CSDP or Broker on behalf of that Dematerialised Shareholder;
“Dematerialised” or “Dematerialisation”	means the process whereby paper share certificates or other Documents of Title are replaced with electronic records of ownership in respect of Shares or securities, with a CSDP or Broker, as contemplated in section 49(5) of the Companies Act and under the Strate system;
“Dematerialised Shares”	means Shares that have been Dematerialised or have been issued in Dematerialised form, and which are held in electronic form on ELB’s uncertificated securities register administered by a CSDP or Broker;
“Dematerialised Shareholders”	means all registered holders of Dematerialised Shares;
“Disposal”	means the category 1 disposal of 100% of the shares in and claims against ELB Australia for a total purchase consideration of AUD19.25 million (nineteen million two hundred and fifty thousand Australian Dollars), the terms of which are set out in paragraph 2 of the Circular;
“Dissenting Shareholder(s)”	means the Shareholders who validly exercise appraisal rights in respect of their shareholding in ELB in accordance with the provisions of section 164 of the Companies Act in terms of which they demand that ELB pays them the fair value for all the Shares held by them;
“Documents of Title”	means valid share certificates, certified transfer deeds, balance receipts or any other proof of ownership of ELB Shares acceptable to ELB;

“ELB” or “the Company”	means ELB Group Limited (Registration number 1930/002553/06), a public company incorporated in accordance with the laws of South Africa on 26 August 1930, the Shares of which are listed on the Main Board of the JSE;
“ELB Australia”	means Metquip Proprietary Limited (company number ACN 009 118 790), a private company incorporated in accordance with the laws of Australia and registered on 11 January 1985 with its registered office at 35 David Road, Emu Plains, NSW 2750 (Sydney) and which company is a wholly-owned subsidiary of ELB Engineering and ultimate subsidiary of ELB;
“ELB Board” or “ELB Directors” or “Directors”	means the directors of ELB as at the Last Practicable Date, whose names are set out on page 2 of this Circular;
“ELB Engineering”	means ELB Engineering Proprietary Limited (Registration number 1971/011234/07), a private company incorporated in accordance with the laws of South Africa and a wholly-owned subsidiary of ELB;
“ELB Shares” or “Shares”	means the ordinary shares with a par value of R0.04 per share in the share capital of ELB, which will be converted to no par value shares as a result of the Par Value Conversion, subject to the passing of the applicable Resolutions;
“ELB Shareholders” or “Shareholders”	means the registered holders of ELB Shares recorded in the Register at the relevant time/s;
“Employee Repurchase Instruction”	means the written letters of instruction delivered to the Trust in terms of section 13 of the Employee Scheme rules in terms of which they instruct the Trust to dispose of their Employee Scheme Shares back to the Trust in settlement of the Employee Scheme Debt that they owe the Trust;
“Employee Scheme”	means the ELB employee incentive scheme administered by the Employee Trust, as approved by Shareholders in a circular dated 16 February 2011;
“Employee Scheme Debt”	means the total of a number of individual interest-free loans provided by the Company to the Employee Trust, who has thereafter lent same to the Employee Scheme Participants in terms of the rules of the Employee Scheme, and which are not yet settled by the Employee Scheme Participants, details of which are set out in Annexure 5;
“Employee Scheme Participants”	means the ELB employees who have received vested Shares pursuant to an exercise of options awarded to them under the Employee Scheme but which Shares are still pledged for settlement of the Employee Scheme Debt linked thereto, details of which are set out in Annexure 5;
“Employee Scheme Shares”	means the total of 3 048 217 Shares held by the Employee Scheme Participants as at the Last Practicable Date, and pledged to the Employee Trust for outstanding amounts owed to the Employee Trust, and which Shares consequently remain subject to the rules of the Employee Scheme;

“Employee Scheme Transactions”	means a series of transactions, as detailed in paragraph 3.3 of this Circular, to ultimately cancel the Employee Scheme which will entail: <ul style="list-style-type: none"> <li>– a cancellation of the Unexercised Options;</li> <li>– the Specific Repurchase 1 by ELB of the Excess Trust Shares in settlement of the loan owing from the Employee Trust to ELB and the cancellation of those shares; and</li> <li>– the Employee Scheme Participants disposing of all of their Employee Scheme Shares to the Employee Trust, in settlement of the outstanding amounts they owe to the Employee Trust; and</li> <li>– the Specific Repurchase 2 by ELB, or a subsidiary of ELB, of the aforesaid Employee Scheme Shares from the Employee Trust, in settlement of the remainder of the Employee Scheme Debt; and</li> <li>– the cancellation of the Employee Scheme and the wind-up and cancellation of the Employee Trust;</li> </ul>
“Employee Trust”	means a trust (Masters Reference IT 11583/96) used to house the Employee Scheme Shares for the allocation and distribution to eligible employees of ELB in terms of the rules of the Employee Scheme;
“Excess Trust Shares”	means the total of 981 135 Shares currently held by the Employee Trust, in terms of the rules of the Employee Scheme, that are either earmarked for options that have been issued by the Employee Trust or which are not yet earmarked for options but were intended to be in the future;
“Financial Markets Act”	means the Financial Markets Act, No. 19 of 2012, as amended from time to time;
“Gamsberg Project”	means the engineering, procurement and construction (EPC) contract to erect a zinc processing plant in the Northern Cape to which ELB Engineering Services Proprietary Limited is a party, for which final performance testing has been delayed;
“Form of Proxy”	means the form of proxy attached hereto and forming part of this Circular ( <i>white</i> );
“General Meeting”	means the general meeting of ELB Shareholders to be held at <b>10:00 on Monday, 25 May 2020</b> (or any postponed or adjourned date and time in accordance with the provisions of section 64 of the Companies Act and the MOI, as read with the Listings Requirements) at 345 Rivonia Boulevard, Rivonia, Sandton, 2191, South Africa or via electronic facility/communication given the impact of COVID-19 on in-person meetings, to be convened in connection with the Transactions for the purpose of considering and if deemed fit, approving, with or without modification, the Resolutions contained in the Notice;
“Group”	means ELB and its subsidiaries from time to time;
“IFRS”	means International Financial Reporting Standards;
“Implied Repurchase Price”	the implied price at which the Employee Scheme Shares will be repurchased pursuant to the Specific Repurchase 2, being, for each individual Employee Scheme Participant, their original option price, as detailed in Annexure 5;
“Independent Board”	means the independent Board constituted to consider and opine on the Employee Scheme Transaction and comprised of the following independent Directors: R Nkabinde, B Makhunga and J van Zyl;

“Independent Expert” or “Moore”	means the independent expert appointed to provide the appropriate independent advice to the Independent Board in respect of the Employee Scheme Transactions, being Moore Advisory JHB Proprietary Limited (Registration number 2017/332039/07), a private company incorporated in accordance with the laws of South Africa;
“Irrevocable Shareholders”	means ELB Shareholders collectively holding 14 273 442 Shares, representing 50.2% of ELB’s total issued share capital, which have provided the Irrevocable Undertakings, as further set out in paragraph 2.5 of this Circular;
“Irrevocable Undertakings”	means the undertakings provided by the Irrevocable Shareholders in terms of which the Irrevocable Shareholders have undertaken, <i>inter alia</i> , in respect of their Shares to vote in favour of the Disposal;
“JSE”	means the JSE Limited (Registration number 2005/022939/06), a public company incorporated in accordance with the laws of South Africa and licensed as an exchange under the Financial Markets Act;
“Last Practicable Date”	means <b>Wednesday, 15 April 2020</b> , being the last practicable date prior to the finalisation of this Circular;
“Listings Requirements”	means the Listings Requirements of the JSE in force as at the Last Practicable Date;
“MOI”	means the current memorandum of incorporation of ELB;
“MOI Amendment”	means the proposed amendments to the MOI as detailed in paragraph 5 of the Circular;
“Notice”	means the notice of General Meeting attached hereto and forming part of this Circular;
“Own-Name Dematerialised Shareholders”	means Dematerialised Shareholders who have instructed their CSDP to hold their Shares in their own-name on the Sub-Register;
“Par Value Conversion”	means the conversion of the authorised and issued ELB Shares from par value to no par value shares, as contemplated in this Circular;
“Rand” or “R”	means South African Rand, the official currency of South Africa;
“Register”	means ELB’s securities register maintained by the Transfer Secretaries in accordance with sections 50(1) and 50(3) of the Companies Act, including the relevant Sub-Registers and the register of disclosures of ELB;
“Resolutions”	means the ordinary and special resolutions to be approved by the requisite majority of Shareholders at the General Meeting as set out in the Notice, which resolutions will, <i>inter alia</i> , authorise and approve the Transactions and provide a general authority to issue shares for cash in terms of paragraph 5.52 of the Listings Requirements;
“RMB”	means FirstRand Bank Limited (acting through its Rand Merchant Bank Division) (Registration Number 1929/001225/06) a public company incorporated in accordance with the laws of South Africa, the Shares of which are listed on the Main Board of the JSE;
“SARB”	means the South African Reserve Bank, being the central reserve bank of South Africa;
“SENS”	means the Stock Exchange News Service, operated by the JSE;
“South Africa”	means the Republic of South Africa;

“Specific Repurchase 1”	means the proposed repurchase by the Company of the Excess Scheme Shares from the Trust at a repurchase price per share of R19.01 which reflects the average price at which the Shares would be repurchased from the Employee Scheme Participants;
“Specific Repurchase 2”	means the proposed repurchase by the Company or a subsidiary of the Company, of 3 048 217 Employee Scheme Shares held by the Employee Trust following the Employee Trust having acquired such Shares from the Employee Scheme Participants as per paragraph 3.3.5 below;
“Specific Repurchases”	means the Specific Repurchase 1 and the Specific Repurchase 2;
“Specific Repurchase Resolutions”	means the two special resolutions to be proposed at the General Meeting in accordance with section 115(2) of the Companies Act for the approval of the Specific Repurchases and the implementation thereof at the General Meeting in terms of section 115(2) of the Companies Act, the full terms of which are set out in the Notice;
“Strate”	means Strate Proprietary Limited (Registration number 1998/022242/07), a private company incorporated in accordance with the laws of South Africa, which is a registered central securities depository in terms of the Financial Markets Act and which is responsible for the electronic clearing and settlement system for transactions that take place on the JSE and off-market trades;
“Sub-Register”	means the sub-register of Dematerialised Shareholders, maintained by a CSDP and forming part of the Register;
“Takeover Regulations”	means the regulations published in terms of section 120 of the Companies Act and set out in Chapter 5 of the Companies Regulations;
“Terms Announcement”	means the detailed announcement by ELB setting out the terms of the Transactions, as announced on SENS on 28 February 2020 and in the South African press on 2 March 2020;
“Transactions”	means the transactions proposed in this Circular, being collectively, the Disposal, the Employee Scheme Transactions and the MOI Amendment;
“Transaction Sponsor”	means Questco Corporate Advisory Proprietary Limited (Registration number 2002/005616/07), a private limited liability company incorporated in accordance with the laws of South Africa and the JSE sponsor to ELB in relation to the Transactions;
“Transfer Secretaries” or “Computershare”	means Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a private company incorporated in accordance with the laws of South Africa and the Transfer Secretaries of ELB;
“TRP”	means the Takeover Regulation Panel, established in terms of section 196 of the Companies Act;
“Unexercised Options”	options granted by the Employee Trust in terms of the rules of the Employee Scheme to identified participants, but which have not yet been exercised by participants, nor lapsed, details of which are set out in Annexure 6;
“VAT”	means Value Added Tax, levied in terms of the provisions of the Value-Added Tax Act No. 89 of 1991, as amended;
“Voting Record Date”	means the date on, and time which, a Shareholder must be recorded in the Register in order to be eligible to vote at the General Meeting, which is expected to be Friday, 15 May 2020; and
“VWAP”	means the volume weighted average traded price, as such term is understood in accordance with the Listings Requirements.

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## ACTION REQUIRED BY SHAREHOLDERS IN RELATION TO THE TRANSACTIONS

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The definitions and interpretations commencing on page 7 of this Circular shall apply *mutatis mutandis* to this “Action required of Shareholders” section.

Please take careful note of the following provisions regarding the actions required of Shareholders:

1. If you are in any doubt as to the action you should take, please consult your CSDP, Broker, legal advisor, accountant, banker or professional advisor immediately.
2. ELB does not accept any responsibility and will not be held liable for any act of, or omission by, any CSDP or Broker including without limitation any failure on the part of a CSDP or Broker or any holder of ELB Shares to notify the holder of beneficial interests in those Shares of the Transaction.
3. Shareholders should take note that the TRP does not consider the commercial advantages or disadvantages of affected transactions when it approves such transactions.

#### 4. **General Meeting**

The General Meeting will be held at 345 Rivonia Boulevard, Rivonia, Sandton, 2191, South Africa Africa or via electronic facility/communication given the impact of COVID-19 on in-person meetings, at **10h00 on Monday, 25 May 2020** (or any other adjourned or postponed date and time in accordance with the provisions of section 64(11) of the Companies Act and the MOI, as read with the Listings Requirements) to consider and, if deemed fit, pass the Resolutions required to authorise and effect the implementation of the Transactions. Notice convening the General Meeting is attached to, and forms part of, this Circular.

#### 5. **ATTENDANCE AND VOTING AT THE GENERAL MEETING**

##### 5.1 **Dematerialised Shareholders without own-name registration:**

If you (or the relevant holder of voting rights as contemplated in section 57(1) of the Companies Act) wish to attend the General Meeting, you (or the relevant holder of voting rights) should instruct your CSDP or Broker to issue you (or the relevant holder of voting rights) with the necessary letter of representation to attend the General Meeting in person, in the manner stipulated in the Custody Agreement. These instructions must be provided to the CSDP or Broker by the cut-off time and date advised by the CSDP or Broker for instructions of this nature.

You will not be permitted to attend, participate in or vote at the General Meeting, nor appoint a proxy to represent you at the General Meeting, without the necessary letter of representation being issued to you.

If you (or the relevant holder of voting rights) do not wish to, or are unable to attend the General Meeting, but wish to vote at the General Meeting, you (or the relevant holder of voting rights) should provide the CSDP or Broker with your voting instructions, in the manner stipulated in the Custody Agreement. These instructions must be provided to the CSDP or Broker by the cut-off time and date advised by the CSDP or Broker for instructions of this nature. If the CSDP or Broker does not obtain voting instructions, it will be obliged to vote in accordance with the instructions contained in the Custody Agreement.

If your CSDP or Broker does not obtain instructions from you, your CSDP or Broker will be obliged to act in accordance with the instructions contained in the Custody Agreement concluded between you and your CSDP or Broker.

If you have not been contacted, it would be advisable for you to contact your CSDP or Broker immediately and furnish your CSDP or Broker with your instructions.

You must **not** complete the attached Form of Proxy (*white*).

## 5.2 Own-Name Dematerialised Shareholders:

Subject to section 57(1) of the Companies Act, you may attend, participate and vote at the General Meeting in person.

Alternatively, if you (or the person entitled to do so in terms of section 57(1) of the Companies Act, as the case may be) do not wish to or are unable to attend the General Meeting and wish to be represented thereat, you (or such person) must complete the attached Form of Proxy (*white*) in accordance with the instructions therein and return it to the Transfer Secretaries, to be received preferably by no later than 48 hours before the General Meeting, i.e. by 10:00 on Thursday, 21 May 2020. Should the Form of Proxy not be lodged with the Transfer Secretaries by 10:00 on Thursday, 21 May 2020, it may be handed to the chairman of the General Meeting before the proxy exercises the voting rights of the Shareholder at the General Meeting or adjourned General Meeting (as the case may be).

The Form of Proxy (*white*) may be delivered by hand or sent by mail to the following addresses:

### **If delivered by hand**

Computershare Investor Services Proprietary Limited  
(Registration number 2004/003647/07)  
Rosebank Towers, 15 Biermann Avenue,  
Rosebank, 2196

### **If sent by mail**

Computershare Investor Services Proprietary Limited  
Private Bag X9000,  
Saxonwold, 2132

### **If sent by email**

proxy@computershare.co.za

## 5.3 Certificated Shareholders:

Subject to sections 56 and 57 of the Companies Act, you may attend, participate and vote at the General Meeting in person.

Alternatively, if you (or the person entitled to do so in terms of section 57(1) of the Companies Act, as the case may be) do not wish to or are unable to attend the General Meeting and wish to be represented thereat, you (or such person) must complete the attached Form of Proxy (*white*) in accordance with the instructions therein and return it to the Transfer Secretaries, to be received preferably by no later than 48 hours before the General Meeting, i.e. by 10:00 on Thursday, 21 May 2020. Should the Form of Proxy not be lodged with the Transfer Secretaries by 10:00 on Thursday, 21 May 2020, it may be handed to the chairman of the General Meeting or adjourned General Meeting before the proxy exercises the voting rights of the Shareholder at the General Meeting or adjourned General Meeting (as the case may be).

The Form of Proxy (*white*) may be delivered by hand or sent by mail to the following addresses:

### **If delivered by hand**

Computershare Investor Services Proprietary Limited  
(Registration number 2004/003647/07)  
Rosebank Towers, 15 Biermann Avenue,  
Rosebank, 2196

### **If sent by mail**

Computershare Investor Services Proprietary Limited  
Private Bag X9000,  
Saxonwold, 2132

### **If sent by email**

proxy@computershare.co.za

## 5.4 Electronic participation at the General Meeting

Shareholders or their proxies may participate in the General Meeting by way of electronic meeting.

Shareholders or their proxies who wish to participate in the General Meeting via the electronic communication facility should make application to the Transfer Secretaries, Computershare Investor Services Proprietary Limited, of Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or Private Bag X9000, Saxonwold, 2132. The application should be received by the Transfer Secretaries by no later than 10:00 on Friday, 15 May 2020. The application should include all relevant contact details including, an email address, cellular number and land line as well as full details of the Shareholder's title to securities issued by the Company, proof of identity in the form of certified copies of identity

documents and share certificates (in the case of Certificated Shareholders) and written confirmation from the Shareholder's CSDP confirming the Shareholder's title to the Dematerialised Shares (in the case of Dematerialised Shareholders).

Upon receipt of the required information, the Shareholder concerned will be provided with a secure code and instructions to access the electronic communication during the General Meeting.

Shareholders who wish to participate in the General Meeting by way of electronic communication must note that they will **not** be able to vote at the General Meeting. Such Shareholders, should they wish to have their vote counted at the General Meeting, must, to the extent applicable: (i) complete the attached Form of Proxy (*white*); or (ii) contact their CSDP or Broker, in both instances, as set out above.

Shareholders must further note that access to the electronic communication facility will be at the expense of the Shareholders who wish to utilise the facility.

## 6. **APPROVAL REQUIREMENTS FOR FUNDAMENTAL TRANSACTIONS IN TERMS OF SECTION 115 OF THE COMPANIES ACT**

The Specific Repurchases will be subject to the requirements of section 114 of the Companies Act and section 115 of the Companies Act. Section 115 of the Companies Act essentially provides that:

- 6.1 Despite the Specific Repurchase Resolutions required for the approval of the Specific Repurchases having been adopted at the General Meeting, the Company may not proceed to implement Specific Repurchases without the approval of the Court if:
  - 6.1.1 Specific Repurchase Resolutions are opposed by at least 15% of the voting rights that were exercised on such resolution, and within 5 (five) Business Days after the vote, any person who voted against either or both of the Specific Repurchase Resolutions requires the Company to seek Court approval; or
  - 6.1.2 the Court, on application within ten (10) Business Days after the vote by any person who voted against the Specific Repurchase Resolution in question grants that person leave to apply to a Court for a review of the Specific Repurchase Resolution in question.
- 6.2 If the Specific Repurchase Resolutions approving the Specific Repurchases require approval by a Court as envisaged in paragraph 6.1.1 above, the Company must either:
  - 6.2.1 apply to the Court for approval of the Specific Repurchase Resolution, and bear the costs of that application in terms of section 115(5)(a) read with section 115(3)(a) of the Companies Act; or
  - 6.2.2 treat the Specific Repurchase Resolution as a nullity.
- 6.3 On an application envisaged in paragraph 6.1.2 above, the Court may grant leave to that person to apply to Court for a review of the Specific Repurchases only if it is satisfied that the applicant:
  - 6.3.1 is acting in good faith;
  - 6.3.2 appears prepared and able to sustain the proceedings; and
  - 6.3.3 has alleged facts which if proved would support an order in terms of paragraph 6.4 below.
- 6.4 On reviewing the Specific Repurchase Resolution/s that is/are the subject of an application envisaged in paragraph 6.2 above, or after granting leave as envisaged in paragraph 6.3 above, the Court may set aside the Specific Repurchase Resolutions only if:
  - 6.4.1 such resolution is/are manifestly unfair to any class of holders of ELB's securities; or
  - 6.4.2 the vote was materially tainted by any of the following:
    - 6.4.2.1 a conflict of interest;
    - 6.4.2.2 inadequate disclosure;
    - 6.4.2.3 failure to comply with the Companies Act, the MOI or any applicable rules of ELB; or
    - 6.4.2.4 a significant and material procedural irregularity.

