



**ARGENT**  
Industrial Limited

# UNAUDITED INTERIM CONDENSED CONSOLIDATED RESULTS

for the six months ended 30 September 2011

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](http://www.argent.co.za)



## FINANCIAL HIGHLIGHTS

Revenue Up	■ 5.1%
Headline Earnings per Share	■ 42.6 cents
Headline Earnings per Share Up	■ 18.4%
Basic Earnings per Share	■ 42.1 cents
Gearing	■ 20.1%
Net Asset Value per Share	■ 1441.0 cents
Interim Dividend per Share	■ 4 cents



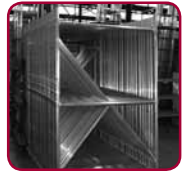
The unaudited financial statements are presented on a consolidated basis

### Condensed Consolidated Income Statement

for the period ended	Unaudited six months 30 Sept 2011	Unaudited six months 30 Sept 2010	Audited year ended 31 Mar 2011
	R 000	R 000	R 000
Revenue	913,565	869,492	1,754,867
Operating profit before finance costs	66,170	61,077	101,963
Finance income	405	515	1,245
Finance costs	(18,793)	(20,873)	(41,183)
Profit before taxation	47,782	40,719	62,025
Taxation	9,104	7,816	7,780
Profit for the period	38,678	32,903	54,245
Attributable to non-controlling interest	115	(316)	284
Attributable to owners of the parent	38,563	33,219	53,961
Basic earnings per share (cents)	42.1	36.4	59.0
Diluted earnings per share (cents)	40.8	34.5	57.2
Headline earnings per share (cents)	42.6	36.0	55.3
Diluted headline earnings per share (cents)	41.2	34.2	53.6
Dividends per share (cents) - interim	4.0	4.0	4.0
Dividends per share (cents) - final	-	-	3.0
Dividends per share (cents) - total	4.0	4.0	7.0
<b>Supplementary information</b>			
Shares in issue (000)			
- at end of period	91,540	91,350	91,540
- weighted average	91,540	91,350	91,413
Cost of sales (R 000)	710,520	661,999	1,357,242
Depreciation and amortisation (R 000)	18,281	19,845	39,541
<b>Calculation of headline earnings (R 000)</b>			
Earnings attributable to ordinary shareholders	38,563	33,219	53,961
Profit on disposal of property, plant and equipment	-	(487)	(3,395)
Loss on disposal of property, plant and equipment	595	-	-
Total tax effects of adjustments	(167)	136	-
Headline earnings attributable to ordinary shareholders	38,991	32,868	50,566

### Condensed Consolidated Statement of Comprehensive Income

for the period ended	Unaudited six months 30 Sept 2011	Unaudited six months 30 Sept 2010	Audited year ended 31 Mar 2011
	R 000	R 000	R 000
Profit for the period	38,678	32,903	54,245
<b>Other comprehensive income for the period, net of tax</b>			
Exchange differences on translating foreign operations	1,015	(1,525)	(2,056)
Realisation of revaluation of properties	(8,728)	-	(5,119)
Reversal of revaluation of properties	(782)	-	-
Impairment of property	-	-	(783)
Total comprehensive income for the period	30,183	31,378	46,287
Attributable to equity holders of the			
- parent	30,068	31,694	46,003
- non-controlling interest	115	(316)	284
	30,183	31,378	46,287



## Condensed Consolidated Statement of Financial Position

for the period ended	Unaudited at 30 Sept 2011 R 000	Unaudited at 30 Sept 2010 R 000	Audited at 31 Mar 2011 R 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	873,616	891,677	865,177
Intangibles	296,017	289,676	288,444
Long-term loan	11,125	10,265	10,688
	<b>1,180,758</b>	<b>1,191,618</b>	<b>1,164,309</b>
<b>Current assets</b>			
Inventories	447,537	516,357	485,180
Trade and other receivables	384,667	332,632	355,008
Taxation	-	-	92
Bank balance and cash	333	271	257
	<b>832,537</b>	<b>849,260</b>	<b>840,537</b>
Non-current assets held for sale	-	-	25,573
<b>Total assets</b>	<b>2,013,295</b>	<b>2,040,878</b>	<b>2,030,419</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital and premium	451,129	451,129	451,129
Reserves	115,146	127,911	122,720
Retained earnings	752,833	691,866	708,946
Attributable to owners of company	1,319,108	1,270,906	1,282,795
Non-controlling interest	9,004	8,289	8,889
<b>Total shareholders' funds</b>	<b>1,328,112</b>	<b>1,279,195</b>	<b>1,291,684</b>
<b>Non-current liabilities</b>			
Interest-bearing borrowings	182,492	237,632	216,903
Deferred tax	62,670	58,648	56,429
	<b>245,162</b>	<b>296,280</b>	<b>273,332</b>
<b>Current liabilities</b>			
Trade and other payables	202,481	193,240	240,052
Taxation	341	1,952	-
Bank overdraft	153,071	149,818	136,278
Current portion of interest-bearing borrowings	84,128	120,393	89,073
	<b>440,021</b>	<b>465,403</b>	<b>465,403</b>
<b>Total Equity and Liabilities</b>	<b>2,013,295</b>	<b>2,040,878</b>	<b>2,030,419</b>
Net asset value per share (cents)	1,441.0	1,391.2	1,401.3

