



ANNUAL FINANCIAL STATEMENTS

2020

AUDITED ANNUAL FINANCIAL STATEMENTS

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Directors' responsibility statement	1
Company secretary compliance statement	1
Independent auditor's report	2
Audit and risk committee report	6
Directors' report	10
Consolidated statement of financial position	14
Consolidated statement of profit or loss and other comprehensive income	15
Consolidated statement of changes in equity	16
Consolidated statement of cash flows	17
Consolidated segmental analysis	18
Notes to the consolidated annual financial statements	20
Company statement of financial position	67
Company statement of profit and loss and other comprehensive income	68
Company statement of changes in equity	69
Company statement of cash flows	70
Notes to the company annual financial statements	71
ANNEXURE	
Annexure A – Interest in principal subsidiaries	79
Annexure B – Shareholders profiles	81

DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 31 August 2020

The directors are required in terms of the Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements fairly present the state of affairs of the group and the company as at the end of the financial year and the results of their operations and cash flows for the year then ended, in conformity with IFRS and its interpretations adopted by the International Accounting Standards Board, the SAICA Financial Reporting Guides, (as issued by the Accounting Practices Committee) and the Financial Reporting Pronouncements (as issued by the Financial Reporting Standards Council (FRSC)). The independent external auditor is engaged to express an independent opinion on the consolidated and separate annual financial statements.

The consolidated and separate annual financial statements are prepared in accordance with IFRS, JSE Listings Requirements and Companies Act and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk.

While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

Weaknesses identified by management and directors in the systems of internal control in the prior year have been addressed through revised standards of internal controls and the assistance of an experienced outsourced internal auditor function, BDO. The directors continue to consult with BDO throughout the year in order to ensure any newly identified weaknesses are addressed and that the current system of internal control is effective and that standards and policies are adhered to.

The directors have reviewed the group's cash flow forecast for the year to 30 November 2021 and, in light of this review, the current financial position and the additional considerations documented in the directors report with regards to going concern as well as note 36 in the consolidated annual financial statements, they are satisfied that the group has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

The consolidated and separate annual financial statements have been audited by the group's external auditor and their report is presented on pages 2 to 5.

APPROVAL OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements set out on pages 14 to 65 and pages 66 to 80 respectively, which have been prepared on the going concern basis, were approved by the board of directors on 23 November 2020 and were signed on its behalf by:



A Hannington
Chief Executive Officer



R Lumb
Chief Financial Officer

COMPANY SECRETARY COMPLIANCE STATEMENT

for the year ended 31 August 2020

In my capacity as company secretary, I hereby confirm that in terms of section 88(2)(e) of the Companies Act, the company has lodged all returns required of a public company in terms of this Act for the year ended 31 August 2020 with the Registrar of Companies and that all these returns are true, correct and up-to-date.



N Petrides
Company secretary

Isando
23 November 2020

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ENX GROUP LIMITED

REPORT ON THE AUDITED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of enX Group Limited and its subsidiaries ("the Group") set out on pages 14 to 80, which comprise the consolidated and separate statements of financial position as at 31 August 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of enX Group Limited and its subsidiaries as at 31 August 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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 Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

No Key Audit matters have been identified for the separate financial statements.

Key audit matter	How the matter was addressed in the audit
Impairment risk relating to the Group's intangible assets including goodwill	
<p>Goodwill and intangible assets having carrying values of R92 million and R73 million respectively at the year end. The directors are required to assess the valuation of intangible assets and goodwill in accordance with IFRS.</p>	<p>To determine whether there were impairment indicators at an enX Group level, we compared the Group's market capitalisation to the Group net asset value ("NAV") (including goodwill and intangibles) at year-end. The market capitalisation was below the NAV and as a result, there was considered to be an impairment risk indicator at a Group level.</p>
<p>The process followed by directors to assess intangible assets and goodwill for impairment requires judgement and includes the use of various estimates as detailed in notes 4 and 5 to the consolidated financial statements.</p>	<p>We performed a detailed review of the process applied by the directors to assess the Group's goodwill and intangible asset balances for possible impairment at the year-end including the testing of relevant controls for design effectiveness and implementation. We assessed the appropriateness and mechanical accuracy of the impairment models used by the directors and ensured that the valuation models were adequately reviewed and approved by Group management.</p>
<p>The key areas where the directors' utilise significant estimates is in the determination of the value in use calculation, the forecast cash flows of the underlying cash generating units ("CGU") and the discount rate to use in the assessment of the valuation and recoverability of the goodwill and intangible assets.</p>	<p>We assessed the material reasonableness of the key assumptions employed in the valuation models such as the revenue growth rates, operating cost inflation rates, capital expenditure and working capital forecasts against historic performance and approved budgets of the various CGU's.</p>
<p>In light of the significant directors' judgement and use of estimates as noted above, we consider the valuation of goodwill and intangible assets across the Group to be a Key Audit Matter.</p>	<p>We engaged our internal valuation specialists to assist with:</p> <ul style="list-style-type: none"> • Critically evaluating whether the valuation models used by the directors to calculate the value in use of the individual cash generating units are aligned with IAS 36 Impairment of assets; • Validating the assumptions used to calculate the discount rates and independently recalculating the discount and growth rates; • Analysing the future projected cash flows used in the valuation models to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the cash generating units; • Comparing the projected cash flows, including the assumptions relating to revenue, operating profits and terminal growth rates against historical performance to assess the reasonableness of the directors' projections; and • Independently recomputing the value in use of each of the cash generating units and comparing this to carrying value at 31 August 2020 to determine the appropriateness of either no impairment being required or the adequacy of an impairment being recorded.
	<p>Based on the procedures performed, the valuation methodology used is considered appropriate, the forecast cashflows are considered to be materially reasonable and the impairments recognised with regard to goodwill and intangible assets confirms that the carrying values of goodwill and intangible assets are considered to be materially reasonable.</p>
	<p>Fleet and Industrial Equipment South Africa</p>
	<p>The profitability of both the Fleet and Industrial Equipment South Africa CGUs was significantly impacted by the economic impact of the national lockdowns caused by the COVID-19 pandemic and the already weak South African economic environment. The profitability of the Fleet business was also directly impacted by the reduction in interest rates during the second half of the year. The profitability of these businesses is receiving significant attention from management but profitability levels are only expected to increase gradually over the forecast period which has directly impacted on management's cash flow forecasts used in the impairment models. The forecast cash flows have been audited and subject to a detailed sensitivity analysis and our conclusion is that the impairment recognised with regard to impairment of goodwill and intangibles is materially appropriate.</p>
	<p>We have reviewed the disclosure in notes 4 and 5 to the consolidated financial statements with respect to the judgements applied by the directors in assessing goodwill and intangible assets for impairment and we consider these to be appropriate.</p>

INDEPENDENT AUDITOR'S REPORT (continued)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "enX Group Limited Annual Financial Statements for the year ended 31 August 2020", which includes the Directors' Report, the Audit and Risk Committee's Report and the Company Secretary's Compliance Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company'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 Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are 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 and separate 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 consolidated and separate financial statements, 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 Group's and 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 directors' 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 and the Company'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 and separate financial statements 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 Group and/or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

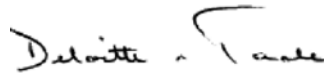
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the director, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Deloitte & Touche has been the auditor of enX Group Limited for four years.



Per: **Sebastian Benedikt Field Carter**
Partner
 23 November 2020

Deloitte & Touche, Registered Auditors, 5 Magwa Crescent
 Waterfall City Waterfall (Private Bag X6, Gallo Manor, 2052)

AUDIT AND RISK COMMITTEE REPORT

for the year ended 31 August 2020

DEAR SHAREHOLDER

The Audit and risk committee (“ARC” or “the committee”) has pleasure to present on behalf of the committee an overview of the activities performed during the financial year ended 31 August 2020. The ARC has reporting responsibilities to both shareholders and the board and is accountable to both.

The committee is constituted as a statutory committee of the group in terms of the Companies Act. Its operations are guided by a formal “Terms of reference” that are in line with the Companies Act and are approved by the board, as and when it is amended. The committee’s activities and constitution are aligned to the King IV Report on Governance. An annual work plan is drawn up to incorporate these obligations and progress is monitored to ensure all these are fulfilled. This process is supported by the audit sub-committees in all operating segments and subsidiaries. These sub-committees meet in terms of formal mandates which deal with issues arising at the operational segment or subsidiary level and are chaired by the group CFO. These committees provide formal feedback to ARC. The committee hence acts for the company and all of its subsidiaries (“the group”).

MEMBERSHIP

During the course of the year, the membership of the committee comprised solely of independent non-executive directors. The board of enX continues to believe that these members collectively possess the skills and knowledge to oversee and assess the strategies and processes developed and implemented by management to ensure that financial data is materially accurate and internal controls were effective. They are:

- B Ngonyama (Chairman);
- V Jarana (appointed as member 3 September 2020);
- L Molefe;
- K Matthews (appointed as member 3 July 2020 and resigned as a member 12 October 2020);
- AJ Phillips (resigned as member 12 February 2020); and
- E Oblowitz (appointed as member 6 December 2019 and resigned as a member 22 June 2020).

Shareholders voted in favour of B Ngonyama and L Molefe at the previous AGM and are requested to re-appoint the current members at the next AGM scheduled for 12 February 2021.

Meeting attendance is reported on in the integrated report.

In addition to the committee members, the CEO and CFO, outsourced internal auditor (BDO), external auditor (Deloitte & Touche) and CIO attend ARC meetings by invitation. The company secretary acts as secretary at these meetings.

Given the changes in the composition of the Board, and as a result the committee, which took place during the financial year, a formal assessment of the committee’s performance and effectiveness was not undertaken. The committee is, however, satisfied that it has fulfilled its duties as contained in its terms of reference. A formal evaluation will be undertaken in the 2021 financial year

DISCHARGE OF DUTIES FOR THE 2020 FINANCIAL YEAR

In the execution of its statutory duties and in accordance with its terms of reference, the committee effectively discharged its responsibilities and objectives as explained below during the past financial year.

OBJECTIVES AND SCOPE

The objectives of the ARC are as follows:

FINANCIAL REPORTING:

- to assist the board in discharging its duties relating to the safeguarding of assets and the operation of adequate systems and controls;
- to monitor and review accounting policies of the group and propose revisions and significant and unusual transactions, estimates and accounting judgements;
- to monitor and review the effectiveness of the internal control environment;
- to review and monitor the adequacy and effectiveness of the group’s enterprise-wide risk management policies, processes and mitigating strategies;
- to ensure that the company has established appropriate financial reporting procedures and that these procedures are operating;
- to control reporting processes and the preparation of accurate reporting of the annual financial statements in compliance with the applicable legal requirements and accounting standards; and
- to monitor the integrity of the group’s integrated annual reporting and to consider all factors and risks that may impact on the report.

RISK AND COMBINED ASSURANCE:

- to provide a forum for discussing business risk and control issues and to develop recommendations for consideration by the board; and
- to oversee the application of a combined assurance model to ensure a coordinated approach to all assurance activities. This is aimed for full implementation FY2021.

INTERNAL AUDIT AND INTERNAL CONTROLS:

- to oversee the activities of internal audit and monitor and review the effectiveness of the internal audit function; and
- to approve the internal audit plan and subsequent changes to the plan.

GOVERNANCE:

- to perform duties which are attributed to it by the Companies Act, the JSE and King IV;
- to monitor the governance of information technology (IT) and the effectiveness of the group’s information systems (further details in the governance section); and
- to evaluate the committee’s effectiveness.

EXTERNAL AUDITOR:

- to nominate the appointment of the independent external auditor to shareholders;
- to review and approve the terms of engagement of the external auditor;
- to approve the external auditor's remuneration;
- to pre-approve all non-audit services in line with the formal policy on non-audit services. Fees for non-audit services amounted to R2.3 million (2019: R0.7 million);
- to assess the external auditor's independence; and
- to assess the effectiveness of the group's external audit function.

THE ARC'S CURRENT YEAR ACTIVITIES INCLUDING:

- reviewing its terms of reference and work plan to ensure compliance with the relevant provisions of the Companies Act and King IV recommendations with respect to audit committees;
- reviewing reports from both internal and external auditors concerning the effectiveness of the internal control environment, systems and processes;
- reviewing reports from both internal and external auditors detailing concerns arising from their audits and ensured appropriate responses from management;
- formulation of recommendations to the board of directors regarding corrective actions to be taken as a consequence of audit findings;
- reviewing significant judgements and unadjusted differences resulting from the audit;
- review of the company's interim results for the six months ended 29 February 2020 and annual financial statements for the year ended 31 August 2020 taking into account ongoing recommendations made by the JSE's proactive monitoring committee to public issuers. The committee ensured that appropriate actions were taken to apply the recommendations made by the JSE on those matters to the extent required. The committee and company continue to be committed and to practise the highest standards of financial disclosure. The committee has satisfied itself that appropriate financial reporting procedures are in place and operating.
- recommendation of the following publicly disclosed information for adoption by the board:
 - the integrated annual report for the year ended 31 August 2020;
 - the consolidated and separate annual financial statements for the year ended 31 August 2020;
 - the interim results for the six months ended 29 February 2020; and
 - trading statements and other SENS announcements.

The ARC is of the opinion that it met the objectives of the committee, as set out in the Companies Act, King IV, the committee's terms of reference and in accordance with its annual work plan. The committee assesses its effectiveness every second year through the completion of a self-assessment process. No assessment had been completed for the 2020 year.

EXTERNAL AUDIT

The committee considered the effectiveness, independence and objectivity of the external auditor Deloitte & Touche and Mr SBF Carter, in their respective capacities as the company's appointed external audit firm and designated auditor and ensured that the scope of the additional services provided did not impair its independence.

The committee satisfied itself that the external auditor of the group is independent, as defined by the Companies Act.

The ARC, in consultation with executive management, agreed to an audit fee for the 2020 financial year. The fee is considered appropriate for the work conducted. Audit fees are disclosed in note 19 to the consolidated annual financial statements.

A formal procedure and policy are in place to consider the provision of non-audit services by the external auditor. This work is reviewed by the committee. In terms of the policy all fees above R1 million need to be approved by the committee. The committee receives a quarterly update of non-audit fees and is comfortable that the external auditor's independence has not been compromised by the performance of non-audit services.

The committee reviewed and approved the FY2020 external audit plan. The committee met with the designated audit partner, without management present, before meetings and was briefed throughout the year on general matters relating to the auditing and accounting that may impact enX as well of matters concerning the group and the audit process in particular. All matters of concern which were raised, have been appropriately dealt with. The committee confirmed that the external auditor has executed its audit responsibilities in accordance with International Standards on Auditing and had functioned in accordance with its mandate for the 2020 financial year. No matters of concern regarding the performance of the external auditor were noted by the committee.

The ARC reviewed the performance of the external auditor and nominated, for approval at the next AGM, Deloitte & Touche as the external auditor for the 2021 financial year, with Ms T Lavhengwa as the designated auditor. The amendments to the JSE Listings Requirements, effective 15 October 2017, regarding the new auditor accreditation process were also considered. Deloitte & Touche and Mr. SBF Carter were first appointed designated auditor to enX for the 2017 financial year.

INTERNAL AUDIT

Internal audit is a key assurance component within enX. The internal audit function has been outsourced to BDO. BDO subscribes to the Professional Practice of Internal Auditing. The function has been set up to report independently from management and has a direct reporting line to the chair of the audit and risk committee with an administrative reporting line to the CFO. The committee considered the effectiveness of internal audit, approved its charter and the annual internal audit plan and monitored adherence of internal audit to its annual plan throughout the year. The 2020 year plan had been impacted by the outbreak of COVID-19 and a large portion of the plan had to be delayed to 2021.

AUDIT AND RISK COMMITTEE REPORT (continued)

for the year ended 31 August 2020

The committee reviewed the performance, effectiveness and experience of the internal audit function and concluded that the internal audit function is independent, appropriately resourced and effectively fulfilled its obligations during the year.

The following functions were performed and reported on:

- Evaluating the effectiveness of internal controls over financial reporting and internal controls in general;
- Reviewing the governance of IT within the group;
- Assessing the governance of risk in line with the Combined Assurance Framework; and
- Report findings to management and the committee and monitoring the remediation of all significant deficiencies reported.

Where weaknesses in specific controls were identified by the internal auditor, management undertook to implement appropriate corrective actions and recommendations to mitigate the weakness identified. These undertakings were followed up by internal audit and reported on.

The committee met with BDO in private before meetings and on an ad-hoc basis throughout the year. Based on risk-based assurances given by BDO, the committee is of the opinion that the group's system of internal controls and risk management is effective and that the internal financial controls form a sound basis for the preparation of reliable annual financial statements.

ASSESSMENT OF INTERNAL CONTROL

Based on the assessment by the committee of the results of the formal documented reviews conducted by internal audit and other assurance providers in terms of the combined assurance model of the group's system of internal controls and risk management, including the design, implementation and effectiveness of internal financial controls and considering information and explanations given by management and discussions with both internal and external auditor on the results of the audits, nothing has come to the attention of the committee that causes it to believe that the group's systems of internal control is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. This opinion of the committee has been recommended to the board for approval and subsequently approved by the board.

TECHNOLOGY AND INFORMATION GOVERNANCE

The board mandated the committee to provide oversight over technology and information (IT) governance. As such, the committee oversaw the implementation and review of all relevant IT governance mandates, policies, processes and control frameworks while ensuring compliance with the standards adopted by the group.

In order to assist the committee, in the discharge of its duties in respect of IT governance, the committee mandated the group's IT

steering committee with the executive oversight of IT governance. The steering committee ensures that the IT strategy supports the business goals and objectives as well as the sustainability objectives of the group. The steering committee is responsible for the implementation of, and measurement against, the IT governance framework and other related initiatives, in conjunction with the other existing oversight bodies. The IT steering committee met twice this year under the chairmanship of Mr O'Flaherty, a non-executive director and after he had resigned, under the chair of Ms Ngonyama.

WHISTLE-BLOWING

The audit committee received quarterly updates on any tip-offs received through the whistle-blowing process. Reports received and investigated did not reveal any malpractice relating to accounting practices, internal controls, internal audit function or the content of the group's financial statements.

REVIEW OF CFO AND FINANCIAL FUNCTION

Mr R Lumb was appointed as CFO on 1 March 2020, following the resignation of Mr J Friedman. The ARC considered him to be appropriately experienced and competent to have fulfilled the role during the year under review in terms of the JSE Listings Requirements.

The committee also reviewed the performance, appropriateness, experience and resourcing of the group finance function and was satisfied with the overall adequacy and appropriateness of the function. The committee was further satisfied that key financial risks were adequately addressed during the year.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Significant areas requiring the use of management estimates and assumptions are detailed in note 1.18 of the accounting policies. The committee challenged these assumptions and estimates based on management presentations. These included, but were not limited to, the following areas:

- Impairment of goodwill and intangible assets; and
- The accounting treatment and financial statement disclosure surrounding the enX Fleet segment that was considered held for sale in 2019 and represented as continuing operations in 2020, following the termination of the disposal transaction.

CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The ARC has reviewed the consolidated and separate annual financial statements for the year ended 31 August 2020, which comply, in all material aspects, with the requirements of the Companies Act, King IV and IFRS. The committee evaluated the significant estimates and judgements as reporting decisions. Based on documents presented and recommendation to the committee, the committee supported the going concern basis of accounting and concluded that it is appropriate. The committee has therefore recommended the consolidated and separate annual financial statements of enX for the year ended 31 August 2020, as set out on pages 14 to 80, for approval to the board. The board has subsequently approved these annual financial statements, which will be available for discussion at the forthcoming AGM.

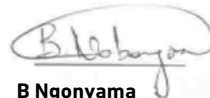
COMMITTEE FOCUS IN 2021

While the committee will continue to operate within its terms of reference and ensure that meetings address all regular matters reserved for its consideration, the following additional key activities are expected to require the committee's attention during 2021:

- Progressing the Risk management maturity of the organisation;
- Implementation of POPIA; and
- Assessment of the operating effectiveness of internal controls to facilitate the group CEO and group CFO statement required to be made for the year ending 31 August 2021 in terms of section 3.84(k) of the JSE listing requirements.

CONCLUSION

After considering the above, the ARC is of the opinion that it has appropriately addressed its responsibilities in terms of its charter, internal controls, financial accounting controls and stakeholder reporting.



B Ngonyama
Chair of the audit and risk committee

23 November 2020
Isando

DIRECTORS' REPORT

for the year ended 31 August 2020

The directors present their annual report, which forms part of the consolidated and separate financial statements of enX for the year ended 31 August 2020.

NATURE OF BUSINESS

enX is a South African based holding company with a selected international presence in the United Kingdom ("UK"). Through its subsidiaries it operates as a diverse business in the general industrial sector. The company listed on the JSE in 2007.

enX provides quality branded capital equipment and value-added services, power, fuel and chemical products to a broad range of economic sectors in South Africa, sub-Saharan Africa, UK and Ireland. The group also provides long and short-term leases and rentals to a broad range of mainly blue-chip customers. Value is created for clients by providing equipment and services which is critical to their operations, whilst creating value for enX through its ability to extract optimal value from each revenue-generating and trading asset at each point in its lifecycle.

The group comprises the following segments:

- enX Equipment (EIE (SA), Impact Handling (UK), New Way Power and Austro);
- enX Fleet; and
- enX Petrochemicals (AGL/Centlube and WAG Chemicals).

FINANCIAL PERFORMANCE

The consolidated and separate annual financial results for the year ended 31 August 2020 are set out in detail on pages 14 to 80.

The group recorded a loss after taxation for the year of R513 million (2019: R109 million profit). This translated into headline loss per share of 20.1 cents (2019: 141.0 cents headline earnings per share) based on the weighted average number of shares in issue during the year.