The above summary of the provisions of section 115 of the Companies Act is not intended to provide specific advice and no action should be taken or omitted to be taken in reliance upon it. An extract of section 115 of the Companies Act is set out in **Annexure 7** of this Circular.

**7. DISSENTING SHAREHOLDERS' APPRAISAL RIGHTS IN TERMS OF SECTION 164 OF THE COMPANIES ACT**

Section 115(8) of the Companies Act entitles Dissenting Shareholders appraisal rights under section 164 of the Companies Act. Section 164 of the Companies Act essentially provides that:

- 7.1 Upon receipt of the Notice and at any time before the Specific Repurchase Resolutions are to be voted on at the General Meeting, a Shareholder may give ELB written notice objecting to either or both of the Specific Repurchase Resolutions. Dissenting Shareholders must, in order to exercise their rights in terms of section 164 of the Companies Act, attend the meeting and vote against the Specific Repurchase Resolutions objected to.
- 7.2 Within 10 (ten) Business Days after ELB has adopted the Specific Repurchase Resolutions, ELB must send a notice that the Specific Repurchase Resolutions have been adopted to each Shareholder who gave ELB written notice of objection and has neither withdrawn that notice nor voted in favour of the Specific Repurchase Resolutions.
- 7.3 A Shareholder may demand in writing within 20 (twenty) Business Days after receipt of the notice from ELB referred to in paragraph 7.2 above that ELB pay such Shareholder the fair value of the Shares held by such Shareholder if:
  - 7.3.1 such Shareholder sent ELB a notice of objection as envisaged in paragraph 7.1 above;
  - 7.3.2 ELB has adopted the Specific Repurchase Resolutions referred to under Definitions; and
  - 7.3.3 such Shareholder voted against the Specific Repurchase Resolutions and has complied with all of the procedural regulations set out in section 164 of the Companies Act.
- 7.4 The demand sent by the Shareholder to ELB as provided in paragraph 7.3 above must set out:
  - 7.4.1 the Shareholder's name and address;
  - 7.4.2 the number of Shares in respect of which the Shareholder seeks payment; and
  - 7.4.3 a demand for payment of the fair value of those Shares. The fair value of the Shares is determined as at the date on which, and the time immediately before the Shareholders adopted the Specific Repurchase Resolutions which gave rise to the Shareholder's rights under section 164 of the Companies Act.
- 7.5 A Shareholder who has sent a demand to ELB as provided in paragraph 7.3 above has no further rights in respect of those Shares, other than to be paid their fair value unless:
  - 7.5.1 the Shareholder withdraws that demand before ELB makes an offer under section 164(11) of the Companies Act or allows an offer by the Company to lapse, as contemplated in section 164(12)(b) of the Companies Act;
  - 7.5.2 ELB fails to make an offer in accordance with section 164(11) of the Companies Act and the Shareholder withdraws the demand; and
  - 7.5.3 ELB, by way of a subsequent special resolution, revokes the adopted Specific Repurchase Resolutions that gave rise to the Shareholders' appraisal rights under section 164 of the Companies Act.
- 7.6 If any of the events mentioned in paragraph 7.5 occurs, all of the Shareholder's rights in respect of the Shares are reinstated without interruption.

The above summary of the provisions of section 164 of the Companies Act is not intended to provide specific advice and no action should be taken or omitted to be taken in reliance upon it. An extract of the Dissenting Shareholders' Appraisal Rights is contained in **Annexure 7** of the Circular.

For the purpose of section 164 of the Companies Act, any notice or written demand to be sent by a Shareholder to ELB should be sent by registered post for the attention of the Company Secretary at the Company's address set out in the "Corporate Information" sections of this Circular.

Shareholders that are in doubt as to what action to take must consult their legal or professional advisor in this regard.

Before exercising their rights under section 164 of the Companies Act, Shareholders should have regard to the following:

- having considered the terms and conditions of the Specific Repurchases, the Independent Expert has concluded that the Specific Repurchases are unfair and reasonable to ELB Shareholders. Shareholders are referred to **Annexure 1**, which sets out the full text of the Independent Expert's report on the Specific Repurchases; and
- the Court is empowered to grant a costs order in favour of, or against, a Dissenting Shareholder.



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

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## CIRCULAR TO SHAREHOLDERS

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### 1. INTRODUCTION AND PURPOSE OF THIS CIRCULAR

- 1.1 Shareholders are referred to the Cautionary Announcement dated 8 January 2020, wherein Shareholders were first advised that ELB is contemplating various initiatives in an effort to revitalise the business and strengthen its long-term capital structure due to recent adverse trading conditions and as a result of significant losses incurred on its Gamsberg Project, which initiatives included, *inter alia*, a restructuring of the engineering services business, the downsizing of the head office function, and a potential sale of its Australian equipment business.
- 1.2 Shareholders are further referred to the Terms Announcement dated 28 February 2020, wherein it was proposed that the Group focus on raising capital to de-gear the business and provide operational working capital through the sale of ELB Australia, amend the current share capital structure to provide flexibility for future corporate activity as might be required and cancel an employee share scheme which is deeply underwater.
- 1.3 It is within the context of the above that this Circular setting out the terms of the Transactions arose, to enable the Company to fulfil these strategic objectives.
- 1.4 The Transactions entail:
  - 1.4.1 the Disposal, being the disposal of ELB Australia, the Group’s foreign operations, in line with the strategy to reduce debt and focus on the core South African businesses;
  - 1.4.2 a series of Employee Scheme Transactions, aimed at repurchasing the Employee Scheme Shares and disposing of the Excess Trust Shares to the Company, followed by a cancellation of the Excess Trust Shares, cancelling the Unexercised Options and ultimately cancelling the Employee Scheme and winding up the Employee Trust; and
  - 1.4.3 amending the MOI and share capital structure pursuant to the MOI Amendment.
- 1.5 The Transactions require approval from Shareholders in terms of sections 5.69, 9.20 and 11.37 of the Listing Requirements and accordingly this Circular provides Shareholders with information relating to the Transactions and contains a notice to convene the General Meeting at which Shareholders will consider and, if deemed fit, approve, with or without modification, the Resolutions necessary to give effect to the Transactions.
- 1.6 The Directors have evaluated the rationale for, and the terms and conditions of, the Transactions, and are of the opinion that the Transactions are both consistent with ELB’s strategy and will enhance ELB Shareholder value. Accordingly, after due consideration, the Directors unanimously recommend that ELB Shareholders vote in favour of all the resolutions necessary to approve and implement the Transactions, as set out in the Notice of General Meeting.

## 2. THE DISPOSAL

### 2.1 Rationale

In line with ELB's strategy to raise capital to reduce external debt and recapitalise and focus on core South African operations, the Board proposes to dispose of the ELB Australia group.

### 2.2 Overview of ELB Australia

2.2.1 ELB entered the Australasian market in 1997, acquiring the distribution of Ditch Witch products as well as most of the Ditch Witch focused staff from the former dealer, Mole Engineering. Though initially focused exclusively on the Ditch Witch brand, ELB Australia has since expanded to offer a full suite of underground construction products.

2.2.2 In 2009 ELB Australia became the authorised distributor of the Komptech brand in Australia and New Zealand and entered the waste recycling industry, including additional brands such as Diamond Z, Screenpod and TrackStack which added high speed grinders, stacking conveyers and modular wind sifters to their stock for sale.

2.2.3 Today ELB Australia supplies and services high technology, high service requirement and high-quality machinery to clients operating in the infrastructure construction, utility maintenance, waste management and recycling sectors.

### 2.3 Terms of the Disposal

2.3.1 ELB, through its wholly-owned subsidiary ELB Engineering, has agreed to the sale of 100% of the shares in ELB Australia, to CFC, the ultimate shareholder of a diversified group of businesses with interests in distribution, supply chain logistics and specialised mining, infrastructure and utility services, on the following terms, as detailed in the sale agreement dated 10 March 2020:

- i. a total purchase consideration of AUD19.25 million, to be settled in cash, ("**Purchase Price**") of which approximately AUD10.1 million will be used to settle promissory notes owing from ELB Australia to ELB Engineering with the balance of the Purchase Price being the price paid for the shares of ELB Australia;
- ii. usual warranties and indemnities for a transaction of this nature will be provided by ELB Engineering and ELB. These will be secured by an approximate AUD1.7 million guarantee or escrow arrangement and limited to 9% of the Purchase Price;
- iii. provision of an ELB Group guarantee to CFC in respect of the payment obligations of any warranties;
- iv. usual undertakings for a transaction of this nature have been provided by ELB Engineering and ELB to CFC. ELB Engineering have agreed to provide a restraint of trade for a maximum 5-year period from the Closing Date, which extends to the sale of current ELB Australia products within current operating jurisdictions, namely Australia and New Zealand.

2.3.2 The remaining proceeds of the Disposal will be utilised to settle the Bridge Loan and for general corporate purposes including the recapitalisation of the remaining operations of the Group. The expected effective date of the Disposal is 1 June 2020.

2.3.3 The net asset value and net profit after taxation in respect of ELB Australia as at 30 June 2019 are R146 544 000 and R22 714 000 respectively, which have been extracted from the ELB audited consolidated financial results for the year ended 30 June 2019, which was prepared in accordance with International Financial Reporting Standards.

### 2.4 Categorisation and approval requirements

2.4.1 The Disposal constitutes a Category 1 transaction in terms of section 9 of the Listings Requirements as the value of the Disposal exceeds 30% of ELB's market capitalisation, and accordingly requires approval from more than 50% of Shareholders present in person or proxy and eligible to vote at the General Meeting.

## 2.5 Irrevocable Undertakings

2.5.1 The following ELB Shareholders, who collectively hold 50.1% of ELB Shares, have provided Irrevocable Undertakings to vote in favour of the Disposal:

<b>ELB Shareholder</b>	<b>Total Number of Shares held</b>	<b>% <sup>(1)</sup></b>
Apex Partners	5 578 931	19.6%
Visio Fund Management Proprietary Limited <sup>(2)</sup>	5 399 899	19.0%
Tanjo One Proprietary Limited <sup>(3)</sup>	3 294 612	11.6%
<b>TOTAL</b>	<b>14 273 442</b>	<b>50.2%</b>

Notes:

1. *Based on an outstanding number of ELB Shares in issue of 28 473 542, which excludes 4 029 352 treasury shares, being treasury shares defined in the Listings Requirements and including Shares held subject to an employee share incentive scheme approved under schedule 14 of the Listings Requirements (in each case which are non-voting on any resolution proposed in terms of the Listings Requirements) ("treasury shares").*
2. *Held on behalf of various individual and corporate shareholders.*
3. *An associate of chairman, Anthony Fletcher.*

## 2.6 Financial information

2.6.1 Historical financial information of ELB Australia for the years ended 30 June 2019, 30 June 2018 and 30 June 2017 and the six months ended 31 December 2019 is incorporated by reference in terms of paragraph 14 below. The Independent Reporting Accountant's Assurance Report on the historical financial information of ELB Australia is set out in Annexures 2A, 2B and 2C of this Circular.

2.6.2 The *pro forma* financial effects of the Disposal are set out in paragraph 6.1 and Annexure 4 of this Circular.

## 2.7 Conditions precedent and effective date

2.7.1 The conditions precedent, which are to be fulfilled by no later than 30 September 2020 are as follows:

- 2.7.1.1 approval from more than 50% of the Shareholders at the General Meeting;
- 2.7.1.2 approval from the SARB;
- 2.7.1.3 consent by the landlords of any leases to the change in ownership pursuant to the Disposal;
- 2.7.1.4 confirmation of three-year distribution agreements with Ditch Witch and Komptech;
- 2.7.1.5 confirmation of the continuation of the Ditch Witch floor plan finance agreement on the same terms currently offered; and
- 2.7.1.6 acceptance of key/senior employees of ELB Australia as applicable

2.7.2 The conditions may only be waived by the party who is specified as the party who holds the benefit of such condition by giving written notice to the other parties. Shareholder approval cannot be waived in this regard.

2.7.3 The effective date of the Disposal will be the first day of the month following completion of the conditions precedent, which is estimated to be 1 June 2020.

## 3. CANCELLATION OF THE EMPLOYEE SCHEME

3.1 The purpose of the Employee Scheme was to incentivise and retain talented individuals in key leadership roles and encourage a long-term view of the performance of the Company through long-term exposure to the Shares and dividend yield. Employees were granted options for Shares at a set strike price, which, on exercise employees could elect to settle in cash, or elect to fund through the receipt of an interest-free loan account from the Employee Trust.

- 3.2 Unfortunately, due to adverse performance of the Company and the share price, the Employee Scheme is deeply underwater and would result in Employee Scheme Participants having to “pay-in” to be released from the Employee Scheme. This is clearly a dis-incentive to the employees and against the objectives of the Employee Scheme. It is for this purpose that ELB proposes to cancel the Employee Scheme, including any Employee Scheme Debt and Unexercised Options, in terms of the Employee Scheme Transactions.
- 3.3 The Employee Scheme Transactions will accordingly include a series of transactions as follows:
- 3.3.1 a cancellation of the Unexercised Options, the details of which are set out in **Annexure 6**;
  - 3.3.2 a disposal by the Employee Scheme Participants of their Employee Scheme Shares to the Employee Trust, in terms of section 13 of the Employee Trust’s deed, in settlement of all amounts owing by the respective Employee Scheme Participants. In this respect the details of the Employee Scheme Participants, the number of Employee Scheme Shares as well as the implied price to be paid for them as aforesaid, are set out in **Annexure 5**;
  - 3.3.3 the Specific Repurchase 1 by ELB of the Excess Trust Shares which the Employee Trust holds at a price per share of R19.01 which reflects the average price at which the shares would be repurchased from the Employee Scheme Participants, which repurchase price shall be paid by offset against an equivalent portion of the Employee Scheme Debt owed by the Employee Trust to the Company on a Rand for Rand basis;
  - 3.3.4 Excess Trust Shares repurchased by ELB will be cancelled;
  - 3.3.5 the Specific Repurchase 2 by ELB, or a Subsidiary of ELB of the Employee Scheme Shares which the Employee Trust acquires from the Employee Scheme Participants as aforesaid, in settlement of the remainder of the Employee Scheme Debt. Details of the Employee Scheme Debt as well as the Implied Repurchase Price, is set out in **Annexure 5**;
  - 3.3.6 Employee Scheme Shares repurchased by ELB or its Subsidiary will be cancelled;
  - 3.3.7 the subsequent cancellation of the Employee Scheme and the cancellation of the Employee Trust, which shall only take place once the Employee Trust has fully completed all of the above steps and the Employee Trust has no further assets or liabilities (or where it lacks the assets to settle its remaining liabilities);
- 3.4 The Employee Scheme Transactions set out above require the following approvals:
- 3.4.1 Since the above (excluding the transactions in clauses 3.3.1 and 3.3.2) constitutes an amendment to the terms of the Employee Scheme:
    - in terms of schedule 14.2 of the Listings Requirements an ordinary resolution of at least 75% of Shareholders present in person or by proxy at the General Meeting is required to approve same, excluding the votes of shareholders whose shares are affected by the amendment to the Employee Scheme; and
    - in terms of clause 18.1 of the Employee Scheme an ordinary resolution of at least 75% of Shareholders present in person or by proxy at the General Meeting is also required to approve same.
  - 3.4.2 The cancellation of the Unexercised Options requires holders of the Unexercised Options to deliver notices of cancellation to the company secretary of the Company. In this respect it is recorded that such notices have all been delivered and received, and the Unexercised Options have all been cancelled, as at the date of this Circular.
  - 3.4.3 The disposal of Employee Participant Shares to the Employee Trust as envisaged in paragraph 3.3.5 requires the delivery of the Employee Repurchase Instructions to the Trust. It is recorded that at the date of this Circular all the Employee Repurchase Instructions have been delivered to the Trust and the Employee Participant Shares have all been disposed of to the Trust in settlement of the Employee Scheme Debt owed by the Employee Share Participants to the Trust.
  - 3.4.4 In terms of section 48(8) of the Companies Act, since the Specific Repurchase 2 on its own, and the Specific Repurchase 1 and Specific Repurchase 2 when seen together as an integrated series of transactions, will each constitute a repurchase of more than 5% of the

voting power of all of the Shares in the Company, it requires compliance with sections 114 and 115 of the Companies Act, namely, *inter alia*, an independent expert's report and the approval of a special resolution of shareholders, subject also to the Shareholder Appraisal Rights;

3.4.5 In terms of paragraph 5.69 of the Listings Requirements, the approval of the Specific Repurchases are, *inter alia*, each required by special resolution of at least 75% of Shareholders present in person or by proxy at the General Meeting, excluding the votes of any shareholder and its associates that are participating in the Specific Repurchases;

3.5 In addition to the above requirements for, *inter alia*, Shareholder approval, as the Employee Scheme Participants includes current and past directors of the Company, the Specific Repurchases indirectly involves related parties as contemplated in terms of paragraph 5.69(e) of the Listings Requirements. As the Implied Repurchase Price, and the price payable by the Employee Trust as per paragraph 3.3.5, is at a premium to the 30-day VWAP of the Shares, in accordance with paragraph 5.69(e) of the Listings Requirements a fairness opinion was obtained, concluding that the said prices are unfair, and the text of which has been included in **Annexure 1** of the Circular.

3.6 Notwithstanding the outcome reached by the Independent Expert, the Board still believes that the Employee Scheme Transactions are in the best interest of the Company as it will ensure key employees are not under financial pressure and are retained as well as maintain positive staff morale, and therefore recommends Shareholders vote in favour of the Resolutions in relation thereto.

3.7 The Board has authorised the Employee Scheme Transactions by means of a Board resolution that confirms that the Company and its subsidiaries have passed the solvency and liquidity test, further to which no material changes have taken place.

3.8 The Excess Trust Shares will be repurchased by the Company from the Employee Trust at a repurchase price per share of R19.01 and an aggregate repurchase price of R14 809 988 which repurchase price will be paid by offset against an equivalent portion of the loan owing by the Employee Trust to the Company (the "**Specific Repurchase 1**").

3.9 A disposal by Employee Scheme Participants to the Employee Trust of their shares, in settlement of all amounts owing by the respective scheme participants, being 3 048 217 Employee Scheme Shares.

3.10 A proposed repurchase by the Company or a subsidiary of the Company of the Employee Scheme Shares at a repurchase price per share of R19.01 and an aggregate repurchase price of R57 889 350 which repurchase price will be paid by offset against an equivalent portion of the loan owing by the Employee Trust to the Company (the "**Specific Repurchase 2**").

#### 4. **AUTHORITY TO ISSUE UNISSUED SHARES AND GENERAL AUTHORITY TO ISSUE SHARES FOR CASH**

4.1 Listed companies commonly seek approval from their shareholders for:

4.1.1 the placement of authorised but unissued shares of the Company under the control of its directors; and

4.1.2 providing the Board with a general authority to issue shares, or instruments convertible into shares, for cash in terms of paragraph 5.52 of the Listings Requirements.