## Condensed Consolidated Statement of Cash Flows

for the period ended	Unaudited six months 30 Sept 2011 R 000	Unaudited six months 30 Sept 2010 R 000	Audited year ended 31 Mar 2011 R 000
Cash generated from/(utilised in) operations	55,348	(27,142)	88,011
Finance income	405	515	1,245
Finance costs	(18,793)	(20,873)	(41,183)
Dividends paid	(2,746)	-	(3,662)
Normal taxation (paid)/refunded	(342)	1,693	386
Cash flows from operating activities	33,872	(45,807)	44,797
Cash flows from investing activities	(8,812)	(21,302)	(46,523)
Cash flows from financing activities	(41,777)	43,456	(8,401)
Net decrease in cash and cash equivalents	(16,717)	(23,653)	(10,127)
Cash and cash equivalents at beginning of period	(136,021)	(125,894)	(125,894)
Cash and cash equivalents at end of period	(152,738)	(149,547)	(136,021)



## Consolidated Statement of Changes in Equity

for the period ended 30 September 2011

	Share capital	Share premium	Employee share incentive reserve	Treasury shares	Revaluation reserve	Foreign currency translation reserve	Retained earnings	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 31 March 2010 - restated	4,825	540,818	11,413	(94,514)	124,397	(7,864)	658,647	8,605	1,246,327
Share based payments	-	-	1,490	-	-	-	-	-	1,490
Total comprehensive income for the period	-	-	-	-	-	(1,525)	33,219	(316)	31,378
Balance at 30 September 2010 - unaudited	4,825	540,818	12,903	(94,514)	124,397	(9,389)	691,866	8,289	1,279,195
Share based payments	-	-	1,242	-	-	-	-	-	1,242
Total comprehensive income for the period	-	-	-	-	(5,902)	(531)	20,742	600	14,909
Dividends	-	-	-	-	-	-	(3,860)	-	(3,860)
Less dividend on treasury shares	-	-	-	-	-	-	198	-	198
Balance at 31 March 2011	4,825	540,818	14,145	(94,514)	118,495	(9,920)	708,946	8,889	1,291,684
Reversal of revaluation of properties	-	-	-	-	(782)	-	-	-	(782)
Share based payments	-	-	921	-	-	-	-	-	921
Transfer of reserve to retained earnings	-	-	-	-	(8,728)	1,015	8,070	-	357
Total comprehensive income for the period	-	-	-	-	-	-	38,563	115	38,678
Dividends	-	-	-	-	-	-	(2,895)	-	(2,895)
Less dividend on treasury shares	-	-	-	-	-	-	149	-	149
Balance at 30 September 2011	4,825	540,818	15,066	(94,514)	108,985	(8,905)	752,833	9,004	1,328,112

## Segmental Review

	Steel trading	Automotive products	Manufacture of home and office products	Fabricators	Non-steel related products	Consolidated
	R 000	R 000	R 000	R 000	R 000	R 000

### Business segments

#### for the six months ended 30 September 2011 - unaudited

Revenue from external sales	346,975	69,386	340,595	67,046	89,563	913,565
Profit before taxation	18,808	(8,127)	17,989	10,138	8,974	47,782
Taxation	-	-	-	-	-	9,104
Profit for the period	-	-	-	-	-	38,678

#### for the six months ended 30 September 2010 - unaudited

Revenue from external sales	383,965	70,946	275,346	64,780	74,455	869,492
Profit before taxation	18,031	(8,516)	12,792	9,019	9,393	40,719
Taxation	-	-	-	-	-	7,816
Profit for the period	-	-	-	-	-	32,903

