enX GROUP

# REVIEWED CONDENSED CONSOLIDATED PROVISIONAL FINANCIAL RESULTS

## for the year ended 31 August 2016

- Revenue ↑ 30% to R1,151 million
- Adjusted headline earnings ↓ 41% to R21,1 million
- Net asset value per share ↑ 5% to 114,5 cps
- Capital raised with the conclusion of the empowerment deal
- Genmatics, WAI and AGL acquisitions concluded and integrated into the Group
- Successful completion of the Eqstra transaction, implementation set for 2017 year end

**enX GROUP LIMITED** (Incorporated in the Republic of South Africa) (Registration number 2001/029771/06) JSE share code: ENX ISIN: ZAE000222253

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

| | % change | Reviewed year ended 31 August 2016 R'000 | Audited year ended 31 August 2015 R'000 |
|---|---|---|---|
| **Revenue** | 30 | **1 150 951** | 882 835 |
| Cost of sales | | **(881 043)** | (628 468) |
| **Gross profit** | 6 | **269 908** | 254 367 |
| Gross profit (%) | | **23%** | 29% |
| Other operating income | | **10 294** | 6 232 |
| Operating expenses | | **(250 623)** | (198 601) |
| IFRS 2 share appreciation rights charge | | **(6 323)** | (15 480) |
| Impairment of property, plant and equipment | | **(2 941)** | – |
| Impairment of goodwill | | **(78 205)** | (10 961) |
| **(Loss)/profit before interest and taxation** | (263) | **(57 890)** | 35 557 |
| **Net interest paid** | | **(8 484)** | (2 165) |
| Interest received | | **3 016** | 1 997 |
| Interest paid | | **(11 500)** | (4 162) |
| Share of profits/(losses) from associates | | **293** | (77) |
| **Net (loss)/profit before taxation** | (298) | **(66 081)** | 33 315 |
| Taxation | | **(5 312)** | (11 473) |
| **(Loss)/profit for the year attributable to equity holders of the parent** | (427) | **(71 393)** | 21 842 |
| *Other comprehensive loss:* | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| – Foreign currency translation reserve | | **(40)** | – |
| **Total comprehensive (loss)/income for the year** | | **(71 433)** | 21 842 |
| Basic (loss)/earnings per share (cents)* | (340) | **(12.6)** | 5.3 |
| Headline earnings per share (cents)* | (79) | **1.6** | 7.6 |
| Adjusted headline earnings per share (cents) | (57) | **3.7** | 8.7 |
| EBITDA[2] | (181) | **(39 595)** | 49 173 |
| Adjusted EBITDA[2] | (12) | **58 124** | 66 342 |
| Number of shares in issue at end of year | | **600 184 057** | 421 689 018 |
| Weighted average number of shares in issue | | **566 256 129** | 415 089 994 |

** Dilutionary instruments in issue do not have a dilutionary effect.*

| | % change | Reviewed year ended 31 August 2016 R'000 | Audited year ended 31 August 2015 R'000 |
|---|---|---|---|
| **1. Reconciliation of earnings to headline earnings** | | | |
| Net (loss)/profit for the year attributable to equity holders of the parent | | **(71 393)** | 21 842 |
| Adjusted for: | | | |
| Loss/(profit) on sale of property, plant and equipment | | **379** | (1 100) |
| Impairment of property, plant and equipment | | **2 941** | – |
| Impairment of goodwill | | **78 205** | 10 961 |
| Gain on loss of control | | **–** | (417) |
| Taxation effect on adjustments | | **(929)** | 308 |
| **Headline earnings attributable to ordinary shareholders** | (71) | **9 203** | 31 594 |
| Adjusted for: | | | |
| IFRS 2 share appreciation rights charge | | **6 323** | 15 480 |
| Restructuring costs | | **5 426** | – |
| Transaction costs (WAI, AGL and Eqstra) | | **4 824** | – |
| Release of straightline provision for operating lease | | **–** | (9 272) |
| Taxation effect on adjustments | | **(4 641)** | (1 738) |
| **Adjusted headline earnings attributable to ordinary shareholders** | (41) | **21 135** | 36 064 |
| **2. EBITDA reconciliation** | | | |
| (Loss)/profit from operations before interest and taxation | | **(57 597)** | 35 557 |
| Depreciation and amortisation | | **18 002** | 13 616 |
| **EBITDA** | (181) | **(39 595)** | 49 173 |
| IFRS 2 share appreciation rights charge | | **6 323** | 15 480 |
| Transaction costs (WAI, AGL and Eqstra) | | **4 824** | – |
| Restructuring costs | | **5 426** | – |
| Release of straightline provision for operating lease | | **–** | (9 272) |
| Impairment of property, plant and equipment | | **2 941** | 10 961 |
| Impairment of goodwill | | **78 205** | – |
| **Adjusted EBITDA** | (12) | **58 124** | 66 342 |
| Adjusted EBITDA (%) | | **5.1** | 7.5 |