4.2 As ELB has not previously presented these resolutions at its annual general meeting, and considering that these authorities will provide the Company with flexibility to raise additional capital through the issue of shares on allowed terms, the Board recommends that the approval of same be sought.

4.3 As per clause 8.7.2 and 8.11 of the MOI, the conditions for the general authority under paragraph 4.1.1 include the following:

(a) the Board shall have the general authority to issue shares, or grant options to do so, at any time in its discretion, which authority is subject to the Listings Requirements and the JSE's approval of any issuance, and

(b) this general authority is valid only until the next annual general meeting of the Company.

4.3 Conditions for a general authority to issue shares for cash under paragraph 4.1.2 are set out in paragraph 5.52 of the Listings Requirements and include the following:

- (a) the equity securities which are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- (b) the equity securities must be issued to public shareholders, as defined in paragraphs 4.25 to 4.27 of the Listings Requirements, and not to related parties;
- (c) securities which are the subject of a general issue for cash must be less than 30% of the applicant's listed equity securities as at the date of the notice of general/annual general meeting seeking the general issue for cash authority, provided that:
  - (i) the authority shall be valid until the issuer's next annual general meeting or for 15 months from the date on which this general issue for cash ordinary resolution was passed, whichever period is shorter, subject to the requirements of the JSE and to any other restrictions set out in this authority;
  - (ii) the calculation of the applicant's listed equity securities must be a factual assessment of the applicant's listed equity securities as at the date of the notice of general/annual general meeting, excluding treasury shares;
  - (iii) the specific number of shares representing the number up to 30% of the applicant's listed equity securities as at the date of the notice of general/annual general meeting must be included as a number in the resolution seeking the general issue for cash authority;
  - (iv) any equity securities issued under the authority during the period contemplated in (i) above must be deducted from such number in (iii) above; and
  - (v) in the event of a sub-division or consolidation of issued equity securities during the period contemplated in (i) above, the existing authority must be adjusted accordingly to represent the same allocation ratio;
- (d) the maximum discount at which equity securities may be issued is 10% of the weighted average traded price of such equity securities measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities. The JSE should be consulted for a ruling if the applicant's securities have not traded in such 30 business-day period;
- (e) approval of the general issue for cash ordinary resolution, by achieving at least 75% of the votes cast. The resolution must be worded in such a way as to include the issue of any options/convertible securities that are convertible into an existing class of equity securities, where applicable.

4.5 The Company has not issued securities in the previous three years other than:

4.5.1 240 038 shares issued in the 30 June 2017 financial year;

4.5.2 Treasury shares in terms of the Employee Incentive Scheme:

- Net increase of 426 669 shares in the 30 June 2017 financial year;
- Net increase of 35 298 shares in the 30 June 2018 financial year; and
- Net decrease in treasury shares of 69 237 shares in the 30 June 2019 financial year

4.5.3 Decrease of 3 545 986 treasury shares held by a subsidiary within the Group;

4.5.4 Decrease in treasury shares by 72 176 shares as a result of the sale of B&W as disclosed in the annual report for 30 June 2019, which was effective 2 April 2019;

4.5.5 Shares repurchased and cancelled:

- 3 545 986 in the 30 June 2017 financial year; and
- 15 685 in the 30 June 2018 financial year.

5. **CONVERSION OF PAR VALUE TO NO PAR VALUE SHARE CAPITAL, INCREASE IN AUTHORISED SHARE CAPITAL AND THE AMENDMENT TO THE MOI**
- 5.1 ELB proposes to increase its authorised share capital to 500,000,000 Shares to ensure sufficient equity is available for future equity funding as may be required. This increase in authorised share capital requires an amendment to the MOI, which can only be made with the approval of a special resolution of the Shareholders in terms of section 16 and 36(2) of the Companies Act and section 8.2 of the MOI.
- 5.2 In addition, as the current authorised share capital of the Company comprises par value shares only, the MOI will need to be amended to account for the Par Value Conversion since in terms of Regulation 31(2), after the date on which the Companies Act became effective, no company may authorise any further par value shares. Accordingly, should a company that has par value share capital wish to increase its authorised share capital (which the Company does) it will be required to first convert its par value share capital to no par value share capital in accordance with Regulation 31 before it increases the authorised share capital.
- 5.3 In terms of Regulation 31(6) the par value Share capital of ELB may be converted to no par value Share capital but this is effective only if it is approved by a special resolution of shareholders in accordance with Regulation 31(6).
- 5.4 In addition to the above, in terms of Regulation 31(7) the Board must cause a report to be prepared in respect of the proposed resolution to convert the par value shares in terms of Regulation 31(6). The Board has accordingly prepared the following report to give effect to this (quoting the relevant sections in the Regulations):
- 5.4.1 A statement regarding all information that may affect the value of the securities affected by the proposed conversion (Regulation 31(7)(a)):
- Following the Par Value Conversion, the no par value shares shall have the same rights and privileges as those currently attaching to the par value shares, save that they shall not have a par value attached to them.*
- The proposed Par Value Conversion will have no effect on the tax treatment of the shares.*
- After the Par Value Conversion each Shareholder will own an identical number of no par value Shares as they held of par value Shares and the conversion is done on a one to one basis. The issued no par value Shares will represent the same proportion of the total issued share capital of ELB as the issued par value Shares constituted before the Par Value Conversion.*
- Accordingly, there is no reason why the conversion from par value Shares to no par value Shares should affect the value of the Shares in any way.*
- 5.4.2 The identity of the class of holders of the company's securities affected by the proposed conversion (regulation 31(7)(b)):
- There is currently only one class of share in ELB, namely ordinary par value Shares. This entire class will be affected by the proposed Par Value Conversion and accordingly all holders of Shares in ELB will be affected by this conversion.*
- 5.4.3 A description of the material effects that the proposed conversion will have on the rights of the holders of the company's securities affected by the proposed conversion (Regulation 31(7)(c)):
- Following the Par Value Conversion, the no par value Shares shall have the same rights and privileges as those currently attaching to the par value Shares, save that they shall not have a par value attached to them.*
- 5.4.4 A description of any material adverse effects of the proposed arrangement against the compensation that any of those persons will receive in terms of the arrangement (Regulation 31(7)(d)):
- There are no material adverse effects to shareholders as a result of the proposed Par Value Conversion and accordingly no compensation is being offered to shareholders in the context of the proposed Par Value Conversion.*

- 5.4.5 In order to give effect to the above, the Company will need to pass special resolutions to:
- 5.4.5.1 Convert its authorised Shares to no par value Shares;
  - 5.4.5.2 Convert its issued Shares to no par value Shares;
  - 5.4.5.3 Increase its authorised share capital to 500,000,000; and
  - 5.4.5.4 Amend the MOI to give effect to the above.
- 5.5 To give effect to the above, the MOI of the Company shall be amended through the deletion of the existing clause 8.1 and replacing it with the following new clause 8.1:
- “8.1 The Company is authorised to issue 500 000 000 Shares of no par value, each of which ranks, upon its issue, pari passu in respect of all rights and entitles the holder to:*
- 8.1.1 vote at any annual general meeting or Shareholders’ meeting, or as contemplated in 23, in person or by proxy, on any matter to be decided by the Shareholders of the Company and to one vote in respect of each ordinary Share in the case of a vote by means of a poll;*
  - 8.1.2 participate proportionally in any distribution made by the Company; and*
  - 8.1.3 share proportionally in the distribution of the residual value of the Company upon its dissolution.”*
- 5.6 These special resolutions must be approved by at least 75% of the voting rights exercised thereon by Shareholders present in person or by proxy at the General Meeting.

## 6. FINANCIAL INFORMATION

### 6.1 **Pro Forma Financial Information of the Transactions**

The *pro forma* consolidated financial effects of the Transactions, as set out below, are the responsibility of the Directors.

The *pro forma* consolidated financial effects are presented in a manner consistent with the basis on which the historical financial information has been prepared and in terms of ELB’s accounting policies.

The *pro forma* consolidated financial effects have been presented for illustrative purposes only and, because of their nature, may not fairly present ELB’s financial position, changes in equity, results of operations or cash flows post the implementation of the Transactions.

The *pro forma* consolidated financial effects set out below should be read in conjunction with the *pro forma* consolidated statements of comprehensive income and financial position as set out in **Annexure 4**, together with the assumptions upon which the financial effects are based, as indicated in the notes thereto in **Annexure 4**.

The Independent Reporting Accountant’s report on the compilation of the *pro forma* financial information of the ELB Group appears in **Annexure 3** to this Circular.

The table below sets out the *pro forma* consolidated financial effects of the Transactions, based on the unaudited financial results for the 6-month period ended 31 December 2019 and, on the assumption, for calculating the net asset value per Share and tangible asset value per Share, that the Transactions were effected on 31 December 2019. In respect of the attributable earnings per Share, headline earnings per Share and recurring headline earnings per Share it is assumed that the Transactions were effected on 1 July 2019.

ZAR'000	Unadjusted	After the Bridge Loan	After the Disposal	After the Bridge Loan, the Disposal and repayment of Bridge Loan	After the Employee Scheme Transaction	After the Bridge Loan, the Disposal, the repayment of the Bridge Loan and Employee Scheme Transaction
Weighted average number of shares in issue	28 474	28 474	28 474	28 474	28 474	28 474
Earnings Per Share ("EPS") from discontinued operations (cents)	(149.0)	(164.5)	(164.5)	(164.5)	(170.0)	(170.0)
EPS per share from discontinued operations (cents)	(208.4)	(208.4)	(50.0)	(50.0)	(208.4)	(50.0)
<b>Total EPS per share (cents)</b>	<b>(352.7)</b>	<b>(368.2)</b>	<b>(214.5)</b>	<b>(214.5)</b>	<b>(373.7)</b>	<b>(220.0)</b>
Headline Earnings Per Share ("HEPS") from continuing operations (cents)	(62.4)	(77.8)	(77.8)	(77.8)	(83.4)	(83.4)
HEPS per share from discontinued operations (cents)	(7.7)	(7.7)	(0.0)	(0.0)	(7.7)	(0.0)
<b>Total HEPS per share (cents)</b>	<b>(70.1)</b>	<b>(85.5)</b>	<b>(77.8)</b>	<b>(77.8)</b>	<b>(91.1)</b>	<b>(83.4)</b>
Number of Shares in issue (000)	28 474	28 474	28 474	28 474	28 474	28 474
NAV per share (cents)	1 396.4	1 391.3	1 395.5	1 395.5	1 385.8	1 390
TNAV per share (cents)	928.6	924.6	928.8	928.8	919.0	923.2

Refer to Annexure 4 for detailed adjustments and notes on the *pro forma* financial effects.

## 6.2 Working Capital Statement

6.2.1 The Directors are of the opinion that the working capital available to the Company and the Group is sufficient for the Company and the Group's present working capital requirements and will, be adequate for at least 12 months from the date of issue of this Circular. This includes specifically that:

- 6.2.1.1 the Company and the Group will be able in the ordinary course of business to pay its debts for a period of 12 months from the date of this Circular;
- 6.2.1.2 the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 months from the date of this Circular, as recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements of the Company and the Group, which are in compliance with the Companies Act;
- 6.2.1.3 the share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months from the date of this Circular; and
- 6.2.1.4 the working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months from the date of this Circular.

## 7. RECOMMENDATIONS AND UNDERTAKINGS

The Independent Board, taking into account the fairness opinion of the Independent Expert, has considered the terms and conditions of the Employee Scheme Transactions and is of the opinion that, albeit that the Independent Expert notes the Employee Scheme Transactions to be unfair but reasonable the terms and conditions are fair to ELB Shareholders given that the Employee Scheme Transactions will enable ELB to retain key employees and positive staff morale, which are critical for ongoing operations.

The Board has also considered the terms and conditions of all the Transactions and is of the opinion that the Transactions will positively serve the Company and accordingly recommends that all ELB Shareholders vote in favour of the Transactions. All the Directors intend, in respect of their own beneficial holdings of relevant securities, to vote in favour of the Transactions.

## 8. INFORMATION ON ELB AND ELB AUSTRALIA

### 8.1 Nature of the ELB business

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

The Group provides engineering and project management capabilities supported with in-house capability and the supply of quality construction and materials handling equipment and technology. The Group operates predominantly in Africa and Australasia.

### 8.2 Prospects of the ELB business

The Bridge Loan allowed ELB to continue to operate in the short-term which has greatly improved its prospects of operating in the long-term and the Disposal will repay the Bridge Loan and re-capitalise the ELB Group. This will result in a leading African Equipment business and a smaller, well-capitalised and more focused engineering business.

### 8.3 Prospects of ELB Australia

Pursuant to the Disposal, ELB Australia will be well positioned to take advantage of the continuing high level of infrastructure investment, via its current and enhanced national distribution network to support both utility owning and contracting firms and waste recycling operators and will look to expand its product mix and skills base.

### 8.4 Major Shareholders of ELB

At the Last Practicable Date insofar as is known to ELB, the following Shareholders, were, directly or indirectly, beneficially interested in 5% or more of the Shares:

Shareholder	Number of ELB Shares	Current % <sup>(1)</sup>
Apex Partners	5 578 931	19.6%
Visio Fund Management Proprietary Limited <sup>(2)</sup>	5 399 899	19.0%
Tanjo One Proprietary Limited <sup>(3)</sup>	3 294 612	11.6%
<b>Total</b>	<b>14 273 442</b>	<b>50.2%</b>

#### Notes:

1. Based on 28 473 542 Shares in issue (excluding 4 029 352 treasury shares) as at the Last Practicable Date.
2. Held on behalf of various individual and corporate shareholders.
3. An associate of chairman, Anthony Fletcher who resigned on 14 April 2020.

There is no controlling shareholder of ELB and has not been for the prior five years from the Last Practicable Date.

## 8.5 Share capital of ELB

The authorised and issued ordinary share capital of ELB before the Transactions, after the Par Value Conversion and increase in authorised share capital and after the Employee Scheme Transaction are set out below:

### **Before the Transactions**

<i>Authorised</i>	
50 000 000 Shares with a par value of R0.04 per share	2 000 000
<i>Issued ordinary share capital and premium</i>	
28 473 542 Shares with a par value of R0.04 per share	109 178 000
<i>Treasury shares (held by the ELB employee share incentive trust)</i>	
4 029 352 Shares with a par value of R0.04 per share	(71 770 000)

### **After the Par Value Conversion, increase in authorised share capital and the Employee Scheme Transaction**

<i>Authorised</i>	
500 000 000 Shares of no par value	2 000 000
<i>Issued ordinary share capital and premium</i>	
28 473 542 Shares of no par value	109 178 000
<i>Treasury shares</i>	
0 Shares of no par value	–

#### **Notes:**

1. As at the Last Practicable Date there were 4 029 352 Treasury Shares (as defined in the Listings Requirements) held by the Company and/or its subsidiaries.

## 8.6 Directors and management

The full name, business address and designation of the directors of ELB and its major subsidiaries as at the Last Practicable Date are listed below.

<b>Name</b>	<b>Designation</b>	<b>Business Address</b>
Charles Pettit	Chief executive officer	39 Rivonia Road, Commerce Square, Building 4, Sandton, Jhb
Altea Spagnuolo	Chief financial officer	345 Rivonia Boulevard, Rivonia, Jhb
John Herselman	CEO of ELB Engineering	345 Rivonia Boulevard, Rivonia, Jhb
Peter Blunden	CEO of ELB Equipment	14 Atlas Road, Anderbolt, Boksburg, Jhb
Christopher Malan	CEO of ELB Australia	35 David Road, Emu Plains, NSW, Sydney, Australia
Johan van Zyl	Non-executive director	Stand 80, Zwartkloof PGR R516, Bela-Bela
Refilwe Nkabinde	Non-executive director	13 Winston Avenue, Rivonia Ext 1, Rivonia, Gauteng, 2191
Buyisiwe Makhunga	Non-executive director	9 Santa Lourdes, 8 West Harford Road, Bryanston, Gauteng, 2191
Cornelius Smith	Alternative director to Peter Blunden	14 Atlas Road, Anderbolt, Boksburg, Jhb

### 8.6.1 **Directors' interests in ELB**

The direct and indirect beneficial interests of the ELB Directors and their Associates in ELB Shares, including Directors who have resigned over the last 18 months as at the Last Practicable Date, are set out in the table below.

Director	Beneficial		Total	Total % <sup>#</sup>
	Direct	Indirect		
<b>Executive Directors</b>				
Anthony Fletcher* <sup>8</sup>	100	3 294 612	3 294 712	11.57%
Charles Pettit <sup>1</sup>	–	5 578 931	5 578 931	19.59%
Stephen Meijers <sup>2</sup>	1 300 100	–	1 300 100	4.57%
Michael Easter <sup>3</sup>	75 000	–	75 000	0.26%
Mollo Ramollo <sup>3</sup>	1 876	–	1 876	0.006%
John Herselman <sup>4</sup>	–	–	–	–
Peter Blunden	860 000	–	860 000	3.02%
Cornelius Smith (alternate)	321 000	–	321 000	1.13%
Altea Spagnuolo <sup>5</sup>	–	–	–	–
<b>Non-Executive Directors</b>				
Johan van Zyl	–	–	–	–
Theunis de Bruyn <sup>6</sup>	15 000	–	15 000	0.05%
Ian Thomson <sup>7</sup>	7 100	–	7 100	0.02%
Refilwe Nkabinde	–	–	–	–
Buyisiwe Makhunga	–	–	–	–
<b>Total</b>	<b>2 580 176</b>	<b>8 873 543</b>	<b>11 453 619</b>	<b>40.22%</b>

#### Notes:

1. Appointed with effect from 5 December 2019. Indirect shareholding through a 50.25% share in associate, Apex Partners, which holds 5 578 931 Shares in ELB.
2. Resigned with effect from 17 December 2019. Shares are pledged to the Employee Trust.
3. Resigned with effect from 31 January 2020. Shares are pledged to the Employee Trust.
4. Change of role from non-executive to executive director with effect from 17 December 2020.
5. Appointed with effect from 31 January 2020.
6. Resigned with effect from 5 December 2019.
7. Retired with effect from 31 January 2020.
8. Resigned with effect from 14 April 2020.

\* Tanjo, which is an entity through which A Fletcher holds an indirect beneficial holding in the Company.

<sup>#</sup> Based on a total number of issued shares (excluding treasury shares) of 28 473 542.

There have been no changes to the Directors' interest disclosure as set out above since the Last Practicable Date.

### 8.7 **Directors' interests in transactions**

No ELB Directors have interests in transactions as at the Last Practicable Date, other than Charles Pettit (CEO of ELB) who is the majority shareholder of Apex Partners and which associate is also the Company's appointed corporate advisor in terms of the Advisory Agreement and Cornelius Smith is a member of the Employee Scheme which will, if successfully implemented, be cancelled.

### 8.8 **Remuneration of Directors**

The remuneration of ELB Directors in their capacity as ELB Directors will not be affected as a result of the Transactions.

### 8.9 **Service Agreements**

There are no service contracts in place between any ELB Director and the Group other than the existing employment contracts, where applicable, and the Advisory Agreement entered into between the Company and Apex Partners (an associate of Charles Pettit's). No amendments to service contracts will be made as a result of the Transactions.

