Unaudited Interim Condensed Consolidated Results

for the six months ended 30 September 2015

Argent Industrial Limited
Registration number 1993/002054/06
(Incorporated in the Republic of South Africa)
("the group" or "the company")
Share code: ART
ISIN code: ZAE000019188

www.argent.co.za

Financial Highlights

Headline earnings per share	33.5 cents
Headline earnings per share up	16.0%
Basic earning per share	31.2 cents
Basic earnings per share up	21.5%
Gearing	4.9%
Net asset value per share	1 288.0 cents
Interim dividend per share	9 cents

The unaudited financial statements are presented on a consolidated basis.

Consolidated Income Statement

for the period ended	Unaudited six months 30 Sept 2015	Unaudited six months 30 Sept 2014	Audited year ended 31 Mar 2015
	R 000	R 000	R 000
Revenue	847 610	937 544	1 791 163
Operating profit before finance costs	46 645	43 196	58 136
Finance income	626	557	1 529
Finance costs	(10 042)	(13 310)	(24 340)
Profit before taxation	37 229	30 443	35 325
Taxation	(8 465)	(6 697)	(8 426)
Profit for the period	28 764	23 746	26 899
Attributable to equity holders of the			
- Parent	28 666	23 525	26 094
- Non-controlling interest	98	221	805
	28 764	23 746	26 899
Basic earnings per share (cents)	31.2	25.7	28.5
Diluted earnings per share (cents)	31.2	25.7	28.5
Headline earnings per share (cents)	33.5	28.9	40.8
Diluted headline earnings per share (cents)	33.5	28.9	40.8
Dividends per share (cents)[1]	9.0	7.0	15.0

[1] Final dividend of 9 cents was paid on 5 October 2015

Supplementary information

Shares in issue (000)			
- at end of period	91 608	91 540	91 808
- weighted average	91 799	91 540	91 669
- diluted weighted average	91 799	91 540	91 669
Cost of sales (R 000)	658 804	729 072	1 398 847
Depreciation and amortisation (R 000)	15 582	17 791	34 400

Calculation of headline earnings (R 000)

Earnings attributable to ordinary shareholders	28 666	23 525	26 094
Loss on disposal of property, plant and equipment	1 147	4 029	8 711
Impairment of property, plant and equipment	1 250		5 014
Total tax effects of adjustments	(321)	(1 128)	(2 439)
Headline earnings attributable to ordinary shareholders	30 742	26 426	37 380

Consolidated Statement of Other Comprehensive Income

for the period ended	Unaudited six months 30 Sept 2015	Unaudited six months 30 Sept 2014	Audited year ended 31 Mar 2015
	R 000	R 000	R 000
Profit for the period	28 764	23 746	26 899
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations	1 918	398	1 182
Items that will not be reclassified subsequently to profit and loss			
Revaluation of land and buildings	-	-	(2 961)
Tax effect of above transactions	-	-	534
Total comprehensive income for the period	30 682	24 144	25 654
Attributable to equity holders of the			
- Parent	30 584	23 923	24 849
- Non-controlling interest	98	221	805
	30 682	24 144	25 654

Consolidated Statement of Financial Position

for the period ended	Unaudited six months 30 Sept 2015	Unaudited six months 30 Sept 2014	Audited year ended 31 Mar 2015
	R 000	R 000	R 000
ASSETS			
Property, plant and equipment	637 267	711 548	641 355
Intangible assets	172 866	172 866	172 866
Long-term loan	15 242	14 034	14 621
Deferred taxation	-	-	8 082
Non-current assets	825 375	898 448	836 924
Inventories	481 148	466 701	489 741
Trade and other receivables	276 565	353 723	311 965
Taxation	448	1 472	596
Bank balance and cash	340	329	196
Current assets	758 501	822 225	802 498
Non-current assets held for sale	4 750	4 911	41 347
Total assets	1 588 626	1 725 584	1 680 769
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	451 717	451 744	452 597
Reserves	31 637	31 040	29 705
Retained earnings	696 513	679 139	667 847
Attributable to owners of the parent	1 179 867	1 161 923	1 150 149
Non-controlling interest	10 672	9 990	10 574
Total shareholders' funds	1 190 539	1 171 913	1 160 723
Interest-bearing borrowings	11 828	69 932	33 147
Deferred tax	52 767	50 607	55 127
Non-current liabilities	64 595	120 539	88 274
Trade and other payables	199 625	276 573	250 574
Bank overdraft	87 279	115 764	135 130
Current portion of interest-bearing borrowings	46 588	40 795	46 068
Current liabilities	333 492	433 132	431 772
Total equity and liabilities	1 588 626	1 725 584	1 680 769
Net asset value per share (cents)	1 288.0	1 269.3	1 252.8