More details with regards to the group's performance can be found in notes 36, 37 and 38 of the annual financial statements.

STRATEGIC TRANSACTION

During the previous financial year the group entered a transaction whereby:

- The group entered into an agreement with Bidvest Bank to divest its ownership in Fleet. This transaction was subject to shareholder approval and other conditions at that time, and based on the likelihood of a successful conclusion, the group disclosed the segment as assets and liabilities held for sale. The Fleet transaction was not concluded and therefore the statement of financial position and the statement of profit or loss and other comprehensive income for 2019 have been re-presented in accordance with IFRS 5.

LITIGATION

The board is not aware of any material litigation that could have a material impact on the consolidated and separate annual financial statements as at 31 August 2020. No material contingent liabilities, other than group bank guarantees exist.

COMPLIANCE WITH FINANCIAL REPORTING STANDARDS

The financial statements of the company and the group have been prepared in accordance with IFRS, financial pronouncements as issued by the Financial Reporting Council, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the requirements of the Companies Act and the JSE Limited Listings Requirements.

The accounting policies adopted in the consolidated and separate annual financial statements are in line with IFRS and are materially consistent with those adopted in the previous financial year with the exceptions as described in note 1. Certain amendments to IFRS were made by the International Accounting Standards Board, which were effective for the year under review. The most significant impact on the 2020 results was the adoption of IFRS 16. No other changes in accounting standards had a material impact on the 2020 or prior year results and are specifically detailed in the accounting policies.

DIVIDENDS

In line with the group policy to reinvest for growth, no material dividends were declared and paid during the year under review. A dividend was paid to a minority shareholder; which amounted to R1.4 million (2019: R Nil).

STATED CAPITAL

The number of ordinary shares in issue and authorised at 31 August 2020 were unchanged from prior year at 182 312 650 and 1 000 000 0000 respectively.

Details of the authorised and issued share capital of the company appear in note 13 of the consolidated annual financial statements.

TREASURY SHARES:

The following treasury shares are held by wholly-owned subsidiaries of enX:

- During the current year the allocated 980 318 forfeiture shares held for key employees vested and were transferred. This resulted in a total of 375 873 (2019: 1 378 870) enX shares still held as part of an approved forfeiture share plan as incentive for key employees. None of these shares had been allocated to employees at present; and
- A total of 570 014 (2019: 570 014) enX shares are held, which were acquired as part of the Eqstra transaction.

The directors have a general authority to issue the company's unissued shares which authority is valid until the next AGM.

Details of these long-term incentive schemes appear in notes 13 and 35 of the consolidated annual financial statements.

SPECIAL RESOLUTIONS

At the company's AGM held on 12 February 2020 shareholders approved:

- increase in non-executive directors' fees;
- increase in non-executive directors' committee fees;
- general authority to repurchase shares;
- financial assistance in terms of section 44 of the Companies Act; and
- financial assistance in terms of section 45 of the Companies Act.

Subsidiary companies passed special resolutions in terms of sections 44 and 45 of the Act. No other special resolutions were passed during the year that might be significant to members in their appreciation of the state of affairs of the group.

SHAREHOLDER SPREAD

Details of shareholder categories are set out on page 81 of the annual financial statements.

DIRECTORS

The board of directors during the period under review:

	Appointment date	Resignation date	Nature of directorship
GD Neubert	1 September 2019	13 August 2020	Executive – CEO
JS Friedman	1 September 2018	31 March 2020	Executive – CFO
AJ Hannington	13 August 2020		Executive – CEO
RA Lumb	1 March 2020		Executive – CFO
P Baloyi	1 January 2014		Non-executive
WH Chapman	3 July 2020		Non-executive
A Joffe	5 September 2018	22 June 2020	Non-executive
SF Booysen	8 November 2016	22 June 2020	Independent non-executive
V Jarana	3 September 2020		Lead non-executive
OA Mabandla	3 July 2020		Independent non-executive
ZK Matthews	3 July 2020		Independent non-executive
L Molefe	21 October 2016		Independent non-executive
B Ngonyama	19 July 2019		Independent non-executive
E Oblowitz	6 December 2019	22 June 2020	Independent non-executive
PS O'Flaherty	1 January 2014	22 June 2020	Independent non-executive
AJ Phillips	29 August 2008	12 February 2020	Independent non-executive

There were no further changes to the board of directors during the current financial year.

According to the company's MOI, at the forthcoming AGM, shareholders will be asked to confirm the appointments of RA Lumb, AJ Hannington, ZK Matthews, OA Mabandla, WH Chapman and V Jarana as directors.

SERVICE CONTRACTS OF EXECUTIVE DIRECTORS

Executive directors retire from their positions and from the board (as executive directors) at the age of 63. Though normal retirement age is 63 years for executive directors, the company's retirement policy makes provision to extend the working relationship beyond the normal retirement age. The executive directors are subject to six calendar months' written notice under their existing employment contracts.

DIRECTORS' INTERESTS

The shareholdings of the directors in the ordinary shares of the company at 31 August 2020 appear in the shareholders profile annexure of the annual financial statements. Directors' beneficial shareholdings did not individually exceed 10% of the company's issued share capital.

CORPORATE GOVERNANCE

The enX board affirms its commitment to the principles and cornerstones of sound governance. These are done within the predetermined parameters of risk management and control in accordance with South African accepted corporate practice.

The board and management continuously review and enhance the systems of control and governance to ensure that the business is managed ethically and in line with internationally accepted standards of best practice. Refer to the detailed corporate governance report in the annual integrated report.

Audit and risk committee

In terms of section 94(7) of the Companies Act, the committee discharged all of its delegated functions in terms of its mandate, the Companies Act and the JSE Listings Requirements. At the AGM scheduled for 12 February 2021, shareholders will be requested to, B Ngonyama (as chair), V Jarana and L Molefe as audit committee members, as recommended by the board.

Further details on the committee's role and function can be found in the audit and risk committee report.

DIRECTORS' REPORT (continued)

for the year ended 31 August 2020

Social and ethics committee

In terms of section 72(4) of the Companies Act, the committee discharged all of its delegated functions in terms of its mandate, the Companies Act and the JSE Listings Requirements. At the AGM scheduled for 12 February 2021, the chair of the committee will be available to report on the social and ethics committee's activities.

BORROWING POWERS

In terms of the provisions of section 19 of the Companies Act, read with the MOI, the company has unlimited borrowing powers. Any borrowings by the group are subject to the enX treasury policy read with the various bank covenants.

EXTERNAL AUDITOR

It was Deloitte & Touche's fourth year as external auditor of enX and its subsidiaries. At the AGM scheduled for 12 February 2021, shareholders will be requested to re-appoint Deloitte & Touche as external auditor for the 2021 financial year, with Ms T Lavhengwa as the designated auditor. The auditor's business and postal address appear on page inside back cover.

SUBSIDIARY COMPANIES

Details of principal subsidiary companies appear in Annexure A of the annual financial statements.

PROPERTY

The register of land and buildings is available for inspection at the company's registered office during its business hours.

GOING CONCERN

The consolidated and separate financial statements have been prepared using appropriate accounting policies, supported by reasonable judgements and estimates. The directors believe that the group and company have adequate resources to continue as a going concern for the foreseeable future. This assessment was based on available facilities and detailed future cash flow forecasts for the next 12 months. Based on this assessment it is considered appropriate to adopt the going-concern basis in preparing the consolidated and separate annual financial statements. The directors have satisfied themselves that the group and company are in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. Refer to note 36 for further details.

The board considered the solvency and liquidity of the group and the company and is satisfied that the group and company are solvent and liquid at the date of this report.

EVENTS SUBSEQUENT TO THE STATEMENT OF FINANCIAL POSITION DATE

As a result of the termination of the Fleet transaction, enX has been in a process of engaging with its lenders regarding the refinancing of the South African leasing businesses' bank term facilities and the debt capital market programme. At the date of approval of the financial statements, agreements with bank lenders have been concluded whereby, subject to the fulfilment of customary conditions precedent, both the EIE SA and Eqstra businesses have secured their own independent funding facilities and all existing bank borrowings will be repaid and debt capital market instruments redeemed.

The South African trading businesses will retain their own dedicated credit facilities. The composition of the facilities will however change on or about 1 December 2020. We will early repay the term loan of R50 million and reduce the facility limit of our revolving credit facility by R30 million to R45 million. Our general banking facility of R150 million and indirect facilities of R80 million will remain in place providing the businesses with liquidity to trade. Furthermore, the maturity date of the revolving credit facility has been extended to 31 August 2022.

The board is not aware of any other matter or circumstance arising since the end of the reporting period which significantly affects the financial position of the group and company as at 31 August 2020 or the results of its operations or cash flows for the year, which are not dealt with in the annual financial statements.

ANNUAL GENERAL MEETING

The company's AGM will be held at 11 Gross Street, Tunney Industrial, Isando on 12 February 2021 at 10.00. The notice of the AGM is contained in the integrated report.

PREPARATION OF THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements have been prepared under the supervision of the group CFO, R Lumb CA(SA).

COMPANY SECRETARY AND REGISTERED OFFICE

The company secretary is Acorim Proprietary Limited, represented by N Petrides.

The board as a whole, and the individual directors, have unrestricted access to the advice and services of the company secretary, who provides guidance to the board and to the directors with regard to how their responsibilities are to be discharged.

Acorim (Pty) Ltd is an independent company secretarial and corporate governance advisory service provider and is represented by N Petrides. The Board is satisfied with the expertise, experience, competence and qualifications of the company secretary and confirms that the relationship between the Board and the Company Secretary remains at arm's length. In addition, the company secretary is considered suitably qualified to perform her duties, which include to:

- maintain and regularly update a corporate governance manual;
- ensure that, in accordance with pertinent laws, the proceedings and affairs of the board and its members, the company itself and, where appropriate, owners of securities in the company are properly administered;
- ensure compliance with the JSE Listings Requirements;
- ensure that all directors have access to her advice and services relative to the affairs of the company and their roles and responsibilities;
- together with the chair, ensure good information flow within the board and its committees and between the board and senior management and non-executive directors; and
- establish the annual work plan for the board and board committees.

Shareholders, employees and investors are encouraged to communicate recommendations or instructions to the board, the company secretary or the CEO.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at

	Notes	31 August 2020 R'000	31 August 2019* R'000
ASSETS			
Non-current assets			
Property, plant, equipment and right of use assets	2	621 446	425 296
Leasing assets	3	6 087 417	5 937 005
Goodwill	4	92 461	390 810
Intangible assets	5	73 308	332 674
Investment in associate	6	70 916	59 205
Unlisted investments and loans	7	9 175	12 769
Deferred taxation	8	60 050	55 956
Trade and other receivables	9	4 624	6 338
Current assets		3 592 610	3 142 220
Trade and other receivables	9	1 062 507	1 110 480
Inventories	10	1 622 021	1 547 864
Derivative financial instruments	11	2 372	21 225
Taxation receivable		19 801	3 915
Bank and cash balances	12	885 909	458 736
Total assets		10 612 007	10 362 273
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	13	3 134 092	3 117 031
Other reserves	14	(595 867)	(684 860)
Accumulated (loss)/profits		(75 261)	437 208
Equity attributable to owners of the parent		2 462 964	2 869 379
Non-controlling interests		34 483	36 375
Non-current liabilities		4 159 009	4 558 447
Interest-bearing liabilities	15	3 620 250	4 021 523
Deferred vendor considerations	16	–	2 655
Lease liabilities	28	95 741	–
Employee benefits	35	5 090	2 999
Deferred taxation	8	437 928	531 270
Current liabilities		3 955 551	2 898 072
Interest-bearing liabilities	15	2 241 028	1 260 520
Deferred vendor considerations	16	33 895	–
Lease liabilities	28	115 675	–
Trade, other payables and provisions	17	1 534 706	1 554 504
Derivative financial instruments	11	1 520	390
Taxation payable		23 350	50 425
Bank overdrafts	12	5 377	32 233
Total equity and liabilities		10 612 007	10 362 273

* During the prior year, the group entered into an agreement with Bidvest Bank to divest its ownership in enX Fleet. This resulted in enX Fleet being recognised as a discontinued operation in 2019. However, the divestment did not take place and therefore the statement of financial position for 2019 has been re-presented in accordance with IFRS 5.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the years ended

	Notes	31 August 2020 R'000	31 August 2019* R'000
Revenue	18	7 206 109	7 790 851
Net operating expenses	19	(5 411 346)	(5 882 332)
Profit from operations before depreciation and amortisation		1 794 763	1 908 519
Depreciation and amortisation	19	(1 429 536)	(1 146 962)
Profit/(loss) on disposal of property, plant and equipment		6 410	(1 468)
Share-based payment (expense)/credit		(2 547)	6 579
Foreign exchange gains/(losses)		12 660	(9 493)
Operating profit		381 750	757 175
Impairment of goodwill and intangible assets	4, 5	(543 080)	(166 395)
Adjustment on deferred vendor consideration		(30 688)	–
(Loss)/profit before interest and taxation		(192 018)	590 780
Net finance costs	20	(409 352)	(406 480)
Interest received		13 945	7 231
Interest expense		(423 297)	(413 711)
Share of profits from associate	6	11 711	4 965
(Loss)/profit before taxation		(589 659)	189 265
Taxation	21	76 729	(80 614)
(Loss)/profit after taxation		(512 930)	108 651
<i>Attributable to:</i>			
Equity holders of the parent		(512 469)	105 811
Non-controlling interests		(461)	2 840
Net (loss)/profit after taxation ("PAT")		(512 930)	108 651
<i>Other comprehensive (loss)/income net of taxation:</i>			
(Loss)/profit after taxation		(512 930)	108 651
Items that may be reclassified subsequently to profit or loss:			
– Foreign currency translation reserve	14	102 941	(8 190)
Total comprehensive (loss)/income		(409 989)	100 461
<i>Attributable to:</i>			
Equity holders of the parent		(409 528)	97 621
Non-controlling interests		(461)	2 840
Total comprehensive (loss)/income		(409 989)	100 461
(Loss)/earnings per share			
Basic (loss)/earnings per share (cents)		(283.1)	58.9
Diluted (loss)/earnings per share (cents)		(283.1)	58.3

* During the prior year the group entered into an agreement with Bidvest Bank to divest its ownership in enX Fleet. This resulted in enX Fleet being recognised as a discontinued operation in 2019. However the divestment did not take place and therefore the statement of profit or loss and other comprehensive income for 2019 has been re-presented in accordance with IFRS 5.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the years ended

	Stated capital R'000	Other reserves R'000	Accumulated profits R'000	Equity attributable to equity holders of the parent R'000	Non- controlling interests R'000	Total equity R'000
Balances as at 1 September 2018	3 103 455	(681 952)	348 410	2 769 913	36 002	2 805 915
Issue of additional shares	12 138	–	–	12 138	–	12 138
Transfer from treasury shares to issued shares	1 438	–	–	1 438	–	1 438
Profit for the year	–	–	105 811	105 811	2 840	108 651
Other comprehensive income	–	(8 190)	–	(8 190)	–	(8 190)
Share based payment expense	–	5 282	–	5 282	–	5 282
Acquisition of minority interest in subsidiary	–	–	(17 013)	(17 013)	(32)	(17 045)
Dividends paid to minority shareholders	–	–	–	–	(2 435)	(2 435)
Balances as at 31 August 2019	3 117 031	(684 860)	437 208	2 869 379	36 375	2 905 754
Transfer from treasury shares to issued shares	17 061	–	–	17 061	–	17 061
Loss for the year	–	–	(512 469)	(512 469)	(461)	(512 930)
Other comprehensive income	–	102 941	–	102 941	–	102 941
Vesting of share based payment	–	(13 948)	–	(13 948)	–	(13 948)
Dividends paid to minority shareholders	–	–	–	–	(1 431)	(1 431)
Balances as at 31 August 2020	3 134 092	(595 867)	(75 261)	2 462 964	34 483	2 497 447

CONSOLIDATED STATEMENT OF CASH FLOWS

for the years ended

	Notes	31 August 2020 R'000	31 August 2019 R'000
Cash flows from operating activities		1 995 525	1 736 384
Cash generated from operations	23	2 470 873	2 205 006
Interest received	24	13 945	7 231
Interest paid	24	(417 032)	(399 374)
Taxation paid	25	(72 261)	(76 479)
Cash flows from investing activities		(1 771 570)	(2 267 615)
Additions to property, plant and equipment	2	(36 465)	(44 730)
Additions to leasing assets	3	(1 737 911)	(2 098 549)
Additions to intangible assets	5	(14 783)	(13 870)
Proceeds on disposal of property, plant and equipment	26	15 300	5 047
Business combinations	27	–	(112 404)
Cash inflow/(outflow) from unlisted investments and loans		2 289	(3 109)
Cash flows from financing activities		243 311	546 754
Proceeds from interest-bearing liabilities		693 550	1 036 868
Repayment of interest-bearing liabilities		(395 927)	(476 475)
Deferred vendor consideration paid		–	(11 204)
Repayment of lease liabilities		(52 881)	–
Dividends paid to minority shareholders		(1 431)	(2 435)
Net increase in cash and cash equivalents		467 266	15 523
Effects of exchange rate changes on cash and cash equivalents		(13 237)	4 384
Cash and cash equivalents at beginning of year		426 503	406 596
Cash and cash equivalents at end of year		880 532	426 503
<i>Cash and cash equivalents consist of:</i>			
Bank and cash balances	12	885 909	458 736
Bank overdrafts	12	(5 377)	(32 233)
		880 532	426 503

CONSOLIDATED SEGMENTAL ANALYSIS

for the years ended

	Equipment		Fleet ⁽³⁾		Petrochemicals		Group, financing and consolidation		Total	
	31 August 2020 R'000	31 August 2019 R'000	31 August 2020 R'000	31 August 2019 R'000	31 August 2020 R'000	31 August 2019 R'000	31 August 2020 R'000	31 August 2019 R'000	31 August 2020 R'000	31 August 2019 R'000
Revenue⁽¹⁾	3 721 188	4 045 741	1 859 651	2 063 548	1 674 032	1 713 959	(48 762)	(32 397)	7 206 109	7 790 851
– South Africa	2 270 242	2 708 677	1 699 154	1 838 594	1 505 131	1 552 197	–	(1)	5 474 527	6 099 467
– Rest of world	1 448 496	1 334 258	137 246	198 844	146 870	159 958	–	–	1 732 612	1 693 060
– Intercompany	2 450	2 806	23 251	26 110	22 031	1 804	(48 762)	(32 396)	(1 030)	(1 676)
EBITDA⁽²⁾	1 060 700	1 108 655	742 456	856 564	93 160	(20 054)	(641 532)	(196 998)	1 254 784	1 748 167
Depreciation and amortisation ⁽⁴⁾	(808 160)	(686 733)	(594 558)	(427 535)	(16 670)	(12 851)	(27 414)	(30 268)	(1 446 802)	(1 157 387)
Earnings/(loss) before interest and taxation⁽⁵⁾	252 540	421 922	147 898	429 029	76 490	(32 905)	(668 946)	(227 266)	(192 018)	590 780
– South Africa	159 915	319 817	114 776	394 706	62 135	(40 811)	(668 946)	(227 266)	(332 119)	446 445
– Rest of world	92 625	102 105	33 122	34 323	14 355	7 906	–	–	140 101	144 335
Net finance costs	(222 373)	(200 321)	(177 122)	(191 918)	(23 510)	(29 151)	13 653	14 910	(409 352)	(406 480)
Interest income	1 446	1 335	17 081	15 604	2 914	3 053	(7 496)	(12 761)	13 945	7 231
Interest expense	(223 819)	(201 656)	(194 203)	(207 522)	(26 424)	(32 204)	21 149	27 671	(423 297)	(413 711)
Share of profits from associates	–	–	–	–	11 711	4 965	–	–	11 711	4 965
Profit/(loss) before taxation	30 167	221 601	(29 224)	237 111	64 691	(57 091)	(655 293)	(212 356)	(589 659)	189 265
Total assets	5 864 824	5 374 840	3 116 518	3 280 383	1 055 791	877 745	574 874	829 305	10 612 007	10 362 273
– Goodwill and intangible assets	87 931	66 070	20 773	18 313	1 842	2 950	55 223	636 151	165 769	723 484
– Leasing assets	3 351 653	3 043 620	2 731 600	2 893 386	–	–	4 164	(1)	6 087 417	5 937 005
– Investment in associate	–	–	–	–	70 916	59 205	–	–	70 916	59 205
– Inventories	1 158 887	1 161 216	26 787	36 377	436 347	350 272	–	(1)	1 622 021	1 547 864
– Trade, other receivables and derivative financial assets	567 216	632 034	175 782	206 023	316 489	298 015	10 016	1 971	1 069 503	1 138 043
– Other assets	699 137	471 900	161 576	126 284	230 197	167 303	505 471	191 185	1 596 381	956 672
Total liabilities	4 491 506	4 088 070	2 382 940	2 506 286	734 154	623 729	505 960	238 434	8 114 560	7 456 519
– Interest-bearing liabilities and overdraft	3 408 566	2 965 854	1 779 350	1 954 759	251 783	249 506	426 956	144 157	5 866 655	5 314 276
– Deferred vendor consideration	–	–	–	–	33 895	2 655	–	–	33 895	2 655
– Trade, other payables and provisions	768 252	903 296	332 703	263 492	424 989	369 170	8 762	18 546	1 534 706	1 554 504
– Other liabilities	314 688	218 919	270 887	288 035	23 487	2 399	70 242	75 731	679 304	585 084
Capital expenditure net of proceeds	991 503	1 035 154	772 380	1 108 145	13 560	10 025	11 716	3 825	1 789 159	2 157 149
Number of employees	1 754	1 830	379	531	135	131	7	10	2 275	2 502
GEOGRAPHICAL SEGMENTATION										
Total assets	5 864 824	5 374 840	3 116 518	3 280 383	1 055 791	877 745	574 874	829 305	10 612 007	10 362 273
– South Africa	3 521 093	3 563 585	2 659 772	2 834 497	1 007 104	821 471	574 874	829 305	7 762 843	8 048 858
– Rest of world	2 343 731	1 811 255	456 746	445 886	48 687	56 274	–	–	2 849 164	2 313 415
Total liabilities	4 491 506	4 088 070	2 382 940	2 506 286	734 154	623 729	505 960	238 434	8 114 560	7 456 519
– South Africa	2 650 009	2 648 867	2 204 326	2 330 173	724 693	593 469	505 960	238 434	6 084 988	5 810 943
– Rest of world	1 841 497	1 439 203	178 614	176 113	9 461	30 260	–	–	2 029 572	1 645 576

Notes:

(1) No single customer exceeds 10% of group revenue.

