



**ARGENT**  
Industrial Limited

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## CORPORATE PROFILE



The Argent Group is predominately a steel merchant with steel trading making up approximately forty three percent of Group turnover. Thirty seven percent of the Group comprises companies which beneficiate or add value to steel either via manufacturing or through steel service centres. The balance of the Group is made up of ready mix concrete, railway retarders and engine refurbishment. Group activities are based in Gauteng, Northern Province, Eastern Cape, Western Cape, KwaZulu Natal, Mpumalanga and North America.

## GROUP KEY VALUES

Argent endeavours to create a climate in which competent executives can flourish while co-ordinating their efforts towards a unity of purpose that enhances the creation of wealth by:

- *Seeking* long-term sustained real growth for shareholders
- *Maintaining* a balance in the investment of its resources in focused markets
- *Conducting* business with professionalism and integrity
- *Developing* long-term relationships through co-operation and fair play
- *Practicing* financial prudence
- *Meeting* all legal and moral obligations
- *Generating* an eagerness to learn and improve
- *Respecting* the dignity and human rights of all employees
- *Maintaining* high standards in the areas of workplace safety and health

## OPERATION LOCATIONS



### SOUTH AFRICA

#### STEEL & STEEL RELATED PRODUCTS

- Argent Richards Bay  
*KwaZulu Natal*
- Bavarian Metal Industries  
*Gauteng*
- Excalibur Vehicle Accessories  
*Gauteng*
- Giflo Engineering  
*North West Province*
- Hendor Mining Supplies  
*Gauteng*
- Jetmaster Cape  
*Western Cape*
- Jetmaster  
*Gauteng*
- Koch's Cut & Supply  
*KwaZulu Natal*
- Phoenix Steel East London  
*Eastern Cape*
- Phoenix Steel Gauteng  
*Gauteng*
- Phoenix Steel Mpumalanga  
*Mpumalanga*
- Phoenix Steel Natal  
*KwaZulu Natal*
- Phoenix Steel Port Elizabeth  
*Eastern Cape*

#### NON STEEL RELATED

- Barker Flynn Associates - discontinued  
*Gauteng*
- Megamix  
*Western Cape*
- NWN Automotive Precision Engineering  
*KwaZulu Natal*
- Villiersdorp Quarries  
*Western Cape*

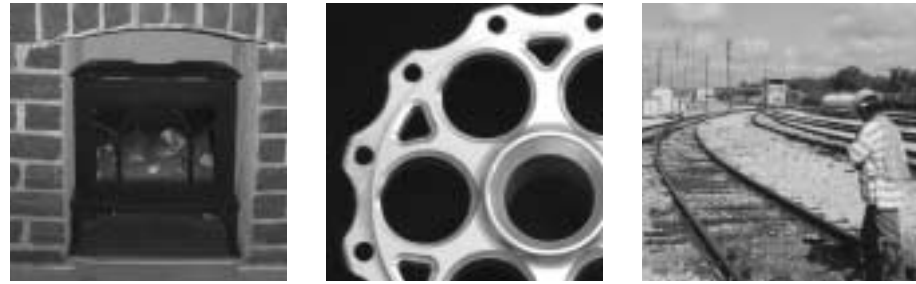
#### PROPERTY

- Argent Industrial Investments  
*Gauteng, Mpumalanga & Eastern Cape*
- GHL Properties  
*Gauteng, KwaZulu Natal*
- Parlance Investments  
*KwaZulu Natal*

