



ARGENT Industrial Limited



Unaudited Interim Results for the six months ended 30 September 2009



Financial Highlights

Revenue	●	R746,1 million
Cash generated from operations	●	R120.2 million
Net asset value per share	●	1360.8 cents
Gearing	●	29.8%

The unaudited financial statements are presented on a consolidated basis

Condensed Consolidated Income Statement

for the period ended	Unaudited six months	Unaudited six months	Audited year ended
	30 Sept 2009	30 Sept 2008	31 Mar 2009
	R 000	R 000	R 000
Revenue	746 099	1 070 063	1 949 368
Operating profit before financing costs	21 666	155 569	194 404
Finance income	12 294	11 425	26 893
Finance costs	32 682	32 900	76 807
Profit before taxation	1 278	134 094	144 490
Taxation	(128)	38 038	26 616
Profit for the period	1 406	96 056	117 874
Attributable to Minority interest	(132)	983	901
Attributable to owners of the parent	1 538	95 073	116 973
Attributable & diluted earnings per share (cents)	1.7	107.1	130.2
Headline earnings per share (cents)	3.3	106.9	126.8
Dividends per share (cents)		19.0	38.0
<i>Supplementary information</i>			
Shares in issue (000)			
- at end of period	91 157	88 798	91 157
- weighted average	91 157	88 798	89 845
Cost of sales (R 000)	575 802	758 126	1 448 049
Depreciation and amortisation (R 000)	19 997	15 635	34 435
<i>Calculation of headline earnings (R 000)</i>			
Earnings attributable to ordinary shareholders	1 538	95 073	116 973
Profit on disposal of property, plant and equipment		(134)	
Loss on disposal of property, plant and equipment	103		390
Gain on acquisition of subsidiary			(4 511)
Amortisation of intangible assets	1 366		1 098
Headline earnings attributable to ordinary shareholders	3 007	94 939	113 950

Condensed Consolidated Statement of Comprehensive Income

for the period ended	Unaudited six months	Unaudited six months	Audited year ended
	30 Sept 2009	30 Sept 2008	31 Mar 2009
	R 000	R 000	R 000
Profit for the period	1 406	96 056	117 874
<i>Other comprehensive income for the period, net of tax</i>			
Foreign currency translation reserve	(4 595)	29	(524)
Fair value adjustments		14 338	77 981
Total comprehensive income for the period	(3 189)	110 423	195 331
Attributable to equity holders of the			
- Parent	(3 057)	109 440	194 430
- Minority interest	(132)	983	901
	(3 189)	110 423	195 331

Condensed Consolidated Statement of Financial Position

as at	Unaudited at 30 Sept 2009 R 000	Unaudited at 30 Sept 2008 R 000	Audited at 31 Mar 2009 R 000
Assets			
Non-current assets			
Property, plant and equipment	888 840	708 492	822 495
Intangibles	291 095	249 765	282 948
Long term loan	9 365		8 898
	1 189 300	958 257	1 114 341
Current assets			
Inventories	445 896	672 131	482 515
Trade and other receivables	308 921	421 574	355 163
Taxation	1 392		6 122
Bank balance and cash	276	307	347
	756 485	1 094 012	844 147
Total Assets	1 945 785	2 052 269	1 958 488
Equity and Liabilities			
Capital and reserves			
Share capital and premium	451 113	440 106	451 113
Reserves	137 215	61 688	141 810
Retained earnings	652 151	662 248	658 814
Attributable to owners of parent	1 240 479	1 164 042	1 251 737
Minority interest	8 397		8 529
Total shareholders' funds	1 248 876	1 164 042	1 260 266
Non-current liabilities			
Interest-bearing borrowings	251 335	243 669	266 502
Deferred tax	58 315	67 423	60 337
	309 650	311 092	326 839
Current liabilities			
Trade and other payables	195 056	343 760	196 801
Taxation		32 000	
Bank overdraft	71 912	111 937	64 097
Current portion of interest-bearing borrowings	120 291	89 438	110 485
	387 259	577 135	371 383
Total Equity and Liabilities	1 945 785	2 052 269	1 958 488
Net asset value per share (cents)	1 360.8	1 310.9	1 373.2