(2) Excludes intercompany management fees.

(3) During the prior year the group entered into an agreement with Bidvest Bank to divest its ownership in Fleet. This resulted in Fleet being recognised as a discontinued operation in 2019. Therefore the statement of financial position and the statement of profit or loss and other comprehensive income for 2019 has been re-presented in accordance with IFRS 5.

(4) Total depreciation and amortisation includes depreciation disclosed as part of cost of sales.

(5) Earnings/(loss) before interest and taxation include impairments of goodwill, intangible assets and property of R544.1 million (2019:R166.4 million). In addition, (loss)/earnings before interest and taxation includes an adjustment on deferred vendor consideration of R30.7 million.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 August 2020

1. PRINCIPAL ACCOUNTING POLICIES

The consolidated annual financial statements are prepared in compliance with JSE Listings Requirements, IFRS and Interpretations of those standards, as issued by the International Accounting Standards Board (IASB), the financial reporting pronouncements as issued by the Financial Reporting Standards Council (FRSC) that are relevant to its operations and have been effective for the annual reporting period ending 31 August 2020, and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the requirements of the South African Companies Act 71 of 2008, as amended. The annual financial statements were approved for issue by the board of directors on 23 November 2020 and will be tabled at the annual general meeting of shareholders on 12 February 2021. These accounting policies are consistent with the previous year, except for the changes set out in Note 1.21.

1.1 BASIS OF PREPARATION

The consolidated and separate financial statements are prepared on the historical cost basis except for the measurement of certain financial instruments at fair value (refer to note 1.9).

1.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE OR RELEVANT

At the date of authorisation of the financial statements of the group and company for the year ended 31 August 2020, the following Standards and Interpretations were in issue but not yet effective:

Standards and interpretations	Annual periods beginning on or after
<i>Issued and effective but changes not yet effective</i>	
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 3 (Oct 2018)	1 January 2020
Amendments to IAS 1 and IAS 8 (Oct 2018)	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 (September 2019)	1 January 2020
Amendment to IFRS 16	1 June 2020
<i>Issued but not yet effective</i>	
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021
Annual Improvements to IFRS Standards 2018–2020 (May 2020)	1 January 2022
Amendments to IFRS 3 (May 2020)	1 January 2022
Amendments to IAS 37 (May 2020)	1 January 2022
IFRS 17	1 January 2023
Amendments to IAS 1	1 January 2023
Amendments to IFRS 10 and IAS 28 (Sept 2014)	1 January 2023

The remainder of the new standards and interpretations applicable for the 2020 financial year are not considered to have a material impact on financial reporting.

1.3 INTEREST IN SUBSIDIARIES

Subsidiary companies and other controlled entities

The group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The company records its investment in subsidiaries at cost less any impairment charges. These interests include any inter-group loans receivable which represent by nature a further investment in subsidiaries.

1.4 ASSOCIATES

An associate is an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

Associates are accounted for using the equity method. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of profit or loss and other comprehensive income of the associate. The company records its investment in associates at cost less any impairment charges.

1.5 PROPERTY, PLANT, EQUIPMENT, RIGHT OF USE ASSETS AND LEASING ASSETS

Property, plant and equipment and leasing assets are stated at historical cost, less accumulated depreciation and impairment losses.

Property, plant and equipment and leasing assets are initially recognised at cost. Transaction costs are included in the initial measurement.

Subsequent costs are recognised to the extent that it is probable that the future economic benefits which are associated with them will flow to the entity and the cost can be measured reliably.

Items of property, plant and equipment and leasing assets are depreciated to their residual values, on a component basis (where applicable), on a straight-line basis over their estimated useful lives, commencing from the date they are available for use. The depreciation is calculated and charged to the statement of comprehensive income over the following periods:

Item	Average useful life
Plant and equipment	3 – 10 years
Office equipment	3 – 5 years
Computer equipment	3 years
Motor vehicles	3 – 10 years
Leasehold improvements	Lesser of useful life or period of lease
Buildings	Up to 20 years
Leasing assets (vehicles and forklifts)	3 – 10 years
Right of use assets	Lesser of useful life or period of lease

The residual value, is re-assessed at each year-end together with the useful life of the asset.

Carrying amounts of property, plant and equipment and leasing assets are reduced to their recoverable amounts where these are lower than the carrying amounts. The expected future cash flows attributable to such assets are considered in determining the recoverable amounts. If the recoverable amount is lower than the carrying amount, it is impaired in the statement of comprehensive income.

1.6 GOODWILL

Goodwill represents the excess of the cost of acquisition over the fair value of the group's share of the net identifiable assets, fairly valued, on the acquisition date of the subsidiary. Goodwill is stated at cost less accumulated impairments.

Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (discount on acquisition) is credited to profit or loss in the period of acquisition.

Goodwill is allocated to CGUs for the purpose of impairment testing.

The carrying amount of goodwill is assessed at each reporting period, or when deemed necessary. Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired.

1.7 INTANGIBLE ASSETS OTHER THAN GOODWILL

Intangible assets that are acquired by the group and have finite useful lives are measured at cost less accumulated amortisation and impairment losses. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. Assessments that the useful lives are indefinite are undertaken annually.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specification to which it relates. All other expenditure is recognised in profit or loss.

Intangible assets with finite useful lives are amortised on a straight-line basis in the statement of comprehensive income over their estimated useful lives. Amortisation is disclosed as part of depreciation and amortisation on the statement of comprehensive income. The estimated useful lives for the current period are as follows:

Item	Useful life
Supplier and distributorship agreements	20 years/indefinite (where relevant)
Trade names	20 years
Computer software	2 – 8 years

Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

At the end of each reporting period, or when deemed necessary, the carrying amount is compared to the recoverable amount and as such is tested for any indication of impairment. Where there is an impairment, this will be recorded against the carrying value.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

1.8 INVENTORIES

Inventory comprises raw materials, finished goods, vehicles, consumables and work-in-progress.

Inventories are stated at the lower of cost and net realisable value. Cost is determined as follows:

Vehicles	Specific cost
Spares, accessories and finished goods	Weighted average cost

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Work-in-progress includes production costs and overheads directly attributable to the production of goods; and interest expenses are excluded.

Where capital equipment inventory has been purchased specifically for the purpose of rental arrangements and a rental agreement has been entered into with a customer, this inventory is recognized in property, plant and equipment and is not depreciated until the rental agreement commences. This is on the basis that the rest of the capital equipment inventory has an equal chance of being sold or rented to a customer and hence is appropriately treated as inventory.

Allowances for inventory that is slow-moving and/or obsolete are made. The provision for inventory obsolescence is based on a physical count and inspection of stock items which is performed at least annually and takes into account the age, condition and usage rates of the inventory. Any inventory that is physically identified as damaged is written off when discovered.

The amount of any write-down of inventories to net realisable value and all losses of inventories are charged to the statement of comprehensive income in the period the write-down or loss is incurred. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories through the statement of comprehensive income in the period in which the reversal occurs. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

1.9 FINANCIAL INSTRUMENTS

Classification and subsequent measurement

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument based on the business model and the contractual cashflows associated with the instrument.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through OCI and fair value through profit or loss (FVTPL). Amortised cost and FVTPL are relevant to the group.

The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile,
- matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

1.9 FINANCIAL INSTRUMENTS continued

Trade and other receivables

Trade receivables, loans and other receivables are measured at amortised cost using the effective interest rate method and reduced by the expected credit losses ("ECL"). The group has applied the simplified model determining the lifetime expected credit losses as there is no significant financing component. ECL have been considered in detail as part of the impairment of financial assets. Other receivables include prepayments, value added tax, deposits, sundry debtors, claims and recoverables.

Financial instruments are carried at amortised cost and where the effect of the time value of money is not considered to be material, discounting is not applied as the carrying value approximates the fair value.

Impairment of financial assets

An assessment is made at each reporting date whether there is any objective evidence that trade, loans and other receivables are impaired. The group applies the simplified approach to calculate the ECL of trade receivables and contract assets. The rates used in the provision matrix are based on days past due and debt written off.

For all other financial assets classified at amortised cost as well as issued loan commitments, the general approach has been applied to calculate the ECL. The ECL is calculated by considering the consequences and probabilities of possible defaults only for the next twelve months.

Trade payables and interest bearing liabilities

Trade payables and interest bearing liabilities are initially recognised at fair value and are subsequently measured at their amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost which approximates fair value. Cash and cash equivalents comprise cash balances, call deposits and restricted cash which is expected to be available for use within 12 months from the reporting date.

Derivative financial assets and financial liabilities

Derivative financial assets and financial liabilities are recognised at fair value through profit or loss. These instruments are analysed between current and non-current assets and liabilities, depending on when they are expected to mature. If an instrument is expected to mature within one year from the reporting date it is considered to be current, if the terms of an instrument resulting in the instrument maturing in more than one year from the reporting date it will be recognised as non-current.

Fair value movements are recognised immediately in the statement of comprehensive income.

Fair value calculations

Fair values for unquoted equity instruments are estimated using applicable fair value models. If a quoted bid price is not available for dated instruments, the fair value is determined using pricing models or discounted cash flow techniques. Refer to the "other investments and loans note" and the "derivative financial instruments note" for additional details.

Derecognition

A financial asset is derecognised when its contractual rights to the cash flow from the financial asset expire, or if it transfers the asset together with its contractual rights to receive the cash flows of the financial assets.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

1.10 LEASES

The group as lessor (IFRS 16)

Finance leases

Amounts due under finance leases are treated as installment credit agreements.

Operating leases

Income is recognised in the statement of comprehensive income over the period of the lease term on a straight line basis.

Income is recognised in the statement of comprehensive income over the period of the lease term on the straight line basis. Assets leased under operating leases are included under the appropriate category of asset in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar items of property, plant and equipment.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

1.10 LEASES continued

The group as lessee (IFRS 16)

The Group assesses whether a contract is or contains a lease, at inception of the contract. When the group leases an asset a 'right of use asset' is recognised for the leased item and a lease liability is recognised for any lease payments due at the lease commencement date. The right of use asset is initially measured at cost, being the present value of the lease payments payable, plus any initial direct costs incurred in entering the lease and dismantling costs, less any lease incentives received. They are subsequently measured at cost less accumulated depreciation and impairment losses

Right of use assets are disclosed as part of property, plant and equipment. Right of use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. The useful life of the asset is determined in a manner consistent to that for owned property, plant and equipment.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date and are discounted using the incremental borrowing rates of the applicable group entity. Lease payments included in the lease liability include:

- fixed payments and in-substance fixed payments during the term of the lease, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- amounts expected to be payable by the lessee under residual value guarantees. Lease liabilities are disclosed as part of borrowings.

After initial recognition, the lease liability is recorded at amortised cost using the effective interest method. It is remeasured when:

- there is a change in the residual value guarantee;
- there is a change in future lease payments arising from a change in an index or rate (e.g. an inflation related increase);
- the group's assessment of the lease term changes;
- lease modifications occur that are not treated as separate leases.

Any change in the lease liability as a result of these changes also results in a corresponding change in the right of use asset.

The weighted average incremental borrowing rate applied to the group's lease liabilities recognised in the statement of financial position at 1 September 2019 was within the following range of 9.69% to 11.44%.

In terms of IFRS 16 the group has elected not to recognise right of use assets and liabilities for short term leases less than twelve months or low value assets which is in accordance with the standard. Lease are considered to be low value when they are below R80 000.

Leases under IAS 17 are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The group as lessor (IAS 17)

Finance leases

Amounts due under finance leases are treated as installment credit agreements.

Operating leases

Income is recognised in the statement of comprehensive income over the period of the lease term on the effective interest rate basis.

Assets leased under operating leases are included under the appropriate category of asset in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar items of property, plant and equipment.

The group as lessee

Finance leases (IAS 17)

Assets held under finance leases are capitalised as assets at the lower of fair value or the present value of the minimum lease payments at the inception of the lease. The capitalised amount is depreciated over the asset's useful life. Lease payments are allocated between capital payments and finance expenses using the effective interest rate method.

The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total lease commitments and the fair value of the assets acquired, are charged to the statement of comprehensive income over the term of the relevant lease.

1.10 LEASES continued

Operating leases

Operating lease costs are recognised in the statement of comprehensive income over the lease term on the straight-line basis. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is charged to the statement of comprehensive income in the period in which termination takes place.

1.11 REVENUE RECOGNITION

Fleet

Sale of capital goods

Revenue comprises the net invoiced amount of goods supplied and services rendered to customers, excluding value-added tax. Revenue from the sale of capital goods includes the sale of used vehicles. The performance obligation is satisfied when the vehicles are delivered to the customer. When the good have been delivered to the customer and control has passed, revenue is recognised at that point in time. The transaction price is based on the cost of the good sold increased by a margin.

Leasing rentals

Revenue from leasing rentals is recognised over the period of the agreement to the extent of the value of the vehicle provided.

The performance obligations that need to be met include the provision of a vehicle to the customer over the agreed contract period and the administration of the vehicle during the contract period.

Revenue is recognised over time as the customer consumes the benefit of the vehicle based on the input method. The consideration recognised monthly is based on a fixed monthly amount for the financing of the vehicle over the contract term and a fixed monthly amount for the admin fees. The admin fees are for clerical performance within the month of billing and therefore the admin fee is recognised at a point in time. The admin fee is a separately billed component and is easily determined. The monthly rental of the vehicle is based on the asset value, the contract interest rate, and a residual value and is therefore easily determined.

Vehicle maintenance plans

Revenue from vehicle maintenance plans is recognised over the period of the maintenance plan to the extent of the value of parts and services provided.

The performance obligations that need to be met in line with the vehicle maintenance plan include the provision of maintenance services to the customer over the agreed contract period and the administration of the contract during the contract period.

The provision of the vehicle services are performed over time, therefore the revenue is recognised over time as the customer consumes the benefit of the maintenance based on the input method using the terms of the agreement and the expected costs associated with the maintenance. As a result of the fact that lease arrangements span periods of 48 months to 60 months, an actuarial valuation process is employed to determine the extent of the maintenance revenues to be recognised each year. The admin fees are billed upfront for initiation of the contract and therefore recognised at point in time.

Value added products

Revenue for value added product services are based on master agreements in place with customers and revenues are recognized as the services are provided.

The performance obligations that need to be met in order to recognise the revenue is the provision of the value added product services to the customer over the contract period.

The billing of the value added products is determined by the cost being rebilled with a margin. The admin fee is a separately billed component and is easily determined based on the clerical activities performed within the month.

Equipment (EIE SA and Impact Handling (UK))

New and pre-owned revenue

Revenue comprises the net invoiced amount of goods supplied excluding value-added tax. Revenue from the sale of goods includes the sale of new and pre-owned forklifts.

The performance obligation is satisfied when the goods are delivered to the customer. When the goods have been delivered to the customer, the control has passed, and the revenue is recognised at that point in time. The transaction price is based on the cost of the goods sold increased by a margin.

Leasing revenue

Revenue from leasing assets is recognised over the period of the contract to the extent of the value of the forklift provided.

The performance obligation that needs to be met is the provision of a forklift to the customer over the lease period.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

1.11 REVENUE RECOGNITION continued

The leasing of the forklifts is performed over time; therefore, the revenue is recognised over time. The consideration recognised monthly is based on a agreed contract, with either a fixed or fluctuating interest rate. The monthly rental of the forklift is based on the asset value, over the period of the contract, using the contract interest rate, down to a residual value and is therefore easily determined.

Maintenance revenue

Revenue from maintenance contracts is recognised over the period of the maintenance contract in line with the value of the contract.

The performance obligation that needs to be met in line with the maintenance contract includes the provision of maintenance services to the customer as stipulated in the contract, over the contract period. Due to the nature of these agreements there is limited judgement required to determine the revenue recognised.

Service revenue

The provision of services is performed over time; therefore, the revenue is recognised over time as the customer consumes the benefit of the services provided.

The performance obligation that needs to be met is the provision services to the customer as stipulated in the service contract, over the contract period. The nature of these agreements is short term and therefore there is limited judgement required to determine the revenue recognised.

Parts revenue

Revenue comprises the net invoiced amount of parts supplied excluding value-added tax.

The performance obligation required to recognise the revenue from the sale of parts is the supply or delivery of the parts to the customer. When the parts have been delivered or supplied to the customer, the control has passed, and the revenue can be recognised at that point in time.

Petrochemicals

Sale of goods and consumables

Revenue from the sale of goods and consumables includes the sale of lubricants, rubber, polyethylene, polystyrene and other chemical products. The inventory needs to be delivered to the customer in order for the performance obligation to be met and the revenue recognised. The transaction price is based on the cost of the inventory sold increased by a margin.

Equipment (New Way Power)

Sale of capital goods

Revenue comprises the net invoiced amount of goods supplied and services rendered to customers, excluding value-added tax. Revenue from the sale of capital goods includes the sale of generators and engines. The performance obligation is satisfied when the goods are delivered to the customer. When the good have been delivered to the customer the control has passed and the revenue can be recognised at that point in time. The transaction price is based on the cost of the good sold increased by a margin.

Generator service and maintenance

Revenue from generator service and maintenance recognised based on the services rendered and the performance obligations that need to be met include the maintenance services to be provided to the customer as requested by the customer. The transaction price is based on the rate per hour for labour to perform such maintenance.

Leasing rental

Revenue from generator rentals is recognised over the period of the agreement to the extent of the value of the generator provided.

The performance obligations that need to be met include the provision of generators to the customer over the agreed contract period and the administration of the contract during the contract period.

The leasing of the generator is performed over time; therefore, the revenue is recognised over time. The revenue recognised is based on the monthly rental which is based on the asset value, for the period of the contract, using the contractual interest rate, and applying a residual value and is therefore easily determined.

Equipment (Austro)

Sale of goods and consumables

Revenue from the sale of goods and consumables includes the sale of various wood equipment products and parts. The inventory needs to be delivered to the customer in order for the performance obligation to be met and the revenue recognised. The transaction price is based on the cost of the inventory sold increased by a margin.

1.12 FINANCE COSTS

Borrowing costs are recognised as an expense charged to the statement of comprehensive income in the period in which they are incurred, except to the extent in which interest paid meets the criteria for capitalisation against a qualifying asset, in which case it is capitalised as part of the cost of the asset.

1.13 TAXATION

Current taxation

The charge for current taxation is based on the results for the year adjusted for items which are tax exempt or are not tax deductible. Taxation is calculated using rates that have been enacted or substantively enacted at the statement of financial position date. To the extent that the current taxation is unpaid, a liability is recognised and if a refund is due at the year-end an asset is raised.

Deferred tax

Deferred taxation is calculated at the taxation rates enacted or substantially enacted at statement of financial position date and are expected to apply when the related deferred taxation asset is realised or deferred liability is settled and is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred taxation is also dealt with in equity.

Deferred taxation is raised on all temporary differences, other than the initial recognition of goodwill, and of assets or liabilities in transactions other than business combinations which at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred taxation is provided for on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the group is able to and intends to settle its current tax assets and liabilities on a net basis.

1.14 IMPAIRMENT OF ASSETS

The carrying amount of the assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If there is an indication that an asset may be impaired, its recoverable amount is estimated.

The recoverable amount is estimated at least annually for all goodwill and intangible assets with an indefinite useful life. The recoverable amount of an asset is calculated as the higher of its value in use or its fair value less cost to sell.

In assessing the value-in-use, the expected future cash flows from the cash generating unit ("CGU") or assets are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For impairment calculation purposes, goodwill is allocated to the CGUs expected to benefit from the business combination.

An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

Where the recoverable amount of an individual asset cannot be determined, the recoverable amount of the CGU to which the asset belongs is determined. An impairment loss on a CGU will be allocated first to goodwill and then to the other assets in the CGU unit on a proportionate basis.

A previously recognised impairment loss is reversed if the recoverable amount of the asset increases as a result of a change in the estimate used to determine the recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. An impairment loss in respect of goodwill is not reversed.

1.15 OPERATING SEGMENTS

Operating segments have been identified using the management approach as required by IFRS 8 (*Operating Segments*) in terms of which segment classification is determined according to the basis on which management presents operating results to the Chief operating decision maker (CoDM) which is considered to be the executive directors, on a quarterly basis.

The principal segments have been identified on a primary basis by business segment and on a secondary basis by significant geographical area in which the group operates.

Segment revenue reflects both sales to external parties and intergroup transactions across segments. The segment result is presented as segment profits or losses for the year. Segment profit represents the profit before taxation earned by each segment without allocation of central administration costs.

Segment operating assets and liabilities are only those items that can be specifically identified within a particular segment.

Consistent account policies are adopted across the segments.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

1.16 FOREIGN CURRENCIES

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African Rand, which is the group and company's presentation and the company's functional currency.

Foreign currency transactions

Transactions denominated in foreign currencies are translated at the rates of exchange ruling on the transaction dates.

Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. Gains or losses arising on translations are credited to, or charged against, the statement of comprehensive income.

Foreign subsidiaries

Once-off items in the statement of comprehensive income and statement of cash flows of foreign subsidiaries expressed in currencies other than the South African Rand are translated to South African Rand at the rates of exchange prevailing on the day of the transaction. All other items are translated at weighted average rates of exchange for the relevant reporting period.

Assets and liabilities of these undertakings are translated at closing rates of exchange at each reporting date.

All translation exchange differences arising on the retranslation of opening net assets together with differences between income statements translated at average and closing rates are recognised as a separate component of equity. For these purposes net assets include loans between group companies that form part of the net investment, for which settlement is neither planned nor likely to occur in the foreseeable future and is either denominated in the functional currency of the group or the foreign entity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rate of exchange at the reporting date.

1.17 MANAGEMENT JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income or expenses. Actual results may differ from these judgements, estimates and assumptions. There are not considered to be any significant judgements which need to be made in applying the group's accounting policies or IFRS.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates revised. The accounting estimates that give rise to a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year are noted below:

Significant estimates

Certain accounting areas have been identified as involving significant estimates:

Residual values of leasing assets

Leasing assets are depreciated over their useful life taking into account residual values. The actual lives of the assets and residual values are assessed at the reporting date and may vary depending on a number of factors. In re-assessing residual values, factors such as leasing contract terms, maintenance programmes, future market conditions, the remaining life of the asset and projected disposal values are taken into account.

Deferred taxation assets

Deferred taxation assets are raised only to the extent that it is probable that future taxable income will be available against which the deferred taxation asset can be used. A deferred taxation asset of R94.3 million (2019: R92.2 million) was raised based on tax losses available for set-off against future taxable income. Management has projected future taxable income for those businesses which have available tax losses based on budgets approved by the board of directors. The budgets forecast limited growth and the period over which tax losses can be recovered has been limited to 5 years.

Impairment of assets

Goodwill is considered for impairment at least annually. Property, plant and equipment and leasing assets are considered for impairment if there is any reason to believe that an impairment may be necessary. Factors taken into consideration include the economic viability of the asset itself and where it is a component of a larger economic unit, the viability of the unit. Future cash flows expected to be generated by the assets are projected taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current asset value and, if lower, the assets are impaired to the present value.

1.17 MANAGEMENT JUDGEMENTS AND ESTIMATES continued

Whilst the Fleet and EIE cash generating unit (“CGU”) value in use models undertaken at the 2020 year end indicated impairment in excess of that recognized with regards to the goodwill and intangible assets, the fair value less cost to sell of the property, plant and equipment and leasing assets of these CGU’s was assessed to be higher than the carry values and so no impairment was recognised.

Intangible assets

Intangibles with an indefinite useful life are tested for impairment annually. Other intangibles are assessed for impairment if impairment indicators are considered to exist with regard to the specific intangible asset. In testing the recoverable amount of indefinite life intangible assets, future cash flows, the expected useful lives and appropriate discount rates are used as key management estimates.

Revenue recognition on vehicle maintenance plans

Revenue from vehicle maintenance plans is based on an actuarial calculation performed by an external party and revenue is recognised on the basis of a gross profit model over the life of the maintenance contract. Based on the actuarial valuation a combination of valuation methods are applied in order to derive the best estimate of the future costs. Consideration is given in determining future maintenance costs to the class of the vehicle, the make of the vehicle, the age of the vehicle, the actual costs incurred, the expected future costs and the term of the contract. Onerous contracts are provided for where costs are estimated to be above expected revenues. There is potential volatility in the revenue recognised in future years as cost curves are updated. This model will be considered to be the most appropriate basis on which to determine maintenance revenues to be recognised.

Leases

The lease liability is measured at the present value of lease payments discounted using an incremental borrowing rate. The incremental borrowing rate was based on the cost of debt on at the time of inception of the lease.

In determining term of the lease option to renew are only included in the term of the lease if it is reasonably certain the option to renew will be exercised. The nature of the asset and the dependency of the operation on the asset is also considered in determining the likelihood of the renewal option being exercised.

1.18 SHARE-BASED PAYMENTS

The following group share-related incentive plans exist:

Cash settled share-based payment plan

The share appreciation rights plan is accounted for as a cash-settled share-based payment plan. The plan is recognised at the fair value of the obligations due, in the statement of financial position, over the vesting period up to and including settlement date with a corresponding charge to the statement of comprehensive income. The liability is re-measured at each reporting date, using the Black-Scholes model to reflect the revised value of the notional enX shares at reporting date, adjusted for changes in assumptions including management’s estimate of the number of notional enX shares that will ultimately vest. Changes in the fair value are recognised through the statement of comprehensive income

Equity-settled share-based payment plan

The Forfeitable Share Plan (FSP) which will be equity-settled.

Equity-settled share-based payments are measured at fair value at the date of grant using the Binomial Model. The fair value determined at the grant date of the equity-settled share-based payment is charged through the statement of comprehensive income on the straight-line basis over the vesting period. The charge takes into account the best estimate of the number of shares that are expected to vest. Non-market conditions such as time-based vesting conditions and non-market performance conditions are included in the assumptions for the number of options that are expected to vest.

The shares awarded under the FSP are issued or purchased in the open market and held in an escrow account. These escrow shares are treated as treasury shares. At each reporting date, the entity revises its estimates on the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, through the statement of comprehensive income.

1.19 RELATED PARTY DISCLOSURE

We define key management personnel and prescribed officers as the directors of enX and those individuals with significant influence over financial and operating decisions of the group.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

1.20 COMPARATIVE DISCLOSURE

Further to the approval by enX shareholders on 15 July 2019 of the divestment by enX of its ownership interest in its Fleet Management and Logistics business to Bidvest Bank Ltd. ("Bidvest") ("the Transaction"), shareholders are advised that the final outstanding condition precedent in relation to the Transaction, being the approval by the Prudential Authority established in terms of the Financial Sector Regulation Act, 2017 as required in terms of section 52 of the Banks Act, was not fulfilled by the long stop date of 4 May 2020. enX could not reach agreement with Bidvest to extend the long stop date to allow sufficient time for the Prudential Authority to complete its process, which was well advanced. Accordingly, the Subscription Agreement concluded between enX and Bidvest on 12 July 2019 (as amended) did not become effective.

As a result, the Fleet business, which was previously classified as an asset held for sale, was reclassified as a continuing operation in May 2020 and the summarised consolidated statement of profit and loss and other comprehensive income and summarised consolidated statement of financial position for 2019 has been re-presented to reflect Fleet as a continuing operation. In addition the notes to the consolidated annual financial statements have also been re-presented as necessary in order to align the notes to the summarised consolidated statement of profit and loss and other comprehensive income and summarised consolidated statement of financial position for 2019 as required. Fleet was required to be recorded as an asset held for sale as at the end of the prior year. As required by IFRS5, the group was required to cease depreciation and assess the carrying value of the assets held for sale in terms of the transaction value. As a consequence, depreciation and amortisation of R65.9 million (after tax: R47.4 million) from 15 July 2019 to 31 August 2019 relating to the 2019 financial year was reinstated in the second half of the 2020 financial year together with the depreciation and amortisation that related to 2020 that had ceased to be recognised in line with IFRS5 until the decision was taken to no longer recognise the Fleet business as held for sale.

1.21 ADOPTION OF NEW ACCOUNTING POLICIES

The group adopted IFRS 16 and IFRIC 23 in the current year.

1.21A IMPACT OF THE ADOPTION OF IFRIC 23 UNCERTAINTY OVER INCOME TAX TREATMENTS

The group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting when there is uncertainty over income tax treatments.

Based on the assessment undertaken no material uncertainty exists with regard to the treatment of income tax within the group.

1.21B IMPACT OF THE ADOPTION OF IFRS 16 LEASES

In the current year, the group, for the first time, has applied IFRS 16 Leases.

The standard introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement of all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The group has elected to apply IFRS 16 using the modified retrospective approach whereby the cumulative effect of initial application is recognised in retained earnings at 1 September 2019, with no restatement of comparative information. There was no adjustment to the group's opening retained earnings balance on 1 September 2019. The group has reassessed all leases to determine whether they meet the definition of a lease in terms of IFRS 16.

Impact of the new definition of a lease

With the implementation of IFRS 16 the group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Based on this the definition of a lease in accordance with IAS 17 and IFRIC 4 will apply to leases entered into before 1 September 2019.

The group applied the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 September 2019. In preparation for the first-time application of IFRS 16, the group carried out an implementation project.

The right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made before the commencement date. The right-of-use asset will be subsequently depreciated over the lease term. In addition under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

The lease liability is measured at the present value of lease payments discounted using an incremental borrowing rate. The lease asset is measured at amortised cost using effective interest rate. A single discount rate was applied to a portfolio of leases with reasonably similar characteristics, such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment. The incremental borrowing rate was based on the cost of debt on 1 September 2019.

1.21B IMPACT OF THE ADOPTION OF IFRS 16 LEASES continued

In terms of IFRS 16 the group has elected on adoption of IFRS 16 that the value of the right of use assets has been made equal to the present value of minimum lease payments with lease smoothing accruals set off the right of use asset. In addition the group has elected not to recognise right of use assets and liabilities for short term leases less than twelve months or low value assets which is in accordance with the standard.

The group applied the practical expedient in term of IFRS 16 with regards to onerous provisions as the liability raised with regards to onerous lease agreements remained on the balance and no right of use asset was raised.

In terms of initial direct costs, under IAS 17 no initial direct costs were capitalised, therefore under IFRS 16 initial direct cost practical expedient to exclude the initial direct costs from the measurement of the right-of-use asset as at 1 September 2019 has been applied.

The primary impacts on the group's financial statements, as a result of applying the IFRS 16 accounting policy in place of the previous policy under IAS 17 are:

As a lessee:

- Under IAS 17, lessees classified leases as either operating or finance leases. Operating lease costs were expensed on a straight-line basis over the period of the lease.
- Under IFRS 16, all lease agreements give rise to the recognition of a right of use asset and lease liabilities in the consolidated statement of financial position, representing the right to use the leased item and a liability for any future lease payments over the period of the lease.
- IFRS 16 lease costs are recognised in the form of depreciation of the right of use asset and interest on lease liabilities which is discounted at the incremental borrowing rate of the relevant group entity. The depreciation is calculated based on the expected useful life of the asset on recognition.
- IFRS 16 separates the total amount of cash paid in relation to the principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows. Net cash flow is not impacted by the change in policy.

As a lessor

Lessor accounting under IFRS 16 is similar to IAS 17, the group continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

The impact of adopting IFRS 16 on the opening consolidated statement of financial position 1 September 2019 is disclosed below. There was no impact on retained earnings as the group has made use of the practical expedient available on transition to IFRS 16.

	31 August 2019 R'000	Impact of adoption of IFRS16 R'000	1 September 2019 R'000
Assets			
Non-current assets			
Property, plant and equipment	425 296	238 582	663 878
Liabilities			
Non-current liabilities			
Lease liabilities	–	71 198	71 198
Current liabilities			
Lease liabilities	–	167 384	167 384

The lease commitment note took into account contractual cashflows as at 31 August 2019 excluding lease term extensions. On adoption of IFRS 16 an applying the transition requirements, the lease term extension was taken into account in measuring the liability on 1 September 2019 as required by IFRS 16.

On adoption there was no impact of lease smoothing accruals as in the prior year no lease smoothing accrual was recognised as it was immaterial.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

	Plant and equipment R'000	Motor vehicles R'000	Computer and office equipment R'000	Property and leasehold improvements R'000	Total R'000
2. PROPERTY, PLANT, EQUIPMENT AND RIGHT OF USE ASSETS					
As at 31 August 2020					
Cost	358 834	219 414	136 452	394 546	1 109 246
Accumulated depreciation and impairments	(186 992)	(102 289)	(112 507)	(86 012)	(487 800)
Net carrying value of owned and right of use assets	171 842	117 125	23 945	308 534	621 446
Owned assets					
Cost	290 707	117 462	136 452	290 865	835 486
Accumulated depreciation and impairments	(183 649)	(72 916)	(112 507)	(56 932)	(426 004)
Net carrying value	107 058	44 546	23 945	233 933	409 482
Movement summary					
Carrying value at the beginning of the year	120 062	47 956	22 172	235 107	425 296
Additions	10 962	10 363	11 532	3 608	36 465
Disposals	(2 538)	(1 674)	(476)	(4 202)	(8 890)
Depreciation – allocated to cost of sales	(8 775)	(705)	–	–	(9 480)
Depreciation – included in operating expenses	(14 298)	(17 673)	(11 886)	(9 797)	(53 654)
Transfer (to)/from leasing assets	(5)	1 245	–	–	1 240
Impairment	–	–	–	(1 031)	(1 031)
Currency adjustments	1 650	5 034	2 603	10 248	19 536
Carrying value at the end of the year	107 058	44 546	23 945	233 933	409 482
Right-of-use assets					
Cost	68 127	101 952	–	103 681	273 760
Accumulated depreciation and impairments	(3 343)	(29 373)	–	(29 080)	(61 796)
Net carrying value	64 784	72 579	–	74 601	211 964
Carrying value at the beginning of the year	–	–	–	–	–
Additions due to adoption of IFRS 16	68 127	69 289	–	101 166	238 582
Carrying value as at 1 September 2019	68 127	69 289	–	101 166	238 582
Movement summary					
Carrying value at the beginning of the year	68 127	69 289	–	101 166	238 582
Additions	–	23 200	–	2 515	25 715
Depreciation – allocated to cost of sales	–	–	–	(7 786)	(7 786)
Depreciation – included in operating expenses	(3 343)	(27 581)	–	(21 294)	(52 218)
Currency adjustments	–	7 671	–	–	7 671
Carrying value at the end of the year	64 784	72 579	–	74 601	211 964
Total carrying value at the end of the year of owned and right of use assets	171 842	117 125	23 945	308 534	621 446

2. PROPERTY, PLANT, EQUIPMENT AND RIGHT OF USE ASSETS continued

	Plant and equipment R'000	Motor vehicles R'000	Computer and office equipment R'000	Property and leasehold improvements R'000	Total R'000
As at 31 August 2019					
Cost	281 537	114 785	115 697	280 123	792 142
Accumulated depreciation and impairments	(161 475)	(66 830)	(93 525)	(45 016)	(366 846)
Net carrying value	120 062	47 955	22 172	235 107	425 296
Movement summary					
Carrying value at the beginning of the year	121 108	29 333	21 262	225 352	397 055
Acquired through business combinations (note 27)	537	20 135	612	13 914	35 198
Additions	22 563	3 419	11 089	7 659	44 730
Disposals	(1 445)	(1 572)	(422)	(3 076)	(6 515)
Depreciation – allocated to cost of sales	(9 392)	(1 034)	–	–	(10 426)
Depreciation – included in operating expenses	(13 157)	(9 615)	(10 171)	(7 705)	(40 648)
Transfer from leasing assets	–	7 574	–	–	7 574
Currency adjustments	(152)	(285)	(198)	(1 037)	(1 672)
Carrying value at the end of the year	120 062	47 955	22 172	235 107	425 296

A register of property, plant and equipment is available for inspection at the registered office of the company.

Motor vehicles and equipment with a book value of RNil (2019: R2.6 million) are held as security under instalment sale agreements (refer to note 15 Interest bearing liabilities).

Motor vehicles and equipment in the United Kingdom with a carrying value of R32.2 million (2019: R28.3 million), have been encumbered to secure long-term debt (refer to note 15 Interest bearing liabilities).

The management assumptions around useful lives and residual values are disclosed in the accounting policy notes (refer to note 1.5 Property, plant, equipment, right of use assets and leasing assets)

	2020 R'000	2019 R'000
3. LEASING ASSETS		
Cost	9 311 772	8 796 844
Accumulated depreciation	(3 224 355)	(2 859 839)
Net carrying value	6 087 417	5 937 005
Movement summary		
Carrying value at the beginning of the year	5 937 005	5 377 858
Acquired through business combinations (note 27)	–	59 586
Additions	1 737 911	2 098 549
Depreciation	(1 270 759)	(1 066 670)
Transfer to inventories	(589 820)	(492 766)
Transfer to property, plant and equipment	(1 240)	(7 574)
Currency adjustments	274 411	(31 978)
Impairment	(91)	–
Carrying value at the end of the year	6 087 417	5 937 005

Leased assets in the United Kingdom with a carrying value of R1 435 million (2019: R1 132 million), have been encumbered to secure long-term debt (refer to note 15).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

	2020 R'000	2019 R'000
4. GOODWILL		
Cost	782 651	765 510
Accumulated impairments	(690 190)	(374 700)
Net carrying value	92 461	390 810
Arising on acquisition of:		
enX Equipment segment	92 461	209 221
– EIE SA	–	133 901
– Impact (UK)	92 461	75 320
enX Fleet segment	–	181 589
– Eqstra Fleet Management	–	181 589
Closing net carrying value	92 461	390 810
Movement summary		
Carrying value at the beginning of the year	390 810	478 746
Acquired through business combinations (note 27)	–	8 524
Impairment – Centlube (Lubricants CGU)	–	(30 387)
Impairment – African Group Lubricants (Lubricants CGU)	–	(12 304)
Impairment – West Africa International (Chemicals CGU)	–	(52 461)
Impairment – EIE SA CGU	(133 901)	–
Impairment – Eqstra Fleet Management CGU	(181 589)	–
Currency adjustment	17 141	(1 308)
Carrying value at the end of the year	92 461	390 810

Impairment review

In accordance with IAS 36 Impairment of assets, goodwill is reviewed annually for impairment, or more frequently if there is an indication that goodwill might be impaired.

The recoverable amount of goodwill relating to all CGUs has been determined on the basis of value-in-use calculations. The CGU's are EIE SA, Impact Fork Truck, Fleet, Lubricants and Chemicals.

The group prepares cash flow forecasts for the next five years, based on the CGU's management's budgets and business plans.

Equipment segments

On 8 November 2016 as part of the Eqstra transaction an amount of R181.9 million was raised as goodwill on acquisition of the EIE SA and Impact Handling (UK) businesses. An impairment was recognised in the current year with respect to the EIE SA CGU's goodwill which was as a result of the poor results achieved by the EIE SA due to the decline in the market due to COVID-19, weak economic conditions and certain operational factors. Management reviewed the long-term outlook for the business and has concluded that given the uncertainty regarding various micro and macro economic factors impacting the business, the total goodwill relating to the business was impaired. A terminal value is calculated based on a nominal growth rate of 4.7% (2019: 5.5%). The pre-tax rate used to discount forecast cash flows for the CGU was 15.7% (2019: 14.7%). The recoverable amount for EIE SA CGU was R2.416 billion (2019: R2.998 billion), indicating a possible impairment in excess of the goodwill and intangible assets. A detailed impairment assessment on the tangible assets relating to the CGU was performed to identify whether impairment was required to be recognised on the tangible assets of the CGU. No additional impairment was identified.

In the impairment assessment performed with regards to Impact Handling (UK) a pre-tax rate of 7.3% (2019: 4.9%) was used to discount the forecast cash flows. The recoverable amount of the Impact Handling (UK) CGU was determined to be R2.4 billion (£103.9 million) and no impairment was recognised.

4. GOODWILL continued

Fleet segment

On 8 November 2016 as part of the Eqstra transaction an amount of R170,1 million was raised as goodwill on acquisition of the Fleet businesses. An impairment was recognised in the current year with respect to the Eqstra Fleet Management CGU's goodwill which was as a result of the poor results achieved by the business due to the impact of COVID-19 on micro and macro economic factors, weak economic conditions and certain operational factors. Management reviewed the long-term outlook for the business and have and concluded that given the uncertainty regarding various micro and macro economic factors impacting the business, the total goodwill relating to these businesses was impaired. A terminal value is calculated based on a nominal growth rate of 5%. The pre-tax discount rate, being the cost of equity, used to discount forecast cash flows for the CGU was 21.1%. The recoverable equity amount for the Eqstra Fleet Management CGU was R204.3 million, indicating a possible impairment in excess of the goodwill and intangible assets. A detailed impairment assessment on the tangible assets relating to the CGU was performed to identify whether impairment was required to be recognised on the tangible assets of the CGU. No additional impairment was identified.

During the prior year, the Eqstra Fleet Management CGU was classified as a disposal group under IFRS5, the consideration excluding debt payable in respect of the Fleet Business is an amount equal to R1 295 million multiplied by an escalation factor of 7% while the transaction is finalised and as a result, there was no indication of impairment of the goodwill in the prior year.

Key assumptions applied in the value in use calculations

The following assumptions were applied in all of the value in use calculations above:

- Asset values were based on the carrying amounts for the financial year;
- Future expected profits were estimated using historical information and approved budgets extending over five years;
- Revenue growth and gross margins were based on historical performance and known future prospects;
- Operating costs were assumed to grow in line with current inflation rates;
- Cash flows were extended into perpetuity as management has no reason to believe that the group will not continue past the budget period;
- The terminal values have been calculated by dividing the terminal year free cash flows by the pre-tax discount rate less the in-perpetuity growth rate which has been limited to CPI; and
- The recoverable amounts are compared to the carrying amounts of the CGU's to determine whether goodwill impairment is required.

Change in key assumptions and conclusion

For the remaining goodwill amount, a sensitivity analysis was performed on the discount rates and terminal growth rates. The results indicated that sufficient headroom (value in use over the carrying value) for each of the CGUs existed to absorb a reasonable change in either the discount rate or the terminal growth rate or a combination thereof. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount of Impact Handling are based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGU.