Condensed Consolidated Statement of Cash Flows

for the period ended	Unaudited six months 30 Sept 2015	Unaudited six months 30 Sept 2014	Audited year ended 31 Mar 2015
	R 000	R 000	R 000
Cash generated from operations	57 475	94 368	128 699
Finance income	626	557	1 529
Finance costs	(10 042)	(13 310)	(24 340)
Dividends paid	-	292	(13 576)
Normal taxation paid	(2 398)	(3 633)	(7 514)
Cash flows from operating activities	45 661	78 274	84 798
Cash flows from investing activities	24 012	(3 522)	1 114
Cash flows from financing activities	(21 679)	(28 052)	(58 711)
Net increase in cash and cash equivalents	47 994	46 700	27 201
Cash and cash equivalents at beginning of period	(134 934)	(162 135)	(162 135)
Cash and cash equivalents at end of period	(86 940)	(115 435)	(134 934)

Consolidated Statement of Changes in Equity

for the period ended 30 September 2015	Stated Capital	Treasury shares	Employee share incentive reserve	Revaluation reserve	Foreign currency translation reserve	Retained earnings	Total attributable to owners of the parent	Non-controlling interest	Total shareholders' funds
	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000
Balance at 30 September 2014 – unaudited	545 643	(93 899)	532	39 448	(8 940)	679 139	1 161 923	9 990	1 171 913
Net treasury movements	-	853	-	-	-	-	853	-	853
Share-based payments	-	-	314	-	-	-	314	-	314
Transfer of reserve to retained earnings	-	-	(6)	-	-	6	-	-	-
Total comprehensive income for the period	-	-	-	(2 427)	784	2 570	927	584	1 511
Dividends	-	-	-	-	-	(14 474)	(14 474)	-	(14 474)
Less dividend on treasury shares	-	-	-	-	-	606	606	-	606
Balance at 31 March 2015	545 643	(93 046)	840	37 021	(8 156)	667 847	1 150 149	10 574	1 160 723
Share-based payments	-	-	14	-	-	-	14	-	14
Share buy back	(880)	-	-	-	-	-	(880)	-	(880)
Total comprehensive income for the period	-	-	-	-	1 918	28 666	30 584	98	30 682
Balance at 30 September 2015	544 763	(93 046)	854	37 021	(6 238)	696 513	1 179 867	10 672	1 190 539

Segmental Review

	Manufacturing	Steel Trading	Automotive	Watch List	Properties	Consolidated
	R 000	R 000	R 000	R 000	R 000	R 000
BUSINESS SEGMENTS						
for the six months ended 30 September 2015 – unaudited						
Revenue from external sales	504 448	269 412	48 579	24 725	446	847 610
Profit/(loss) before taxation	51 938	(15 924)	(977)	(2 371)	4 563	37 229
Taxation						(8 465)
Profit for the period						28 764
Other information						
Net assets	689 430	279 347	45 877	22 785	205 419	1 242 858
Capital expenditure	9 637	1 345	3 831	275	1 810	16 898
Depreciation/amortisation	9 746	3 508	1 805	523	-	15 582
Finance costs *	(2 867)	4 800	1 171	219	6 719	10 042
Finance income	626	-	-	-	-	626

*As per the group policy, finance costs and finance income derived from primary banking is netted off. The company has net finance income and this is distorting the segment for finance costs.