## 8.10 Material Borrowings of ELB and ELB Australia

Details of the material borrowings of ELB and its subsidiaries as well as the material borrowings of ELB Australia, as at the Last Practicable Date, are disclosed below:

### ELB Group Limited

Banking Facilities	Borrower	Type	Limit	As at 29 February 2020	Security	How it arose	Interest rate	Repayment
Standard Bank	Engineering Services	Overdraft	40 000 000	40 000 000	Cession of debtors in ES. Cross Surety from ELB Equipment Holdings to the value of R35m	Working Capital	Prime	Rolling on Demand facility reviewed annually
RMB	Engineering Services	FEC Limits	20 000 000	–				
RMB	ELB Equipment Holdings	FEC Limits	15 000 000	9 705 000	–	Working Capital	N/A	
RMB	ELB Equipment Holdings	Letter of Credit ("LC") facility	157 500 000	151 442 702	Cross guarantee from ELB Engineering. GNB over moveable assets of R100m. R81m cash collateral	Working Capital	Each LC priced separately	Rolling on Demand facility reviewed annually. Each LC is typically 180 days
RMB	ELB Engineering	Bridge Loan	100 000 000	100 000 000	Shares in Metquip Australia, ELB Engineering Services and ELB Equipment Holdings. Cession over proceeds of a rights issue and any sale of Metquip Australia	Raised to fund a liquidity shortfall in the Group	Jibar + 2.5%	20-Jan-21. To be repaid from the proceeds of the Disposal
Investec	BEP (Pty) Ltd	Mortgage Facilities	22 046 605	22 046 605	Mortgage bonds over properties in Boksburg	Raised to fund purchase of properties	Prime	Aug-2024
Investec	ELB Equipment Holdings	Discounting Facility	50 000 000	32 929 322	Underlying rental agreements	Discounting of short-term equipment rental contracts	Prime plus 1%	31 Dec 2020

### ELB Australia

Banking Facilities	Borrower	Type	Limit	As at 29 February 2020	Security	How it arose	Interest rate	Repayment
Engineering Services	Metquip (Pty) Ltd	Promissory Notes	AUD9,972,956	AUD9,972,956	Unsecured	Conversion of ELB equity into debt	BBSW+2%; Circa 2.9%	Interest only
ANZ Facility	Metquip (Pty) Ltd	Asset finance, rolling facility	AUD500,000	AUD500,000	Specific Asset (Rental equipment)	Working Capital	Circa 4.65%	21,859,36/months (24 months)
Ditchwitch Facility	Metquip (Pty) Ltd	Supplier Finance	US\$10,000,000	US\$8,276,000	Specific Assets (DW equipment inventory)	Working Capital	Libor + 4.25%	24 months or on sale of asset

### 8.11 Material contracts of ELB and ELB Australia

Other than the agreements setting out the Transactions and as detailed above, there are no material contracts entered into either verbally or in writing by ELB nor ELB Australia, being restrictive funding arrangements and/or a contract entered into otherwise than in the ordinary course of the business carried on or proposed to be carried on by ELB and/or its subsidiaries nor ELB Australia during the two years preceding the Last Practicable Date other than in the ordinary course of the business and which contain an obligation or settlement that is material to ELB and/or its subsidiaries at the date of this Circular.

## 9. MATERIAL CHANGES

There have been no material changes in the financial or trading position of ELB and the Group since 31 December 2019 and the Last Practicable Date, other than as disclosed in the Terms Announcement and in the trading statement announced on 13 March 2020 and the interim results announcement dated 6 April 2020.

There have been no material changes in the financial or trading position of ELB Australia since 31 December 2019 and the Last Practicable Date. Shareholders are referred to the modified auditors report on the Group's website as set out in paragraph 14 of this Circular which contains a material uncertainty around the business's going concern as a result of the COVID-19 pandemic.

## 10. LITIGATION STATEMENT

The below litigation matters in ELB may have a material impact on the Group:

Potential Claim Description	Status
Teichmann SA Pty Ltd issued a High Court application against ELB Engineering Services for payment of c. R13.8m in respect of the final payment certificate for the bulk earthworks contract on the Gamsberg project	ELB has opposed the application which matter was heard in October 2019. ELB are awaiting the outcome of the court application.
ELB Engineering Services has claims against Teichmann Structures Pty Ltd in respect of delay damages, additional costs and damages arising from a construction contract totaling around R50m which is pursued as a counterclaim in a pending arbitration.	ELB is only likely to pursue only a claim of R11.2M in respect of liquidated delay damages. The matter is subject to an arbitration expected to be concluded by April 2020.
Teichmann Structures Pty Ltd commenced arbitration proceedings against ELB Engineering Services for c.R42m allegedly for additional costs it claims arises from a construction contract, security claims and interest.	ELB is opposing the arbitration and asserting its counterclaim in an arbitration expected to be concluded by April 2020.
ELB Engineering Services has a pending claim for damages against ENFI China Corporation amounting to R96m.	The matter is subject to dispute resolution in terms of a services contract and the claims are the subject of an insurance claim lodged by ENFI in respect of the amounts claimed by ELB.
ELB has a claim amounting to R79m against Stalker Hutchinson Admiral in respect of a repudiation of an insurance claim made under a professional indemnity policy.	ELB may pursue this matter by High Court action.

There are no other legal or arbitration proceedings (including any such proceedings that are pending or threatened) of which the Directors are aware, which have or may have over the previous 12 months had a material effect on the financial position of ELB Australia.

## 11. COSTS

It is estimated that the total expenses relating to the Transactions will amount to approximately R4.9 million (costs are exclusive of VAT) and includes the following:

<b>Description</b>	<b>Estimated Amount R'000</b>
Independent Expert – Moore Advisory	200
Independent Reporting Accountants – BDO	520
Transaction Sponsor – Questco	700
Legal and Corporate Advisors – Hardings Lawyers and MKP Corporate	2 500
Tax Opinion – KPMG	600
Legal Advisor – Russell Turner	100
Documentation Review – JSE	89
Documentation Review – TRP	85.5
Transfer Secretaries – Computershare Investor Services	40
Exchange Control – SARB for the Disposal	25
Printing & Postage – Ince	125
<b>Total</b>	<b>4 984</b>

## 12. RESPONSIBILITY STATEMENT

The Board, individually and collectively, accept full responsibility for the accuracy of the information contained in this Circular which relates to the Transactions as well as the extracts of information relating to ELB and certifies that, to the best of their knowledge and belief, such information is true and this Circular does not omit any facts that would make any of the information false or misleading or would be likely to affect the importance of any information contained in this Circular. The Board has made all reasonable enquiries to ascertain that no facts have been omitted and this Circular contains all information required by law, the Companies Act and the Listings Requirements.

The Independent Board, individually and collectively, accept full responsibility for the accuracy of the information contained in this Circular which relates to the Transactions as well as the extracts of information relating to ELB and certifies that, to the best of their knowledge and belief, such information is true and this Circular does not omit any facts that would make any of the information false or misleading or would be likely to affect the importance of any information contained in this Circular. The Board has made all reasonable enquiries to ascertain that no facts have been omitted and this Circular contains all information required by law, the Companies Act and the Listings Requirements.

## 13. ADVISORS' CONSENTS

The advisers whose names appear in the sections "Corporate Information and Advisors" have all consented in writing to act in the capacities stated in this Circular and to their names being stated, and where applicable, inclusion of their reports, in this Circular and have not withdrawn their consent prior to the publication of this Circular.

## 14. INCORPORATION BY REFERENCE

The table below contains details of documents that are incorporated into this Circular by reference. Such information is available on the Company's website by following the links provided below. Certain documents, as set out in paragraph 19, are available for inspection at the registered offices of the Company and the Transaction Sponsor at no charge for a period from the date of distribution of this Circular up to the date of the General Meeting.

<b>Name of document</b>	
Report on the Condensed Consolidated Interim Historical Financial Information of ELB Australia for the six-month period ended 31 December 2019	<a href="https://www.elb.co.za/investor-relations-2/">https://www.elb.co.za/investor-relations-2/</a>
Report on the Consolidated Historical Financial Information of ELB Australia for the three years ended 30 June 2019, 30 June 2018 and 30 June 2017	<a href="https://www.elb.co.za/investor-relations-2/">https://www.elb.co.za/investor-relations-2/</a>

## 15. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection by Shareholders at ELB' registered office and the offices of the Transfer Secretaries (the addresses of which appear in the sections "Corporate Information and Advisers") during normal office hours from the date of posting of this Circular until the date of the General Meeting:

- 15.1 a signed copy of this Circular;
- 15.2 signed copies of the Independent Reporting Accountant's reports as set out in Annexure 2A, 2B and 2C and Annexure 3;
- 15.3 a signed copy of the report of the Independent Expert as set out in Annexure 1;
- 15.4 the MOI of ELB and the special resolution for the amendments to the MOI;
- 15.5 signed copies of the Irrevocable Undertakings;
- 15.6 the TRP approval letter for the Circular;
- 15.7 the Employee Trust Deed and Employee Scheme Rules;
- 15.8 copies of any material contracts and service agreements with Directors;
- 15.9 the consolidated financial information of ELB Australia for the three years ended 30 June 2017, 30 June 2018 and 30 June 2019 and for the six months ended 31 December 2019; and
- 15.10 the written consents by the advisers.

SIGNED AT **JOHANNESBURG** ON BEHALF OF THE ELB BOARD IN TERMS OF RESOLUTIONS PASSED BY THE ELB BOARD.

By order of the ELB Board

### **ELB GROUP LIMITED**

**Altea Spagnuolo**  
*Financial Director*

**23 April 2020**

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## REPORT OF THE INDEPENDENT EXPERT

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The Board of Directors and the Independent Board

ELB Group Limited  
14 Atlas Road  
Anderbolt  
Boksburg  
1459

14 April 2020

Dear Sirs,

**RE: REPORT OF THE INDEPENDENT EXPERT TO THE DIRECTORS OF ELB GROUP LIMITED REGARDING THE SPECIFIC REPURCHASES OF ORDINARY SHARES IN THE ISSUED SHARE CAPITAL OF ELB GROUP LIMITED**

### 1. INTRODUCTION

Shareholders are referred to the SENS announcement published on 28 February 2020 wherein shareholders were advised that ELB Group Limited (“**ELB**” or the “**Company**”) intends to, *inter alia*, collapse the 2010 ELB Employee Share Scheme (“**Employee Scheme**”) as part of the restructuring initiatives announced on SENS on 8 January 2020.

The collapse of the Employee Scheme will be achieved by way of the following:

- A proposed repurchase by the Company of 981 135 shares currently held by the Employee Trust that are either earmarked for options that have been issued or which are not yet earmarked for options but were intended to be in the future (the “**Excess Trust Shares**”).
- The Excess Trust Shares will be repurchased by the Company from the Employee Trust at a repurchase price per share of R19.01 and an aggregate repurchase price of R18 631 754 which repurchase price will be paid by offset against an equivalent portion of the loan owing by the Employee Trust to the Company (the “**Specific Repurchase 1**”).
- A disposal by scheme participants (“**Employee Scheme Participants**”) to the Employee Trust of their shares, in settlement of all amounts owing by the respective scheme participants, being 3 048 217 shares (the “**Employee Scheme Shares**”).
- A proposed repurchase by the Company or a subsidiary of the Company of the Employee Scheme Shares at a repurchase price per share of R19.01 and an aggregate repurchase price of R57 889 350 which repurchase price will be paid by offset against an equivalent portion of the loan owing by the Employee Trust to the Company (the “**Specific Repurchase 2**”).
- The shares purchased in terms of Specific Repurchase 1 and Specific Repurchase 2 (the “**Specific Repurchases**”) shall be subsequently cancelled, to the extent purchased by the Company, or, held as treasury shares, to the extent purchased by a subsidiary of the Company.
- A cancellation of options granted by the Employee Trust but which have not yet been exercised nor lapsed (the “**Unexercised Options**”).

As at the date of this opinion, the share capital of the Company is as follows:

	<b>Share Capital (R'000)</b>
<b>Authorised share capital</b>	
50 000 000 ordinary shares with a par value of R0.04 per share	2 000
<b>Issued ordinary shares (share capital and share premium)</b>	
32 502 894 ordinary shares with a par value of R0.04 per share	180 948
<b>Treasury shares (held by the Employee Trust)</b>	
4 029 352 ordinary shares with a par value of R0.04 per share	71 770
<b>Share capital and premium net of treasury shares</b>	<b>109 178</b>

## 2. SCOPE

With reference to the JSE Listings Requirements (the “**Listings Requirements**”), in terms of paragraph 5.69(e) thereof, ELB is required to obtain an opinion on the Specific Repurchases by an independent expert, and the Board is required to include a statement in the circular to ELB Shareholders to be published on or about 23 April 2020 (the “**Circular**”) confirming whether the Specific Repurchases are fair to ELB shareholders.

With reference to the Companies Act (No. 71 of 2008) (the “**Companies Act**”), the Specific Repurchase 2 on its own, and the Specific Repurchases when seen together as an integrated series of transactions, will involve the acquisition by the Company of more than 5% of its issued ordinary shares. The Specific Repurchases are accordingly subject to the provisions of section 114(2) and 114(3) (as read with section 48(8)(b)) and section 115 of the Companies Act and Regulation 90 of the Takeover Regulations, and the directors are required to obtain independent external advice as to how the Specific Repurchases affect all holders of ELB securities.

Collectively, the above hereinafter referred to as the “**Fair and Reasonable Opinion**” or “**Opinion**”.

Moore Advisory Jhb (Pty) Ltd (“**Moore**”) has been appointed by the board of directors of the Company (“**Board**”) to provide the Opinion.

## 3. SECTION 114(3) REQUIREMENTS

As required in terms of section 114(3) of the Companies Act, this report deals with the following:

- a. state all prescribed information relevant to the value of the securities affected by the proposed arrangement;

*ELB has undertaken to repurchase the Excess Trust Shares and Employee Scheme Shares (the “**Repurchase Shares**”) at an aggregate repurchase price of R19.01 per share resulting in a repurchase of c. 12% of the issued share capital:*

<b>Impact on issued share capital of Specific Repurchases</b>	<b>Number of shares (incl. treasury shares)</b>	<b>% of share capital</b>
Shares in issue	32 502 894	
Treasury shares to be repurchased	(4 029 352)	(12%)
Shares in issue post repurchase	28 473 542	

- b. identify every type and class of holders of the Company's securities affected by the proposed arrangement;

The share capital of ELB immediately prior to the Specific Repurchases comprises of 50 000 000 authorised ordinary shares of 4 cents each.

Per inspection of the share register, Memorandum of Incorporation of ELB, discussions with management of ELB and the signed 2019 Annual Financial Statements, there are presently no

other class of shares. At the date of this report, ELB has an issued share capital of 32 502 894 ordinary shares of 4 cents each. The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

- c. describe the material effects that the proposed arrangement will have on the rights and interests of the persons mentioned in paragraph (b);

*Due to the Specific Repurchases, neither the Employee Scheme Participants, nor the Employee Trust, will hold any interest in ELB and they will not be entitled to dividends as and when they are declared and paid by ELB and furthermore, they will not be entitled to vote on matters affecting ELB.*

*The Specific Repurchases will have no impact on the remaining shareholders' equity value, due to the mechanics of the transaction. In our view, the Specific Repurchases will have no material negative effect on the rights and interests of the remaining shareholders.*

- d. evaluate any material adverse effects of the proposed arrangement against–

- i. the compensation that any of those persons will receive in terms of that arrangement; and

*As a function of the mechanics of the Specific Repurchases, the Repurchase Shares shall be repurchased at a value equal to the outstanding balance of the Employee Scheme Debt, with no material adverse effects to the shareholders' equity reflected in the consolidated ELB group statement of financial position.*

- ii. any reasonable probable beneficial and significant effect of that arrangement on the business and prospects of the Company;

*Taking account of the current financial state of affairs of the Company, the Specific Repurchases do not appear to have any reasonably probable beneficial and significant effect on the business and prospects of the company. Likewise, the Specific Repurchases do not appear to have any reasonably probable non-beneficial and significant effect on the business and prospects of the company.*

*We understand that the imprimatur of the Specific Repurchases is the collapse of the Employee Scheme which is not serving the purposes for which it was established.*

- e. state any material interest of any director of the Company or trustee for security holders;

*The details of Directors having a material interest in the Specific Repurchases (including directors who have resigned over the last 18 months) are as set out in Annexure A hereto.*

- f. state the effect of the proposed arrangement on the interests and persons contemplated in paragraph (e).

*The number of direct and indirect shares held by Directors will change as a result of the Specific Repurchases, as set out in Annexure A hereto.*

- g. and include a copy of sections 115 and 164 of the Companies Act;

*Copies of sections 115 and 164 of the Companies Act are included as **Annexure 7** of the Circular.*

#### 4. **RESPONSIBILITY**

Compliance with the Listings Requirements, Companies Act and Companies Regulations is the responsibility of the Board. Our responsibility is to report on the terms and conditions of the Specific Repurchases in compliance with the related provisions of the Listing Requirements, the Companies Act and the Regulations.

We confirm that our fair and reasonable opinion has been provided to the Board for the sole purpose of assisting it in forming and expressing an opinion for the benefit of the ELB shareholders in relation to the Specific Repurchases.

#### 5. **EXPLANATION AS TO HOW THE TERMS “FAIR” AND “REASONABLENESS” APPLY IN THE CONTEXT OF THE SPECIFIC REPURCHASES**

The “fairness” of a transaction is based on quantitative issues. A transaction will generally be considered fair to a company's shareholders if the benefits received by a company, as a result of the corporate action, are equal to or greater than the value surrendered by the company.

In the context of the Employee Scheme Transactions, the Specific Repurchases may be said to be fair if the value of an ELB share is greater than or equal to the price paid by the Company to acquire the shares, and conversely, unfair, if the value of the Specific Repurchases exceeds the value of an ELB share.

An assessment of reasonableness is generally based on factors other than quantitative considerations. Even though the repurchase price may differ from the market value of the assets being acquired, a transaction may still be reasonable after considering other significant qualitative factors.

## 6. SOURCE OF INFORMATION

In arriving at our conclusions, we have relied upon the following principle sources of information:

- Group Recapitalisation Plan presented to ELB Group Limited by Apex Partners Holdings Proprietary Limited, detailing the proposed restructuring steps, dated 9 December 2019.
- ELB Group Limited integrated annual reports for the years ended 30 June 2018 and 30 June 2019.
- The Rules of the ELB Executive Share Incentive Scheme 2010 (the “**Rules**”).
- The trust deed of ELB Share Incentive Trust including amendments thereto (“the “**Trust Deed**”).
- Sale of shares agreement between ELB, ELB Engineering (Pty) Ltd and Leone Family Holdings (Pty) Ltd pursuant to the sale of Metquip (Pty) Ltd (the “**SPA**”).
- Unaudited management accounts of the Company and Group for the 12-month period ended 30 June 2019.
- Unaudited management accounts of the Company and Group for the six-month period ended 31 December 2019.
- Unaudited annual financial statements of the ELB Share Incentive Trust for the period ended 30 June 2019.
- Forecast financial information of ELB for the year ending 30 June 2020.
- ELB accounting position paper on the proposed ELB Share Scheme changes prepared by management of the Company.
- A taxation opinion provided to the Company by KPMG in respect of the collapse of the ELB Share Scheme dated 27 February 2020.
- Selected publicly available information that we deemed to be relevant to the Specific Repurchases and the industry in which ELB operates.
- Discussions with the ELB management team.

## 7. PROCEDURES PERFORMED

In arriving at our opinion, we have undertaken the following procedures and taken into account the following factors:

- Reviewed the terms and conditions of the Specific Repurchases as contained in the Circular.
- Reviewed the financial information relating to ELB, as detailed above.
- Held discussions with the directors and management of ELB as to the long-term strategy and the rationale for the Specific Repurchases and considered such other matters as we considered necessary including assessing prevailing economic and market conditions and trends in the industries in which ELB operates.
- Obtained the 30, 60, 90-day VWAP and quoted closing market price per share as at the last practically available date.
- Performed a sum-of-the-parts (“**SOTP**”) valuation of ELB.
- Performed a sensitivity analysis on key assumptions included in the valuation.
- Where relevant, corroborated information and/or details with representative(s) of ELB.
- Reviewed certain publicly available information relating to ELB and the industry in which it operates that we deem to be relevant, including company announcements and media articles.