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Reviewed as at 31 August 2016 R'000 | Audited as at 31 August 2015 R'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | **424 902** | 246 315 |
| Property, plant and equipment | **121 928** | 80 271 |
| Goodwill | **151 336** | 125 931 |
| Intangible assets | **128 393** | 21 809 |
| Trade and other receivables | **5 985** | – |
| Investment in associate | **971** | 678 |
| Deferred taxation | **16 289** | 17 626 |
| **Current assets** | **999 415** | 636 981 |
| Inventories | **542 626** | 353 736 |
| Trade and other receivables | **394 552** | 248 630 |
| Taxation receivable | **2 087** | 655 |
| Bank and cash balances | **60 150** | 33 960 |
| **Total assets** | **1 424 317** | 883 296 |
| **EQUITY AND LIABILITIES** | | |
| **Total shareholders' interests** | **687 420** | 461 346 |
| Stated capital | **634 565** | 345 387 |
| Non-distributable reserves | **(40)** | – |
| Accumulated profits | **52 895** | 115 959 |
| **Non-current liabilities** | **178 059** | 36 894 |
| Interest-bearing liabilities | **75 891** | 30 041 |
| Vendor loans payable | **65 864** | – |
| Deferred taxation | **36 304** | 6 853 |
| **Current liabilities** | **558 838** | 385 056 |
| Interest-bearing liabilities | **65 343** | 65 169 |
| Vendor loans payable | **33 897** | – |
| Trade and other payables | **405 962** | 296 631 |
| Taxation payable | **1 483** | 1 930 |
| Bank overdrafts | **52 153** | 21 326 |
| **Total equity and liabilities** | **1 424 317** | 883 296 |
| Net asset value per share (cents) | **114.5** | 109.4 |
| Net tangible asset value per share (cents) | **73.9** | 74.4 |
| Average net operating assets (R'000) | **650 301** | 424 303 |
| Average net tangible assets (R'000) | **406 451** | 276 563 |
| Average net operating assets turnover (x) | **1.8** | 2.1 |
| Average net tangible assets turnover (x) | **2.8** | 3.2 |
| Adjusted operating profit margin (%) | **3.5** | 6.0 |
| Pre-tax return on average net operating assets (%) | **5.6** | 12.6 |
| Pre-tax return on average net tangible operating assets (%) | **8.5** | 19.2 |

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

| | Reviewed year ended 31 August 2016 R'000 | Audited year ended 31 August 2015 R'000 |
|---|---|---|
| **Cash flows from operating activities** | **12 294** | (73 148) |
| Cash generated from/(utilised by) operations | **22 162** | (69 051) |
| Interest received (in cash) | **3 016** | 1 997 |
| Interest paid (in cash) | **(7 725)** | (4 162) |
| Taxation paid | **(5 159)** | (1 932) |
| **Cash flows from investing activities** | **(276 701)** | (75 116) |
| Additions to property, plant and equipment | **(20 135)** | (42 454) |
| Proceeds on disposal of property, plant and equipment | **754** | 6 598 |
| Business combinations | **(257 320)** | (39 598) |
| Loss of control in subsidiary | **–** | 338 |
| **Cash flows from financing activities** | **259 770** | 87 254 |
| Interest-bearing liabilities raised | **80 000** | 89 781 |
| Interest-bearing liabilities paid | **(67 093)** | (2 527) |
| Payments on transactions with non-controlling interest | **(9 340)** | – |
| Proceeds from additional shares issued | **256 203** | – |
| Net decrease in cash and cash equivalents | **(4 637)** | (61 010) |
| Cash and cash equivalents at the beginning of the year | **12 634** | 73 644 |
| **Cash and cash equivalents at the end of the year** | **7 997** | 12 634 |

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Reviewed year ended 31 August 2016 R'000 | Audited year ended 31 August 2015 R'000 |
|---|---|---|
| **Stated capital** | **634 565** | 345 387 |
| Balance at beginning of year | **345 387** | 295 497 |
| Increase through the issue of shares (net of costs) | **289 178** | 49 890 |
| **Non distributable reserve** | **(40)** | – |
| Balance at beginning of year | **–** | – |
| Foreign currency translation reserve | **(40)** | – |
| **Non-controlling interest** | **–** | – |
| Balance at beginning of year | **–** | – |
| At acquisition of subsidiary | **9 979** | – |
| Transactions with non-controlling interest | **(1 650)** | – |
| Transferred to accumulated profits | **(8 329)** | – |
| **Accumulated profits** | **52 895** | 115 959 |
| Balance at beginning of year | **115 959** | 94 117 |
| Total comprehensive (losses)/income for the year | **(71 393)** | 21 842 |
| Transferred from non-controlling interest | **8 329** | – |
| **Balance at the end of the year** | **687 420** | 461 346 |

