



## ARGENT INDUSTRIAL LIMITED

(Registration number 1993/002054/06)  
 Share code:ART ISIN: ZAE000019188  
 ("Argent" or "the company")

# ACQUISITION BY ARGENT OF THE ENTIRE ISSUED SHARE CAPITAL OF AND SHAREHOLDER CLAIMS AGAINST TRICKS WROUGHT IRON SERVICES (PROPRIETARY) LIMITED AND BURBAGE IRON CRAFT LIMITED

## 1. INTRODUCTION

The directors of Argent are pleased to announce that Argent has concluded an agreement to acquire the entire issued share capital of and shareholders claims against Tricks Wrought Iron Services (Proprietary) Limited ("Tricks") and Burbage Iron Craft Limited ("Burbage") with effect from 10 November 2008 and 2 January 2009 respectively (the "acquisition"). The purchase of Tricks is for a total consideration of R58 million to be settled by way of a cash payment. The transaction with Burbage includes a performance warranty over a period of two years after the effective date. The aggregate purchase consideration is GBP 600 000 minimum (R9 420 000 at the prevailing exchange rate on the 7 November 2008 of 15.70), to a maximum of GBP 1 800 000 (R28 260 000 at the prevailing exchange rate on the 7 November 2008 of 15.70) on meeting all of the performance criteria, which will be settled fully in cash.

## 2. NATURE OF BUSINESS OF TRICKS AND BURBAGE

Tricks is a private company involved in the manufacture of driveway gates, security gates and enclosures, burglar guards, balustrades, infill panels, industrial gates, palisade fencing, automation and access control, and mezzanine floors and staircases. A number of these products are manufactured for export to the United Kingdom (about 30% by value) and are not sold locally. Customers overseas include wholesalers and retailers, while local customers are primarily contractors and construction businesses, as well as industrial companies. The Tricks manufacturing business is based in Durban from where it serves the national and international markets. Burbage is a manufacturer, importer and wholesaler of gate and fencing products, based in Leicestershire, United Kingdom, with one of their suppliers being Tricks.

The two businesses have a combined turnover of over R120 million, with net margins similar to those of the Argent Group. It is anticipated that the acquisition will add approximately 5.3% to the headline earnings of Argent.

## 3. RATIONALE FOR THE ACQUISITION

Argent views the acquisition as an opportunity to grow its business by further diversifying its portfolio of companies. The acquisition is also an opportunity to expand internationally into the United Kingdom, and once there, be in a position to distribute products from its various subsidiaries (e.g. Jetmaster, Xpanda Security and Castor and Ladder products), which together with the weakening Rand will generate substantial earnings growth. On the supply side, Tricks will source its steel from Phoenix, where it currently is supplied by a competitor to Argent in the order of 500 tons per month. Tricks in turn will be able to utilise the extensive distribution network of Argent and will also be able to extract synergies on the sales and distribution front by supplying its products locally alongside that of Xpanda. Further, manufacturing synergies can be optimised by Tricks utilising the extensive manufacturing capability within Argent's subsidiaries to compliment its own.

## 4. TERMS OF THE ACQUISITION

### 4.1 Shareholders of Tricks

The shareholders of Tricks together with their shareholdings are set out in the table below:

Shareholder name	Shareholding (%)
Donald Robert Speirs	47.5
Wendy Trickett	47.5
Raymond Kent Ingham	5.0
<b>Total</b>	<b>100.00</b>

### 4.2 Shareholders of Burbage

The shareholders of Burbage together with their shareholdings are set out in the table below:

Shareholder name	Shareholding (%)
Donald Robert Speirs	80.0
Wendy Trickett	20.0
<b>Total</b>	<b>100.00</b>

### 4.3 Effective date

The effective date of the transaction for the purchase of Tricks is 10 November 2008, while the effective date for the purchase of Burbage is 2 January 2009.

### 4.4 Purchase consideration

The aggregate purchase consideration for Tricks is R58 million, which will be settled fully in cash.

The transaction with Burbage includes a performance warranty over a period of two years after the effective date. The aggregate purchase consideration is GBP 600 000 minimum, to a maximum of GBP 1 800 000 on meeting all of the performance criteria. The purchase consideration will be settled fully in cash with GBP 600 000 to be paid on 9 January 2009 and the balance at the end of the warranty period of two years. The performance criteria are as follows:

- Calculate the average profit after tax for the two years from 1 January 2009 to 31 December 2010.
- Multiply this value by 5.5 (being the agreed forward multiple).
- This result is the amount to be paid in full for Burbage up to a maximum consideration of GBP 1 800 000, less the GBP 600 000 already paid for the company. Should this number be less than GBP 600 000 no further payment will be made.

## 5. PRO FORMA FINANCIAL EFFECTS

The unaudited *pro forma* financial effects of the acquisition are the responsibility of the directors of Argent and are presented for illustrative purposes only to provide information about how the acquisition might have impacted on the financial position and results of Argent.

The figures in the "Before" column have been extracted from Argent's interim results for the period ended 30 September 2008. The figures in the "After" column reflect the financial position after the acquisition of Tricks and Burbage on the assumption that the acquisition had come into effect at the beginning of the interim period, using Trick's and Burbage's interim results as at 30 September 2008 and 30 June 2008 respectively.

These *pro forma* financial effects are based on Argent's published interim results for the six months to 30 September 2008 and adjusted for the effect of the Acquisition.

	Before (cents) <sup>(1)</sup>	After (cents) <sup>(2,3,4,5,6,7,8)</sup>	Percentage change
<b>Per Argent share</b>			
Earnings	107.1	112.7	5.3
Headline earnings	106.9	112.6	5.3
Net asset value	1 310.9	1 310.9	0.0
Tangible net asset value	1 029.6	974.7	(5.3) <sup>(9)</sup>
Number of shares in issue ('000)	88 798	88 798	
Weighted average number of shares ('000)	88 798	88 798	

### Notes:

1. The information set out in the "Before" column, has been extracted from the interim results of Argent as at 30 September 2008.
2. The information set out in the "After" column, has been extracted from the interim results of Argent and Tricks for the six months ended 30 September 2008, and the interim results of Burbage for the six months ended 30 June 2008.
3. The maximum purchase consideration for Burbage of GBP 1 800 000 (R28 260 000) has been utilised in the above calculations.
4. The full purchase consideration of R86.3 million is funded by debt.
5. An interest rate of 13.5% (prime less 2%) was assumed on the debt raised to fund the transaction.
6. It is assumed that the acquisition became effective at the beginning of the six month period for income statement purposes and on the last day of the period for balance sheet purposes.
7. For this calculation, the purchase consideration has been considered in terms of the requirements of IFRS 3. Based on management's best estimate at this stage, the excess of the cash payment to shareholders over the net asset value of R37.5 million has been allocated to Goodwill to the value of R48.8 million. The allocation of the purchase consideration to tangible and intangible assets, liabilities and goodwill is a process requiring a detailed identification and valuation exercise. This will be completed once the acquisition process is finalised. If this results in the allocation being materially different to management's estimates, shareholders will be advised thereof.
8. The results of Burbage have been translated at an exchange rate of R15.70 to the Pound.

## 6. SUSPENSIVE CONDITIONS

There are no suspensive conditions.

## 7. CATEGORISATION

This transaction has been categorised as a category two transaction in terms of the JSE Limited Listings Requirements.

Roodepoort  
 10 November 2008

Investment Bank and Sponsor



INCE