## 8. **ASSUMPTIONS**

We arrived at our findings based on the following assumptions:

- The economic, regulatory and market conditions in existence immediately prior to COVID-19 will prevail, notwithstanding the impact of COVID-19 and the Company's business and its operations will not change materially as a consequence of COVID-19.
- ELB is, at the date of this Opinion, not engaged in any advanced discussions relating to any acquisitions or transactions that will have a significant impact on the value of ELB, other than those disclosed in the Circular.
- ELB does not have any material outstanding disputes with the South African Revenue Service.
- There are no undisclosed contingencies that could affect the value of ELB.
- That all agreements that are to be entered into in terms of the Specific Repurchases will be legally enforceable.
- The Specific Repurchases will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisors of/by ELB.
- That reliance can be placed on the financial information of ELB.

## 9. **APPROPRIATENESS AND REASONABLENESS OF UNDERLYING INFORMATION AND ASSUMPTIONS**

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- Reliance on audit reports in the financial statements of ELB.
- Conducting analytical reviews on the historical financial results and forecast financial information, such as key ratio and trend analyses.
- Comparing and corroborating such information and assumptions with external sources of information, to the extent such information was available.
- Determining the extent to which representations from management were confirmed by documentary evidence, as well as our understanding of ELB and the Specific Repurchases.

## 10. **VALUATION APPROACH**

Moore performed a valuation of ELB on a SOTP basis to determine whether the Specific Repurchases are fair to ELB Shareholders. The valuation was based on the following principle approach:

- Performed a valuation on a segment basis for each of the reported segments comprising the ELB Group, being "Equipment", "Engineering Services", "Australasia" and "Central".
- With the exception of "Australasia", the primary valuation approach adopted was the capitalisation of maintainable earnings approach (otherwise also known as the "market approach").
- The valuation results determined using the market approach were benchmarked to the attributable segmental net asset value.
- The Australasian segment was valued with reference to the proposed terms of its sale, as set out in the Circular and the SPA.
- Other financial assets and financial liabilities of the Group, which include cash and cash equivalents, interest bearing borrowings, bank overdraft, contract liabilities, onerous contract provisions and finance lease liabilities, were valued based on their carrying values.

Key internal and external value drivers of the capitalisation of maintainable earnings approach include:

- The sustainable earnings of each segment.
- Current market-related earnings multiples applicable to comparable publicly traded companies, adjusted for differences between the segments and the market comparables to account for the risk profile of the segment relative to the basket of peers.

In addition, sensitivity analyses were performed in respect of the following:

- Increasing and decreasing the earnings multiples for unlisted investments by a maximum of 0.5x.
- Increasing and decreasing the sustainable earnings by a maximum of 10%.

The sensitivity analyses did not indicate a sufficient effect to alter our opinion in respect of the Specific Repurchases.

## 11. VALUATION RESULTS

In undertaking the valuation exercise above and with reference to the results of our sensitivity analysis, we determined a valuation range of R3.76 to R5.79 per ELB share, with a base value of R4.78 per ELB share.

The valuation ranges are provided solely in respect of the Fair and Reasonable Opinion and should not be used for any other purpose.

## 12. FAIRNESS AND REASONABLENESS OPINION

### 12.1 Reasonableness of the transaction

In considering the reasonableness of the Specific Repurchases, we considered, *inter alia*, the following:

- the rationale for the Specific Repurchases.
- The factual solvency and liquidity of ELB after completing the Specific Repurchases.

With due regard to the above, we have assessed the terms of the Specific Repurchases and have found no indication that the Specific Repurchases will have any material adverse effect on the Company or its shareholders and have identified no transaction parameters which could be considered unreasonable to the Company or its shareholders.

### 12.2 Fairness of the transaction

Moore has considered the terms and conditions of the Specific Repurchases and based on and subject to the conditions set out herein, is of the opinion that the terms and conditions of the Specific Repurchases, based on quantitative considerations, are not fair to ELB Shareholders.

## 13. INDEPENDENCE, COMPETENCE, FEES AND LIMITING CONDITIONS

We confirm that Moore has no independence issues relating to directorships, employment, owning shares, management and fees earned in ELB or related parties.

We confirm that Moore and the directors responsible for this assignment have the necessary competencies relating to internal control systems, quality control, experience and qualifications.

We confirm that we have no financial interest and no relationship in ELB or related parties. Furthermore, we confirm that our professional fees are not contingent upon the success of the Specific Repurchases.

We confirm that the scope of our procedures and work performed were not subject to any limiting conditions.

Our Opinion is based upon the market, regulatory and trading conditions as they currently exist and can only be evaluated as at the date of this report. It should be understood that subsequent developments may affect our Opinion, which we are under no obligation to update, revise or re-affirm.

This Opinion is provided to the Board in connection with and for the purpose of the Specific Repurchases and for the sole purpose of assisting the Board in forming and expressing an opinion for the benefit of ELB Shareholders. This opinion is prepared solely for the Board and therefore should not be regarded as suitable for use by any other party or give rise to third party rights.

This Opinion is provided in terms of the Listing Requirements, the Companies Act and the Companies Regulations. It does not constitute a recommendation to any ELB Shareholder as to how to vote at any Shareholders' meeting relating to the Specific Repurchases or on any matter relating to it. Therefore, it should not be relied upon for any other purpose. We assume no responsibility to anyone if this opinion is used or relied upon for anything other than its intended purpose. Should an individual ELB Shareholder have any doubts as to what action to take, such Shareholder should consult an independent advisor.

Budgets/projections/forecasts relate to future events and are based on assumptions which may not remain valid for the whole of the forecast period. Accordingly, this information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods.

We express no opinion as to how closely actual results will correspond to those projected/forecast by management of ELB. We have compared the projected/forecast financial information to past trends as well as discussed the assumptions inherent therein with management.

The valuation of companies and businesses is not a precise science and conclusions arrived at, will, in many cases be subjective and dependent on the exercise of individual judgment.

14. **CONSENT**

We hereby consent to the inclusion of this Opinion, in whole or in part, and references thereto in the Circular and any other announcement or document pertaining to the Specific Repurchases, in the form and context in which they appear.

Yours sincerely,

**MOORE ADVISORY JHB (PTY) LTD**

*Per: Olivier Barbeau*

*Director*

Director	Before the Specific Repurchases				After the Specific Repurchases					
	Beneficial		Beneficial		Total	Total %	Direct	Indirect	Total	Total % <sup>#</sup>
	Direct	Indirect	Direct	Indirect						
Executive Directors										
Anthony Fletcher*	100	3 294 612	3 294 712	10.14%	100	3 294 612	3 294 712	11.57%		
Charles Pettit <sup>§</sup>	–	5 578 931	5 578 931	17.16%	–	5 578 931	5 578 931	19.59%		
Stephen Meijers*	1 300 100	–	1 300 100	4.00%	100	–	100	0.00%		
Michael Easter*	75 000	–	75 000	0.23%	–	–	–	–		
Mollo Ramollo <sup>§</sup>	1 876	–	1 876	0.01%	1 876	–	1 876	0.01%		
John Herselman <sup>§</sup>	–	–	–	–	–	–	–	–		
Peter Blunden <sup>§</sup>	860 000	–	860 000	2.65%	860 000	–	860 000	3.02%		
Cornelius Smith	321 000	–	321 000	0.99%	63 000	–	63 000	0.22%		
Altea Spagnuolo <sup>§</sup>	–	–	–	–	–	–	–	–		
Non-Executive Directors										
Johan van Zyl <sup>§</sup>	–	–	–	–	–	–	–	–		
Theunis de Bruyn** <sup>§</sup>	15 000	–	15 000	0.05%	15 000	–	15 000	0.05%		
Ian Thompson** <sup>§</sup>	7 100	–	7 100	0.02%	7 100	–	7 100	0.02%		
Refilwe Nkabinde <sup>§</sup>	–	–	–	–	–	–	–	–		
Buyisiwe Makhunga <sup>§</sup>	–	–	–	–	–	–	–	–		
<b>Total</b>	<b>2 580 176</b>	<b>8 873 543</b>	<b>11 453 619</b>	<b>35.24%</b>	<b>947 176</b>	<b>8 873 543</b>	<b>9 820 719</b>	<b>34.49%</b>		

\*Resigned prior to the Last Practicable Date

<sup>§</sup>Not a scheme participant and accordingly not party to the Specific Repurchases in terms of section 114.<sup>#</sup>Based on a total number of issued shares (including treasury shares).

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## INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF ELB AUSTRALIA FOR THE YEARS ENDED 30 JUNE 2017 AND 30 JUNE 2018

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The Board of Directors  
ELB Group Limited  
14 Atlas Road  
Anderbolt  
Boksburg  
1459

### Introduction

At your request, and for the purposes of the circular to be issued on or about **23 April 2020** ("the Circular"), we have reviewed the Historical Financial Information of Metquip Proprietary Limited and its subsidiaries ('the group') for the years ended 30 June 2018 and 30 June 2017 presented in the report of Historical Financial Information.

The Historical Financial Information includes the consolidated statements of financial position as at 30 June 2018 and 30 June 2017, and the related consolidated statements of comprehensive income, consolidated changes in equity and cash flows for the years then ended, and the consolidated notes, comprising a summary of significant accounting policies which is prepared in accordance with International Financial Reporting Standards and the JSE Listings Requirements.

The directors are responsible for the preparation of the Historical Financial Information. The directors are responsible for the compilation, contents and preparation of the Circular.

### Report on the Historical Financial Information

We have reviewed the Historical Financial Information of Metquip Proprietary Limited and its subsidiaries which comprise the consolidated statement of financial position as at 30 June 2018 and 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

### Directors' Responsibility for the Historical Financial Information

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

### Independent Reviewer's Responsibility

Our responsibility is to express a conclusion on the Historical Financial Information. We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements (ISRE 2400 (Revised))*. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the Historical Financial Information, taken as a whole, is not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of Historical Financial Information in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The independent reviewer performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the Historical Financial Information.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the Historical Financial Information does not present fairly, in all material respects, the consolidated financial position of Metquip Proprietary Limited as at 30 June 2018 and 30 June 2017, and its consolidated financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards and the JSE Listings Requirements.

**Other Matter**

BDO East Coast Partnership has audited the statutory annual consolidated financial statements of Metquip Proprietary Limited. The consolidated Historical Financial Information has been prepared in line with JSE Listing Requirements.

**BDO South Africa Incorporated**

Registered Auditors

**Bernard van der Walt**

*Director*

Registered Auditor

14 April 2020

119-123 Hertzog Boulevard  
Foreshore  
Cape Town, 8001

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## INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF ELB AUSTRALIA FOR THE YEAR ENDED 30 JUNE 2019

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The Board of Directors  
ELB Group Limited  
14 Atlas Road  
Anderbolt  
Boksburg  
1459

### INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF METQUIP PROPRIETARY LIMITED AND ITS SUBSIDIARIES FOR THE YEAR ENDED 30 JUNE 2019

#### Introduction

At your request, and for the purposes of the circular to be issued on or about **23 April 2020** ("the Circular"), we have audited the Historical Financial Information of Metquip Proprietary Limited and its subsidiaries ('the group') for the year ended 30 June 2019 presented in the report of Historical Financial Information.

The Historical Financial Information includes the consolidated statements of financial position as at 30 June 2019, and the related consolidated statements of comprehensive income, the consolidated changes in equity and the consolidated cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies which is prepared in accordance with International Financial Reporting Standards and the JSE Listings Requirements.

The directors are responsible for the preparation of the Historical Financial Information. The Directors are responsible for the compilation, contents and preparation of the Circular which includes an extract of the Historical Financial Information included in the adjustment column to the *pro forma* financial information for the year ended 30 June 2019 in accordance with the JSE Listings Requirements.

#### HISTORICAL FINANCIAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2019

##### Independent Reporting Accountant's Audit Report on the Historical Financial Information

#### Opinion

We have audited the Historical Financial Information of Metquip Proprietary Limited, which comprise the consolidated statement of financial position as at 30 June 2019 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated Historical Financial Information presents fairly, in all material respects, the financial position of Metquip Proprietary Limited as at 30 June 2019, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards and the JSE Listings Requirements.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Independent Reporting Accountants' Responsibilities for the Audit of the Historical Financial Information* section of our report. We are independent of Metquip Proprietary Limited in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing

audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter**

We draw attention to the going concern paragraph noted in the historical information which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

### **Other matter**

BDO East Coast Partnership has audited the statutory annual consolidated financial statements of Metquip Proprietary Limited. These consolidated financial statements have been prepared in line with JSE Listing Requirements.

### **Responsibilities of the Directors for the Historical Financial Information**

The directors responsible for the preparation and fair presentation of the Historical Financial Information in accordance with International Financial Reporting Standards and for such internal control as the directors determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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

### **Independent Reporting Accountant's Responsibilities for the Audit of the Historical Financial Information**

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

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

- Identify and assess the risks of material misstatement of the Historical Financial Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated Historical Financial Information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Historical Financial Information, including the disclosures, and whether the Historical Financial Information represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the Historical Financial Information. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

**BDO South Africa Incorporated**

Registered Auditors

**Bernard van der Walt**

*Director*

Registered Auditor

14 April 2020

119-123 Hertzog Boulevard  
Foreshore  
Cape Town, 8001

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## INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF ELB AUSTRALIA FOR THE INTERIM PERIOD ENDED 31 DECEMBER 2019

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The Board of Directors  
ELB Group Limited  
14 Atlas Road  
Anderbolt  
Boksburg  
1459

### Introduction

At your request, and for the purposes of the circular to be issued on or about **23 April 2020** (“**the Circular**”), we have reviewed the Historical Financial Information of Metquip Proprietary Limited and its subsidiaries (“the group”) for the period ended 31 December 2019 presented in the report of Historical Financial Information.

The Historical Financial Information includes the consolidated statements of financial position as at 31 December 2019, and the related consolidated statements of comprehensive income, consolidated changes in equity and cash flows for the period then ended, and the consolidated notes, comprising a summary of significant accounting policies which is prepared in accordance with International Financial Reporting Standards and the JSE Listings Requirements.

The directors are responsible for the preparation of the Historical Financial Information. The directors are responsible for the compilation, contents and preparation of the Circular.

### Report on the Historical Financial Information

We have reviewed the Historical Financial Information of Metquip Proprietary Limited which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

### Directors' Responsibility for the Historical Financial Information

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

### Independent Reviewer's Responsibility

Our responsibility is to express a conclusion on the Historical Financial Information. We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements (ISRE 2400 (Revised))*. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the Historical Financial Information, taken as a whole, is not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of Historical Financial Information in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The independent reviewer performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the Historical Financial Information.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the Historical Financial Information does not present fairly, in all material respects, the consolidated financial position of Metquip Proprietary Limited as at 31 December 2019, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards and the JSE Listings Requirements.

**Other Matter**

BDO East Coast Partnership has audited the statutory annual consolidated financial statements of Metquip Proprietary Limited. The Historical Financial Information has been prepared in line with JSE Listing requirements.

**Emphasis of Matter**

We draw attention to the going concern accounting policy in the consolidation which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

**BDO South Africa Incorporated**

Registered Auditors

**Bernard van der Walt**

*Director*

Registered Auditor

14 April 2020

119-123 Hertzog Boulevard  
Foreshore  
Cape Town, 8001

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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

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The Directors  
ELB Group Limited  
14 Atlas Road  
Anderbolt  
Boksburg  
1459

14 April 2020

Dear Sir/Madam

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE  
PRO FORMA FINANCIAL INFORMATION OF ELB GROUP LIMITED ("ELB" OR "THE COMPANY")**

We have completed our assurance engagement to report on the compilation of the *pro forma* financial information of ELB by the directors. The *pro forma* financial information, as set out in Annexure 4 of the circular to be issued on or about 23 April 2020 ("the Circular"), consists of the *pro forma* statement of financial position, the *pro forma* statement of comprehensive income and related notes. The applicable criteria on the basis of which the directors have compiled the *pro forma* financial information are specified in the JSE Listing Requirements and described in Annexure 4.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the corporate actions or events, described in Paragraphs 2 and 3 of the Circular, on the company's financial position and performance as at 31 December 2019, as if the corporate action or event had taken place at 31 December 2019 for statement of financial position and 1 July 2019 for statement of comprehensive income purposes. As part of this process, information about the company's financial position and performance has been extracted by the directors from the company's published interim financial information for the 6 months ended 31 December 2019.

**Directors' responsibility for the *pro forma* financial information**

The directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listing Requirements and described in Annexure 4 of the Circular and as described in the notes to the consolidated *pro forma* statement of financial position and *pro forma* statement of comprehensive income.

**Our independence and quality control**

We are required to comply with the independence and other ethical requirements of Sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018) and parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

The firm applies the International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Reporting accountants' responsibility

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listing Requirements based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information Included in a Prospectus issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

As the purpose of *pro forma* financial information included in the Circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- the related *pro forma* adjustments give appropriate effect to those criteria; and
- the *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

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

## Opinion

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listing Requirements and described in Annexure 4 of the Circular.

## Consent

This report on the *pro forma* statement of financial position and *pro forma* statement of comprehensive income is included solely for the information of the Shareholders. We consent to the inclusion of our report on the *pro forma* statement of financial position, *pro forma* statement of comprehensive income and the references thereto, in the form and context in which they appear.

Yours faithfully

## **BDO South Africa Incorporated**

Chartered Accountants (SA)

Registered Auditors

*per:* **B van der Walt**

*Chartered Accountant (SA)*

*Registered Auditor*

*JSE Reporting Accountant Specialist*

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## PRO FORMA FINANCIAL EFFECTS OF THE TRANSACTIONS

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The *pro forma* financial information of ELB is set out below. The *pro forma* consolidated statement of financial position and the *pro forma* consolidated statement of comprehensive income of ELB have been prepared for illustrative purposes only to show the financial effects of the Disposal and Employee Scheme Transaction.

Due to the nature of the *pro forma* financial information, the *pro forma* consolidated statement of financial position and the *pro forma* consolidated statement of comprehensive income may not fairly present ELB's financial position, changes in equity, results of operations or cash flows after the Disposal and Employee Scheme Transaction has been implemented.

The *pro forma* financial information as at 31 December 2019 is presented in a manner that is consistent with the accounting policies of ELB, IFRS and the basis on which the historical financial information has been prepared. The financial information has been prepared in accordance with the Listings Requirements and in compliance with the SAICA Guide on *pro forma* Financial Information.

The *pro forma* consolidated statement of financial position and the *pro forma* consolidated statement of comprehensive income as set out below should be read in conjunction with the report of the independent reporting accountants which is included as Annexure 3 to this Circular. The directors of ELB are responsible for the preparation of the *pro forma* financial information. It has been assumed for the purposes of the *pro forma* financial effects that the Disposal and Employee Scheme Transaction took place with effect from 1 July 2019 for purposes of the *pro forma* consolidated statement of comprehensive income and on 31 December 2019 for purposes of the *pro forma* consolidated statement of financial position.