Condensed Consolidated Statement of Cash Flows

for the period ended	Unaudited six months 30 Sept 2009 R 000	Unaudited six months 30 Sept 2008 R 000	Audited year ended 31 Mar 2009 R 000
Cash generated from operations	120 228	(32 706)	141 515
Interest paid	(32 682)	(32 900)	(76 807)
Interest received	12 294	11 425	26 893
Dividends paid	(8 201)	(16 872)	(34 191)
Taxation refunded (paid)	3 697	(10 690)	(29 634)
Cash flows from operating activities	95 336	(81 743)	27 776
Cash flows from investing activities	(97 861)	(68 234)	(182 011)
Cash flows from financing activities	(5 361)	47 876	115 014
Net decrease in cash and cash equivalents	(7 886)	(102 101)	(39 221)
Cash and cash equivalents at beginning of period	(63 750)	(9 529)	(24 529)
Cash and cash equivalents at end of period	(71 636)	(111 630)	(63 750)

Consolidated Statement of Changes in Equity
for the six months ended 30 September 2009

	Share capital	Share premium	Employee share incentive reserve	Treasury shares	Revaluation reserve	Reserve on translation of foreign operation	Retained earnings	Minority interest	Total ordinary shareholders' funds
	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000	R 000
Balance at 31 March 2008 - audited	4 825	540 818	11 165	(108 307)	48 601	(1 280)	597 411	11 956	1 105 189
Net treasury movement				2 770					2 770
Share based payments			2 938						2 938
Buy back of minority share in subsidiary							(21 379)	(12 939)	(34 318)
Total comprehensive income for the period					14 338	29	95 073	983	110 423
Dividends							(18 333)		(18 333)
Less dividend on treasury shares							1 461		1 461
Balance at 30 September 2008 - unaudited	4 825	540 818	14 103	(105 537)	62 939	(1 251)	654 233		1 170 130
Net treasury movement				11 007					11 007
Share based payments			2 939						2 939
Minority interest sold								8 612	8 612
Total comprehensive income for the period					63 633	(553)	21 900	(83)	84 897
Dividends							(18 333)		(18 333)
Less dividend on treasury shares							1 014		1 014
Balance at 31 March 2009 - audited	4 825	540 818	17 042	(94 530)	126 572	(1 804)	658 814	8 529	1 260 266
Total comprehensive income for the period						(4 595)	1 538	(132)	(3 189)
Dividends							(8 684)		(8 684)
Less dividend on treasury shares							483		483
Balance at 30 September 2009 - unaudited	4 825	540 818	17 042	(94 530)	126 572	(6 399)	652 151	8 397	1 248 876

Segmental Review

	Local					Rest of the world	Total
	Steel trading	Automotive products	Manufacture of home and office products	Fabricators	Non-steel related products		
	R 000	R 000	R 000	R 000	R 000	R 000	R 000
For the six months ended 30 September 2009 - unaudited							
Revenue from external sales	222 243	48 619	262 446	60 637	122 273	29 881	746 099
Profit before interest and tax	14 285	(10 200)	13 686	3 261	1 367	(733)	21 666
Net financing costs							20 388
Profit before tax							1 278
Included in the above:							
- Depreciation and amortisation							19 997
For the six months ended 30 September 2008 - unaudited							
Revenue from external sales	462 291	119 717	304 864	81 883	85 035	16 273	1 070 063
Profit before interest and tax	77 332	11 864	38 899	19 712	5 159	2 603	155 569
Net financing costs							32 900
Profit before tax							122 669
Included in the above:							
- Depreciation and amortisation							15 635
For the year ended 31 March 2009 - audited							
Revenue from external sales	764 607	248 102	606 251	145 587	147 608	37 213	1 949 368
Profit before interest and tax	64 262	4 549	68 941	19 027	33 998	3 627	194 404
Net financing costs							49 914
Profit before tax							144 490
Included in the above:							
- Depreciation and amortisation							34 435

Operational Overview

The global financial crisis took a tremendous toll on Argent's Steel and Automotive sectors which had a material impact on the Group's financial results for the first six months of the financial year.