### CONDENSED SEGMENTAL ANALYSIS

| | Power | | Petrochemicals | | Wood | |
|---|---|---|---|---|---|---|
| | Reviewed as at 31 August 2016 R'000 | Audited as at 31 August 2015 R'000 | Reviewed as at 31 August 2016 R'000 | Audited as at 31 August 2015 R'000 | Reviewed as at 31 August 2016 R'000 | Audited as at 31 August 2015 R'000 |
| **Revenue** | **370 247** | 454 620 | **546 633** | 210 000 | **236 147** | 218 215 |
| External | **370 206** | 454 620 | **544 598** | 210 000 | **236 147** | 218 215 |
| Intercompany | **41** | – | **2 035** | – | **–** | – |
| **Gross profit** | **102 528** | 136 984 | **92 367** | 47 932 | **74 928** | 72 109 |
| *Gross profit (%)* | **28%** | 30% | **17%** | 23% | **32%** | 33% |
| **EBITDA**[3] | **7 827** | 64 791 | **39 154** | 8 026 | **19 149** | 17 249 |
| **Adjusted EBITDA** | **14 759** | 55 583 | **39 253** | 8 026 | **20 714** | 17 431 |
| Capital expenditure | **15 580** | 22 213 | **6 011** | 11 792 | **1 140** | 7 495 |
| Depreciation and amortisation | **7 110** | 3 992 | **5 999** | 3 662 | **4 108** | 5 691 |
| Total assets | **373 984** | 445 675 | **656 543** | 215 498 | **149 042** | 132 704 |
| Total liabilities | **59 801** | 198 897 | **394 114** | 158 125 | **63 962** | 49 344 |
| Net tangible operating assets[4] | **277 324** | 258 306 | **367 895** | 138 505 | **82 455** | 96 005 |
| Number of employees | **222** | 271 | **91** | 42 | **140** | 157 |

| | Head Office | | Consolidation | | Total | |
|---|---|---|---|---|---|---|
| | Reviewed as at 31 August 2016 R'000 | Audited as at 31 August 2015 R'000 | Reviewed as at 31 August 2016 R'000 | Audited as at 31 August 2015 R'000 | Reviewed as at 31 August 2016 R'000 | Audited as at 31 August 2015 R'000 |
| **Revenue** | **25 260** | 26 481 | **(27 336)** | (26 481) | **1 150 951** | 882 835 |
| External | **–** | – | **–** | – | **1 150 951** | 882 835 |
| Intercompany | **25 260** | 26 481 | **(27 336)** | (26 481) | **–** | – |
| **Gross profit** | **25 260** | 26 481 | **(25 175)** | (29 139) | **269 908** | 254 367 |
| *Gross profit (%)* | **100%** | 100% | | | **23%** | 29% |
| **EBITDA**[3] | **(26 731)** | (30 428) | **(78 994)** | (10 465) | **(39 595)** | 49 173 |
| **Adjusted EBITDA** | **(20 636)** | (14 843) | **4 034** | 145 | **58 124** | 66 342 |
| Capital expenditure | **57** | 954 | **–** | – | **22 788** | 42 454 |
| Depreciation and amortisation | **243** | 126 | **542** | 145 | **18 002** | 13 616 |
| Total assets | **537 672** | 331 778 | **(292 924)** | (242 359) | **1 424 317** | 883 296 |
| Total liabilities | **182 071** | 76 365 | **36 949** | (60 781) | **736 897** | 421 950 |
| Net tangible operating assets[4] | **517 615** | 338 483 | **(478 177)** | (259 200) | **767 112** | 572 099 |
| Number of employees | **7** | 7 | | | **460** | 477 |

*3. Exclude intercompany management fees and dividends.*
*4. Excludes goodwill and intangibles.*

# COMMENTARY

The recent completion, subsequent to the year end, by enX Group Limited (**"enX"** or **"the Company"** or **"the Group"**) of the acquisition of Eqstra Holdings Limited's (**"Eqstra"**) Industrial Equipment and Fleet Management and Logistics businesses has transformed enX into a diversified industrial group that provides quality branded industrial equipment, petrochemical, and fleet management and leasing products and services to a broad range of economic sectors in South Africa and sub-Saharan Africa. A key component of enX's business model is its offering of ongoing servicing and customer support, thereby adding value to the products sold through its partnerships with predominate global OEM's. Eqstra has recently been renamed eXtract Group Limited (**"eXtract"**). For the financial period being reported on, enX's major lines of business were the provision of quality branded power, petrochemical and wood products.