Statement of Financial Position as at 31 December 2019

ZAR'000	Bridge Loan (2)				The Disposal (4)				After the Bridge Loan, Disposal, Repayment, Employee Scheme Transaction Costs	After the Employee Scheme Transaction and Adjustment Transaction Costs	After the Bridge Loan, Disposal, Repayment, Employee Scheme Transaction Costs	
	1	2	3=1+2	4.1	4.2	5=3+4	6	7=3+4+6				8.1
<b>Notes</b>												
<b>Non-current assets</b>												
Property, plant and equipment	96 645		96 645		96 645		96 645				96 645	96 645
Goodwill and intangible assets	–		–		–		–				–	–
Right of use assets	4 240		4 240		4 240		4 240				4 240	4 240
Pension fund employer surplus account	39 650		39 650		39 650		39 650				39 650	39 650
Deferred tax assets	102 937		102 937		102 937		102 937				102 937	102 937
	<b>243 472</b>	<b>–</b>	<b>243 472</b>	<b>–</b>	<b>243 472</b>	<b>–</b>	<b>243 472</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>243 472</b>	<b>243 472</b>
<b>Current assets</b>												
Contract work not yet billed	216 028		216 028		216 028		216 028				216 028	216 028
Inventories	462 542		462 542		462 542		462 542				462 542	462 542
Trade and other receivables, other financial receivables and other current receivables	178 585	860	179 445		180 004	559	180 004			189	179 634	180 193
Cash and cash equivalents	185 875	100 000	285 875	99 564	472 558	87 119	370 258	(102 300)		(1 447)	284 428	368 811
Assets held for sale	464 844		464 844		–	(464 844)	–				464 844	–
	<b>1 507 874</b>	<b>100 860</b>	<b>1 608 734</b>	<b>99 564</b>	<b>1 331 132</b>	<b>(377 166)</b>	<b>1 228 832</b>	<b>(102 300)</b>	<b>–</b>	<b>(1 258)</b>	<b>1 607 476</b>	<b>1 227 574</b>
<b>TOTAL ASSETS</b>	<b>1 751 346</b>	<b>100 860</b>	<b>1 852 206</b>	<b>99 564</b>	<b>1 574 604</b>	<b>(377 166)</b>	<b>1 472 304</b>	<b>(102 300)</b>	<b>–</b>	<b>(1 258)</b>	<b>1 850 948</b>	<b>1 471 046</b>
<b>Equity</b>												
Issued capital	109 178		109 178		109 178		109 178				109 178	109 178
Treasury shares	(71 770)		(71 770)		(71 770)		(71 770)		71 770		–	–
Reserves	76 334		76 334		30 916	(45 418)	30 916		(5 722)		70 612	25 194
Retained earnings	283 855	(1 440)	282 415		329 033	46 618	329 033		(66 372)	(1 258)	214 785	261 403
	<b>397 597</b>	<b>(1 440)</b>	<b>396 157</b>	<b>–</b>	<b>397 357</b>	<b>1 200</b>	<b>397 357</b>	<b>–</b>	<b>(324)</b>	<b>(1 258)</b>	<b>394 575</b>	<b>395 775</b>
Non-controlling interest	(757)		(757)		(757)		(757)				(757)	(757)

ZAR'000	Bridge Loan (2)		The Disposal (4)				Repay-ment of Bridge Loan (“Repay-ment”) Repayment	After the Bridge Loan, Disposal and Repayment	Employee Scheme Transaction Costs	After the Employee Scheme Transaction and Adjustment Costs	Bridge Loan, Disposal, Repayment, Employee Scheme Transaction and Adjustment Costs		
	Unadjusted	1	2	3=1+2	4.1	4.2						5=3+4	6
<b>Notes</b>													
<b>Total Equity</b>	<b>396 841</b>	<b>(1 440)</b>	<b>395 401</b>	<b>-</b>	<b>1 200</b>	<b>396 601</b>	<b>-</b>	<b>396 601</b>	<b>(324)</b>	<b>(1 258)</b>	<b>393 818</b>	<b>395 018</b>	
<b>Non-current liabilities</b>													
Interest bearing borrowings	16 434		16 434	98 261	(98 261)	16 434		16 434	-	-	16 434	16 434	
Lease liabilities	18 959		18 959			18 959		18 959	-	-	18 959	18 959	
Deferred tax liabilities	13 923		13 923			13 923		13 923	-	-	13 923	13 923	
	<b>49 316</b>	<b>-</b>	<b>49 316</b>	<b>98 261</b>	<b>(98 261)</b>	<b>49 316</b>	<b>-</b>	<b>49 316</b>	<b>-</b>	<b>-</b>	<b>49 316</b>	<b>49 316</b>	
<b>Current liabilities</b>													
Contract liabilities and onerous contract provisions	115 574		115 574			115 574		115 574			115 574	115 574	
Interest-bearing borrowings	137 365	102 300	239 665	1 303	(1 303)	239 665	(102 300)	137 365			239 665	137 365	
Lease liabilities	15 373		15 373			15 373		15 373			15 373	15 373	
Trade and other liabilities, other financial liabilities and other current liabilities	715 934		715 934			715 934		715 934	324		716 258	716 258	
Restructuring provision	7 000		7 000			7 000		7 000			7 000	7 000	
Bank overdraft	35 142		35 142			35 142		35 142			35 142	35 142	
Liabilities held for sale	278 802		278 802		(278 802)	-		-			278 802	-	
	<b>1 305 190</b>	<b>102 300</b>	<b>1 407 490</b>	<b>1 303</b>	<b>(280 105)</b>	<b>1 128 688</b>	<b>(102 300)</b>	<b>1 026 388</b>	<b>324</b>	<b>-</b>	<b>1 407 814</b>	<b>1 026 712</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1 751 346</b>	<b>100 860</b>	<b>1 852 206</b>	<b>99 564</b>	<b>(377 166)</b>	<b>1 574 604</b>	<b>(102 300)</b>	<b>1 472 304</b>	<b>-</b>	<b>(1 258)</b>	<b>1 850 948</b>	<b>1 471 046</b>	
Number of Shares in issue (000)*	28 474		28 474			28 474		28 474			28 474	28 474	
NAV per share (cents)	1 396.4		1 391.3			1 395.5		1 395.5			1 385.8	1 390.0	
TNAV per share (cents)	928.6		924.6			928.8		928.8			919.0	923.2	

\*Excluding treasury shares.

## Notes:

1. Extracted from the unadjusted consolidated statement of financial position of the Group for the interim period ended 31 December 2019 as published on 6 April 2020. For the purpose of preparing the *pro forma* statement of financial position, the adjustments are based on the assumption that the Transactions took place on 31 December 2019. The Repayment is conditional upon the Disposal. The Disposal and the Employee Scheme Transaction are however not conditional upon each other.

### Post balance sheet events:

2. This column reflects:
  - the R100 million short-term Bridge Loan advanced by RMB to ELB Engineering, a wholly owned subsidiary of ELB on 21 January 2020 as detailed in the term's announcement published on SENS on 28 February 2020.
  - RMB underwriting fee, recognised through Retained Earnings, on the Bridge Loan advanced of R2 million excluding VAT, resulting in an increase in the Bridge Loan balance. As this is directly linked to the Bridge Loan, it is included as a post balance sheet event.
  - A tax receivable of R0.6 million as a result of income tax levied at a rate of 28% on the RMB underwriting fee noted above.
  - A VAT receivable of R0.3 million on the RMB underwriting fee for the short-term Bridge Loan advanced by RMB to ELB Engineering.
3. This column reflects the impact of the Bridge Loan post balance sheet event in column 2 on the ELB unadjusted consolidated statement of financial position of the Group for the interim period ended 31 December 2019.

### Pro forma events:

4. These columns reflect the impact of the Disposal as detailed in paragraph 2 of this Circular. The total purchase consideration amounts to AUD19.25million which is split as described in the points below.
  - 4.1 The repayment of the Promissory Notes of AUD10.1 million (R99.6million) to ELB Engineering, converted at a ZAR/AUD rate of R9.85 on 31 December 2019. The Promissory Notes are not included in the consolidated statement of financial position of the Group as they are eliminated on consolidation. Hence on repayment thereof they are recognised again and in the following column (see point 4.2 below) on disposal deconsolidated.
  - 4.2 This column comprises:
    - 4.2.1 The net receipt of the cash of R87.1 million which comprises of the purchase price of AUD9.3 million (R91.4 million, converted at a ZAR/AUD rate of R9.85 on 31 December 2019) which proceeds flow to ELB Engineering for the disposal of its shares in ELB Australia less transaction costs including VAT of R4.3 million. A corresponding VAT receivable of R0.8 million in relation to the transaction costs.
    - 4.2.2 The cumulative value of the exchange gains recognised on consolidation relating to the Australian operation, recognised in other comprehensive income and accumulated in the separate component of equity being the Foreign Currency Translation Reserve ("FCTR"), reclassified from equity to profit or loss amounting to R45.4 million.
    - 4.2.3 The following has been recognised in Retained Earnings in relation to the Disposal:

Release of FCTR (foreign exchange gain)	R45.4 million
Loss on disposal (after transaction costs of R3.7 million (ex vat))	(R54.6 million)
<hr/>	
Add back impairment recognised at 31 December 2019 on classification and measurement as a disposal group in terms of IFRS 5*	R55.8 million
<hr/>	
Total impact on Retained Earnings	R46.6 million

\* ELB Australia was classified and measured as a disposal group in terms of IFRS 5 for the period ended 31 December 2019 and an impairment loss of R55.8m was recognised. The net loss on sale is therefore R9.2 million.

- 4.3 The Disposal will have a continuing effect on the financial performance and position of the Group such that the financial performance and position of the Group will on a go forward basis exclude the Australasian segment. The transaction costs and profit on Disposal will not have a continuing effect.
5. This column reflects the impact of all the Disposal adjustments in columns 4.1-4.2 on the ELB consolidated statement of financial position of the Group for the interim period ended 31 December 2019 after taking into account the Post Balance Sheet Event.
6. This column reflects the repayment of the loan granted by RMB plus the RMB underwriting fee (plus VAT thereon) as detailed in note 2 on the ELB consolidated statement of financial position of the Group for the interim period ended 31 December 2019 after taking into account the Post Balance Sheet Event.
7. This column reflects to cumulative impact of the Bridge Loan advanced by RMB to ELB, the Disposal and the repayment of the Bridge loan on the ELB consolidated statement of financial position of the Group for the interim period ended 31 December 2019 after taking into account the Post Balance Sheet Event which, other than the disposal, are not expected to have a continued effect.
8. These columns reflect the impact of the cancellation of the employee scheme as detailed in paragraph 3 of this Circular.
- 8.1 The Specific Repurchase 1 as defined being the sale of excess scheme shares from the ELB Share Incentive Trust to ELB. On sale, these shares will be cancelled. In substance, the share purchase arrangement is an option as neither the shares nor the loan are outstanding until the options are exercised by paying the exercise price for the shares or the option expires. Accordingly, until exercise of the options the shares issued to employees are treated as treasury shares and no financial asset for the loan receivable from the employees is recognised until this time. The sale triggers securities transfer tax resulting in a payable of R0.04 million and an equal charge to retained earnings. The Specific Repurchase 2 being the repurchase of exercised but unpaid share options and the corresponding cancellation of treasury shares resulting in:
- A decrease in retained earnings equal to R58.1 million (reclassification of the treasury share reserve R57.9 million and R0.3 million in Securities transfer tax)
  - A reduction in treasury shares of R57,9 million (reclassification of the treasury share reserve to retained earnings as per the Group's accounting policy election); and
  - Securities transfer tax payable by the Company of R0.3 million (STT is payable when the Trust sells its shares to ELB Group Limited).
  - A cancellation of the 2010 share option scheme which has no impact on ELB's statement of financial position as per the accounting treatment explained above.
  - A sale of the Share Incentive Trusts assets and liabilities to ELB Group Limited which has no impact on ELB's statement of financial position.
  - The collapse of the Share Incentive Trust which has no impact on ELB's statement of financial position.
- 8.2 The transaction costs associated with the Employee Scheme Transaction result in:
- a total cash outflow of R1.5 million;
  - a VAT receivable equal to R0.2 million; and
  - a retained earnings charge equal to R1.3 million
- All of the above except for the transaction costs will have a continuing effect.
9. This column reflects the impact of all the transactions required for the cancellation of the employee scheme and related transaction costs as detailed in paragraph 3, on the ELB consolidated statement of financial position of the Group for the interim period ended 31 December 2019 after taking into account the Post Balance Sheet Event.
10. This column reflects the impact of all the Proposed Transactions set out in the Circular on the ELB consolidated statement of financial position of the Group for the interim period ended 31 December 2019 after taking into account the Post Balance Sheet Event.

## Statement of Comprehensive Income for the period ended 31 December 2019

ZAR'000	Bridge Loan (2)										The Disposal (4)		After the Bridge Loan, Disposal, Repayment, Employee Scheme and Adjustment Transaction Costs	
	Unadjusted	1	2	3=1+2	4.1	4.2	5=3+4	6	7=3+4+6	8.1	8.2	9=3+8.1+8.2		10=3+5+6+8.1+8.2
<b>Continued operations</b>														
Revenue	868 551		868 551			868 551		868 551			868 551		868 551	
Operating costs excluding depreciation and amortisation of non-financial assets	(894 386)	(2 000)	(896 386)			(896 386)		(896 386)			(897 644)		(897 644)	
<b>Operating profit before impairment of financial assets and depreciation of non-financial assets</b>	<b>(25 835)</b>	<b>(2 000)</b>	<b>(27 835)</b>			<b>(27 835)</b>		<b>(27 835)</b>			<b>(29 093)</b>		<b>(29 093)</b>	
Depreciation and amortisation of non-financial assets	(12 553)		(12 553)			(12 553)		(12 553)			(12 553)		(12 553)	
Impairment of financial assets	(5 607)		(5 607)			(5 607)		(5 607)			(5 607)		(5 607)	
<b>(Loss)/profit from operations</b>	<b>(43 995)</b>	<b>(2 000)</b>	<b>(45 995)</b>			<b>(45 995)</b>		<b>(45 995)</b>			<b>(47 253)</b>		<b>(47 253)</b>	
Finance income	5 478	632	6 110			6 110	(632)	5 478			6 110		5 478	
Finance expenses	(8 679)	(4 741)	(13 420)			(13 420)	4 741	(8 679)			(13 420)		(8 679)	
<b>(Loss)/profit before income tax</b>	<b>(47 196)</b>	<b>(6 109)</b>	<b>(53 304)</b>			<b>(53 304)</b>	<b>4 109</b>	<b>(49 196)</b>			<b>(54 562)</b>		<b>(50 454)</b>	
Income tax expense	5 081	1 710	6 791			6 791	(1 150)	5 641	(324)		6 467		5 316	
<b>(Loss)/profit for the period from continuing operations</b>	<b>(42 115)</b>	<b>(4 398)</b>	<b>(46 513)</b>			<b>(46 513)</b>	<b>2 958</b>	<b>(43 555)</b>	<b>(324)</b>	<b>(1 258)</b>	<b>(48 095)</b>		<b>(45 137)</b>	

ZAR'000	Bridge Loan (2)		The Disposal (4)				Repay-ment of Bridge Loan (“Repay-ment”) Repayment	After the Bridge Loan, Disposal and Repayment	Employee Scheme Transaction Costs	After the Employee Scheme Transaction and Adjustment Costs	After the Bridge Loan, Disposal, Repayment, Employee Scheme Transaction and Adjustment Costs		
	Unadjusted	1	2	3=1+2	4.1	4.2						5=3+4	6
<b>Notes</b>													
<b>Discontinued operations</b>													
Revenue	279 843		279 843		(279 843)	-	-	-	-	-	-	279 843	-
Operating costs excluding depreciation and amortisation of non-financial assets	(273 803)		(273 803)		273 803	-	-	-	-	-	-	(273 803)	-
<b>Operating profit before impairment of disposal group and financial assets and depreciation and amortisation of non-financial assets</b>	<b>6 041</b>		<b>6 041</b>		<b>(6 041)</b>	-	-	-	-	-	-	<b>6 041</b>	-
Impairment of disposal group	(55 750)		(55 750)		41 518	(14 232)	-	(14 232)	-	-	-	(55 750)	(14 232)
Depreciation and amortisation of non-financial assets	(7 053)		(7 053)		7 053	-	-	-	-	-	-	(7 053)	-
Impairment of financial assets	-		-		-	-	-	-	-	-	-	-	-
<b>(Loss)/profit from operations</b>	<b>(56 763)</b>		<b>(56 763)</b>		<b>42 531</b>	<b>(14 232)</b>	-	<b>(14 232)</b>	-	-	-	<b>(56 763)</b>	<b>(14 232)</b>
Finance income	54		54		(54)	-	-	-	-	-	-	54	-
Finance expenses	(2 699)		(2 699)		2 699	-	-	-	-	-	-	(2 699)	-
<b>(Loss)/profit before income tax</b>	<b>(59 408)</b>		<b>(59 408)</b>		<b>45 176</b>	<b>(14 232)</b>	-	<b>(14 232)</b>	-	-	-	<b>(59 408)</b>	<b>(14 232)</b>
Income tax expense	1 401		1 401		(1 401)	-	-	-	-	-	-	1 401	-
<b>(Loss)/profit for the period from discontinued operations</b>	<b>(58 007)</b>		<b>(58 007)</b>		<b>43 775</b>	<b>(14 232)</b>	-	<b>(14 232)</b>	-	-	-	<b>(58 007)</b>	<b>(14 232)</b>
Net loss for the year	(100 121)		(4 398)		43 775	(60 745)	2 958	(57 787)	(324)	(1 258)	(106 102)	(59 369)	(59 369)

## Statement of Comprehensive Income for the period ended 31 December 2019 continued

ZAR'000	Bridge Loan (2)				The Disposal (4)				After the Bridge Loan, Disposal, Repayment, Employee Scheme and Adjustment and Transaction Costs				
	Unadjusted	Bridge Loan	2	3=1+2	4.1	4.2	5=3+4	6		7=3+4+6	8.1	8.2	9=3+8.1+8.2
Notes	1	2	3=1+2	4.1	4.2	5=3+4	6	7=3+4+6	8.1	8.2	9=3+8.1+8.2	10=3+5+6+8.1+8.2	
<b>Other comprehensive income:</b>													
<b>Items that will not be reclassified to profit or loss:</b>													
Pension fund employer surplus account remeasurements	(1 765)		(1 765)		1 340	(425)		(425)			(1 765)		(425)
Aeroplane revaluation surplus (decrease)/increase	-		-			-		-			-		-
Non-controlling interests in foreign currency translation adjustments	(4)		(4)			(4)		(4)			(4)		(4)
Income tax relating to items that will not be reclassified	494		494			494		494			494		494
Total items that will not be reclassified to profit or loss	(1 275)	-	(1 275)	-	1 340	65	-	65	-	-	(1 275)	-	65
<b>Items that may be reclassified to profit or loss:</b>													
Foreign currency translation adjustments attributable to ordinary shareholders of the Company	(1 128)		(1 128)			(1 128)		(1 128)			(1 128)		(1 128)
Income tax relating to items that may be reclassified	185		185			185		185			185		185
Total items that may be reclassified to profit or loss	(943)	-	(943)	-	-	(943)	-	(943)	-	-	(943)	-	(943)
Total other comprehensive income for the year	(2 218)	-	(2 218)	-	1 340	(878)	-	(878)	-	-	(2 218)	-	(878)
Total comprehensive income for the year	(102 339)	(4 398)	(106 737)	-	45 115	(61 623)	2 958	(58 665)	(324)	(1 258)	(108 320)		(60 247)

ZAR'000	Bridge Loan (2)		The Disposal (4)				Repay- ment of Bridge Loan ("Repay- ment")	After the Bridge Loan, Disposal and Repayment	Employee Scheme Trans- action Adjustment	Transaction Costs	After the Employee Scheme Transaction Adjustment and Transaction Costs	After the Bridge Loan, Disposal, Repayment, Employee Scheme Transaction Adjustment and Transaction Costs
	Unadjusted	Bridge Loan	Bridge Loan	After Bridge Loan	Repay- ment of notes	Decon- solidation and disposal of target						
<b>Notes</b>	<b>1</b>	<b>2</b>	<b>3=1+2</b>	<b>4.1</b>	<b>4.2</b>	<b>5=3+4</b>	<b>6</b>	<b>7=3+4+6</b>	<b>8.1</b>	<b>8.2</b>	<b>9=3+8.1 +8.2</b>	<b>10=3+5+6+8.1 +8.2</b>
<b>(Loss)/profit attributable to:</b>												
Ordinary shareholders of the Company from continuing operations	(42 432)	(4 398)	(46 830)	-	-	(46 830)	-	(46 830)	(324)	(1 258)	(48 412)	(48 412)
Ordinary shareholders of the Company from discontinued operations	(58 007)	-	(58 007)	-	43 775	(14 232)	-	(14 232)	-	-	(58 007)	(14 232)
Non-controlling interests from continuing operations	317	-	317	-	-	317	-	317	-	-	317	317
	(100 121)	(4 398)	(104 519)	-	43 775	(60 745)	-	(60 745)	(324)	(1 258)	(106 102)	(62 327)
<b>Total comprehensive income for the year attributable to:</b>												
Ordinary shareholders of the Company from continuing operations	(43 306)	(4 398)	(47 704)	-	-	(47 704)	-	(44 746)	(324)	(1 258)	(49 286)	(46 328)
Ordinary shareholders of the Company from discontinued operations	(59 347)	-	(59 347)	-	45 115	(14 232)	-	(14 232)	-	-	(59 347)	(14 232)
Non-controlling interests from continuing operations	313	-	313	-	-	313	-	313	-	-	313	313
	(102 339)	(4 398)	(106 737)	-	45 115	(61 623)	-	(58 665)	(324)	(1 258)	(108 320)	(60 247)