Herewith a summary of the Group's results for the six months:

- Revenue decreased by 30.3% to R746,1 million
- Operational profit decreased by 86.1% to R21,7 million
- Headline earnings down by 96.9% with headline earnings per share down to 3.3 cents per share
- Gearing contained to 29%

Operational Review

Steel Trading

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

Phoenix Steel, which trades and beneficiates both mild steel and cold rolled products, had a very difficult six months with both market demand and margins staying depressed throughout the period under review. However, this situation has now improved significantly with both steel prices and market demand having increased.

Gammid Trading, a specialist aluminium and stainless steel trader, suffered the same market conditions with both demand and pricing being very depressed. The company has experienced an improvement in both margins and demand and is expecting a much improved second six months.

Manufacturing of Home and Office products

The sector performed satisfactorily with good results from most of its divisions.

Cedar Paint experienced a good first six months and is confident that its growth pattern will continue. The company opened branches in both Port Elizabeth and George and moved its Cape Town manufacturing plant to bigger, Group-owned premises managed by Gammid Cape Town.

Castor and Ladder held its own through the financial crisis and managed to increase its market share by benefiting from the country's current infrastructure spend, such as significant orders from the Gautrain project.

Jetmaster's sales were down in line with local consumer spend, but exports to Australia, New Zealand and England remained buoyant. A new and innovative "go-green" product that is a world leader in low emission levels and heat output has been developed particularly for the United Kingdom market and the first two containers have been exported. Sales have started to show a strong recovery in the local market since the middle of the year and this trend is expected to continue into and after the festive season.

Toolroom Services and **Atomic Office Equipment** felt the impact of the slower consumer spend at the start of the financial year but showed a turnaround starting in June 2009 and both companies now boast full order books to March 2010. Toolroom Services moved into its new property in July 2009 and production output is currently at record levels, while it is expected to reach design capacity by December 2009.

Tricks Wrought Iron Services had a fantastic first six months which in part is attributable to the country's low cost housing roll out and the construction at the new Durban airport and soccer stadium.

Burbage Iron Craft started the year off well but has seen a decrease in its customers' demand. This is expected to improve mid 2010.

On 1 April 2009, the Group purchased the assets of **Barrier Angelucci**, investing a total of R7.4 million, as well as acquiring a new building to house the Barrier Angelucci operation. The company specialises in the manufacture and distribution of roller shutter doors and the modification and installation of automatic teller machines. Although the assets had to be relocated and the new premises modified for its particular needs, management is confident that the company will be a great fit for the Argent Group. The company contributed positively to the results for the six months and the performance will improve with time as the company is fully integrated into Argent.

Xpanda Security performed very well in both the local and export markets through the economic downturn and has a full order book going forward. This can partly be attributed to the fact that security barriers have become a basic necessity, even in an economic downturn.

Fabricators

Koch's Cut & Supply enjoyed a good first six months while **Hendor Mining Supplies** has seen its first recent major increase in sales in October 2009, in line with local mining activity.

Automotive Sector

This sector is still the worst affected by the financial crisis. **Giflo Engineering** and **All Lite** are still running at turnover levels at around 25% of 2007 figures, while **Sentech Industries** and **Excalibur Vehicle Accessories** have managed to increase their sales to 65% of their 2007 figures.

Due to substantial overhead reductions Argent is expecting good results for all of these operations in the next six months, with the exception of Giflo, whose results will only start to show real improvement in the first quarter of the 2011 financial year.

Non-Steel Related Products

Megamix and **Villiersdorp Quarries** have seen a steady decline in margins over the last six months. This has negatively affected operating profits, however the order book is more than satisfactory and the additional batch plant in the Cape Town harbour is expected to lift margins.