For the current financial reporting period the business were organised into the following three business segments:

- Power segment ("**Power**") incorporating:
  - Private Power Sales: The manufacture, supply, installation and maintenance of diesel generators and related components;
  - Power Product Distribution: The distribution of industrial engines, marine engines and components; and
  - Temporary Power: Rental of temporary power in the form of diesel generators.
- Petrochemicals segment ("**Petrochemicals**") incorporating:
  - Oil lubricants: The production and marketing of oil lubricants; and
  - Chemicals: The distribution of plastics, polymers, rubber and speciality chemicals
- Wood segment ("**Wood**") encompasses the distribution of professional woodworking equipment, tooling and edging and provision of associated services such as blade sharpening and equipment maintenance.

Post the Eqstra transaction, enX will be organised into the three operating segments, being Industrial Equipment, Fleet Management and Petrochemicals. This is fully detailed in the prospects paragraph below.

## Overview

The Group has had a transformational year in terms of realising its vision of building a large industrial business, having completed four material corporate transactions in pursuit of this goal. The sum of these transactions establishes enX as a diversified industrial business with significantly increased market capitalisation, assets under management and earnings base for the Group.

1. Our empowerment ownership transaction closed in September 2015, introducing a 25,01% empowerment shareholder and R213,8 million of fresh equity capital.
2. In the same month, we acquired the business of Genmatics, a provider of temporary power solutions based in KwaZulu-Natal. Genmatics operates a temporary power business, offering generators ranging in size from 30 kVA to 1 000 kVA to clients across South Africa. This transaction gave enX's Temporary Power division an immediate and substantial presence in KwaZulu-Natal, thereby establishing a national footprint. The combined Temporary Power fleet is now in excess of 250 generator sets, ranging in size from 4,5 kVA to 1 000 kVA. As part of the integration of this acquisition, the existing rental unit within the Power segments was rebranded as Genmatics (previously Neptune Plant Hire).
3. In July 2016, we completed the acquisitions of West Africa International Proprietary Limited ("**WAI**") and African Group Lubricants Proprietary Limited ("**AGL**"). The AGL acquisition will increase enX's market share in the oil lubricants market in South Africa and add scale to the business. In addition, it will increase enX's exposure to Sub-Saharan Africa and its proportion of United States Dollar denominated revenues. The chemicals distribution business of WAI brings a stable, defensive and cash generative business into enX in the speciality chemicals sector. The business has an experienced management team, profitable market positions and a well established distribution platform through which to channel new products. It will also open up a new industry for acquisitive growth opportunities for enX. Both transactions strengthen our relationship with ExxonMobil.
4. Finally, subsequent to the year end, in early November we completed the acquisition of Eqstra's Industrial Equipment ("**IE**") and Fleet Management and Logistics ("**FML**") businesses, a R1,5 billion equity capital raise and investment in debt, mezzanine and equity instruments issued by eXtract which contains the contract mining division of the pre-transaction Eqstra. The IE division provides distribution, rental and value added services for industrial and materials handling equipment in South Africa, various African countries and the United Kingdom. It remains the market leader in the Southern African forklift segment with the largest infrastructure of its kind in the region. The division has exclusive distribution rights in Southern Africa for amongst others, Toyota Forklift, BT Warehousing equipment, Konecranes heavy duty forklifts and container handling equipment and Hoppecke batteries and chargers. The UK industrial equipment business, Impact Fork Truck Limited, is the exclusive distributor for Cat Lift Trucks and Konecranes heavy duty forklifts and container handling equipment in the UK and Ireland. The FML division provides a full spectrum of passenger and commercial vehicle services including leasing, fleet management, outsourcing solutions, maintenance, warranty management and vehicle tracking solutions. Its footprint is in South Africa and sub-Saharan Africa. The FML division's commercial vehicle operations are supported by a nationwide network of workshops and panel repair shops. eXtract is a leading contract miner in sub-Saharan Africa. Full details of the aforementioned transaction are set out in the circular to enX shareholders and enX's revised listings particulars issued on 24 August 2016.

In terms of transformation, the Group has recently been verified as a Level 5 contributor in terms of the amended codes of good practice. Certain subsidiaries and associates within the Group have achieved Level 4 and Level 2 status.

## Results

The board presents the results of enX for the financial year ended 31 August 2016, which excludes any effects of the Eqstra transaction.