CGUs sensitive to discount rate and terminal growth rate	Enterprise value*	Pre-tax discount rate		Terminal growth rate	
	Aug 2020 R'000	Actual rate %	Breakeven rate %	Actual rate %	Break-even rate %
Impact Handling (UK)	1 926 853	7.3%	8.4%	2.0%	0.9%

* Enterprise value is determined to be the net operating assets of the CGU and the interest bearing debt.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

5. INTANGIBLE ASSETS

	Supplier and distributorship agreements – subject to amortisation R'000	Supplier and distributorship agreements – with indefinite useful lives R'000	Trademarks R'000	Computer software R'000	Total R'000
As at 31 August 2020					
Cost	323 552	138 210	10 390	110 275	553 774
Accumulated amortisation and impairments	(273 834)	(138 210)	(10 390)	(86 685)	(509 119)
Net carrying value	49 718	–	–	23 590	73 308
Estimated useful life of the intangibles	3 – 20 years	indefinite	20 years	3 - 10 years	–
Movement summary					
Carrying value at the beginning of the year	216 746	87 344	5 152	23 432	332 674
Additions	–	–	–	14 783	14 783
Amortisation for the year	(38 229)	–	(71)	(14 605)	(52 905)
Impairment	(135 161)	(87 344)	(5 085)	–	(227 590)
Currency adjustments	6 362	–	4	(20)	6 346
Carrying value at the end of the year	49 718	–	–	23 590	73 308
As at 31 August 2019					
Cost	323 552	138 210	10 390	95 492	553 774
Accumulated amortisation and impairments	(106 806)	(50 866)	(5 238)	(72 060)	(234 970)
Net carrying value	216 746	87 344	5 152	23 432	332 674
Estimated useful life of the intangibles	3 – 20 years	indefinite	20 years	3 - 10 years	
Movement summary					
Carrying value at the beginning of the year	233 971	138 210	9 189	18 875	400 245
Acquired through business combinations (refer to note 27)	29 312	–	–	–	29 312
Additions	–	–	–	13 870	13 870
Amortisation for the year	(29 791)	–	(571)	(9 282)	(39 644)
Impairment	(16 910)	(50 866)	(3 467)	–	(71 243)
Currency adjustments	164	–	1	(31)	134
Carrying value at the end of the year	216 746	87 344	5 152	23 432	332 674

Other information

The supplier and distributorship agreements with indefinite useful lives relate to the Petrochemicals and the Equipment segments. These agreements provide the companies with the right to distribute product, being lubricants and forklifts, in South Africa and certain other African countries.

The companies have every intention of ensuring that the supplier and distributorship agreements are renewed when the renewal of these contracts are reviewed. Renewal is primarily determined by the quality of the relationships with the suppliers, consistent distribution to customers and a payment track record. History has demonstrated that these distribution agreements are renewed without any significant costs being incurred.

The renewal periods of these contracts cannot be determined for the foreseeable future and as such, and taking into account the obsolescence factors, the useful lives of these agreements remain indeterminable. Management is therefore of the view that the useful lives of these intangibles remain indefinite.

In accordance with IAS 36 impairment of assets, intangible assets with indefinite useful lives are reviewed annually for impairment, or more frequently if there is an indication that the goodwill or intangible assets might be impaired.

The recoverable amount of the indefinite life intangible assets has been determined on the basis of a value in use impairment model. A terminal value was calculated based on a nominal growth rate of 4.7% (2019:5.5%). A pre-tax discount rate of 20.3% (2019:19.3%) was used for the Chemicals and Fuel CGU's and a pre-tax discount rate of 15.7% (2019: 14.3%) for EIE SA CGU.

5. INTANGIBLE ASSETS continued

The directors are of the view that the recoverable amount of the Impact Handling (UK) CGU as disclosed in note 4 are higher than the carrying value amounts of the CGU and therefore no impairments were recognised. However, an impairment was recognised in the current year with respect to the Eqstra and EIE SA CGU's intangible assets in order to align the CGU's carrying values with the recoverable amounts of the CGU's as disclosed in note 4.

An impairment was recognised in the current year with respect to the remaining carrying value of the Lubricants and Chemicals CGUs intangible assets in order to align the CGUs carrying values with the recoverable amounts of the CGUs. The recoverable amounts for the Lubricants and Chemicals CGU's were R266.2 million and R150.2 million respectively. A terminal value is calculated based on a nominal growth rate of 4.7%. The pre-tax rate used to discount forecast cash flows for the Lubricants and Chemicals CGU's was 20.3%.

	2020 R'000	2019 R'000
6. INVESTMENT IN ASSOCIATE		
Shares at cost	52 994	52 994
Associate investment – on acquisition: Net asset value	9 036	9 036
Associate investment – on acquisition: Goodwill	43 958	43 958
Equity accounted profit		
Share of profit from associate:		
– Prior years	6 211	1 246
– Current year	11 711	4 965
Carrying value	70 916	59 205

On 31 May 2018 enX acquired a 37% interest in Zestcor for R41 million. The final value of the investment in associate is contingent on the terms of the sale agreement, refer to note 16. The investment has been accounted for on the equity accounting method. Income from Zestcor has been included in the statement of comprehensive income from 1 June 2018.

On 31 May 2018 when enX acquired a 37% interest in Zestcor an amount of R44.0 million was raised as goodwill on acquisition. This goodwill arose as a result of the expected synergies and costs savings in the procurement of lubricants in the petrochemicals segment. The pre-tax rate used to discount the forecast cash flows was 21.8% (2019: 21.1%). The recoverable amount of 37% of the Zestcor CGU was determined to be R131.5 million (2019:R86.1 million).

	Country of Incorporation	Ownership Percentage		Investment carrying value	
		2020 %	2019 %	2020 R'000	2019 R'000
Zestcor	RSA	37	37	70 916	59 205

SUMMARISED FINANCIAL INFORMATION OF ZESTCOR

Summarised statement of financial position	Current assets R'000	Non-current assets R'000	Total assets R'000	Current liabilities R'000	Non-current liabilities R'000	Capital and reserves R'000	Total equity and liabilities R'000
2020							
Zestcor	231 536	281	231 817	155 390	10 000	66 427	231 817
2019							
Zestcor	144 687	358	145 045	100 115	10 000	34 930	145 045

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

6. INVESTMENT IN ASSOCIATE continued

Summarised statement of profit or loss and other comprehensive income for the year	Revenue R'000	Profit after tax R'000	Total comprehensive income R'000
2020			
Zestcor	485 916	31 651	31 651
2019 (1 Jun 19 to 31 Aug 19)			
Zestcor	392 260	13 419	13 419

	2020 R'000	2019 R'000
7. UNLISTED INVESTMENTS AND LOANS		
Investments		
Unlisted investments at fair value	5 314	7 703
Loans		
Other loans – Matase	2	489
Other loans – Zestcor	3 700	3 700
Finance lease receivables	159	877
Total carrying value	9 175	12 769
Movement summary		
Balance at the beginning of the year	12 769	18 214
Fair value adjustments through profit and loss	(1 305)	(6 754)
Other movements	(2 289)	1 309
Balance at the end of the year	9 175	12 769
Disclosed as:		
– Non-current assets	9 175	12 769
	9 175	12 769
<i>The above are categorised as follows:</i>		
– Loans and receivables	2	489
– Financial assets held at amortised cost	9 173	12 280
	9 175	12 769
Maturity analysis		
Maturing after one year but within five years	9 175	12 769

Unlisted investments and loans are stated at their approximate fair value.

The unlisted investments are level 3 financial instruments. Level 3 instruments are valued using various business -related inputs which are not based on observable market data. Unlisted investments are valued based on operational performance of the entities which is considered to be appropriate taking into account that the investments are very insignificant to the group.

The loans with Matase and Zestcor are recognised at amortised cost and bear no interest, they are unsecured and have no fixed repayment terms. The recoverability of these loans continuously reviewed. The considerations taken into account in determining the whether there are any adjustments required for future information with regards to the ECL include the expected rate of inflation as well as the expected future economic conditions of the markets impacting the recoverability of the loan.

	2020 R'000	2019 R'000
8. DEFERRED TAXATION		
The balance consists of:		
Property, plant and equipment and right of use assets	(41 280)	(26 837)
Leasing assets	(536 925)	(542 797)
Intangible assets	(15 514)	(104 004)
Inventories	19 225	14 830
Trade and other receivables	20 867	9 476
Trade, other payables and provisions	91 465	84 206
Other	(10 045)	(2 375)
Tax losses	94 329	92 187
Total carrying amount	(377 878)	(475 314)
Movement summary		
Balance at the beginning of the year	(475 314)	(477 688)
Acquired through business combinations (note 27)	–	(92)
Deferred tax recognised in equity	(10 018)	(1 255)
Currency adjustments	938	(591)
Temporary differences for the year	106 516	4 312
Balance at the end of the year	(377 878)	(475 314)
<i>Disclosed as:</i>		
Deferred taxation – non-current assets	60 050	55 956
Deferred taxation – non-current liabilities	(437 928)	(531 270)
	(377 878)	(475 314)
Tax losses		
Total taxation losses available for set off against future profits	796 066	827 622
Taxation losses not recognised due to unpredictability of future taxable income	459 178	498 384
Taxation losses available for set off against future profits	336 888	329 238
Deferred tax assets recognised in respect of such taxation losses	94 329	92 187

Deferred taxation assets are raised only to the extent that it is probable that future taxable income will be available against which the deferred taxation asset can be used. A deferred taxation asset of R94.3 million (2019: R92.2 million) was raised based on tax losses available for set-off against future taxable income. None of the tax losses expire. Management has projected future taxable income for those businesses which have available tax losses based on budgets approved by the board of directors. The budgets forecast limited growth and the period over which tax losses can be recovered has been limited to five years. During the current year deferred tax assets of R17.6 million were derecognised (2019: R13.4 million).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

	2020 R'000	2019 R'000
9. TRADE AND OTHER RECEIVABLES		
Gross trade receivables	1 006 810	1 021 108
Impairment allowance raised against trade receivables	(99 076)	(64 826)
Net trade receivables	907 734	956 282
Prepayments	52 240	52 315
Value added taxation	28 444	31 213
Finance lease receivables	91	464
Sundry debtors, claims, recoverables and other receivables	69 538	67 473
Deposits	9 084	9 071
Total carrying amount	1 067 131	1 116 818
Disclosed as:		
Trade and other receivables – non-current	4 624	6 338
Trade and other receivables – current	1 062 507	1 110 480
	1 067 131	1 116 818

There is a cession of the gross trade receivables of R341.2 million (2019: R303.2 million). This is a pledge of collateral against the banking facilities. Refer to note 15.

Trade receivables are stated at amortised cost less impairment allowances which is considered to approximate their fair value due to their short-term maturity. The long-term portion is stated at amortised cost. Refer to note 32.

Movement in impairment allowance raised against receivables

Balance at the beginning of the year	64 826	39 334
Impairment allowance raised during the year	76 803	38 348
Impairment allowance utilised during the year	(42 553)	(12 856)
Balance at the end of the year	99 076	64 826

Basis of raising impairment allowances against receivables

The recoverability of trade and other receivables is continuously reviewed on an individual basis. Credit limits are continuously monitored through payment history checks and industry information.

An assessment is made at each reporting date whether there is any objective evidence that trade and other receivables are impaired. The group applies the simplified approach to calculate the expected credit loss ("ECL") of trade receivables. The rates used in the ECL provision matrix are based on days past due and debt written off. Further information regarding credit risk and credit risk management is detailed in note 32.

The considerations taken into account in determining the whether there are any adjustments required for future information with regards to the ECL include the expected rate of inflation as well as the expected future economic conditions of the markets impacting the debtors book.

Related credit exposure and enhancements

Maximum exposure to credit losses of trade and other receivables	986 356	1 032 826
<i>Credit risk mitigated through:</i>		
Credit Insurance	(369 290)	(184 289)
Residual exposure	617 066	848 537

	2020 R'000	2019 R'000
10. INVENTORIES		
Raw materials	34 266	122 382
New vehicles and forklifts	686 388	799 347
Used vehicles and forklifts	160 084	87 851
Finished goods	338 602	162 979
Work in progress	112 583	57 079
Consumables	137 324	136 462
Goods in transit	268 588	266 814
Gross inventories	1 737 835	1 632 914
Impairment allowance raised against inventories	(115 814)	(85 050)
Total carrying amount	1 622 021	1 547 864
Movement in impairment allowance raised against inventories		
Balance at the beginning of the year	85 050	79 272
Impairment provisions raised during the year	40 895	19 266
Impairment provisions utilised during the year	(10 131)	(13 488)
Balance at the end of the year	115 814	85 050
Inventories are valued at the lower of cost and net realisable value.		
Inventories carried at net realisable value included above	17 260	8 064
<i>Inventories up to a maximum amount of R341.2 million (2019: R454,7 million) have been encumbered to secure borrowing facilities (refer to note 15).</i>		
Amounts recognised as an expense in the year	3 311 951	3 436 495

	2020 R'000	2019 R'000
11. DERIVATIVE FINANCIAL INSTRUMENTS		
ASSETS		
Forward exchange contracts, at fair value through profit or loss	2 372	21 225
	2 372	21 225
LIABILITIES		
Forward exchange contracts, at fair value through profit or loss	1 520	390
	1 520	390

These financial instruments are level 2 financial instruments – valuations based on observable and unobservable inputs. The net market value of all forward exchange contracts at year-end was calculated by comparing the forward exchange contract rates to the equivalent year-end market foreign exchange rates.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

	2020 R'000	2019 R'000
12. BANK AND CASH BALANCES		
Cash on hand	953	6 452
Bank accounts	884 956	452 284
Bank overdrafts	(5 377)	(32 233)
	880 532	426 503
Disclosed as:		
Bank and cash balances – current assets	885 909	458 736
Bank overdrafts – current liabilities	(5 377)	(32 233)
	880 532	426 503

The group's cash and cash equivalents relate to short-term deposits placed with banks which have strong credit ratings which is considered to mitigate the expected credit loss risk.

13. STATED CAPITAL

Authorised shares

1 000 000 000 (2019: 1 000 000 000) ordinary shares of no par value

Issued shares

182 312 650 (2019: 182 312 650) ordinary shares of no par value

	3 151 707	3 151 707
Balance at beginning of year	3 117 031	3 103 455
Shares issued: WAI and AGL to settle deferred vendor consideration	–	12 138
Shares vested: Forfeitable share plan scheme	17 061	1 438
Balance at end of year	3 134 092	3 117 031
Shares in issue	3 151 707	3 151 707
Treasury shares	(17 615)	(34 676)

The unissued ordinary shares are under the control of the directors until the next annual general meeting, subject to the provisions of the Companies Act. The shares issued were issued under a specific authority.

Treasury shares

enX Corporation Limited, a wholly-owned subsidiary, currently owns 570 014 (R11.02 million) ordinary shares which are held as treasury shares, unchanged from the prior year.

K2016224128 (South Africa) (Proprietary) Limited, a wholly owned subsidiary, acting as the escrow agent, currently owns 375 873 shares (R6.59 million) (2019: 1 378 870 shares, R23.65 million) in terms of the enX Forfeitable Share Plan Scheme. These shares were not allocated to employees.

13.1 EQUITY SETTLED COMPENSATION BENEFITS

Forfeitable share plan (FSP) scheme

The FSP scheme allows certain senior employees to receive shares should certain conditions be fulfilled.

	Date of issue	Period to expire from date of issue	IFRS 2 classification
enX Group Limited	14 December 2016	3 years	Equity settled
enX Group Limited	1 June 2018	3 years	Equity settled

The value of the FSP has been calculated using the Binomial model based on the following assumptions:	June 2018 scheme	December 2016 scheme
– Expected dividend yield (%)	–	–
– Fair value of the FSP on grant date	14,46	17,90

13. STATED CAPITAL continued

	2020 R'000	2019 R'000
Share-based payment expense recognised		
FSP scheme	1 615	3 940
Shares available for allocation to incentive schemes and movement during the year		
Maximum number of shares available for allocation	5 000 000	5 000 000
FSP scheme	299	980 318
Share appreciation rights at beginning of the year	980 318	1 459 227
Share appreciation rights granted during the year		–
Share appreciation rights forfeited or paid during the year	(980 019)	(478 909)
Shares available for allocation at end of the year	4 999 701	4 019 682

The expected volatility was determined using volatility of the enX share since 1 September 2016.

The expected forfeiture rate was determined by estimating the probability of participating individuals still being in the employment of enX at vesting date.

The calculation of the share-based payment expense requires management to exercise a degree of judgement.

The detailed allocation of scheme shares allocated to directors, prescribed officers and managers will be disclosed in the Remuneration report.

14. OTHER RESERVES

	2020 R'000	2019 R'000
Foreign currency translation reserve	140 397	37 456
Share-based payment reserve	299	14 247
Valuation reserve	(736 563)	(736 563)
	(595 867)	(684 860)
Movement summary		
Balance at the beginning of the year	(684 860)	(681 952)
Foreign currency translation reserve	102 941	(8 190)
Share-based payment (expense)/vesting	(13 948)	5 282
Balance at the end of the year	(595 867)	(684 860)

15. INTEREST-BEARING LIABILITIES

Long-term in nature

– Secured loans	1 436 330	1 203 330
– Unsecured loans and medium term notes	3 813 743	3 912 234

Short-term in nature

– Secured short-term loans, call borrowings and bank overdrafts	611 205	166 480
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Total borrowings	5 861 278	5 282 043
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Disclosed as:

Non-current liabilities	3 620 250	4 021 523
Current liabilities	2 241 028	1 260 520

Total borrowings	5 861 278	5 282 043
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NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

15. INTEREST-BEARING LIABILITIES continued

Interest rate analysis	2020		2019	
	Effective rates %	Analysis of debt R'000	Effective rates %	Analysis of debt R'000
Variable linked				
– Secured loans	2.41% - 7.20%	1 436 330	3% - 10.52%	1 203 330
– Unsecured loans	5.94% - 6.69%	2 895 809	8,82% - 9.57%	2 870 854
– Unsecured short-term loans, call borrowings and bank overdrafts	4.25% - 7.00%	611 205	9.75% - 10.0%	166 480
– Medium Term Note Programme	6.14% - 9.69%	917 934	8.51% - 13,03%	1 041 380
		5 861 278		5 282 043

	2025 and onwards Rm	2024 Rm	2023 Rm	2022 Rm	2021 Rm	Total Rm
Summary of interest-bearing borrowings by year of redemption or repayment						
31 August 2020						
South Africa	–	–	400 399	1 817 868	2 236 733	4 455 000
Rest of world	–	–	1 318 000	83 983	4 295	1 406 278
Total	–	–	1 718 399	1 901 850	2 241 028	5 861 278

	2024 and onwards Rm	2023 Rm	2022 Rm	2021 Rm	2020 Rm	Total Rm
31 August 2019						
South Africa	–	313 584	1 420 002	1 142 431	1 230 465	4 106 482
Rest of world	–	–	1 100 054	45 452	30 055	1 175 561
Total	–	313 584	2 520 056	1 187 883	1 260 520	5 282 043

Details of encumbered assets as follows:	2020		2019	
	Debt secured Rm	Net book value of assets encumbered Rm	Debt secured R'000	Net book value of assets encumbered R'000
Trade receivables and inventories	264 312	682 320	206 498	757 877
Leasing assets and motor vehicles	1 406 775	1 467 445	1 163 308	1 160 012
Total	1 671 087	2 149 765	1 369 805	1 917 889

15. INTEREST-BEARING LIABILITIES continued

	2020 R'000	2019 R'000
Borrowing facilities		
In terms of the MOI the borrowing powers of the company are unlimited.		
Total facilities established	6 379 263	6 251 797
Less: Total borrowings including medium-term notes	(5 861 278)	(5 282 043)
Unutilised borrowing facilities	517 985	969 754

The group complied with all funding covenants during the current and prior year.

Details of securities provided to the funders are presented in notes 2, 3, 9 and 10.

Instalment sale agreements

Certain motor vehicles and equipment are financed under instalment sale agreements (refer to note 2).

The average term for instalment sale agreements are three years for motor vehicles and five years for equipment and the average effective borrowing rate is 8.2%p.a. (2019: 10% p.a.).

	2020 R'000	2019 R'000
16. DEFERRED VENDOR CONSIDERATIONS		
Arising from the acquisitions of Genmatics, WAI, AGL and Zestcor.		
Non-current portion	-	2 655
- Zestcor contingent vendor consideration	-	2 655
Current portion	33 895	-
- Zestcor contingent vendor consideration	33 895	-
	33 895	2 655
Movement Summary		
Carrying value at the beginning of the year	2 655	35 331
Deemed interest	552	1 037
Settlement/release of liability	-	(33 713)
Adjustment on deferred vendor consideration	30 688	-
Carrying value at the end of the year	33 895	2 655

The Genmatics and final WAI considerations were settled in full during the prior year.

The Zestcor contingent payment payable is based on an earn-out target for 2020:

- the contingent payment was calculated by discounting the management estimates on the payments to be made based on the expected profit after tax in 2020;
- the undiscounted payment with regards to the earn-out is R33.9 million; and
- the contingent payment is contractually required to be made in the 2021 financial year.

The Zestcor vendor consideration is accounted for at amortised cost. The Zestcor contingent payment was computed in terms of the Zestcor sales agreement, and is based on the consideration payable which is dependant on the final FY 2020 profit before tax achieved by Zestcor.

The directors consider the carrying amount of the vendor considerations to approximate their fair value.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

	2020 R'000	2019 R'000
17. TRADE, OTHER PAYABLES AND PROVISIONS		
Trade payables	850 058	914 980
Accruals	348 401	313 144
Income/receipts received in advance	28 320	23 476
Value added taxation	94 096	32 632
Deferred government grant	–	1 604
Employee-related accruals and provisions	97 744	141 086
Provisions	43 808	11 888
Interest accrual	5 713	13 707
IFRS15 contract liabilities	40 489	18 997
Sundry and other payables	26 077	82 990
	1 534 706	1 554 504

The directors consider the carrying amount of trade and other payables to approximate their fair value.