## Statement of Comprehensive Income for the period ended 31 December 2019 continued

ZAR'000	Bridge Loan (2)				The Disposal (4)				After the Disposal, Repayment, Employee Scheme and Adjustment and Transaction Costs			
	Unadjusted	Bridge Loan	After Bridge Loan	Repayment of promissory notes	Deconsolidation and disposal of target	After the Disposal	Repayment of Bridge Loan ("Repayment")	After the Bridge Loan, Disposal and Repayment, Employee Scheme and Adjustment and Transaction Costs		After the Employee Scheme Transaction and Adjustment and Transaction Costs		
Notes	1	2	3=1+2	4.1	4.2	5=3+4	6	7=3+4+6	8.1	8.2	9=3+8.1+8.2	10=3+5+6+8.1+8.2
<b>Reconciliation of earnings to headline earnings:</b>												
<b>Loss attributable to owners of the parent from continuing operations</b>	(42 432)	(4 398)	(46 830)			(46 830)	-	(46 830)	(324)	(1 258)	(48 412)	(48 412)
<i>Adjusted for:</i>												
Profit on disposal of property, plant and equipment	(222)		(222)			(222)		(222)			(222)	(222)
Loss/(profit) on sale of subsidiary	37		37			37		37			37	37
Impairment of intangible asset	982		982			982		982			982	982
Impairment of right of use asset	23 931		23 931			23 931		23 931			23 931	23 931
Impairment of goodwill	-		-			-		-			-	-
Profit on sale of partnership	(150)		(150)			(150)		(150)			(150)	(150)
Income tax effect	94		94			94		94			94	94
<b>Headline loss from continuing operations</b>	<b>(17 760)</b>	<b>(4 398)</b>	<b>(22 158)</b>			<b>(22 158)</b>		<b>(22 158)</b>	<b>(324)</b>	<b>(1 258)</b>	<b>(23 740)</b>	<b>(23 740)</b>
<b>Loss attributable to owners of the parent from discontinued operations</b>	(58 007)		(58 007)		43 775	(14 232)		(14 232)			(58 007)	(14 232)
<i>Adjusted for:</i>												
Loss/(profit) on disposal of property, plant and equipment	80		80		(80)	-		-			80	-
Impairment of disposal group	55 750		55 750		(55 750)	-		-			55 750	-
Loss on disposal of disposal group			-		14 232	14 232		14 232			-	14 232
Income tax effect	(22)		(22)		22	-		-			(22)	-

ZAR'000	Bridge Loan (2)		The Disposal (4)				Repay-ment of Bridge Loan (“Repay-ment”) Repayment Adjustment	After the Bridge Loan, Disposal and Repayment Costs	After the Employee Scheme Transaction and Adjustment Costs	After the Bridge Loan, Disposal, Repayment, Employee Scheme Transaction and Adjustment Costs		
	Unadjusted	Bridge Loan	After Bridge Loan	Repay-ment of promissory notes	Decon-solidation and disposal of target	5=3+4					6	7=3+4+6
<b>Notes</b>	1	2	3=1+2	4.1	4.2	5=3+4	6	7=3+4+6	8.1	8.2	9=3+8.1+8.2	10=3+5+6+8.1+8.2
<b>Headline loss from discontinued operations</b>	(2 199)		(2 199)	-	2 199	(22 158)	-	(22 158)	-	-	(2 199)	(0)
<b>Total headline loss</b>	(19 958)	(4 398)	(24 356)	-	2 199	(22 158)	-	(22 158)	(324)	(1 258)	(25 939)	(23 740)
Weighted average number of shares in issue	28 474		28 474			28 474		28 474	-		28 474	28 474
EPS per share from discontinued operations (cents)	(149.0)		(164.5)			(164.5)		(164.5)	-		(170.0)	(170.0)
EPS per share from discontinued operations (cents)	(208.4)		(208.4)			(50.0)		(50.0)	-		(208.4)	(50.0)
<b>Total EPS per share (cents)</b>	(352.7)		(368.2)			(214.5)		(2214.5)			(373.7)	(220.0)
HEPS per share from continuing operations (cents)	(62.4)		(77.8)			(77.8)		(77.8)	-		(83.4)	(83.4)
HEPS per share from discontinued operations (cents)	(7.7)		(7.7)			(0.0)		(0.0)	-		(7.7)	(0.0)
<b>Total HEPS per share (cents)</b>	(70.1)		(85.5)			(77.8)		(77.8)	-		(91.1)	(83.4)

**Notes:**

1. Represents the unadjusted published interim consolidated statement of comprehensive income of the Group for the interim period ended 31 December 2019. For the statement of comprehensive income purposes, the adjustments are based on the assumption that the Transactions are effective 1 July 2019. The Repayment is conditional upon the Disposal. The Disposal and the Employee Scheme Transaction are however not conditional upon each other.

**Post balance sheet events:**

2. This column reflects:
  - Finance costs of R4.7 million charged at a rate equal to JIBAR plus 2.5%, compounded monthly. For *pro forma* purposes, JIBAR of 6.8% plus 2.5% was applied in calculating an interest charge on the loan from 1 July 2019 to 31 December 2019. The finance cost is expected to have an on-going effect up to the date of repayment of the Bridge Loan.
  - Finance income of R0.6 million earned on the short-term financing received from 1 July 2019 to 31 December 2019 at a rate equal to 6.24% compounded monthly. The finance income is expected to have an on-going effect up to the date of repayment of the Bridge Loan, expected by 30 June 2020 but, no later than 31 December 2020.
  - An underwriting fee charged by RMB of R2 million for the short-term Bridge Loan advanced by RMB to ELB Engineering.
  - A tax credit R1.7 million on all of the above levied at a tax rate of 28%.
3. This column reflects the impact of the Bridge Loan adjustments in column 2 on the ELB unadjusted consolidated statement of comprehensive income of the Group for the interim period ended 31 December 2019.

**Pro forma events:**

4. These columns reflect the impact of the Disposal as detailed in paragraph 2 of this Circular. The adjustments include the following:
  - 4.1 The repayment of the Promissory Notes to ELB Engineering which has no impact on the consolidated statement of comprehensive income of the Group for the interim period ended 31 December 2019.
  - 4.2 The financial information in this column have been extracted from the reviewed interim financial information of ELB Australia for the interim period ended 31 December 2019, as reviewed by BDO and incorporated into the Circular by reference in terms of paragraph 14 of this Circular. It further reflects the deconsolidation of ELB Australia, which will no longer be consolidated after the effective date of sale being 01 July 2019 for purpose of the *pro forma* statement of comprehensive income. No adjustments have been made except to operating expenses as follows:
  - 4.3 Reconciliation of the interim financial statements to the amounts disclosed in the *pro formas* for the deconsolidation and loss on sale of target:

	<b>Operating costs excluding depreciation and amortisation of non-financial assets</b>	<b>Impairment of disposal group/ loss on disposal</b>	<b>Finance expenses</b>	<b>Loss before tax</b>
Amounts as disclosed in the interim financial information for ELB Australia for the period ended 31 December 2019, incorporated by reference in terms of paragraph 14 of the Circular	(R274.2 million)		(R3.9 million)	(R5.2 million)
Inter-group management fees that was derecognised on consolidation	R0.4 million			R0.4 million
Inter-group interest expense that was derecognised on consolidation			R1.2 million	R1.2 million
Impairment of disposal group as recognised on consolidation		(R55.8 million)		(R55.8 million)
<b>Amounts as disclosed before the deconsolidation and loss on sale of the target (column 1)</b>	<b>(R273.8 million)</b>	<b>(R55.8 million)</b>	<b>(R2.7 million)</b>	<b>(R59.4 million)</b>
Net loss on disposal:		R14.2 million		R14.2 million
• Release of the FCTR (foreign exchange gain)		(R46.3 million)		(R46.3 million)
• Loss on disposal (after transaction costs of R3.7 million (ex vat))		R60.5 million		R60.5 million
Deconsolidation and loss on sale of target (column 4.2)	R273.8 million	R41.6 million	R2.7 million	R45.2 million
<b>Statement of Comprehensive Income after the Disposal (column 5)</b>	<b>–</b>	<b>(R14.2 million)*</b>	<b>–</b>	<b>(R14.2 million)</b>

4.3.1 The above results in a net loss on disposal of R14.2 million.

4.4 All of the above except for the transaction costs will have a continuing effect.

5. This column reflects the impact of all the Disposal adjustments on the ELB consolidated statement of comprehensive income of the Group for the interim period ended 31 December 2019 after taking into account the Post Balance Sheet Event.
6. This column reflects to the repayment of the loan granted by RMB plus the RMB underwriting fee as detailed in note 2 less finance costs of R4.8 million not incurred due to the repayment of the Bridge Loan assumed to be effective 1 July 2019 and finance income not earned of R0.6 million on the ELB consolidated statement of comprehensive income of the Group for the interim period ended 31 December 2019 after taking into account the Post Balance Sheet Event.
7. This column reflects to cumulative impact of the loan advanced by RMB to ELB, the disposal of ELB Australia and the repayment of the loan from RMB on the ELB consolidated statement of comprehensive income of the Group for the interim period ended 31 December 2019 after taking into account the Post Balance Sheet Event which, other than the Disposal, are not expected to have a continued effect.
8. This column comprises:
  - 8.1 The sale of excess shares from the ELB Share Incentive Trust to ELB Group Limited. On sale, these shares will be cancelled. In substance, the share purchase arrangement is an option as neither the shares nor the loan are outstanding until the options are exercised by paying the exercise price for the shares or the option expires. Accordingly, until exercise of the options the shares issued to employees are treated as treasury shares and no financial asset for the loan receivable from the employees is recognised until this time. The sale triggers Securities transfer tax resulting in a tax charge of R0.04 million.

- A repurchase of exercised but unpaid share options and a cancellation of treasury shares resulting in:
  - Security transfer tax payable by the Company of R0.3 million
- A cancellation of the 2010 share option scheme which has no impact on ELB's statement of comprehensive income.
- A sale of the Share Incentive Trusts assets and liabilities to ELB Group Limited which has no impact on ELB's statement of comprehensive income.
- The collapse of the Share Incentive Trust which has no impact on ELB's statement of comprehensive income.

8.2 The transaction costs associated with the cancellation of the employee scheme of R1.3 million.

8.3 All of the above except for the transaction costs will have a continuing effect.

9. This column reflects the impact of all the transactions required for the cancellation of the employee scheme and related transaction costs as detailed in paragraph 3 on the ELB consolidated statement of comprehensive income of the Group for the interim period ended 31 December 2019 after taking into account the Post Balance Sheet Event.
10. This column reflects the impact of all the Proposed Transactions set out in the Circular on the ELB consolidated statement of comprehensive income of the Group for the interim period ended 31 December 2019 after taking into account the Post Balance Sheet Event.

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**DETAILS OF THE EMPLOYEE SCHEME**


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<b>Name of Employee Scheme Participant</b>	<b>Balance of Employee Scheme Debt</b>	<b>Number of Employee Scheme Shares to be repurchased</b>	<b>Implied Repurchase Price (cents)</b>
<b>Directors*</b>			
Stephen John Meijers	10 824 000	800 000	1 353
Stephen John Meijers	9 345 000	500 000	1 869
Michael Craig Easter	1 562 250	75 000	2 083
Cornelius Johannes Smith	2 812 050	135 000	2 083
Cornelius Johannes Smith	1 494 900	45 000	3 322
Cornelius Johannes Smith	1 055 340	78 000	1 353
<b>Total Directors</b>	<b>27 093 540</b>	<b>1 633 000</b>	
<b>Employees#</b>			
Employee Group	14 268 550	685 000	2 083
Employee Group	10 318 300	312 500	3 322
Employee Group	1 613 250	75 000	2 151
Employee Group	850 740	66 000	1 289
Employee Group	105 400	5 000	2 108
Employee Group	3 639 570	271 717	1 353
<b>Total Employees</b>	<b>30 795 810</b>	<b>1 415 217</b>	
<b>TOTAL</b>	<b>57 889 350</b>	<b>3 048 217</b>	

\* including directors who may have resigned within 18 months from the Last Practicable Date

# excludes directors

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**DETAILS OF UNEXERCISED OPTIONS**

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<b>Number of Options/Shares</b>	<b>Grant date</b>	<b>Weighted average strike price (cents)</b>
22 000	23/09/2010	1 289
485 000	18/05/2017	2 083

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**SECTIONS 115 AND 164 OF THE COMPANIES ACT**

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**EXTRACT OF SECTION 115 OF THE COMPANIES ACT**

- (1) Despite section 65, and any provision of a company's Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities, to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless
- (a) the disposal, amalgamation or merger, or scheme of arrangement
    - (i) has been approved in terms of this section; or
    - (ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and
  - (b) to the extent that Parts B and C of this Chapter, and the Takeover Regulations, apply to a company that proposes to
    - (i) dispose of all or the greater part of its assets or undertaking;
    - (ii) amalgamate or merge with another company; or
    - (iii) implement a scheme of arrangement, the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119 (4) (b), or exempted the transaction in terms of section 119 (6).
- (2) A proposed transaction contemplated in subsection (1) must be approved
- (a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company's Memorandum of Incorporation, as contemplated in section 64 (2); and
  - (b) by a special resolution, also adopted in the manner required by paragraph (a), by the shareholders of the company's holding company if any, if
    - (i) the holding company is a company or an external company;
    - (ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and
    - (iii) having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and
  - (c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).
- (3) Despite a resolution having been adopted as contemplated in subsections (2) (a) and (b), a company may not proceed to implement that resolution without the approval of a court if
- (a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or

- (b) the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).
- (4) For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights
  - (a) required to be present, or actually present, in determining whether the applicable quorum requirements are satisfied; or
  - (b) required to be voted in support of a resolution, or actually voted in support of the resolution.
- (4A) In subsection (4), “act in concert” has the meaning set out in section 117 (1) (b).
- (5) If a resolution requires approval by a court as contemplated in terms of subsection (3) (a), the company must either
  - (a) within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or
  - (b) treat the resolution as a nullity.
- (6) On an application contemplated in subsection (3) (b), the court may grant leave only if it is satisfied that the applicant
  - (a) is acting in good faith;
  - (b) appears prepared and able to sustain the proceedings; and
  - (c) has alleged facts which, if proved, would support an order in terms of subsection (7).
- (7) On reviewing a resolution that is the subject of an application in terms of subsection (5) (a), or after granting leave in terms of subsection (6), the court may set aside the resolution only if
  - (a) the resolution is manifestly unfair to any class of holders of the company’s securities; or
  - (b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.
- (8) The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person
  - (a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and
  - (b) was present at the meeting and voted against that special resolution.
- (9) If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect
  - (a) the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;
  - (b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;
  - (c) the transfer of shares from one person to another;
  - (d) the dissolution, without winding-up, of a company, as contemplated in the transaction;
  - (e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or
  - (f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger.

**EXTRACT OF SECTION 164 OF THE COMPANIES ACT**

- “(1) This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.

- (2) If a company has given notice to shareholders of a meeting to consider adopting a resolution to:
  - (a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
  - (b) enter into a transaction contemplated in section 112, 113, or 114,
  - (c) that notice must include a statement informing shareholders of their rights under this section.
- (3) At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.
- (4) Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who:
  - (a) gave the company a written notice of objection in terms of subsection (3); and
  - (b) has neither:
    - (i) withdrawn that notice; nor
    - (ii) voted in support of the resolution.
- (5) A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if:
  - (a) the shareholder:
    - (i) sent the company a notice of objection, subject to subsection (6); and (ii) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
  - (b) the company has adopted the resolution contemplated in subsection (2); and
  - (c) the shareholder:
    - (i) voted against that resolution; and
    - (ii) as complied with all of the procedural requirements of this section.
- (6) The requirement of subsection (5)(a)(i) does not apply if the company failed to give notice of the meeting or failed to include in that notice a statement of the shareholders rights under this section.
- (7) A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within:
  - (a) 20 business days after receiving a notice under subsection (4); or
  - (b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.
- (8) A demand delivered in terms of subsections (5) to (7) must state:
  - (a) the shareholder's name and address;
  - (b) the number and class of shares in respect of which the shareholder seeks payment; and
  - (c) a demand for payment of the fair value of those shares.
- (9) A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless:
  - (a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)(b);
  - (b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
  - (c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.
- (10) If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.

- (11) Within five business days after the later of:
- (a) the day on which the action approved by the resolution is effective;
  - (b) the last day for the receipt of demands in terms of subsection (7)(a); or
  - (c) the day the company received a demand as contemplated in subsection (7)(b), if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.
- (12) Every offer made under subsection (11):
- (a) in respect of shares of the same class or series must be on the same terms; and
  - (b) lapses if it has not been accepted within 30 business days after it was made.
- (13) If a shareholder accepts an offer made under subsection (12):
- (a) the shareholder must either in the case of:
    - (i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or
    - (ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and
  - (b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and:
    - (i) tendered the share certificates; or
    - (ii) directed the transfer to the company of uncertificated shares.
- (14) A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has:
- (a) failed to make an offer under subsection (11); or
  - (b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.
- (15) On an application to the court under subsection (14):
- (a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;
  - (b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and
  - (c) the court:
    - (i) may determine whether any other person is a dissenting shareholder who should be joined as a party;
    - (ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);
    - (iii) in its discretion may:
      - (aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or
      - (bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;
    - (iv) may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the Court; and
    - (v) must make an order requiring:
      - (aa) the dissenting shareholders to either withdraw their respective demands, in which case the shareholder is reinstated to their full rights as a shareholder, or to comply with subsection (13)(a); and

(bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)(a), subject to any conditions the court considers necessary to ensure that the Company fulfils its obligations under this section.

(15A) At any time before the court has made an offer contemplated in subsection (15)(c)(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case

- (a) that shareholder must comply with the requirements of subsection 13(a); and
- (b) the company must comply with the requirements of subsection 13(b).

(16) The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.

(17) If there are reasonable grounds to believe that compliance by a company with subsection (13)(b), or with a court order in terms of subsection (15)(c)(v)(bb), would result in the company being unable to pay its debts as they fall due and payable for the ensuing 12 months:

- (a) the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and
- (b) the court may make an order that:
  - (i) is just and equitable, having regard to the financial circumstances of the company; and
  - (ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.

(18) If the resolution that gave rise to a Shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.

(19) For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to:

- (a) the provisions of that section; or
- (b) the application by the company of the solvency and liquidity test set out in section 4.

(20) Except to the extent:

- (a) expressly provided in this section; or
- (b) that the Panel rules otherwise in a particular case,

a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person.



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

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## NOTICE OF GENERAL MEETING

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Notice is hereby given that a meeting of the Shareholders of ELB will be held at 10:00 on **Monday 25 May 2020** at 345 Rivonia Boulevard, Rivonia, Sandton, 2196 South Africa or via electronic facility as will be announced on SENS, to consider and, if deemed fit, to pass, with or without modification, the special and ordinary resolutions set out below.

The definitions and interpretation commencing on page 7 of the Circular to which this notice is attached, apply, *mutatis mutandis*, to this notice and to the resolutions set out below.

The Voting Record Date in terms of section 59 of the Companies Act to be recorded on the Register in order to be able to attend, participate, speak and vote at the General Meeting is Friday, 15 May 2020.