Revenue for the year increased 30% to R1,151 million (2015: R883 million) driven by healthy growth from the Petrochemicals segment. The oil lubricants business delivered strong organic growth in addition to being accounted for a full 12 months and the inclusion of the revenues generated by WAI and AGL for 2 months. Power segment revenues decreased by 19% to R370 million (2015: R455 million) as a result of the cessation of load shedding in August 2015. The Group's gross margins reduced to 23% (2015: 29%) as a result of the decline in margins in the Power segment and the significantly lower margins that are customary in the chemicals distribution business. Operating expenses increased 26% on the prior year, primarily due to the inclusion of Centlube for a full 12 months and the acquisition of WAI and AGL. On an adjusted basis, excluding once-off transaction and restructuring costs, the increase in operating expenses is 21%. A loss before interest, taxation, depreciation and amortisation of R39,6 million was incurred (2015: profit of R49,2 million). Consistent with prior year disclosure, management has elected to disclose adjusted earnings before interest, taxation, depreciation and amortisation ("**EBITDA**") which provides a more meaningful reflection of sustainable earnings. Adjusted EBITDA decreased by 12% to R58,1 million (2015: R66,3 million) at an adjusted EBITDA margin relative to revenue of 5.1% (2015: 7,5%). The adjustments to EBITDA arise from:

- IFRS2 charges of R6,3 million (2015: R15,5 million) relating to the provision for long-term share-related incentives awarded to Wild Rose Management Proprietary Limited and enX staff;
- restructuring costs of R5,4 million incurred in the Power and Wood clusters;
- transaction costs of R4,8 million relating to the WAI, AGL and Eqstra transactions;
- goodwill impairment of R78,2 million relating to the Private Power division of the Power segment; and
- impairment of property, plant and equipment in the Temporary Power division of the Power Segment to the value of R2,9 million.

The effective tax rate for the financial year was (8%) (2015: 34%). If the once off non-deductible charges for goodwill impairment and transactions costs are excluded, the effective tax rate would be 31%.

Headline earnings decreased by 71% to R9,2 million (2015: R31,6 million). This translates into headline earnings per share of 1,6 cents (2015: 7,6 cents). Adjusted headline earnings decreased by 41% to R21,1 million (2015: R36,1 million) and translated into adjusted headline earnings per share of 3,7 cents (2015: 8,7 cents).

With the completion of the acquisition of WAI and AGL, the Group's net interest bearing debt levels (both bank and vendor funded) increased by R166 million resulting in net gearing ratio of 34% (2015: 18%). Approximately R38 million of the recognised vendor loans may be equity settled. The final liability will be determined based on the achievement of earn-out targets. As a result of the higher debt levels, the Group's net interest charge increased by R6,3 million to R8,5 million.

Net working capital increased by R225 million as a result of the WAI and AGL acquisition. Excluding acquired receivables, inventory and payables from WAI and AGL, working capital increased by R33 million (11%).

Cash outflows from investing activities amounted to R276,7 million of which R257,3 million resulted from business combinations. Net additions to plant and equipment of R20,1 million were incurred to install oil lubricant storage equipment at customers, expanding the Temporary Power fleet, installing a new ERP system at Power and acquiring new delivery vehicles at Wood. The cash required to finance the business combinations was primarily sourced from the empowerment transaction and additional bank funding raised.

## Operational review

### Power

The Power segment, in particular the Private Power Sales division experienced a significant decline in revenue for the second half of the year. For the full year, revenue was down 19% to R370,2 million (2015: R454,6 million). This was driven by a significant decline in sales orders post load-shedding, compounded by a subdued macro-economic environment, particularly in the construction sector. In addition, two large orders which were expected to materialise in the second half were not awarded although they remain good prospects. The heightened activity during load shedding resulted in demand being brought forward, increased industry inventory levels and a number of new competitors entering the market. The result is that competition in the sector had increased simultaneously with a decline in demand. This has placed significant downward pressure on margins. In response to these conditions, the business has substantially reduced manufacturing and operating costs. Importantly, cash was released from working capital and the segment has been self-funding.

As a result of this financial result and market conditions, management and the board have reviewed the long-term outlook for the business and concluded that given the uncertainty regarding how the market may adjust to post load-shedding conditions it is prudent that the goodwill relating to the Private Power Sales division be impaired. The goodwill relating to the Temporary Power division remains intact.

The Distribution and Temporary Power divisions performed satisfactorily in a very tough market.

### Petrochemicals

The segment generated revenues of R544,6 million (2015: R210,0 million) and adjusted EBITDA of R39,3 million (2015: R8,0 million) before taking into account the impact of acquisitions. This is not directly comparable to the prior period which included 9 months of trading from the effective date of the Centlube acquisition being 1 December 2014. Nonetheless the business has performed exceptionally well with oil lubricant contract manufacturing volumes increasing significantly and having addressed the teething problems experienced with the take-on of the ExxonMobil distributorship. Gross margins also recovered having avoided the negative impact of volatile exchange rates experienced in the prior year.