#### for the year ended 31 March 2011 - audited

Revenue from external sales	659,335	150,834	662,582	130,241	151,875	1,754,867
Profit before taxation	14,197	6,052	(4,363)	18,251	27,888	62,025
Taxation	-	-	-	-	-	7,780
Profit for the year	-	-	-	-	-	54,245

	South Africa	Rest of the world	Consolidated
	R 000	R 000	R 000

### Geographical segments

#### for the six months ended 30 September 2011 - unaudited

Revenue from external sales	889,727	23,838	913,565
Profit before taxation	43,460	4,322	47,782
Taxation	-	-	9,104
Profit for the period	-	-	38,678

#### for the six months ended 30 September 2010 - unaudited

Revenue from external sales	838,576	30,916	869,492
Profit before taxation	39,804	915	40,719
Taxation	-	-	7,816
Profit for the period	-	-	32,903

#### for the year ended 31 March 2011 - audited

Revenue from external sales	1,706,056	48,811	1,754,867
Profit before taxation	61,085	940	62,025
Taxation	-	-	7,780
Profit for the year	-	-	54,245

## Financial Overview

Argent Industrial Limited (hereafter referred to as "the Group") produced a significantly better set of results for the six months ended 30 September 2011. The results, although an improvement on the same period last year, were heavily affected by the July strike action in the steel, engineering and chemical industries that effectively closed three quarters of the Group's operations for a period of three weeks. The most significant improvement in the Group as a whole is the return of better margins being experienced in a number of the businesses.

The Group's balance sheet remains strong with gearing now down to 20.1%.

## Operational Review

The Group's results were adversely affected by the strike actions mentioned above. We estimate that this event decreased profit before taxation by R14 million. A further drain on the results is the continued loss incurred by the Group's automotive division, which is a result of industry overcapacity and clients closing plants.

### Steel Trading

The Group's steel trading division incorporates both Phoenix Steel and Gammid Trading.

**Phoenix Steel**, which trades and beneficiates mostly carbon steel products, performed impressively during the period under review with volumes in many cases restored to historical levels, except for Phoenix Steel Middelburg and Phoenix Steel Gauteng, which were both under margin pressure. The Group's strategy to source steel globally is proving to be the correct route and we will continue to purchase according to this policy for the foreseeable future.

**Gammid Trading**, a specialist aluminium and stainless steel trader, experienced a difficult six months with both demand and prices still being under pressure. Gammid's performance was, however, an improvement on the previous six months.

Both the aforementioned operations were heavily affected by the strike which included damage to the Phoenix Steel Gauteng premises as well as four of the company's trucks and two staff vehicles.

### Manufacturing of Home and Office Products

This sector performed well with good results achieved by most of the divisions.

**Cedar Paint's** revenue has continued to grow and they have managed to secure a supply line into Massmart. This company was the hardest hit by the chemical industry strike action, resulting in a five week closure.

**Castor and Ladder** once again holds its own and continues to develop new products and grow its market share.

**Jetmaster** experienced a difficult six months as a result of the depressed residential construction industry and the fact the entire Jetmaster operation was relocated recently. On the positive side, Jetmaster opened Life 'n Leisure shops in Canal Walk in Cape Town and Clearwater Mall in Gauteng.

**Toolroom Services** and **Atomic Office Equipment** are performing according to expectations and both have full order books. Toolroom Services' new shelving range is selling well and we are now deep into the planning phase to extend the range.

**Tricks Wrought Iron Services** is fortunate enough to have a full order book and is currently tendering on business which will allow it to expand its operations into the Cape Town area.

The Group purchased **Cannock Gates Ltd** in the United Kingdom for £400 000. The effective date of the acquisition is 30 September 2011. The company, which markets its products mainly through the internet, specialises in the manufacture of steel and wood gates and the distribution thereof to the end user.

The Group is in the process of merging **Burbage Iron Craft (BIC)** with **Cannock Gates** which will give both companies better manufacturing economies of scale and will reduce overheads. The assets and certain staff of Burbage Iron Craft will be moved to Cannock before 31 December 2011. This will result in the retrenchment of 23 staff, the cost of which has been accrued for in these financial results.

**Barrier Angelucci** has significantly increased its manufacturing capabilities and is currently tendering on a number of opportunities in the South African and African banking environments. The company produced a satisfactory set of results for the six months and is expected to improve on this during the balance of the current financial year.

**Xpanda Security** performed well in both the local and export markets. The performance in the local market was enhanced by the launch of the company's fully framed DIY aluminium trellis door, which is proving to be a huge success.

### Fabricators

**Koch's Cut and Supply** continues to perform solidly, while **Hendor Mining** has enjoyed an excellent six months and has sufficient orders to see them through well into 2012.