	Manufacturing	Steel Trading	Automotive	Watch List	Properties	Consolidated
for the six months ended 30 September 2014 – unaudited						
Revenue from external sales	503 009	296 599	101 758	35 412	766	937 544
Profit/(loss) before taxation	26 912	10, 889	(9 911)	(1 836)	4 389	30 443
Taxation						(6 697)
Profit for the period						23 746
Other information						
Net assets	631 400	287 823	93 201	23 608	185 016	1 221 048
Capital expenditure	7 039	1 671	1 572	305	3 932	14 519
Depreciation/amortisation	9 402	3 798	4 122	468	1	17 791
Finance costs *	(425)	2 218	913	1 152	9 452	13 310
Finance income	557	-	-	-	-	557
for the year ended 31 March 2015 – audited						
Revenue from external sales	954 443	567 710	202 123	65 740	1 147	1 791 163
Profit/(loss) before taxation	81 406	11 566	(64 879)	(4 151)	11 383	35 325
Taxation						(8 426)
Loss for the period						26 899
Other information						
Net assets	641 685	283 471	68 295	25 157	189 160	1 207 768
Capital expenditure	11 502	9 352	8 636	1 748	7 830	39 068
Depreciation/amortisation	19 013	7 398	7 032	955	2	34 400
Finance costs*	(1 814)	4 041	1 940	2 114	18 059	24 340
Finance income	1 193	-	-	-	336	1 529

	South Africa	Rest of the world	Consolidated
	R 000	R 000	R 000
GEOGRAPHICAL SEGMENTS			
for the six months ended 30 September 2015 – unaudited			
Revenue from external sales	789 655	57 955	847 610
Profit before taxation	16 919	20 310	37 229
Taxation			(8 465)
Profit for the period			28 764
Other information			
Net assets	1 177 801	65 057	1 242 858
Capital expenditure	16 231	667	16 898
Depreciation/amortisation	14 288	1 294	15 582
Finance costs	10 028	14	10 042
Finance income	626	-	626
for the six months ended 30 September 2014 – unaudited			
Revenue from external sales	892 302	45 242	937 544
Profit before taxation	21 155	9 288	30 443
Taxation			(6 697)
Profit for the period			23 746
Other information			
Net assets	1 174 155	46 893	1 221 048
Capital expenditure	14 145	374	14 519
Depreciation/amortisation	16 433	1 358	17 791
Finance costs	13 289	21	13 310
Finance income	557	-	557
for the year ended 31 March 2015 – audited			
Revenue from external sales	1 727 574	63 589	1 791 163
Profit before taxation	29 164	6 161	35 325
Taxation			(8 426)
Profit for the year			26 899
Other information			
Net assets	1 152 665	55 103	1 207 768
Capital expenditure	38 446	622	39 068
Depreciation/amortisation	31 754	2 646	34 400
Finance costs	24 302	38	24 340
Finance income	1 529	-	1 529

FINANCIAL OVERVIEW

Argent Industrial Limited managed to successfully navigate through a somewhat difficult South African economy. The change in the focus of the core business into manufactured brands is starting to generate the required returns and has set the platform for the group's future expansion.

OPERATIONS REVIEW

Manufacturing

The division performed well and in line with the board's expectations. The group will strive to continue to enhance both the margin and brand identities of each of the companies making up this division. The Xpanda brand and New Joules North America are currently the best performers, with Castor and Ladder showing the highest growth. Toolroom Services was negatively affected by reduced government spending and slow start-up of the country's mining sector at the beginning of the current year. Manufacturing productivity in the group has improved through a targeted approach of leaner production by cutting costs and through pressure on divisions in the group to work together to optimise operations among them, resulting in an overall positive impact on margins. In this division there is currently more activity in bigger tenders being issued by some government institutions and businesses, as well as increased export opportunities.

Steel trading

The slump in the steel market, coupled with the sudden 17% drop in steel prices, cost the group an estimated R18 million over the period. The losses were enhanced by continuous power outages caused by the inefficiencies of Eskom, as well as ongoing cable theft. The group installed a 700 kva generator at Phoenix Steel Natal, which resulted in fewer interruptions in this company. However, the group cannot economically self-generate power for the larger equipment based in Gauteng, such as the slitting, cut to length lines and tube mills. The steel market, although still critical, has stabilised. However, this division does need government investment via infrastructure projects to rejuvenate it. The much anticipated import duty will help in that turnover will increase proportionately while margins are expected to remain at current levels.

Automotive

The group's strategy to downsize the automotive division has curtailed losses and improved cash flow. The persistent sluggish economy in mining in particular hampered the recovery plans for the rubber component manufacturer, Allan Maskew. The company has, however, managed to secure its first railroad-related product export to the United States of America. Future work will depend on the success of the first order.