The completion of the WAI and AGL acquisitions on 1 July 2016, has resulted in the inclusion of revenues of R143,4 million and adjusted EBITDA of R8,9 million.

### Wood

The Wood segment performed in line with expectations against the backdrop of subdued wood industry trading conditions. Revenue increased 8% to R236,1 million (2015: R218,2 million) driven by strong equipment sales and price increases brought on by the weaker Rand. Gross margins saw a slight contraction as a result of the change in sales mix from higher margin consumables to equipment and certain large equipment sales being concluded at margins lower than our targets. Cost reduction initiatives were also effected during the year resulting in a 19% increase in adjusted EBITDA to R20,7 million (2015: R17,4 million).

## Empowerment transaction and equity capital raise

As reported on at the half year end, an additional 25,01% B-BBEE equity participation in enX was successfully completed on 9 September 2015. 140 637 983 enX ordinary shares were issued to Samvenice Trading 1 Proprietary Limited, a wholly-owned subsidiary of CapLeverage Proprietary Limited, for an aggregate subscription price of R213,8 million.

## Business combinations

### Genmatics

In line with management's intention to expand the Temporary Power division within the Power Segment, the Group, through New Way Power (a wholly owned subsidiary), acquired the diesel generator rental business of Galeprops 2661 CC (trading as Genmatics), effective 1 September 2015.

The detail of the net assets acquired through this business combination, for which the purchase price has been allocated to the respective assets and liabilities, are as follows:

| **Genmatics** | **R'000** |
|---|---|
| Non-current assets | 34 392 |
| Current assets | 244 |
| Current liabilities | (43) |
| **Net tangible assets acquired** | **34 593** |
| Goodwill | 38 845 |
| **Total assets acquired** | **73 438** |
| Contingent purchase consideration | (12 326) |
| **Purchase consideration settled in cash** | **61 112** |

Revenue of R24,6 million and net profit after tax of R9,5 million have been included in these results since the acquisition date.

### West Africa International and Africa Group Lubricants

With effect from 1 July 2016, the Group acquired 100% shareholding and shareholders claims in WAI for a purchase consideration settled in cash and the issue of enX shares. One of WAI subsidiaries is AGL, of which WAI owned 62.4%. On 21 July 2016, enX acquired the remaining balance of 37.6%, in AGL.

The details of the net assets acquired through this business combination, for which the purchase price has been allocated to the respective assets and liabilities, is as follows:

| **WAI and AGL** | **R'000** |
|---|---|
| Non-current assets | 7 855 |
| Current assets | 392 438 |
| Shareholder loans | (79 857) |
| Non-current liabilities | (11 752) |
| Current liabilities | (248 555) |
| **Net tangible assets acquired** | 60 129 |
| Intangible assets acquired | 77 521 |
| – WAI | 63 676 |
| – AGL | 43 992 |
| – Deferred taxation raised on intangible assets | (30 147) |
| **Total identifiable net assets** | 137 650 |
| Non-controlling interest (37.6%) | (9 979) |
| Goodwill raised | 64 765 |
| – WAI | 52 461 |
| – AGL | 12 304 |
| **Total assets acquired** | 192 436 |
| Contingent purchase consideration | (75 193) |
| Purchase consideration settled in shares | (32 618) |
| Purchase consideration settled in cash | 84 625 |
| Cash balances (overdraft) taken over | 58 858 |
| Cash outflow – shareholder loans acquired | 52 725 |
| **Net cash outflow** | 196 208 |

The purchase price allocation of the WAI and AGL business combination is provisional and will be finalised on the one year anniversary of the business combination.

In order to bridge the funding for the WAI and AGL transaction, an interest-bearing shareholder's loan of R35 million was obtained on market related terms. The full loan has been repaid subsequent to year end from bank credit lines.

Revenue of R143,4 million and net profit after tax of R4,8 million has been included in these results since the acquisition date. If the acquisition had occurred on 1 September 2015, the following amounts would have been included in these results: Revenue of R948,2 million and net profit after tax of R31,7 million.

### Eqstra Holding's IE and FML divisions

Subsequent to the year end, with effect from 8 November 2016, enX acquired the IE and the FML divisions of Eqstra, through the issue to Eqstra of 52 715 390 new enX shares at an issue price of R21.00 per share. In addition, enX lent monies of R700 million to, assumed debt and acquired preference shares to the value of R600 million in MCC Contracts Proprietary Limited ("**MCC**"), with the option to subscribe for new eXtract shares. On 16 November 2016, enX acquired a strategic investment into eXtract, with 20% of its ordinary share capital issued to the Company, which comprises the Contract Mining and Plant Rental division (**"CMPR"**) of the former Eqstra.

Full details of the transaction are documented under the Subsequent Events section below.