The average credit period is between 30 and 60 days. No interest is charged on trade payables for the first 1 to 60 days from the date of invoice. Terms with significant suppliers average 90 to 120 days.

The group has financial risk policies in place to ensure that all payables are paid within the credit time frame (refer to note 32).

Provisions

Provisions consists primarily of royalty and warranty provisions, which have limited estimation uncertainty, and are settled within a 12-month period following year-end

Balance at the beginning of the year	11 888	8 826
Provision raised during the year	51 271	8 436
Provision utilised during the year	(20 111)	(5 367)
Currency adjustment	760	(7)
Balance at the end of the year	43 808	11 888

	2020 R'000	2019 R'000
18. REVENUE		
Revenue recognised at a point in time		
<i>Sale of capital goods</i>	1 139 452	1 501 322
– South Africa	773 773	1 091 482
– Rest of world	365 679	409 840
<i>Sale of goods, consumables and parts</i>	1 947 902	2 014 577
– South Africa	1 657 815	1 741 588
– Rest of world	290 087	272 989
<i>Sale of used goods</i>	540 097	671 466
– South Africa	427 092	530 066
– Rest of world	113 005	141 400
Total revenue recognised at a point in time	3 627 451	4 187 365
Revenue recognised over time		
<i>Leasing rentals</i>	2 423 696	2 315 542
– South Africa	1 716 023	1 707 768
– Rest of world	707 673	607 774
<i>Maintenance and service revenue</i>	1 012 413	1 111 114
– South Africa	766 439	885 592
– Rest of world	245 974	225 522
<i>Value added products</i>	126 089	148 347
– South Africa	115 898	115 804
– Rest of world	10 191	32 543
<i>Other revenue</i>	16 460	28 483
– South Africa	16 459	28 482
– Rest of world	1	1
Total revenue recognised over time	3 578 658	3 603 486
Total revenue	7 206 109	7 790 851

	2020 R'000	2019 R'000
19. OPERATING PROFIT		
Operating profit is stated after taking the following into account:		
Net operating expenses include:		
Cost of sales	3 353 915	3 855 880
Staff costs	1 117 342	1 145 628
– Staff costs: cost of sales in nature	208 850	214 858
– Staff costs: operating expense in nature	908 492	930 770
Other expenses	1 305	6 754
Operating expenses	938 784	874 070
	5 411 346	5 882 332

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

	2020 R'000	2019 R'000
19. OPERATING PROFIT continued		
Operating profit is stated after taking the following items into account:		
Foreign exchange differences		
Unrealised forex differences	(11 505)	(16 689)
Realised forex differences	(7 147)	5 023
Fair value measurement of forward exchange contract	871	21 159
	(17 781)	9 493
Operating lease and rental charges (short term and low value leases)		
Premises	17 741	46 848
Computer and office equipment	18 676	17 502
	36 417	64 350
(Profit)/loss on sale of non-current assets		
(Profit)/loss on disposal of property, plant and equipment	(6 410)	1 468
Other		
Expected credit loss on financial assets	34 250	25 493
Restructuring and transaction costs	1 845	7 175
Retrenchment costs	32 908	6 215
Bad debts	8 568	1 128
Consulting fees	15 977	13 407
Audit fees – audit services from Deloitte	13 765	15 834
Audit fees – audit services from other auditors	1 060	766
Audit fees – other services from Deloitte	2 256	707
Services from other auditors	1 154	1 678
Share-based payment charge/ (credit)	2 547	(6 579)
Employee costs		
Executive directors and prescribed officers	39 735	40 253
Non-executive directors	8 389	6 955
Other staff	1 069 218	1 098 420
	1 117 342	1 145 628
Defined contribution retirement plan costs (included in staff costs) – provident fund	47 322	47 424
Defined contribution retirement plan costs (included in staff costs) – pension fund	21 430	21 903

Defined contribution plan

All contributions on behalf of employees are charged to the statement of comprehensive income as they are made.

The group has no liability toward any pension or provident fund apart from normal recurring monthly contributions deducted from the employees to be paid to the relevant funds.

	2020 R'000	2019 R'000
Depreciation and amortisation		
Intangible asset amortisation	52 905	39 644
Property, plant and equipment depreciation	105 872	40 648
Leasing assets depreciation	1 270 759	1 066 670
Depreciation and amortisation	1 429 536	1 146 962

	2020 R'000	2019 R'000
20. NET FINANCE COSTS		
Interest received		
Interest received on funds and deposits with banks	12 195	5 268
Other	1 750	1 963
	13 945	7 231
Interest expense		
Interest to banks	406 958	410 362
Deemed interest on deferred vendor considerations	552	1 037
Interest on lease liability	7 969	–
Other	7 818	2 312
	423 297	413 711
Net finance costs	409 352	406 480

	2020 R'000	2019 R'000
21. TAXATION		
South African normal taxation		
Current year	(1 776)	77 109
Prior year	(136)	(2 493)
South African deferred taxation		
Current year	(105 962)	(20 851)
Prior year	6 811	2 974
	(101 063)	56 739
Foreign normal taxation		
Current year	27 140	25 133
Prior year	4 559	(14 823)
Foreign deferred taxation		
Current year	(7 365)	(1 548)
Prior year	–	15 113
	24 334	23 875
Total current and deferred taxation	(76 729)	80 614
Reconciliation of rate of taxation		
Accounting profit before taxation	(589 659)	189 271
Taxation at South African normal taxation rate (28%)	(165 105)	52 996
Tax effect of adjustments to taxable income		
Permanent differences:		
– Adjustment on deferred vendor consideration	8 593	(2 904)
– Impairment of goodwill not deductible	88 337	26 644
– Impairment of inventory not deductible	–	5 522
– Legal and professional fees of a capital nature	1 064	2 362
– Other non-deductible expenses	(4 545)	3 202
– Other non-taxable income	6 584	(1 356)
– Foreign taxes	4 255	6 692
– Prior year	(11 234)	(771)
– Derecognition of deferred tax assets	(17 619)	(13 403)
Currency adjustment	9 675	140
Share of profit from associates	3 266	1 490
Taxation per statement of comprehensive income	(76 729)	80 614

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

		2020 R'000	2019 R'000
22. (LOSS)/EARNINGS PER SHARE			
TOTAL			
Basic (loss)/earnings per share	Cents	(283.1)	58.9
Diluted (loss)/earnings per share*	Cents	(283.1)	58.3
Headline (loss)/earnings per share	Cents	(20.1)	141.0
The calculation of earnings per ordinary share for the group is based on the following:			
– Earnings attributable to ordinary share holders		(512 469)	105 811
– Headline earnings		(36 410)	253 315
– Weighted average number of shares in issue	Number	181 017 311	179 676 859
– Weighted average diluted number of shares in issue	Number	182 312 650	181 625 743
– Number of shares in issue at year-end	Number	182 312 650	182 312 650
Reconciliation of headline earnings:			
(Loss)/profit for the year attributable to equity holders of the parent		(512 469)	105 811
<i>Adjusted for:</i>			
(Profit)/loss on disposal of property, plant and equipment		(6 410)	1 468
Impairment of goodwill and intangible assets		543 080	166 395
Impairment of property		1 031	–
Taxation effect thereon		(61 642)	(20 359)
Headline earnings attributable to ordinary shareholders		(36 410)	253 315

Instruments that could dilute basic earnings per share are the shares held in escrow in terms of the FSP scheme will be issued to participants based on scheme rules.

**The dilutionary instruments in issue have an anti-dilutionary effect in the current year.*

		2020 R'000	2019 R'000
23. CASH GENERATED FROM OPERATIONS			
Profit before taxation		(589 659)	189 265
<i>Adjusted for:</i>			
– Interest received		–	–
– Interest expense		(13 945)	(7 231)
– Impairment of goodwill, intangible assets and property		423 297	413 711
– Fair value adjustment on cell captive		544 111	166 395
– Depreciation and amortisation		1 305	6 754
– Depreciation and amortisation		1 446 802	1 157 388
– (Profit)/loss on disposal of property, plant and equipment		(6 410)	1 468
– Share of profits of associate		(11 711)	(4 965)
– Share based payment expense – non-cash		4 595	(3 829)
– Adjustment on deferred vendor consideration		30 688	(10 371)
Cash generated from operations before working capital movements		1 860 593	1 908 585
Changes in working capital		610 280	296 421
Decrease in inventories		577 230	335 561
Decrease in trade and other receivables		124 342	19 324
Decrease in trade and other payables		(91 292)	(58 464)
		2 470 873	2 205 006

	2020 R'000	2019 R'000
24. INTEREST PAID		
Interest paid		
Total interest expense (refer to note 22)	(423 297)	(413 711)
Imputed interest on deferred vendor consideration	552	1 037
Interest on lease liability	–	
Interest accrual	5 713	13 300
Total interest paid (in cash)	(417 032)	(399 374)
Interest received		
Total interest received (refer to note 22)	13 945	7 231
Total interest received (in cash)	13 945	7 231
Total net interest paid in cash	(403 087)	(392 143)
25. TAXATION PAID		
Net taxation payable at beginning of year	(46 510)	(40 386)
Current tax charged to the statement of comprehensive income	(29 787)	(84 926)
Currency adjustment	487	2 323
Net taxation payable at end of year	3 549	46 510
	(72 261)	(76 479)
26. PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		
Book value of assets disposed	8 890	6 515
Profit/(loss) on disposal of property, plant and equipment	6 410	(1 468)
Proceeds on disposal of property, plant and equipment	15 300	5 047

27. BUSINESS COMBINATIONS

Impact Handling UK acquisitions during the 2020 financial year

No assets have been acquired through business combinations during the current year.

Acquisition of Grant Handling

Effective 29 March 2019, Impact Handling (UK) concluded an agreement to acquire 100% of the share capital in Grant Handling Limited, a forklift dealer located in the UK, to increase the group's forklift business footprint in the UK.

The purchase price paid was R128,3 million (£6,5 million). The amount due was settled through the existing facilities with HSBC. There is no contingent consideration. The goodwill acquired arose as a result of the expected synergies and costs savings in expanding the UK operations.

Revenue of R136.0 million (£7.4 million) and net profit after taxation of R5.8 million (£313 thousand) have been included in these results with effect from the acquisition dates. If the acquisitions had occurred on 1 September 2018, the following amounts would have been included in the group results: Revenue of R314.3 million (£17.1 million) and net profit after taxation of R14.2 million (£772 thousand). For the full detail of the business combination, refer to the 2019 consolidated annual financial statements.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

	2020 R'000	2019 R'000
28. LEASE LIABILITIES		
Leases: payable		
Premises	188 997	–
Vehicles	22 419	–
	211 416	–
These commitments relate to the following periods:		
Due within 1 year	112 357	–
Due within 2 years	45 735	–
Due within 3 years	32 784	–
Due within 4 years	25 973	–
Thereafter	18 674	–
	235 523	–
<i>Less: Unearned interest</i>	<i>(27 623)</i>	<i>–</i>
Lease liabilities - IFRS 16	207 900	–
Disclosed as:		
Non-current liabilities	95 741	–
Current liabilities	115 675	–
	211 416	–
Movement summary		
Lease liabilities arising on adoption of IFRS16	238 582	–
Additions	25 715	–
Interest expense	7 969	–
Repayments	<i>(60 850)</i>	<i>–</i>
Closing balance of lease liabilities	211 416	–
Disclosed as:		
Non-current liabilities	95 741	–
Current liabilities	115 675	–
	211 416	–

The lease commitment note took into account contractual cashflows as at 31 August 2019 excluding lease term extensions.

On adoption of IFRS 16 an applying the transition requirements, the lease term extension was taken into account in measuring the liability on 1 September 2019 as required by IFRS 16.

The maturity profile of the lease commitments is detailed above as well as in note 32.

The value of the short term and low value lease commitments that were not recognised in terms of IFRS 16 amount to R4.9 million, these commitments are due within one year.

No contingent rental is payable. No restrictions are imposed by lease agreements concerning dividends, additional debt and further leasing. Average annual escalation ranges between CPI and 10%.

28. LEASE LIABILITIES continued

Operating leases: receivable

The minimum future lease payments receivable under non-cancellable operating leases are as follows:

31 August 2020	More than five years R'000	One to five years R'000	Less than one year R'000	Total R'000
Forklifts	–	1 313 240	825 044	2 138 284
Vehicles	22 704	1 041 108	949 282	2 013 094
	22 704	2 354 348	1 774 326	4 151 378
31 August 2019				
Forklifts	–	1 450 876	925 543	2 376 419
Vehicles	34 262	1 531 783	981 185	2 547 230
	34 262	2 982 659	1 906 728	4 923 649

29. RETIREMENT BENEFITS

Defined contribution plan

All contributions on behalf of employees are charged to the statement of comprehensive income as they are made.

The group has no liability toward any pension or provident fund apart from normal recurring monthly contributions deducted from the employees to be paid to the relevant funds. Contributions to defined benefit plans are detailed in note 20.

30. CONTINGENT LIABILITIES AND GUARANTEES

There are not considered to be any contingent liabilities at 31 August 2020 (2019: nil).

On 13 February 2017 shareholders approved financial assistance in the form of a R15 million enX indemnity to the shareholders of Capleverage Propriety Limited ("Capleverage"). Capleverage, via its wholly owned subsidiary Samvenice Proprietary Limited, is a shareholder of enX Group Limited. In addition PC Baloyi, who is a director of enX Group Limited, is a shareholders of Capleverage. Therefore Capleverage Propriety Limited is a related party. As at 31 August 2020 and at the date of this report the Capleverage shareholders had not called the enX indemnity therefore this indemnity is considered to be a contingent liability as at 31 August 2020.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

31. ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION

	Financial assets at fair value through profit and loss*		Loans and receivables at amortised cost		Financial liabilities at amortised cost		Non-financial instruments		Equity		Total	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Non-current assets	5 314	7 703	8 485	11 404	-	-	7 005 598	7 200 946	-	-	7 019 397	7 220 053
Property, plant, equipment and right of use assets	-	-	-	-	-	-	621 446	425 296	-	-	621 446	425 296
Leasing assets	-	-	-	-	-	-	6 087 417	5 937 005	-	-	6 087 417	5 937 005
Goodwill and other intangible assets	-	-	-	-	-	-	165 769	723 484	-	-	165 769	723 484
Trade and other receivables	-	-	4 624	6 338	-	-	-	-	-	-	4 624	6 338
Other investments and loans	5 314	7 703	3 861	5 066	-	-	-	-	-	-	9 175	12 769
Investment in associate	-	-	-	-	-	-	70 916	59 205	-	-	70 916	59 205
Deferred taxation	-	-	-	-	-	-	60 050	55 956	-	-	60 050	55 956
Current assets	2 372	21 225	1 863 272	1 446 231	-	-	1 726 966	1 674 764	-	-	3 592 610	3 142 220
Inventories	-	-	-	-	-	-	1 622 021	1 547 864	-	-	1 622 021	1 547 864
Trade and other receivables	-	-	977 363	987 495	-	-	85 144	122 985	-	-	1 062 507	1 110 480
Derivative financial assets	2 372	21 225	-	-	-	-	-	-	-	-	2 372	21 225
Taxation receivable	-	-	-	-	-	-	19 801	3 915	-	-	19 801	3 915
Bank and cash balances	-	-	885 909	458 736	-	-	-	-	-	-	885 909	458 736
Total assets	7 686	28 928	1 871 757	1 457 635	-	-	8 732 564	8 875 710	-	-	10 612 007	10 362 273
Capital and reserves	-	-	-	-	-	-	-	-	2 497 447	2 905 754	2 497 447	2 905 754
Stated capital	-	-	-	-	-	-	-	-	3 134 092	3 117 031	3 134 092	3 117 031
Other reserves	-	-	-	-	-	-	-	-	(595 867)	(684 860)	(595 867)	(684 860)
Accumulated profits	-	-	-	-	-	-	-	-	(75 261)	437 208	(75 261)	437 208
Equity attributable to owners of the parent	-	-	-	-	-	-	-	-	2 462 964	2 869 379	2 462 964	2 869 379
Non-controlling interests	-	-	-	-	-	-	-	-	34 483	36 375	34 483	36 375
Non-current liabilities	-	-	-	-	3 721 081	4 027 177	437 928	531 270	-	-	4 159 009	4 558 447
Interest-bearing liabilities	-	-	-	-	3 620 250	4 021 523	-	-	-	-	3 620 250	4 021 523
Deferred vendor consideration	-	-	-	-	-	2 655	-	-	-	-	-	2 655
Non-current financial liabilities	-	-	-	-	95 741	-	-	-	-	-	95 741	-
Employee benefits	-	-	-	-	5 090	2 999	-	-	-	-	5 090	2 999
Deferred taxation	-	-	-	-	-	-	437 928	531 270	-	-	437 928	531 270
Current liabilities	1 520	390	-	-	3 836 585	2 814 625	117 446	83 057	-	-	3 955 551	2 898 072
Interest-bearing liabilities	-	-	-	-	2 241 028	1 260 520	-	-	-	-	2 241 028	1 260 520
Deferred vendor consideration	-	-	-	-	33 895	-	-	-	-	-	33 895	-
Other current assets	-	-	-	-	115 675	-	-	-	-	-	115 675	-
Trade, other payables and provisions	-	-	-	-	1 440 610	1 521 872	94 096	32 632	-	-	1 534 706	1 554 504
Derivative financial liabilities	1 520	390	-	-	-	-	-	-	-	-	1 520	390
Taxation payable	-	-	-	-	-	-	23 350	50 425	-	-	23 350	50 425
Bank overdrafts	-	-	-	-	5 377	32 233	-	-	-	-	5 377	32 233
Total equity and liabilities	1 520	390	-	-	7 557 666	6 841 802	555 374	614 327	2 497 447	2 905 754	10 612 007	10 362 273

* Financial assets held at fair value through profit and loss measurement considerations have been detailed in note 7 and note 11. Please refer for additional details.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

	2020 R'000	2019 R'000
32. FINANCIAL RISK MANAGEMENT		
Interest rate risk management		
The group held surplus cash at times throughout the year. The significance of this surplus cash to the company's statement of financial position exposes the group to interest rate risk.		
This interest rate risk is managed through commercial banking facilities by the group's executive directors. At year-end, cash was invested with three large commercial banks. The investment of surplus funds is reviewed from time to time.		
At year-end, borrowings were held with five large commercial banks. The group's interest rate profile consists of floating rate loans and bank balances which expose the group to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:		
Financial assets		
Financial assets which attract no interest	952 349	1 027 827
Loans and bank deposits which attract interest at South African money market rates	885 909	458 736
	1 838 258	1 486 563
Financial liabilities		
Financial liabilities which attract no interest	1 447 220	1 525 261
Borrowings which attract interest at prime rates/JIBAR rates	6 111 966	5 316 931
	7 559 186	6 842 192
Interest rate sensitivity analysis		
Financial assets		
Loans granted and bank deposits linked to South African money market rates		
Carrying value at statement of financial position date	885 909	458 736
Reasonable possible change in interest rate (%)	1	2
Pre-tax statement of comprehensive income impact		
	8 859	4 587
Financial liabilities		
Financing received and banking facilities linked to South African prime rates/JIBAR rates		
Carrying value at statement of financial position date	6 111 966	5 316 931
Reasonable possible change in interest rate (%)	1	2
Pre-tax statement of comprehensive income impact		
	61 120	53 169

Credit risk management

Credit risk refers to the risk that a counterparty will default in its contractual obligations resulting in financial loss to the group.

Trade accounts receivable consist of a large widespread customer base. Group companies regularly monitor the financial position of their customers. The granting of credit is controlled by application and account limits.

The group's cash and cash equivalents and short-term deposits are placed with major banks with strong credit ratings.

The carrying amounts of financial assets included in the consolidated statement of financial position represent the group's maximum exposure to credit risk in relation to these assets.

Financial assets that are past due but not impaired relate mainly to a number of customers for whom there is no recent history of default and default is not expected in the foreseeable future.

2020
R'000

2019
R'000

32. FINANCIAL RISK MANAGEMENT continued

The COVID-19 lockdown restrictions imposed has negatively impacted the cash flow generation of many customers and this has increased the credit risk with additional expected credit losses being raised.

Financial assets that are neither past due nor impaired	1 572 472	1 249 992
Financial assets that are past due but not impaired		
Overdue less than 30 days	76 942	86 892
Overdue between 30 and 60 days	30 536	22 283
Overdue between 60 and 90 days	28 334	14 380
Overdue 90 days and more	60 946	58 615
	196 758	182 170
Financial assets that are impaired		
Carrying amount	139 784	95 751
Allowance for impairment	(99 076)	(64 826)
	40 708	30 925
Advance receipts (debtors)	28 320	23 476
Total credit exposure	1 838 258	1 486 563

The group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past due amounts	Life-time ECL
Non-performing	Amount is more than 30 days past due and/or there has been a significant increase in credit risk since initial recognition	Life-time ECL
In default	Amount is more than 90 days past due or there is evidence indicating the asset is credit impaired	Life-time ECL
Fully impaired	There is evidence indicating that the debtor is in severe financial difficulty and the group has no realistic prospect of recovery	Amount is written off

The table below details the credit quality of the group's financial assets as well as maximum exposure to credit risk:

Receivables	Expecting loss model	Gross amount	Loss allowance	Net carrying amount
Trade and other receivables – August 2020	Lifetime ECL simplified approach	1 006 810	(99 076)	907 734
Trade and other receivables – August 2019	Lifetime ECL simplified approach	1 021 108	(64 826)	956 282

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

32. FINANCIAL RISK MANAGEMENT continued

To mitigate credit risk the group holds collateral and has credit insurance on certain trade receivables. For trade receivables the group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime expected credit losses. The group determines the expected losses on these assets by using a provision matrix, estimated based on historical credit loss experience based on past due status of the financial assets, adjusted as appropriate to reflect current condition and estimates of future economic conditions. The expected credit loss based on past due status in terms of the provision matrix is detailed below.