Allan Maskew is very much in the same position as the automotive division with the bulk of its products destined for the transport and heavy earthmoving industry. The company's diversification into the mining industry via the manufacture of the rubber and polyurethane screens is starting to pay off and will result in the company enjoying a positive second six months even if the traditional bulk of its business remains subdued.

New Joules Engineering has seen a decline in capital tenders but has a more than a sufficient work load due to maintenance and replacement work.

Argent Industrial Investments continued to increase its property holdings with the acquisition of an industrial property in Sebenza, Edenvale for R17.3 million and the transfer of the Gammid Cape Town property at R26.6 million. The building of the new Toolroom premises was completed during the period. The proposed acquisition in Bloemfontein was put on hold until the Group's operational performance in the area improves.

Retrenchments

The Group reduced its total staff from 3,640 to 3,230 which was in part due to the following retrenchments:

	No. of staff	Rands
Allan Maskew	16	266 004
Burbage Iron Craft	2	93 481
Excalibur	19	148 357
Giflo	208	2 486 669
Sentech	4	80 991

The Group is now correctly staffed and the above costs have been expensed.

Dividend

Due to the Group's performance, the priority is to preserve liquidity and the Board has therefore decided not to declare an interim dividend.

Outlook

The economy is showing signs of a recovery, and this is reflected in the overall performance of the group improving since June 2009. Some of the businesses have shown strong resilience to the downturn in the economy with the likes of Xpanda Security, Cedar Paint, Castor and Ladder and Toolroom Services all performing very well and growing market share in the downturn. Although the automotive sector produced a poor set of results, its market share has grown with a number of competitors exiting the market. Overall Argent has taken this opportunity to reduce stock levels and trim away inefficiencies in the businesses to ensure a strong recovery when the market improves. The investment in new infrastructure in Cape Town and George will increase the market share of all of the Group's businesses in these areas, while the introduction of Barrier Angelucci into Argent will open up new markets and clients to the Group's offerings. It is fair to say that Argent has never before been so well positioned and prepared to benefit from improved market conditions.

Basis of Presentation and Accounting Policies

The condensed financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34 - Interim Financial Reporting and in compliance with the Companies Act of South Africa of 1973 and the Listing Requirements of the JSE Limited. The accounting policies are consistent with those followed in the preparation of the consolidated annual financial statements for the year ended 31 March 2009, except where the group has adopted new or revised accounting standards and interpretations of these standards.

The group has adopted the following revised accounting standards, amendments and interpretations in the current period, which did not have a material impact on the reported results

- IAS 1 Revised Presentation of Financial Statements
- IFRS 8 - Operating Segments

The condensed interim financial statements have not been reviewed or audited by the group's auditors.

Subsequent Events

No material change has taken place in the affairs of the group between the end of the financial period and the date of this report.

Statement of Going Concern

The financial statements have been prepared on the going-concern basis since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

On behalf of the Board

TR Hendry CA (SA)
Chief Executive Officer

Umhlanga Rocks
12 November 2009

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Grant Thornton

Sponsor:

Investec Bank Ltd

Transfer secretaries:

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All-Lite
Steel Products

SENTECH INDUSTRIES
Motor Component
Manufacturers


New Jules Engineering
North America Inc.


ALLAN
MASKEW


Giflo Engineering



Phoenix Steel
Group


ARGENT
Industrial Limited

GAMMID

Life'n'Leisure
LIFESTYLE

atomic
OFFICE EQUIPMENT (PTY) LTD


Hendor
Mining Supplies

Castor & Ladder
Incorp. Fortlouer & Alhnik


Koch's Cut & Supply
Steel Centre

TOOLROOM
SERVICES

Jetmaster

BIC
BURBAGE IRON CRAFT LTD


illiersdorp
LUBRICS

CEDAR
Paint

Xpanda
Real Security

PAINT & LADDERS
perfecting product synergy...


Megamix (Pty) Ltd

TRICKS
WINDOOR FIBRE SERVICES
PTY LTD

EXCALIBUR
ARMOUR FOR ALL ROUND PROTECTION


Barrier Angelucci