Due to the close proximity in timing of the deal being concluded and enX's results being authorised for issue, enX is unable to present details of the amounts recognised at the acquisition date for each major class of assets and liabilities assumed, together with any resulting goodwill that will arise from the business acquisition. It is anticipated that the acquisition will result in a bargain purchase. Full details of this will be provided in due course.

## Prospects

Post the completion of the Eqstra transaction, the enX businesses will be arranged and managed under three clusters, in addition to enX's strategic investment in eXtract. An overview of the three clusters and the growth strategy of each is set out below:

*Industrial Equipment, which will comprise IE, Power and Wood:*

- Eqstra IE (South Africa) will seek to maintain its share of the local forklift market. The strategy to be employed by the team is centred on building and maintaining partnerships with key suppliers to ensure high quality products are available to customers at good prices and on competitive terms. In addition, we will seek to grow revenues from maintenance and services as customers delay future purchases of capital equipment.
- Eqstra IE division (United Kingdom) will seek to expand its market share significantly. The key driver for this growth is intended to be the acquisition of a complementary forklift business and a long-term partnership with a multinational forklift manufacturer.
- Power will seek to generate new sources of power related revenues. It will also consolidate its operations to reduce costs and improve efficiencies. There have been early signs of improvement in activity in the sector since the financial year end which has resulted in an increase in its order book. The Temporary Power and Distribution divisions are performing according to plan.
- Wood will seek to grow consumable and service revenues, which are more annuity based in nature and typically at a higher gross margin than equipment sales. Buoyant equipment sales have continued into the new financial year and the business is performing according to plan.

*Fleet Management comprising only FML:*

- FML will be focused on growing revenues derived from complementary services to the fleet offering. Such services are capital-light and typically at a higher gross margin. Capital will also be made available to this division to pursue new customer contracts. In addition, FML expects a gain in operating efficiencies following the roll out of its cutting-edge ERP operating system, Quest.

*Petrochemicals which will comprise the oil lubricants and chemicals distribution businesses:*

- The oil lubricants business will focus on growing its distribution and contract manufacturing volumes in addition to seeking new product opportunities through its key supplier partnerships. The integration of AGL will present opportunities to rationalise costs and improve efficiencies. We are in the process of seeking out additional manufacturing capacity to support anticipated higher volumes. The business is performing ahead of expectations.
- The chemicals distribution business of recently acquired WAI, will focus on growing market share in selected and niche chemicals where decent gross margins can be extracted. This is typically forthcoming from chemicals that are technically superior and/or have a particular brand association. The business will also seek complementary bolt-on acquisitions and opportunities to take on new distributorships whereby it can channel greater volumes through its existing distribution channels. The business is performing in line with expectations.

The broader industrial focus of enX post implementation of the Eqstra transaction may result in the addition of new segments should the valuation and growth prospects of the target businesses prove to be attractive.

Through enX's strategic investment into eXtract described above, eXtract will focus on improving the efficiencies of the mines on which they currently operate as well as looking for new projects that will diversify eXtract's geographic and commodity exposure. Over the next 24 months, management will continue to realise best value for the impaired excess and idle assets through disposals, the majority of the proceeds of which will most likely be applied to repay debt. In the longer term, eXtract will position itself as a mining services entity and will look to grow the business through further acquisitions.

A detailed description of the composition of enX post the Eqstra transaction and a forecast profitability can be found on our website: www.enxgroup.co.za.

## Subsequent events

It was announced on SENS on 30 June 2016 that enX had concluded an agreement with Eqstra in terms of which, inter alia enX would acquire all of the issued shares of Eqstra Investments Proprietary Limited, a newly incorporated subsidiary of Eqstra, which would own the IE division and FML division of Eqstra, for an aggregate consideration of approximately R7,8 billion, to be settled by enX as follows:

- the allotment and issue of the Consideration Shares, being 52 715 390 new enX shares at R21.00 per enX share (post consolidation) and post the placement;
- assuming approximately R5,2 billion of Eqstra group's debt obligation, of which R4,8 billion is currently within the IE and FML divisions; and
- the recapitalisation of Eqstra to the value of approximately R1,4 billion by way of enX:
  - subscribing for 101 400 000 new Eqstra ordinary shares at R1.00 per Eqstra ordinary share;
  - subscribing for 40 new MCC preference shares of R15 million each, for an aggregate subscription price of R600 million; and
  - advancing an enX loan of R700 million to MCC.