With the exception of Xpanda Security and BIC, all the companies in the home, office and fabrication sectors did not operate during the three-week strike. Seven company-owned delivery vehicles were damaged in the Durban area, as well as several staff vehicles.

### Automotive Sector

The automotive sector continues to hamper the Group. **Sentech Industries** is now breaking even, however **Excalibur Vehicle Accessories** and **All Lite** remain a challenge with an overhead structure (although vastly reduced) still not in line with revenue achievement.

The current order level is more than sufficient, but local vehicle manufacturers have recently reduced volumes due to supply problems from flood hit Thailand.

**Excalibur Vehicle Accessories** is in the process of retrenching 38 staff members by 30 November 2011.

### Non-Steel Related Products

**Megamix** and **Argent Industrial Engineering** performed surprisingly well on the revenue front, but with reduced margins that were under substantial pressure. These margins have shown recent signs of improvement, but the outlook for the construction industry in the Western Cape market remains conservative.

**Allan Maskew's** revenue has picked up significantly through its new products. However the real tangible benefits from its new cost-effective production techniques are expected to materialise during the next six months via a vast improvement in gross margin.

**New Joules Engineering North America** has performed in line with expectations and although there are no new capital projects on the immediate horizon, maintenance work and parcel jobs are ensuring that the company's results are strong.

## Outlook

The Group's future outlook continues to be very positive, and all efforts are being concentrated on improving its overall trading margins as well as ensuring the profitability of its automotive division.

## Basis of Presentation

The condensed financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), IAS 34 - Interim Financial Reporting, AC 500 and in compliance with the Companies Act of South Africa (No. 71 of 2008) and the Listings Requirements of the JSE Securities Exchange. The financial statements have been prepared under the supervision of the Financial Director, Ms SJ Cox (CA) SA. The accounting policies are consistent with those of the previous financial period, with the exception of the following new and amended standards and interpretations in response to changes in IFRS:

- IAS 24 – Related party disclosure
- IAS 34 – (amendment) interim financial reporting
- IFRS 7 – (amendment) disclosures – transfer of financial assets
- IFRS 7 – (amendment) disclosures – financial instruments.

These condensed interim financial statements, including any reference to future financial performance incorporated herein, have not been reviewed or audited by the Group's auditors.

These financial statements incorporate the financial statements of the company and all its subsidiaries over which it has operational and financial control.

## Subsequent Events

No matters that are material to the financial affairs of the Group have occurred between the statement of financial position date and the date of this report.

## Business Combinations

The Group acquired Cannock Gates Limited on 30 September 2011. The fair value of assets and liabilities acquired were as follows:

Property, plant and equipment	R 000
Inventory	785
Trade and other receivables	4,735
Deferred taxation asset	5,479
Trade and other payables	209
Interest-bearing borrowings	(10,428)
Bank overdraft	(2,421)
Goodwill/excess of fair value of assets and liabilities acquired over purchase price	(964)
Total purchase price and acquisition costs	7,605
Deduct bank balance on acquisition	5,000
Cash flow on acquisition net of cash acquired	964
	5,964

The goodwill arising on the acquisition of this business is attributable to the anticipated profitability of this business.

## Dividend

An interim dividend of 4 cents per share has been declared, subsequent to 30 September 2011.

The following dates will apply to the above-mentioned interim dividend:

Last day to trade cum dividend	Friday, 2 December 2011
Trading ex dividend commences	Monday, 5 December 2011
Record date	Friday, 9 December 2011
Dividend payment date	Monday, 12 December 2011

Share certificates may not be dematerialised or re-materialised between Monday, 5 December 2011 and Friday, 9 December 2011, both days inclusive.

## On behalf of the Board

TR Hendry CA (SA)  
Chief Executive Officer

Umhlanga Rocks  
10 November 2011

## Registered office:

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## Auditors:

## Sponsors:

## Transfer secretaries:

Grant Thornton  
PSG Capital (Pty) Ltd  
Link Market Services South Africa (Pty) Ltd,  
13<sup>th</sup> floor, 19 Ameshoff Street, Johannesburg 2001

## Company secretary:

Ms Lindsay Grobler

**Directors:** MP Allen, MJ Antonic, Ms SJ Cox (Financial Director), PA Day (Independent Non-executive), TR Hendry (Chief Executive Officer), PH Lawson (Independent Non-executive), AF Litschka, K Mapasa (Independent Non-executive), T Scharrighuisen (Non-executive Chairman), D Smith, GK Youngman (Alternate)