	Total	Current	30 Days	60 Days	90 Days	120 Days	150 Days or more
31 August 2020							
Expected credit loss rate		1.6%	1.3%	1.7%	27.6%	49.0%	56.3%
Total trade receivable balance	1 006 810	498 566	248 020	82 168	29 830	73 703	74 523
Total provision raised	(99 076)	(7 972)	(3 322)	(1 430)	(8 239)	(36 121)	(41 993)
Net balance	907 734	490 594	244 698	80 738	21 591	37 582	32 530
31 August 2019							
Expected credit loss rate		0.4%	0.3%	0.1%	21.9%	49.3%	57.2%
Total trade receivable balance	1 021 108	529 048	260 484	99 758	29 334	38 642	63 843
Total provision raised	(64 826)	(1 933)	(844)	(81)	(6 431)	(19 045)	(36 492)
Net balance	956 282	527 115	259 640	99 677	22 903	19 597	27 351

Liquidity risk management

Liquidity risk is the risk that the group will be unable to meet a financial commitment when it falls due. This risk is minimised through the holding of cash balances and banking facilities.

In addition, cash forecasts are monitored so that the cash needs of the group are managed according to its requirements.

The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the groups' short, medium and long-term funding, including derivative financial instruments.

The following tables detail the group's remaining contractual maturity for its financial liabilities based on the expected repayment profile.

The tables have been prepared based on the undiscounted cash flows of financial liabilities and are based on the earliest date on which the group can be expected to pay. The group has adequate commitment facilities to meet the liquidity needs.

The tables include both interest and principal cash flows (contractual cash flows).

	Contractual cash flows				
	Carrying amount R'000	Within one year R'000	Two to five years R'000	Longer than five years R'000	Total R'000
31 August 2020					
Interest-bearing liabilities	5 861 278	2 492 433	3 752 382	–	6 244 815
Deferred vendor consideration	33 895	33 895	–	–	33 895
Lease liabilities	211 416	113 702	125 337	–	239 039
Trade, other payables and provisions	1 534 706	1 534 706	–	–	1 534 706
Bank overdraft	5 377	5 377	–	–	5 377
	7 646 672	4 180 113	3 877 719	–	8 057 832
31 August 2019					
Interest-bearing liabilities	5 282 043	1 260 520	4 363 613	–	5 624 133
Deferred vendor consideration	2 655	–	3 606	–	3 606
Trade, other payables and provisions	1 554 504	1 554 504	–	–	1 554 504
Bank overdraft	32 233	32 233	–	–	32 233
	6 871 435	2 847 257	4 367 219	–	7 214 476

32. FINANCIAL RISK MANAGEMENT continued

Foreign exchange currency risk

The group is exposed to foreign exchange risk. This risk is managed by covering material inventory orders with foreign exchange contracts.

The group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, the Euro, the Yen and GBP. Foreign exchange risk arises from exposure in the operations due to trading transactions in currencies other than the functional currency. Foreign currency imports within the group are managed using forward exchange contracts.

The following significant exchange rates applied during the year:

	Average rate		Spot rate at year end	
	2020	2019	2020	2019
Rand: GBP	20.41	18.38	22.66	18.49
Rand: US Dollar	16.08	14.32	16.95	15.20
Rand: Euro	17.91	16.24	20.25	16.70
Rand: Yen	6.78	7.71	6.25	6.99
Foreign exchange sensitivity analysis				
Financial liabilities				
Net trade (receivables)/payables exposed to foreign currency risk				
Carrying value of (asset)/liability at statement of financial position date (R'000)	(111 303)	40 424		
Reasonable possible change in exchange rates (%)	10	10		
Pre-tax statement of comprehensive income (gain)/loss (R'000)	(11 130)	4 042		

Capital risk management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern and provide optimal returns for shareholders through maintaining an optimal capital structure.

The group defines capital as equity funding provided by shareholders and debt funding from external parties.

Shareholder funding comprises permanent paid up capital, revenue reserves and other reserves, being revaluation reserves (if any) and foreign currency translation reserves together with loans from shareholders. The board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business.

The board of directors monitors the cost of capital, which the group defines as the weighted average cost of capital, taking into account the group's internally calculated cost of equity and long-term cost of debt assumptions. The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound equity position.

The group's debt capacity and optimal gearing levels are determined by its cash flow profile and are measured through applicable ratios such as net debt to EBITDA and interest cover. In order to maintain or adjust the capital structure, in the absence of significant investment opportunities, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

There were no changes in the group's approach to capital management during the year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

33. RELATED PARTY INFORMATION

J Doherty, a director of WAI, is a trustee and beneficiary of The JD Family Trust. There was a loan between WAI and the JD Family Trust. During the year the trust was wound up and the loan was transferred to loans from J Doherty and his wife personally. In addition to this, additional funds were introduced into the business by separate legal entity, West African Ventures of which J Doherty is a director.

GF Rosettenstein, a director of WAG Polymers, is both a beneficiary and trustee of The GF Rosettenstein Trust.

W Esterhuizen, a director of WAI, is both a both a beneficiary and trustee of The Esterhuizen Trust.

B Hean, a director of WAI and AGL, is both a beneficiary and trustee of The Brent Hean Trust.

DS Brouze, a significant shareholder of enX in the current and prior year, is an indirect shareholder of Austrian Woodworking Machinery Proprietary Limited and 30 – 38 Jacoba, Alberton North Proprietary Limited.

All transactions with related parties are concluded at arm's length. On consolidation, intercompany transactions between group entities are eliminated.

	2020 R'000	2019 R'000
Related party balances		
Loan accounts – owing (to)/by related parties		
J Doherty	(8 280)	(9 560)
West African Ventures	–	(1 640)
Zestcor (investment in associate, refer note 6)	3 700	3 700
	(4 580)	(7 500)
Vendor consideration paid to related parties		
The Brent Hean Trust	–	1 260
The Esterhuizen Family Trust	–	1 260
The JD Family Trust	–	1 260
The GF Rosettenstein Trust	–	246
	–	4 026
Related party transactions		
Interest paid to related parties		
JD Family Trust	–	480
Mr J Doherty	696	491
West African Ventures	145	102
	841	1 073
Management/administration fees received from related parties		
Zestcor	1 899	2 250
	1 899	2 250
Purchases from related parties		
Zestcor	142 323	15 704
	142 323	15 704
Property rentals paid		
30 – 38 Jacoba, Alberton North Proprietary Limited	9 900	16 377
Austrian Woodworking Machinery Proprietary Limited	2 925	5 556
	12 825	21 933

34. DIRECTOR AND PRESCRIBED OFFICER EMOLUMENTS

Directors of enX Group Limited

Directors' emoluments, including direct and indirect benefits for the period ending 31 August 2020 are as follows:

Directors	Director fees R'000	Salary R'000	Incentives R'000	Retirement contributions R'000	Other benefits R'000	Total R'000
2020						
Paid by enX and subsidiaries						
Executive directors						
J Friedman (a)	–	1 630	–	–	–	1 630
R Lumb (b)	–	1 646	–	–	–	1 646
G Neubert (c)	–	5 470	4 049	622	2 721	12 862
Non-executive directors						
S Booysen (d)	1 896	–	–	–	–	1 896
P Baloyi (e)	1 264	–	–	–	–	1 264
L Molefe	921	–	–	–	–	921
P O'Flaherty (d)	598	–	–	–	–	598
A Phillips (f)	471	–	–	–	–	471
A Joffe (d)	1 246	–	–	–	–	1 246
B Ngonyama	1 060	–	–	–	–	1 060
E Oblowitz (g)	541	–	–	–	–	541
K Matthews (h)	178	–	–	–	–	178
O Mabandla (h)	107	–	–	–	–	107
W Chapman (h)	107	–	–	–	–	107
	8 389	8 746	4 049	622	2 721	24 527

Prescribed officers

Divisional CEOs	Salary R'000	Incentives* R'000	Retirement contributions R'000	Other benefits R'000	Total R'000
2020					
Paid by enX and subsidiaries					
J Carr	3 487	3 170	683	1 543	8 883
T Kendrew	3 878	2 085	–	385	6 348
B Hean	2 963	515	–	240	3 718
M Kerwan	2 657	–	–	–	2 657
D Viljoen	1 991	–	–	–	1 991
	14 976	5 770	683	2 168	23 597

(a) Resigned effective 31 March 2020

(b) Appointed effective 1 March 2020

(c) Resigned effective 13 August 2020

(d) Resigned effective 22 June 2020

(e) Appointed as Chairman, effective 3 July 2020

(f) Resigned effective 12 February 2020

(g) Appointed effective 6 December 2019, resigned effective 22 June 2020

(h) Appointed effective 3 July 2020

* The incentives disclosed relate to incentives paid in the 2020 financial year which were approved based on the 2019 financial results.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

34. DIRECTOR AND PRESCRIBED OFFICER EMOLUMENTS continued

Directors	Director fees R'000	Salary R'000	Incentives R'000	Retirement contributions R'000	Other benefits R'000	Total R'000
2019						
Paid by enX and subsidiaries						
Executive directors						
JS Friedman (a)	–	3 000	–	–	–	3 000
SB Joffe (b)	–	6 083	–	–	–	6 083
Non-executive directors						
SF Booysen (c)	1 203	–	–	–	–	1 203
PC Baloyi	1 034	–	–	–	–	1 034
PM Makwana (d)	1 274	–	–	–	–	1 274
LN Molefe	640	–	–	–	–	640
PS O'Flaherty	603	–	–	–	–	603
NV Lila (e)	519	–	–	–	–	519
AJ Phillips	954	–	–	–	–	954
A Joffe	609	–	–	–	–	609
B Ngonyama (f)	119	–	–	–	–	119
	6 955	9 083	–	–	–	16 038

Prescribed officers

Divisional CEOs	Salary R'000	Incentives R'000	Retirement contributions R'000	Other benefits R'000	Total R'000
2019					
Paid by enX and subsidiaries					
CEO 1	3 309	3 740	632	285	7 966
CEO 2	4 296	3 983	–	–	8 279
CEO 3	2 789	1 675	390	240	5 094
CEO 4 (g)	2 000	958	–	1 500	4 458
CEO 5 (h)	2 305	424	–	233	2 962
CEO 6	1 801	582	28	–	2 411
	16 500	11 362	1 050	2 258	31 170

(a) Resigned effective 31 March 2020

(b) Early retired on 19 July 2019

(c) Appointed Chairman from 24 July 2019

(d) Resigned on 31 July 2019

(e) Resigned on 12 July 2019

(f) Appointed effective 19 July 2019

(g) Resigned on 31 August 2019

(h) Resigned on 31 July 2019

35. EMPLOYEE BENEFITS

Management participation in share-related incentive plan

In order to align the interests of management with those of shareholders, share-related incentives were awarded to certain key members of the management team during the year. These incentives entitle the recipients to a cash settlement upon vesting, the quantum of which is to be referenced off any appreciation in the company's share price in excess of the strike price over the period between the commencement date and the determination date in respect of a notional holding of 6 062 471 (2019: 6 062 471) enX shares. These share-related incentives were granted at various strike prices and vesting dates. The 2016 incentive scheme vests two years after it has been awarded, after which it vests over three years in equal parts. The 2018 incentive scheme vests after 3 years from issuance, allowing participants an additional 2 years to exercise from vesting date. The new incentive scheme issued in 2019 vests after 3 years from issuance, allowing participants an additional 1 years to exercise from vesting date.

Share appreciation rights (SAR) schemes

	Date of issue	Period to expire from date of issue	IFRS 2 classification
enX Group Limited	December 2019	3 years	Cash settled
enX Group Limited	June 2018	3 years	Cash settled
enX Group Limited	December 2016	3 years	Cash settled

	2019 scheme	2018 scheme	2016 scheme
Expected volatility (%)	28.84	28.84	27.39
Expected dividend yield (%)	–	–	–
Expected forfeiture rate (%)	–	–	–
Exercise price of share appreciation rights	R 12.00	R 12.34	R16,62

	Valuation 2020 R'000	Valuation 2019 R'000
IFRS 2 share-related incentive valuation		
Balance at the beginning of the year	2 999	13 513
Charge/(credit) recognised during the year	1 482	(10 550)
Currency adjustment	609	36
Balance at the end of the year	5 090	2 999
Disclosed as:		
Non-current financial liabilities	5 090	2 999
Other payables – current	–	–
	5 090	2 999

Share-related incentives are valued using the Black-Scholes model. The 30-day volume weighted average price ("VWAP") of the enX share as at 31 August 2020 and a risk-free rate of 3.55% (2019:6,56%) were used to value the share incentive at year-end.

The share-related incentive is a level 2 fair value item in terms of fair value hierarchy. There were no transfers between level 1 and level 2 of the fair value hierarchy.

The expected volatility was determined using volatility of enX since in 1 September 2015. In October 2017 enX unbundled its investment in eXtract resulting in a corporate restructure of R1,51 issue price adjustment of prior issuances.

The expected forfeiture rate was determined by estimating the probability of participating individuals still being in the employment of enX and the probability of meeting the non-market vesting conditions relating to profitability targets over the vesting period at vesting date.

The calculation of the share-based payment expense requires management to exercise a degree of judgement.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

36. GOING CONCERN

Solvency and liquidity

Southern African leasing business:

Our leasing operations fund themselves with higher levels of gearing than is customary for typical industrial trading, assembly and/or manufacturing type business. This is enabled by the asset intensive nature of these businesses, together with the long term lease contracts associated with the majority of these assets and diversity of the customer base. This asset base is continually being renewed and replaced. Accordingly, a core level of debt is required to fund these businesses and improve returns on equity, without assuming undue risk.

Historically, the maturity profile of this debt funding has had to be regularly extended as the funding instruments arising from debt capital market issuance have maturities that are not aligned with the long term nature of the lease contracts. This has introduced an element of refinance risk. In addition, regular access to significant amounts of debt capital at a competitive cost is necessary for these businesses to retain their long term competitiveness. It is for these reasons, amongst others, that the board decided to dispose of the Eqstra Fleet Management business ("Eqstra").

The termination of the disposal of Eqstra to Bidvest required that alternative solutions to these funding issues be considered. It is in this regard that the directors have embarked on an initiative to refinance the South African leasing businesses and in the process concluded funding arrangements specific to each business ("Refinance"). The primary benefits of this are, *inter alia*, that:

- the maturity profile of this debt is reset;
- each new facility is customised for the respective leasing business it supports;
- each facility is "ring-fenced" from the rest of enX's businesses; and
- it opens up commercial opportunities not currently available to enX while the funding facilities were pooled.

On the approval date of the annual financial statements, all the critical funding agreements pertaining to the Refinance had been concluded and, subject to the fulfilment of customary conditions precedent, it is highly probable that implementation will take place before the end of 2020. The directors are satisfied that the facilities are sufficient to provide adequate liquidity for current levels of trading and to accommodate reasonable growth.

enX Trading

In our 2019 integrated annual report it was noted that:

- Our revolving credit facility, which expires in August 2020 was extended to February 2021; and
- Given the decline in the performance of the South African Trading business, covenant levels were renegotiated to give the business the opportunity to improve its operating performance. This included a commitment by enX Group to inject R80 million of new equity into these businesses on the earlier of the first quarter end post the closing of the disposal of Eqstra and 1 December 2020.

As regards the above, at date of signature of the annual financial statements, we have reached agreement with our lenders on the following, all which is anticipated to be implemented during December 2020:

- The maturity date of our revolving credit facility, which is currently February 2021, has been extended to August 2022;
- R50 million of the R80 million equity injection will be sourced in aggregate from the South African leasing businesses and a related party loan, all on an unsecured, subordinated basis and on market related terms. The remaining R30 million will be sourced from amongst the operations that make up the enX Trading business through cash inflows from a reduction in working capital;
- The proceeds of the R50 million in subordinated loans will be applied to early repay in full the enX Trading term facility;
- The proceeds of the R30 million reduction in working capital will be applied to reduce the revolving credit facility from R75 million to R45 million; and
- The R150 million general short-term banking facility and R80 million indirect facility will remain in place.

On this basis the debt reduction objectives of our lenders will be met and maturities extended for a further 19 months. The directors are satisfied that the new facilities post implementation will be of sufficient size to provide suitable liquidity for current levels of trading and to accommodate reasonable growth.

Impact (UK)

The asset-based funding facility relating to Impact UK has been renewed on substantially the same terms and conditions with maturity dates extended to August 2023, with an option to extend by a further two years. The funding available to Impact is linked to the size of the leasing assets. The directors are satisfied that the facilities are of sufficient size to provide suitable liquidity for current levels of trading and to accommodate reasonable growth.

37. POST-REPORTING DATE EVENTS

As a result of the termination of the Fleet transaction, enX has been in a process of engaging with its lenders regarding the refinance of the South African leasing businesses' bank term facilities and the debt capital market programme. At the date of approval of the financial statements, agreements with bank lenders have been concluded whereby, subject to the fulfilment of customary conditions precedent, both the EIE SA and Fleet businesses have secured their own independent funding facilities and all existing bank borrowings will be repaid and debt capital market instruments redeemed.

The South African trading businesses will retain their own dedicated credit facilities. The composition of the facilities will however change on or about 1 December 2020. We will early repay the term loan of R50 million and reduce the facility limit of our revolving credit facility by R30 million to R45 million. Our general banking facility of R150 million and indirect facilities of R80 million will remain in place providing the businesses with liquidity to trade. Furthermore, the maturity date of the revolving credit facility has been extended to 31 August 2022.

Based on our assessment of the prospects and cash flows for each business as at the date of approval of the financial statements we believe that credit facilities discussed above provide sufficient liquidity for the businesses to continue trading at pre-lockdown levels.

Apart from the above, there have been no other material events subsequent to year-end.

38. IMPACT OF COVID-19

Liquidity in all our businesses has been resilient during COVID-19 lockdowns with the ability of the business to scale back capital expenditures, reduce orders, collect debtors and drawdown on inventory levels to release cash.

The COVID-19 lockdowns have had a significant impact on the financial and trading results for the year. The health and safety of our stakeholders remains our highest priority. The measures adopted during this period were designed to protect the financial position and preserve cash flows of the Group.

Due to the annuity based revenue within EIE SA, Impact (UK) and Eqstra together with certain essential service customers across most of the businesses, trading activity during hard COVID-19 lock downs was reported at around half of pre-COVID revenue in all of the businesses, with the exception of Austro and New Way where no activity was reported during the hard lockdown. Sale of equipment, used vehicles, chemicals and lubricants was severely impacted during the hard lockdown. As a result, inventory levels across all businesses peaked in April and May 2020. Trading activity relative to revenue achieved before lockdown continues to recover, with almost all of the businesses returning to above 80% of pre-lockdown revenue and inventories starting to normalise to pre-COVID levels. In September 2020, New Way, Centlube and Austro achieved revenue in excess of pre-COVID revenue largely due to catch up of customer orders.

The measures that management has implemented with regards to redundancies mainly in EIE SA, Impact (UK) and Eqstra have been necessary to scale our business activities in anticipation of lower revenues yet act responsibly. Operating expenditure was impacted by one off costs primarily related to COVID-19 with increases across all businesses in inventory obsolescence, bad debt and other provisions. Exchange rate volatility resulted in increasing cost of equipment and translation impacts.

COMPANY FINANCIAL STATEMENTS



STATEMENT OF FINANCIAL POSITION

as at

	Notes	31 August 2020 R'000	31 August 2019 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	2	45	131
Investment in subsidiaries	3	1 537 701	1 537 701
Loans to group companies	5	310 842	320 403
Current assets			
Trade and other receivables	4	6 246	204
Taxation paid in advance		–	82
Bank and cash balances	6	4	2 479
Total assets		1 854 838	1 861 000
EQUITY AND LIABILITIES			
Total shareholders' interests			
Stated capital	7	3 151 707	3 151 706
Other reserves		(773 654)	(773 654)
Accumulated losses		(1 137 988)	(1 141 043)
Current liabilities			
Loans from group companies	5	612 204	621 354
Trade and other payables	8	1 655	2 637
Taxation payable		914	–
Total equity and liabilities		1 854 838	1 861 000

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

for the years ended

	Notes	31 August 2020 R'000	31 August 2019 R'000
Revenue	9	8 674	5 630
Other income		2 680	1 508
Operating expenses		(8 973)	(7 404)
Depreciation		(86)	(86)
Operating profit/(loss)	10	2 295	(352)
Net finance income		2 187	2 220
Interest income	11	2 187	2 220
Profit before taxation		4 482	1 868
Taxation	12	(1 426)	(523)
Profit for the year		3 056	1 345
Other comprehensive income		-	-
Total comprehensive income for the year		3 056	1 345

STATEMENT OF CHANGES IN EQUITY

for the years ended

	Stated capital R'000	Other Reserves R'000	Accumulated (losses) R'000	Total equity R'000
Balances as at 1 September 2018	3 139 569	(773 654)	(1 142 388)	1 223 527
Issue of additional shares	12 138	–	–	12 137
Total comprehensive income for the year	–	–	1 344	1 345
Balances as at 31 August 2019	3 151 707	(773 654)	(1 141 044)	1 237 009
Total comprehensive income for the year	–	–	3 056	3 056
Balances as at 31 August 2020	3 151 707	(773 654)	(1 137 988)	1 240 065

STATEMENT OF CASH FLOWS

for the years ended

	Notes	31 August 2020 R'000	31 August 2019 R'000
Cash flows from operating activities		(5 063)	952
Cash (utilised)/generated from operations	13	(4 643)	1 508
Interest received	14	10	159
Taxation paid	15	(430)	(715)
Cash flows from investing activities		2 588	–
Cash movements in loans with group companies		2 588	–
Net movement in cash and cash equivalents		(2 475)	952
Cash and cash equivalents at beginning of year		2 479	1 527
Cash and cash equivalents at end of year		4	2 479

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 31 August 2020

1. ACCOUNTING POLICIES

Please refer to note 1 of the consolidated annual financial statements.