enX has, in terms of the main transaction agreement concluded with Eqstra, as amended, been granted a call option to subscribe in one or more tranches for Eqstra ordinary shares (at R1.50 per Eqstra ordinary share), to the value of R600 million. The call option may be exercised at any time after all of the MCC preference shares have been redeemed or, if the MCC preference shares have not been redeemed by the 5th anniversary after their issue date, by no later than 30 days after the expiry of the 5th anniversary. The call option shall lapse on the 30th day following the 5th year from the date of issue of the MCC preference shares, to the extent that it has not previously been exercised.

enX funded the IE and FML acquisitions and its investment in Eqstra by:

- issuing the consideration shares to Eqstra pursuant to the acquisition; and
- raising through a private placement, R1,5 billion of cash to fund (i) the Eqstra ordinary share subscription, (ii) the MCC preference share subscription, (iii) the enX loan to MCC and (iv) approximately R100 million for enX transaction costs and general corporate purposes. The capital raised was implemented by way of the allotment and issue of enX shares pursuant to a specific authority to issue shares for cash.

It was announced on SENS, that at the general meeting of enX shareholders, held on 22 September 2016, all of the resolutions tabled thereat in order to complete the above Eqstra transaction were passed by the requisite majority of shareholders.

It was further announced on SENS on 24 October 2016, that all the conditions precedent required to implement the Eqstra transaction had been fulfilled or waived. The IE and FML acquisitions' effective date was 8 November 2016.

enX has on 16 November 2016 been constituted as a shareholder of reference of eXtract, which post the disposal by Eqstra of the IE and FML division to enX in terms of the Eqstra transaction, will have the CMPR division as its sole remaining business.

The enX consideration shares were distributed on 21 November 2016, by way of an unbundling to Eqstra shareholders in the ratio of 0.13 enX consideration shares for every 1 Eqstra share held on 15 November 2016. The unbundling was the pen-ultimate of several transaction steps required to implement the Eqstra transaction.

As part of the transactions enX resolved to issue corporate guarantees for the debt assumed under the bank funding and domestic medium term bond program of Eqstra.

Prior to the implementation of the Eqstra transaction, enX consolidated its authorised and issued shares in the ratio of 11 to 1 (such that each shareholder now holds 1 share post-consolidation for every 11 shares held before the consolidation) and thereafter increased its authorised share capital by an additional 909 090 910 enX ordinary shares. These amendments to the enX capital structure were implemented independently of the Eqstra transaction.

Apart from the above, there has been no other material events subsequent to year-end that has been taken into account in the financial statements.

## Dividend

In line with the Group policy to reinvest for growth, no dividend has been declared for the year.

## Basis of preparation

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (**"IFRS"**) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

These results have been compiled under the supervision of the Financial Director, IM Lipworth CA (SA).

## Changes in directorships

The following changes to the directorships took place during the year:

- JS Friedman resigned as the Financial Director, effective 15 April 2016; and
- IM Lipworth was appointed as Financial Director, effective 1 May 2016.

The following changes have been made to the board of directors after the year end:

- M Motjope resigned as an alternate director to PC Baloyi on 1 September 2016;
- LN Molefe was appointed as an independent non-executive director, effective 21 October 2016;
- TC Moodley was appointed as a non-executive director, effective 21 October 2016;
- JL Serfontein was appointed as CEO, with PD Mansour being appointed the Executive deputy chairman, effective 8 November 2016; and
- LL von Zeuner and S Booysen were appointed as independent non-executive directors effective 8 November 2016.

## Reviewed results for the year ended 31 August 2016

The results for the year ended 31 August 2016 have been reviewed by Grant Thornton Johannesburg and their unmodified review conclusion is available for inspection at the company's registered office. The auditor's review report does not necessarily report on all of the information contained in these provisional condensed financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's review report together with the underlying financial information from the issuer's registered office. The directors take full responsibility for the preparation of the provisional condensed financial results and for ensuring that the financial information has been correctly extracted from the underlying reviewed provisional annual financial statements.

For and on behalf of the board

**PD Mansour**
*Executive Deputy Chairman*

**JL Serfontein**
*Chief Executive Officer*

**IM Lipworth**
*Financial Director*

23 November 2016

**Executive directors:** PD Mansour (Executive Deputy Chairman), JL Serfontein (Chief Executive Officer), IM Lipworth (Financial Director)
**Non-executive directors:** SB Joffe (Chairman), PM Makwana* (Lead Independent), PC Baloyi, S Booysen*, NV Lila*, LN Molefe*, TC Moodley, PS O'Flaherty, AJ Phillips*, LL von Zeuner*
**Independent*
**Business and registered address:** 202D, 11 Crescent Drive, Melrose Arch, 2196
**Postal address:** PO Box 1914, Florida, 1710
**Company secretary:** CIS Company Secretaries Proprietary Limited
**Transfer secretaries:** Computershare Investor Services Proprietary Limited
**Sponsor:** Java Capital
**Auditors:** Grant Thornton Johannesburg