Watch list

Cedar Paint remains a concern to the board due to ongoing margin pressures. The increased loss in the current period, compared to the previous, is a result of the reduced manufacturing recoveries caused by management slowing down production to reduce the stock holding as well as retrenchments amounting to R273 935. The group is currently negotiating with two potential buyers for the purchase of the company.

Properties

During the current period, the group sold three properties, Phoenix Steel Mpumalanga for R10.5 million, Gammid Cape for R29.7 million and Gammid George for R4.7 million. The Phoenix Steel Mpumalanga and Gammid George properties where vacant and resulted in an additional impairment of R1.25 million. The Gammid Cape property netted a loss of R1.172 million. The group has entered into a transaction to dispose of the Giflo Engineering property for an amount of R17 million. The buyer guarantees are expected before the end of November 2015 and the board expects the sale to go through in the first half of next year.

Outlook

We are pleased by the performance of the group's core manufacturing entities and continue to focus on non-performing assets in order to 'fix or exit' these businesses. A substantial portion of the group's income is derived from manufacturing, which, with the sustained weakness of the Rand, bodes well for group.

The group's overseas businesses are performing very well, with 54% of the profit before tax coming from this geographic segment compared to 31% in the previous period. Additional export opportunities are the key focus for the short to medium term.

While all divisions are suffering under various negative factors, including input costs, increased regulatory demands, weak commodity prices and power outages, the group is adapting strategies to deal with these challenges continuously.

The group is sitting on a full order book for October to December, both locally and overseas, subject to the unforeseen, and we expect the second six months to track the first six months, backed by an improvement in the steel trading division.

Basis of Presentation

The unaudited interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), the presentation and disclosure requirements of IAS 34 – Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and in compliance with the Companies Act of South Africa (Act No. 71 of 2008) and the Listings Requirements of the JSE Limited. The accounting policies are consistent with those of the previous annual financial statements, except for the adoption of improved, revised or new standards and interpretations. The aggregate effect of these changes in respect of the period ended 30 September is nil. The unaudited interim condensed consolidated financial statements were prepared under the supervision of the Financial Director, Ms SJ Cox CA (SA). Any reference to future financial performance included in this announcement has not been reviewed or reported on by the group's auditors.

Changes to the Board

Mr Clayton Angus, being a non-executive director of the company, was not nominated to be re-elected at the Annual General Meeting and resigned as director of the company with effect from 20 August 2015.

Dividend

Subsequent to 30 September 2015, an interim gross dividend of 9 cents per share was approved and declared by the Board of Directors for the six-month period ending 30 September 2015 from income reserves.

The following dates will apply to the abovementioned interim dividend:

Last day to trade cum dividend:	Wednesday, 16 March 2016
Trading ex-dividend commences:	Thursday, 17 March 2016
Record date:	Thursday, 24 March 2016
Dividend payment date:	Tuesday, 29 March 2016

Share certificates may not be dematerialised or rematerialised between Thursday, 17 March 2016, and Thursday, 24 March 2016, both days inclusive.

In determining the dividends tax (DT) of 15% to withhold in terms of the Income Tax Act (Act No. 58 of 1962) those shareholders who are not exempt from the DT will therefore receive a dividend of 7.65 cents per share net of DT. The group has 96 290 594 ordinary shares in issue and its income tax reference number is 9096/002/71/3.

In the absence of specific mandates, dividend cheques will be posted to certificated shareholders on or about Tuesday, 29 March 2016. Ordinary shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited/updated on Tuesday, 29 March 2016.

On behalf of the board

TR Hendry CA (SA)	Umhlanga Rocks
Chief Executive Officer	17 November 2015

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	La Lucia Ridge Office Estate, 4019
	Tel: +27 (0) 31 791 0061
Auditors:	Grant Thornton (A Timol as designated auditor)
Sponsors:	PSG Capital (Pty) Ltd
Transfer Secretaries:	Link Market Services South Africa (Pty) Ltd,
	13th floor, Rennies House,
	19 Ameshoff Street, Johannesburg 2001
Company Secretary:	Jaco Dauth

Directors: Ms SJ Cox (Financial Director), PA Day (Independent Non-executive), TR Hendry (Chief Executive Officer), Mrs JA Etchells (Independent Non-executive), AF Litschka, K Mapasa (Independent Non-executive) and T Scharrighuisen (Non-executive Chairman)