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<b>Important dates to note</b>	<b>2020</b>
Last day to trade in order to be eligible to vote at the General Meeting	<b>Tuesday, 12 May</b>
Voting Record Date to be able to vote at the General Meeting	<b>Friday, 15 May</b>
Forms of Proxy to be received by no later than 10:00 on	<b>Thursday, 21 May</b>
General Meeting to be held at 10:00 on	<b>Monday, 25 May</b>

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### **In terms of section 62(3)(e) of the Companies Act:**

- **a Shareholder who is entitled to attend and vote at the General Meeting is entitled to appoint a proxy, or two or more proxies, to attend and participate in and vote at the General Meeting in the place of the Shareholder, by completing the Form of Proxy in accordance with the instructions set out therein;**
- **a proxy need not be a Shareholder; and**
- **Shareholders recorded in the Register on the Voting Record Date (including Shareholders and their proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in the General Meeting. Forms of identification include valid identity documents, driver’s licences and passports.**

In terms of section 61(10) of the Companies Act:

Shareholders or their proxies may participate in (but not vote at) the General Meeting by way of electronic participation, if they wish to do so:

- must contact the Transfer Secretaries by no later than 10:00 on **Friday, 15 May 2020**;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately for their participation in the General Meeting,
- provided that Shareholders and their proxies will not be able to vote at the General Meeting via electronic participation and, if Shareholders wish to vote at the General Meeting, they will still need to appoint a proxy to vote on their behalf at the General Meeting.

### **SPECIAL RESOLUTION NUMBER 1 – CONVERSION OF AUTHORISED AND ISSUED SHARE CAPITAL OF PAR VALUE SHARES TO NO PAR VALUE SHARES**

“RESOLVED THAT, in terms of clause 8.1 of the MOI and regulation 31(6) of the Companies Act, and subject to the passing of special resolution 2, 3 and 4, the existing authorised ordinary share capital of 50 000 000 Shares of a par value of 4 cent each, be converted into 50 000 000 Shares of no par value and the existing issued ordinary share capital of 32 502 894 Shares of a par value of 4 cent each, be converted into 32 502 894 Shares of no par value.”

In terms of the Companies Regulations, at least 75% of the votes cast by Shareholders present or represented by proxy at the meeting must be cast in favour of this special resolution for it to be adopted.

### **SPECIAL RESOLUTION NUMBER 2 – INCREASE IN AUTHORISED SHARE CAPITAL**

“RESOLVED THAT, in terms of clause 8.2 of the MOI, section 36(2)(a) and section 16(1)(c) of the Companies Act and subject to the passing of special resolutions numbered 1 and 3 the authorised Share capital of the Company be and is hereby amended by the creation of a further 450 000 000 ordinary no par value shares in the authorised Share capital of the Company, ranking *pari passu* in all respects with the existing Shares in the authorised Share capital of the Company, so as to result in a total of 500 000 000 Shares in the authorised Share capital of the Company.”

The reason for and effect of this special resolution is to increase the Company’s authorised Share capital in order to create sufficient authorised Shares for the Company to have sufficient Shares in order to, *inter alia*, raise equity capital in future as required.

In terms of the Companies Act, at least 75% of the votes cast by Shareholders present or represented by proxy at the meeting must be cast in favour of this special resolution for it to be adopted.

### **SPECIAL RESOLUTION NUMBER 3 – AMENDMENT TO MEMORANDUM OF INCORPORATION TO REFLECT INCREASE IN AUTHORISED SHARE CAPITAL AND CONVERSION TO NO PAR VALUE SHARES**

“RESOLVED THAT, in terms of section 36(2)(a) and section 16(1)(c) of the Companies Act and 8.3 of the MOI, and subject to the passing of special resolutions numbered 1 and 2 the MOI of the Company is amended in order to reflect the increase in the authorised Share capital of the Company as well as the conversion of its share capital to no par value shares, in accordance with the text of the amendment which is referenced in paragraph 5.5 of the Circular.”

The reason for and effect of this special resolution is to amend the MOI to convert the Company’s Share capital to no par value shares and to increase the Company’s authorised Share capital, in order to create sufficient authorised Shares for the Company to have sufficient Shares in order to, *inter alia*, raise equity capital in future as required.

In terms of the Companies Act, at least 75% of the votes cast by Shareholders present or represented by proxy at the meeting must be cast in favour of this special resolution for it to be adopted.

### **SPECIAL RESOLUTION NUMBER 4 – SPECIFIC REPURCHASE OF EMPLOYEE SCHEME SHARES**

“RESOLVED THAT, subject to special resolution 5 and 7, the Company or a Subsidiary of the Company, be and is hereby authorised, by way of a specific authority, in terms of the Listings Requirements and the MOI of the Company, to acquire 3 048 217 Employee Scheme Shares from the Employee Trust at the Implied Repurchase Price, as set out in the Circular to which this notice is attached (wherein it is referred to as Specific Repurchase 2).”

The reason for and effect of this resolution is to allow the Company or a Subsidiary of the Company to repurchase Employee Scheme Shares in terms of a specific authority and to facilitate the Employee Scheme Transactions.

In terms of the Listings Requirements, at least 75% of the votes cast by Shareholders present or represented by proxy at the meeting must be cast in favour of this special resolution for it to be adopted. In terms of the Listings Requirements, the Employee Scheme Participants will be taking into account in determining the quorum for the General Meeting however their votes will not be taken into account in determining the results of this special resolution.

## **SPECIAL RESOLUTION NUMBER 5 – REPURCHASE OF MORE THAN 5% – EMPLOYEE SCHEME SHARES**

“RESOLVED THAT, subject to special resolution 4, and having regard to the fact that the Specific Repurchase 2 constitutes a repurchase of more than 5% of the Shares in the Company, the Company is hereby authorised in terms of the Specific Repurchase 2 to repurchase 3 048 217 Employee Scheme Shares from the Employee Trust at the Implied Repurchase Price, as set out in the Circular to which this notice is attached.”

The reason for and effect of this resolution is to allow the Company or a Subsidiary of the Company to repurchase Shares constituting 5% or more of the Company’s issued Shares, as per sections 48(8), 114 and 115 of the Companies Act.

In terms of the Companies Act, at least 75% of the votes cast by Shareholders present or represented by proxy at the meeting must be cast in favour of this special resolution for it to be adopted.

## **SPECIAL RESOLUTION NUMBER 6 – SPECIFIC REPURCHASE EXCESS TRUST SHARES**

“RESOLVED THAT, the Company be and is hereby authorised, by way of a specific authority, in terms of the Listings Requirements and the MOI of the Company, to acquire 981 135 Excess Trust Shares at R19.01 from the Trust and these shares are cancelled, as set out in the Circular to which this notice is attached (wherein it is referred to as Specific Repurchase 1).”

The reason for and effect of this resolution is to allow the Company or a subsidiary of the Company to repurchase Excess Trust Shares in terms of a specific authority and to facilitate the Employee Scheme Transactions.

In terms of the Listings Requirements, at least 75% of the votes cast by Shareholders present or represented by proxy at the meeting must be cast in favour of this special resolution for it to be adopted.

## **SPECIAL RESOLUTION NUMBER 7 – REPURCHASE OF MORE THAN 5% OF THE SHARES IN THE COMPANY IN AN INTEGRATED SERIES OF REPURCHASE TRANSACTIONS**

“RESOLVED THAT, subject to special resolutions 4, 5 and 6, and having regard to the fact that the Specific Repurchase 1 and the Specific Repurchase 2 are an integrated series of transactions as contemplated in section 48(8) of the Companies Act which together constitute a repurchase of more than 5% of the Shares in the Company, the Company is hereby authorised to implement the integrated series of transactions which comprises the Specific Repurchase 1 and the Specific Repurchase 2, as set out in the Circular to which this notice is attached.”

The reason for and effect of this resolution is to allow the Company or a Subsidiary of the Company to repurchase Shares constituting 5% or more of the Company’s issued Shares, as per sections 48(8), 114 and 115 of the Companies Act.

In terms of the Companies Act, at least 75% of the votes cast by Shareholders present or represented by proxy at the meeting must be cast in favour of this special resolution for it to be adopted.

## **ORDINARY RESOLUTION NUMBER 1– DISPOSAL OF ELB AUSTRALIA**

“RESOLVED THAT, in terms of section 9 of the Listings Requirements, the Company be and is hereby authorised to proceed with the Disposal of ELB Australia on the terms and conditions as set out in this Circular.”

The reason for and effect of this ordinary resolution is to allow the Company to dispose of its Australian operations.

In terms of the Listings Requirements, more than 50% of the votes cast by Shareholders present or represented by proxy at the meeting must be cast in favour of this resolution for it to be adopted.

## **ORDINARY RESOLUTION NUMBER 2 – AMENDMENT TO THE EMPLOYEE SCHEME 1**

“RESOLVED THAT as required in terms of 14.2 of the Listings Requirements, the amendments to the Employee Scheme as contemplated in terms of paragraph 3.3 be and are hereby approved.”

In terms of schedule 14.2 of the Listings Requirements, an amendment to an employee share scheme requires the approval of shareholders by ordinary resolution with at least a 75% vote.

The percentage of voting rights required for this ordinary resolution to be adopted is at least 75% of the voting rights exercised on such ordinary resolution, save that shares held by scheme participants that have been acquired under the Employee Scheme, and are still subject to its rules, are not entitled to vote in terms hereof.

### **ORDINARY RESOLUTION NUMBER 3 – AMENDMENT TO THE EMPLOYEE SCHEME 2**

“RESOLVED THAT as required in terms of section 18.1 of the Employee Scheme, the amendments to the Employee Scheme as contemplated in terms of paragraph 3.3 be and are hereby approved.”

In terms of section 18.1 of the Employee Scheme, an amendment to an employee share scheme requires the approval of shareholders by ordinary resolution with at least a 75% vote.

The percentage of voting rights required for this ordinary resolution to be adopted is at least 75% of the voting rights exercised on such ordinary resolution.

### **ORDINARY RESOLUTION NUMBER 4 – PLACING UNISSUED SHARES AND GENERAL ISSUE OF SHARES FOR CASH**

“RESOLVED THAT as required in terms of section 8.7.2 of the MOI, the Directors of the Company be and hereby are authorised, by way of general authority, to allot and issue all or any of the authorised but unissued shares in the capital of the Company, or grant options to do so, as they in their discretion deem fit subject to the requirements of the MOI, the Companies Act, the Listings Requirements and the JSE’s approval of each issuance, which authority shall remain in place until the next annual general meeting of the Company.”

In terms of the Company’s MOI read with the Listings Requirements, the Shareholders may authorise the directors to allot and issue the authorised but unissued shares, or grant options to do so, subject to the above limitations, as the directors in their discretion deem fit.

The percentage of voting rights required for this ordinary resolution to be adopted is more than 50% of the voting rights exercised on such ordinary resolution.

### **ORDINARY RESOLUTION NUMBER 5 – GENERAL AUTHORITY TO ISSUE SHARES FOR CASH**

“RESOLVED THAT the Directors of the Company be and hereby are authorised, as a general authority, to allot and issue Shares in the Company for cash as a general issue contemplated in paragraph 5.52 of the Listings Requirements, subject to the following:

- a. the Shares must be issued to public shareholders, as defined in paragraphs 4.25 to 4.27 of the Listings Requirements, and not to related parties;
- b. Shares which are the subject of a general issue for cash must be less than 10% of the Company’s listed equity securities as at the date of the notice of general/annual general meeting seeking the general issue for cash authority, provided that:
  - i. the authority shall be valid until the issuer’s next annual general meeting or for 15 months from the date on which this general issue for cash ordinary resolution was passed, whichever period is shorter, subject to the requirements of the JSE and to any other restrictions set out in this authority;
  - ii. the calculation of the applicant’s listed equity securities must be a factual assessment of the applicant’s listed equity securities as at the date of this notice of general/annual general meeting, excluding treasury shares;
  - iii. the specific number of shares representing the number up to 10% of the applicant’s listed equity securities as at the date of the notice of general/annual general meeting must be included as a number in the resolution seeking the general issue for cash authority, which number is 2 847 354, excluding treasury shares;
  - iv. any equity securities issued under the authority during the period contemplated in (i) above must be deducted from such number in (iii) above; and
  - v. in the event of a sub-division or consolidation of issued equity securities during the period contemplated in (i) above, the existing authority must be adjusted accordingly to represent the same allocation ratio;
- c. the maximum discount at which Shares may be issued is 10% of the weighted average traded price of such Shares measured over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the Shares. The JSE should be consulted for a ruling if the Company’s Shares have not traded in such 30 business-day period.

In terms of the paragraph 5.52 of the Listings Requirements, the Shareholders may authorise the directors to allot and issue Shares, or grant options to do so, for cash as a general issue.

The percentage of voting rights required for this ordinary resolution to be adopted is at least 75% of the voting rights exercised on such ordinary resolution.

#### **ORDINARY RESOLUTION NUMBER 6 – AUTHORISATION OF DIRECTORS**

“RESOLVED THAT each director of ELB be and are hereby individually authorised to do all things and sign all documents required to give effect to and implement the special and ordinary resolutions as contained in this notice of General Meeting.”

The percentage of voting rights that will be required for this ordinary resolution to be adopted is more than 50% of the voting rights exercised on the resolution.

#### **QUORUM**

The General Meeting may not begin until sufficient persons are present (in person or represented by proxy) at the General Meeting to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the General Meeting. A matter to be decided at the General Meeting may not begin to be considered unless sufficient persons are present at the meeting (in person or represented by proxy) to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter at the time the matter is called on the agenda. In addition, a quorum shall consist of at least three ELB Shareholders personally present or represented by proxy (and if the Shareholder is a body corporate, it must be represented) and entitled to vote at the General Meeting on matters to be decided by Shareholders.

#### **FORM OF PROXY**

A Form of Proxy is attached for the convenience of any Certificated Shareholders and “own name” Dematerialised Shareholders who are unable to attend the General Meeting who wish to be represented thereat. Forms of Proxy may also be obtained on request from ELB’s registered office. The duly completed Forms of Proxy must be deposited at or posted to the office of the Transfer Secretaries, to be received by no later than 48 hours prior to the General Meeting, i.e. by 10:00 on **Thursday, 21 May 2020**. The Form of Proxy may be handed to the chairman of the General Meeting before the proxy exercises the voting rights of the Shareholder at the General Meeting or adjourned General Meeting (as the case may be). Any Shareholder who completes and lodges a Form of Proxy will nevertheless be entitled to attend and vote in person at the General Meeting should the Shareholder subsequently decide to do so.

Attached to the Form of Proxy (*white*) is an extract of section 58 of the Companies Act, to which Shareholders are referred.

Shareholders who have already Dematerialised their Shares through a CSDP or Broker and who wish to attend the General Meeting must instruct their CSDP or Broker to issue them with the necessary letter of representation to attend.

Dematerialised Shareholders who have elected “own-name” registration in the Register through a CSDP and who are unable to attend but who wish to vote at the General Meeting must complete and return the attached relevant Form of Proxy and lodge it with the Transfer Secretaries; to be received by no later than 10:00 on **Thursday, 21 May 2020**.

By order of the Board.

**23 April 2020**



## ELB GROUP LIMITED

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

Share code: ELR  
ISIN: ZAE00035101  
("ELB" or "the Company")

### FORM OF PROXY

Where appropriate and applicable the terms defined in the Circular to which this Form of Proxy is attached forms part of and shall bear the same meaning in this Form of Proxy.

For use by the holders of Certificated Shares and/or Dematerialised Shares held through a CSDP or Broker who have selected "own-name" registration, registered as such at the close of business on the Voting Record Date, at the General Meeting to be held at 10:00 on **Monday, 25 May 2020** at the 345 Rivonia Boulevard, Rivonia, Sandton, 2192, South Africa or via electronic facility as will be announced on SENS or any postponement or adjournment thereof. The Form of Proxy may be handed to the chairman of the General Meeting before the proxy exercises the voting rights of the Shareholder at the General Meeting or adjourned General Meeting (as the case may be).

Dematerialised Shareholders who have not selected "own-name" registration must inform their CSDP or Broker timeously of their intention to attend and vote at the General Meeting or be represented by proxy thereat in order for the CSDP or Broker to issue them with the necessary letter of representation to do so or provide the CSDP or Broker timeously with their voting instruction should they not wish to attend the General Meeting in order for the CSDP or Broker to vote in accordance with their instructions at the General Meeting.

I/We (FULL NAMES IN BLOCK LETTERS PLEASE)

of (ADDRESS)

Telephone work ( )

Telephone home ( )

Cellphone number

Email address

being the holder/s of  shares in ELB, hereby appoint (see note 1)

1. \_\_\_\_\_ or failing him/her,

2. \_\_\_\_\_ of failing him/her,

3. the Chairman of the General Meeting,

as my/our proxy to act for me/us on my/our behalf at the General Meeting in accordance with the following instructions (see note 2):

	Number of votes		
	*For	*Against	*Abstain
<b>Special Resolution Number 1</b> – Conversion of Authorised and Issued Share Capital of par value shares to no par value shares			
<b>Special Resolution Number 2</b> – Increase in Authorised Share Capital			
<b>Special Resolution Number 3</b> – Amendments to the MOI			
<b>Special Resolution Number 4</b> – Specific Repurchase of Employee Scheme Shares			
<b>Special Resolution Number 5</b> – Repurchase of more than 5% – Employee Scheme Shares			
<b>Special Resolution Number 6</b> – Specific Repurchase of Excess Trust Shares			
<b>Special Resolution Number 7</b> – Repurchase of more than 5% – Integrated Series of Repurchase Transactions			
<b>Ordinary Resolution Number 1</b> – Disposal of ELB Australia			
<b>Ordinary Resolution Number 2</b> – Amendment to Employee Scheme – 1			
<b>Ordinary Resolution Number 3</b> – Amendment to Employee Scheme – 2			
<b>Ordinary Resolution Number 4</b> – Placing unissued shares and general issue of shares for cash			
<b>Ordinary Resolution Number 5</b> – General authority to issue shares for cash			
<b>Ordinary Resolution Number 6</b> – Authorisation of directors			

\* One vote per share held by Shareholders recorded in the Register on the Voting Record Date.

Signed at

on

2020

Signature

Assisted by me (where applicable)

**Notes:**

1. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space(s) provided. The person whose name appears first on this Form of Proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A proxy appointed by a Shareholder in terms hereof may not delegate his authority to act on behalf of the Shareholder to any other person.
3. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the General Meeting as he deems fit in respect of all the Shareholder's votes exercisable thereat.
4. Forms of proxy must be lodged at or posted to **Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132)) or emailed to proxy@computershare.co.za** to be received by not later than 10:00 on **Thursday, 21 May 2020** or not less than 48 hours before the recommencement of any adjourned or postponed meeting, or 10 minutes before the General Meeting is due to commence or recommence.
5. The completion and lodging of this Form of Proxy will not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so. In addition to the foregoing, a Shareholder may revoke the proxy appointment by (i) cancelling it in writing or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to ELB. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the Shareholder as at the later of the date stated in the revocation instrument, if any; or the date on which the revocation instrument was delivered in the required manner.
6. The chairman of the General Meeting may reject or accept any Form of Proxy which is completed and/or received otherwise than in accordance with these notes, provided that, in respect of acceptances, he is satisfied as to the manner in which the Shareholder(s) concerned wish(es) to vote.
7. Each Shareholder is entitled to appoint one or more proxies (none of whom need be a member of ELB) to attend, speak and vote in place of that Shareholder at the General Meeting.
8. Documentary evidence establishing the authority of a person signing this Form of Proxy in a representative capacity must be attached to this Form of Proxy unless previously recorded by ELB or Computershare Investor Services Proprietary Limited or waived by the chairman of the General Meeting.
9. Any alteration or correction made to this Form of Proxy must be initialled by the signatory(ies).
10. Where there are joint holders of shares:
  - 10.1 any one holder may sign the Form of Proxy; and
  - 10.2 the vote of the senior (for that purpose seniority will be determined by the order in which the names of Shareholders appear in the Register of members) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint holder(s) of ELB Shares.
11. This Form of Proxy may be used at any adjournment or postponement of the General Meeting, including any postponement due to a lack of quorum, unless withdrawn by the Shareholder.