2. PROPERTY, PLANT AND EQUIPMENT

	Computer and office equipment R'000	Leasehold improvements R'000	Total R'000
As at 31 August 2020			
Cost	662	241	903
Accumulated depreciation	(617)	(241)	(858)
Net carrying value	45	–	45
Movement summary			
Carrying value at the beginning of the year	131	–	131
Depreciation	(86)	–	(86)
Carrying value at the end of the year	45	–	45
As at 31 August 2019			
Cost	662	241	903
Accumulated depreciation	(531)	(241)	(772)
Net carrying value	131	–	131
Movement summary			
Carrying value at the beginning of the year	217	–	217
Depreciation	(86)	–	(86)
Carrying value at the end of the year	131	–	131

3. INVESTMENT IN SUBSIDIARIES

	Country of incorporation/ principal place of business	Nature	Ownership percentage		Shares at cost	
			2020 %	2019 %	2020 R'000	2019 R'000
enX Trading Investments Proprietary Limited	RSA	Investment Holding	100	100	516 077	516 077
enX Leasing Investments Proprietary Limited	RSA	Investment Holding	100	100	1 021 624	1 021 624
K2016224128 (South Africa) Proprietary Limited	RSA	Share scheme entity	100	100	****	****
Total investment in subsidiaries					1 537 701	1 537 701

**** Amount less than R1 000

Other information

The carrying amounts of subsidiaries are shown net of any impairment losses.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

	2020 R'000	2019 R'000
4. TRADE AND OTHER RECEIVABLES		
Gross trade receivables	4 365	–
Prepayments	1 879	202
Sundry debtors	2	2
	6 246	204

Basis of raising impairment allowances against receivables

All trade and other receivables are continuously reviewed for impairment on an individual basis. Credit limits are continuously monitored through payment history checks and industry information.

The company has applied the simplified model determining the lifetime expected credit losses as there is no significant financing component. Expected credit loss ("ECL") has been considered in detail as part of the impairment of trade and other receivables.

An assessment is made at each reporting date whether there is any objective evidence that trade and other receivables are impaired. The company applies the simplified approach to calculate the ECL of trade receivables and contract assets. The rates used in the provision matrix are based on days past due and debt written off.

5 LOANS WITH GROUP COMPANIES

K2016224128 (South Africa) Proprietary Limited	6 591	23 651
enX Trading Investments Proprietary Limited	298 410	296 752
enX Leasing Investments Proprietary Limited	5 841	–
enX Corporation Limited	(612 204)	(621 354)
	(301 362)	(300 951)
<i>Disclosed as:</i>		
Non-current assets	310 842	320 403
Current liabilities	(612 204)	(621 354)
	(301 362)	(300 951)

The loan amounts are unsecured, interest free, with no fixed terms of repayment.

Consideration is given to the equity and profitability of the underlying group company when assessing the risk of expected credit losses. No such credit loss is considered to exist at the reporting date.

6. BANK AND CASH BALANCES

Bank accounts	4	2 479
	4	2 479

Short-term deposits are placed with banks that have strong credit ratings which are considered to mitigate the expected credit loss risk.

7. STATED CAPITAL

Authorised

1 000 000 000 (2019: 1 000 000 000) ordinary shares of no par value

Issued

182 312 650 (2019: 182 312 650) no par value shares

3 151 707 3 151 706

The unissued ordinary shares are under the control of the directors until the next annual general meeting, subject to the provisions of the Companies Act, No 71 of 2008.

8. TRADE AND OTHER PAYABLES

Employee-related accruals	1 401	2 626
Value added taxation	254	11
	1 655	2 637

The directors consider the carrying amount of trade and other payables to approximate their fair value.

The company has financial risk policies in place to ensure that all payables are paid in accordance with the suppliers terms.

	2020 R'000	2019 R'000
9. REVENUE		
Management fee income	8 674	5 630
	8 674	5 630
10. OPERATING PROFIT/(LOSS)		
is stated after taking the following items into account:		
Other		
Depreciation on property, plant and equipment	86	86
Transaction costs	610	275
Employee costs		
Directors paid by the company	8 389	7 048
11. INTEREST INCOME		
Interest received on funds and deposits with banks	10	159
Interest received from group companies	2 177	2 061
	2 187	2 220
12. TAXATION		
South African normal taxation		
Current year	1 426	523
	1 426	523
Reconciliation of rate of taxation		
Profit before taxation	4 482	1 868
Taxation at South African normal taxation rate (28%)	1 255	523
Tax effect of adjustments to taxable income		
Permanent differences		-
- Other non-deductible expenses	171	-
Taxation per statement of comprehensive income	1 426	523

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

	2020 R'000	2019 R'000
13. CASH (UTILISED)/GENERATED FROM OPERATIONS		
Profit before taxation	4 482	1 868
<i>Adjusted for:</i>		
– Interest received	(2 187)	(2 220)
– Depreciation	86	86
Cash generated/(utilised) from operations before working capital movements	2 381	(266)
Changes in working capital	(7 024)	1 774
(Increase)/decrease in trade and other receivables	(6 042)	425
(Decrease)/increase in trade and other payables	(982)	1 349
	(4 643)	1 508
14. INTEREST RECEIVED		
Interest received		
Total interest received (refer note 11)	2 187	2 220
Interest receivable from group companies	(2 177)	(2 061)
Total interest received	10	159
15. TAXATION PAID		
Balance payable/(receivable) at beginning of year	82	(110)
Charged to the statement of comprehensive income	(1 426)	(523)
Balance payable/(receivable) at end of year	914	(82)
	(430)	(715)
16. DIRECTORS' EMOLUMENTS		
Refer to note 34 in the consolidated financial statements.		

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

17. ANALYSIS OF ASSETS AND LIABILITIES BY FINANCIAL INSTRUMENT CLASSIFICATION

	Loans and receivables at amortised cost		Financial liabilities at amortised cost		Non-financial instruments		Equity		Total	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000
ASSETS										
Non-current assets	310 842	320 403	-	-	1 537 746	1 537 832	-	-	1 848 588	1 858 235
Property, plant and equipment	-	-	-	-	45	131	-	-	45	131
Investment in subsidiaries	-	-	-	-	1 537 701	1 537 701	-	-	1 537 701	1 537 701
Loans with group companies	310 842	320 403	-	-	-	-	-	-	310 842	320 403
Current assets	6 250	2 683	-	-	-	82	-	-	6 250	2 765
Trade and other receivables	6 246	204	-	-	-	-	-	-	6 246	204
Taxation in advance	-	-	-	-	-	82	-	-	-	82
Bank and cash balances	4	2 479	-	-	-	-	-	-	4	2 479
Total assets	317 092	323 086	-	-	1 537 746	1 537 914	-	-	1 854 838	1 861 000
EQUITY AND LIABILITIES										
Capital and reserves	-	-	-	-	-	-	1 240 065	1 237 009	1 240 065	1 237 009
Stated capital	-	-	-	-	-	-	3 151 707	3 151 706	3 151 707	3 151 706
Other reserves	-	-	-	-	-	-	(773 654)	(773 654)	(773 654)	(773 654)
Accumulated profits	-	-	-	-	-	-	(1 137 988)	(1 141 043)	(1 137 988)	(1 141 043)
Current liabilities	612 204	621 354	1 401	2 626	1 168	11	-	-	614 773	623 991
Loans with group companies	612 204	621 354	-	-	-	-	-	-	612 204	621 354
Trade and other payables	-	-	1 401	2 626	254	11	-	-	1 655	2 637
Taxation payable	-	-	-	-	914	-	-	-	914	-
Total equity and liabilities	612 204	621 354	1 401	2 626	1 168	11	1 240 065	1 237 009	1 854 838	1 861 000

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 August 2020

	2020 R'000	2019 R'000
18. FINANCIAL RISK MANAGEMENT		
Interest rate risk management		
The company held surplus cash at times throughout the year. The significance of this surplus cash to the company's statement of financial position can expose the company to interest rate risk.		
This interest rate risk is managed through commercial banking facilities by the company's executive directors.		
At year-end, cash was invested with two large commercial banks. The investment of surplus funds is reviewed from time to time. The company's interest rate profile consists of floating rate loans and bank balances which expose the company to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:		
Financial assets		
Financial assets at no interest	317 088	320 405
Loans granted and bank deposits linked to South African money market rates	4	2 479
	317 092	322 884
Financial liabilities		
Financial liabilities at no interest	613 859	623 991
	613 859	623 991
Interest rate sensitivity analysis		
Financial assets		
Loans granted and bank deposits linked to South African money market rates		
Carrying value at statement of financial position date	4	2 479
Reasonable possible change (%)	1	1
Pre-tax statement of comprehensive income impact	-	25
Credit risk management		
Credit risk refers to the risk that a counterparty will default in its contractual obligations resulting in financial loss to the company.		
The company's cash and cash equivalents and short-term deposits are placed with major banks with strong credit ratings.		
The carrying amounts of financial assets included in the statement of financial position represent the company's maximum exposure to credit risk in relation to these assets.		
Liquidity risk management		
Liquidity risk is the risk that the company will be unable to meet a financial commitment when it falls due. This risk is minimised through the holding of cash balances and banking facilities.		
In addition, cash forecasts are monitored so that the cash needs of the company are managed according to its requirements.		
The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding.		
The following tables detail the company's remaining contractual maturity for its financial liabilities based on the expected repayment profile.		
The tables have been prepared based on the undiscounted cash flows of financial liabilities and are based on the earliest date on which the company can be expected to pay.		
The tables include both interest and principal cash flows.		

18. FINANCIAL RISK MANAGEMENT continued

	Contractual cash flows				Total R'000
	No terms R'000	Within 1 year R'000	2 – 5 years R'000	Longer than 5 years R'000	
Company					
2020					
Trade and other payables	-	1 655	-	-	-
	-	-	-	-	-
2019					
Trade and other payables	-	-	-	-	-

19. RELATED PARTY INFORMATION

All transactions between related parties and group companies are concluded at arm's-length.

	2020 R'000	2019 R'000
Related party balances		
Loan accounts – owing (to)/by group companies		
K2016224128 (South Africa) Proprietary Limited	6 591	23 651
enX Trading Investments Proprietary Limited	298 410	296 752
enX Leasing Investments Proprietary Limited	5 841	-
enX Corporation Ltd	(612 204)	(621 354)
	(301 362)	(300 951)
Related party transactions		
Interest received from group companies		
enX Trading Investments Proprietary Limited	2 177	2 061
	2 177	2 061
Management/administration fees received from group companies		
enX Corporation Limited	8 674	5 630
	8 674	5 630

20. EMPLOYEE BENEFITS

Refer to note 35 in the consolidated financial statements.

21. POST-REPORTING DATE EVENTS

Refer to note 37 in the consolidated financial statements.

Apart from the above, there have been no material events subsequent to year-end that have not been taken into account in the financial statements.

22. GOING CONCERN

The majority of loans with group companies relate to entities in which the company holds investments as subsidiaries. The loans are held at carrying values that the board expects to recover should these subsidiaries be disposed of or in the ordinary course of business as a going concern. The company is expected to be able to settle any current liabilities as they become due. Accordingly, the company is considered to be a going concern.

ANNEXURE A – INTEREST IN PRINCIPAL SUBSIDIARIES

for the year ended 31 August 2020

The following relates to enX Group Limited's direct interest in its significant subsidiaries:

Company	Nature of business	Place of incorporation	Interest owned directly or indirectly	Ordinary shares in issue	Book value of interest			
					Shares		Loans	
					2020 R'000	2019 R'000	2020 R'000	2019 R'000
INVESTMENTS IN SUBSIDIARIES AND GROUP LOANS								
Shares held directly								
enX Trading Investments Proprietary Limited	Corporate	South Africa	100%	150000	516 077	516 077	298 411	296 752
enX Leasing Investments Proprietary Limited	Corporate	South Africa	100%	118	1 021 624	1 021 624	5 841	–
enX Corporation Limited K2016224128 (South Africa) Proprietary Limited	Fleet	South Africa	100%	600002	548 874	548 874	(612 204)	(621 354)
Proprietary Limited	Corporate	South Africa	100%	100	**	**	6 664	23 682
Shares held indirectly								
New Way Power Proprietary Limited	Industrial	South Africa	100%	100	**	**	52 372	60 819
West African International Proprietary Limited	Petrochemicals	South Africa	100%	200000	192 436	192 436	39 776	55 327
Austro Proprietary Limited	Industrial	South Africa	100%	10	34 836	34 836	88 084	79 331
Centlube Proprietary Limited	Petrochemicals	South Africa	100%	100000	17 909	17 909	208 360	208 360
Centlube Holdings Proprietary Limited	Petrochemicals	South Africa	100%	100000	**	**	9	9
African Group Lubricants Proprietary Limited	Petrochemicals	South Africa	100%	200 000	2 332	2 332	99 267	84 267
Eqstra NH Equipment Proprietary Limited	Fleet	South Africa	100%	5	50 000	50 000	–	330 576
EIE Group Proprietary Limited	Industrial	South Africa	100%	277 000	63 846	63 846	289 168	289 421
Impact Fork Trucks Limited	Industrial	United Kingdom	100%	6 351 002	130 315	130 315	–	–
Saficon Industrial Equipment Proprietary Limited	Industrial	South Africa	100%	2394000	29 789	29 789	1 851 693	1 746 818
PowerO ² Proprietary Limited	Industrial	South Africa	100%	300	**	**	(251)	5 602
Other subsidiaries	Various				6 258	6 258	–	–

** Amount less than R1 000

	2020 R'000	2019 R'000
RESULTS OF SUBSIDIARIES		
The aggregate profits and losses of subsidiaries included in investments, after taxation attributable to the company are:		
- Profits	254 601	237 124
- Losses	(767 070)	(136 663)

Company	Place of incorporation	Non-controlling share		Profit/(loss) allocated to non-controlling interest		Accumulated earnings from non-controlling interest	
		2020 %	2019 %	2020 R'000	2019 R'000	2020 R'000	2019 R'000
NON-CONTROLLING INTEREST							
Amasondo Proprietary Limited	South Africa	40%	40%	(17)	2 716	19 260	19 277
Eqstra PVPS Proprietary Limited	Lesotho	20%	20%	-	766	16 585	16 585
Omathemba Fleet Services Proprietary Limited	Namibia	30%	30%	(444)	(642)	69	513
				(461)	2 840	35 914	36 375

ANNEXURE B – SHAREHOLDER PROFILES

	Number of shares	
Issued ordinary shares on 1 September 2019	182 312 650	
Issued during the year	–	
Issued ordinary shares as at 31 August 2020	182 312 650	
Shares held in treasury by subsidiary companies	(968 566)	
Issued ordinary shares, net of treasury shares, at 31 August 2019	181 344 084	
Weighted average number of shares in issue, net of treasury shares, at 31 August 2020	181 017 311	

	Number of shareholders	%	Number of shares	%
Public/non-public shareholders				
Non-public shareholders	15	0.9	102 361 711	56.2
Directors, prescribed officers and managers of the group	12	0.7	8 702 122	4.8
Beneficial shareholders holding more than 10%	3	0.2	93 659 589	51.4
Public shareholders	1 773	99.1	79 950 939	43.8
	1 788	100.0	182 312 650	100.0
Shareholder spread				
1 – 1 000 shares	1 405	78.6	218 438	0.1
1 001 – 10 000 shares	236	13.2	820 702	0.5
10 001 – 100 000 shares	81	4.5	3 169 808	1.7
100 001 – 1 000 000 shares	61	3.4	68 353 373	37.5
1 000 001 shares and above	5	0.3	109 755 329	60.2
	1 788	100.0	182 312 650	100.0
Beneficial shareholders holding 5% or more				
MCC Contracts (Pty) Ltd			61 305 360	33.6
PSG Group Ltd			19 710 126	10.8
Prudential Investment Managers (Pty) Ltd			13 261 807	7.3
Samvenice Trading 1 (Pty) Ltd			12 785 271	7.0
Satrix			12 644 103	6.9
CoroCapital (Pty) Ltd			11 493 288	6.3
Old Mutual Group			9 656 368	5.3
Fund managers holding 5% or more				
Prudential Investment Managers			27 321 545	15.0
PSG Asset Management			19 743 126	10.8
CoroCapital			11 567 084	6.3
			11 493 288	6.3
Geographical spread				
South Africa			180 864 034	99.2
United States			1 282 710	0.7
Other foreign			165 906	0.1
			182 312 650	100.0
Distribution of shareholders				
Private companies, corporations and trusts			66 459 209	36.5
Collective investment schemes			47 800 137	26.2
Scrip lending			42 646 858	23.4
Managed and hedge funds			11 915 024	6.5
Retail shareholders			10 296 665	5.5
Stockbrokers, nominees and custodians			1 718 917	0.9
Other			1 475 840	0.8
			182 312 650	100.0
B-BBEE shareholding				
MCC Contracts (Pty) Ltd			61 305 360	33.6
Samvenice Trading 1 (Pty) Ltd			12 785 271	7.0
Legae Peresec			4 710 035	2.3

DIRECTORS' ORDINARY SHAREHOLDING

	Direct beneficial shareholding	Indirect beneficial shareholding	Total shareholding	% shareholding
Balance 31 August 2019	882 279	14 119 118	15 001 397	8.31
A Joffe [^]	110 000	1 366 442	1 467 442	0.8
P O'Flaherty ^{\$}	–	3 196 318	3 196 318	1.8
P Baloyi [#]	–	5 753 372	5 753 372	3.2
J Friedman [%]	463 162	196 764	659 926	0.4
G Neubert [*]	233 014	245 433	478 447	0.3
Balance 31 August 2020	–	22 498 446	22 498 446	12.4
W Chapman [@]	–	9 490 983	9 490 983	5.2
O Mabandla [~]	–	1 157 229	1 157 229	0.6
A Hannington ⁺	–	646 880	646 880	0.4
P Baloyi [#]	–	11 203 354	11 203 354	6.2

* GD Neubert's shares includes the enX shares indirectly beneficially held pursuant to the enX Forfeitable Share Scheme. These vested during 2020. He resigned as group CEO on 13 August 2020. He remains CEO of the EIE business.

[^] A Joffe has an indirect beneficial interest enX shares via his shareholding in CoroCapital. He resigned as director on 22 June 2020.

[%] JS Friedman resigned as director on 31 March 2020.

^{\$} PS O'Flaherty indirectly holds shares by virtue of a 25% shareholding in CapLeverage. He resigned on 22 June 2020 as director.

[#] PC Baloyi holds shares indirectly by virtue of a 45% shareholding in CapLeverage as well as a 9% shareholding in MCC.

[@] W Chapman appointed as director on 3 July 2020, indirectly holds shares by virtue of a 15% shareholding in MCC.

[~] O Mabandla appointed as director on 3 July 2020, indirectly holds shares by virtue of a 2% shareholding in MCC.

⁺ A Hannington appointed as director on 3 July 2020, indirectly holds shares by virtue of a 1% shareholding in MCC.

There have been no changes to directors' interest since year-end to date of publication.

ADMINISTRATION

NAME AND REGISTRATION NUMBER

enX Group Limited

Registration number: 2001/029771/06
JSE share code: ENX
ISIN: ZAE000222253

REGISTERED OFFICE AND BUSINESS ADDRESS

11 Gross Street, Tunney Industrial, Isando
PostNet Suite X86, Private Bag X7, Aston Manor, 1630

SPONSOR

The Standard Bank of South Africa Limited
Address 30 Baker Street, Rosebank 2196
Tel: x+27 (0) 11 721 6125

EXTERNAL AUDITORS

Deloitte & Touche
S Magwa Crescent, Waterfall City
Waterfall
Private Bag X6, Gallo Manor, 2052
Tel: +27 11 806 5000

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196,
South Africa
PO Box 61051, Marshalltown, 2107
Tel: +27 11 370 5000

DATE OF INCORPORATION

12 December 2001

DATE OF LISTING

1 February 2007

TIP-OFFS ETHICS LINE

Free call: +27 800 212677
Free fax: +27 800 007788
Email: enx@tip-offs.com

EXECUTIVE DIRECTORS

AJ Hannington (CEO)
RA Lumb (CFO)

NON-EXECUTIVE DIRECTORS

PC Baloyi (Chairman)
WH Chapman
V Jarana*
OA Mabandla
ZK Matthews*
LN Molefe*
B Ngonyama*

*Independent

AUDIT AND RISK COMMITTEE

B Ngonyama* (Chair)
V Jarana*
LN Molefe*

REMUNERATION AND NOMINATION COMMITTEE

WH Chapman (Chair Remuneration)
PC Baloyi (Chair Nomination)
V Jarana
ZK Matthews
B Ngonyama*

SOCIAL AND ETHICS COMMITTEE

LN Molefe* (Chair)
PC Baloyi
OA Mabandla*

COMPANY SECRETARY

Acorim Proprietary Limited, represented by Ms Natasha Petrides

WEBSITE

www.enxgroup.co.za



www.enxgroup.co.za

11 GROSS STREET
TUNNEY INDUSTRIAL, ISANDO
POSTNET SUITE X86
PRIVATE BAG X7, ASTON MANOR, 1630