### UNITED STATES OF AMERICA

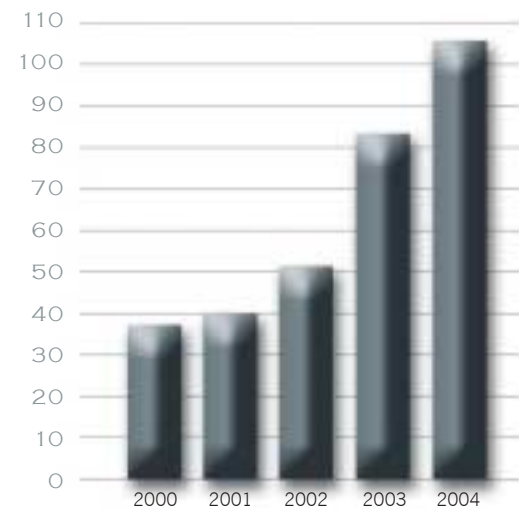
#### NON STEEL RELATED

- New Joules Engineering North America  
*Kansas City*



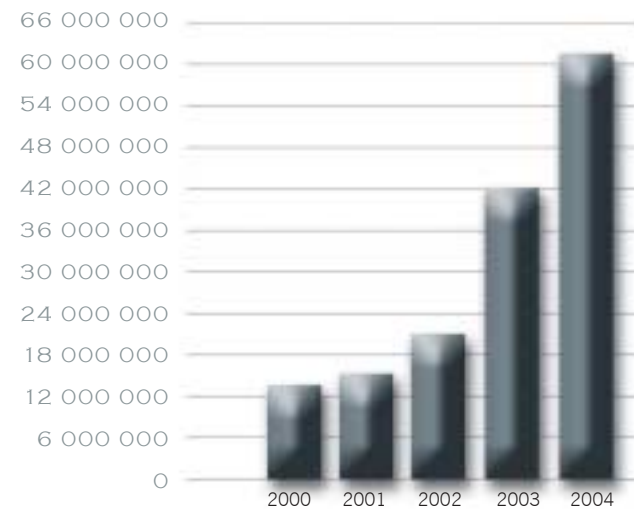
## FINANCIAL HIGHLIGHTS

headline earnings per share (cents)



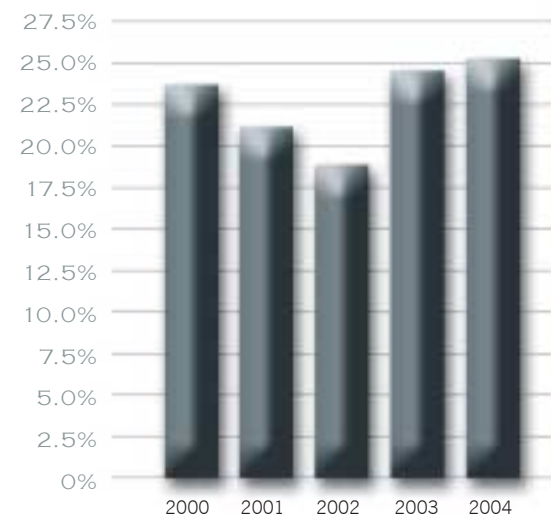
2000 - 37.2  
2001 - 40.8  
2002 - 51.3  
2003 - 83.7  
2004 - 106.2

attributable earnings R000



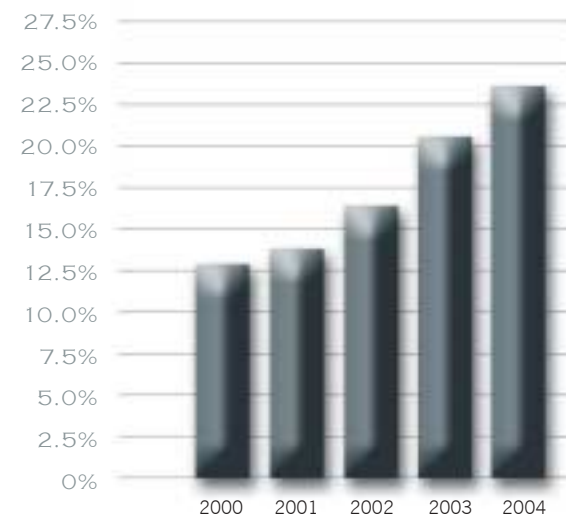
2000 - 13 826  
2001 - 15 296  
2002 - 22 116  
2003 - 42 000  
2004 - 61 337

group gearing



2000 - 23.4%  
2001 - 21.3%  
2002 - 18.9%  
2003 - 24.7%  
2004 - 25.3%

return on shareholders' equity



2000 - 12.8%  
2001 - 13.4%  
2002 - 16.6%  
2003 - 20.7%  
2004 - 23.1%

## FIVE YEAR REVIEW

	2004	2003	2002	2001	2000
Revenue (R000)	604 639	621 381	371 644	283 221	213 575
Net profit for the year (R000)	61 337	42 000	22 116	15 296	13 826
Basic earnings per share (cents)*	99.1	83.1	50.2	38.5	35.2
Headline earnings per share (cents)*	106.2	83.7	51.3	40.8	37.2
Tax rate (%)	24.5	21.5	16.5	15.3	4.0
Dividends per share (cents)*	18.0	17.0	14.0	12.0	12.0
- Interim	9.0	8.0	7.0	6.0	6.0
- Final	9.0	9.0	7.0	6.0	6.0
In accordance with AC107, the final dividend of 10 cents per share proposed by the directors has not been reflected in the annual financial statements					
Dividend cover (times) - includes final dividend	5.5	4.9	3.6	3.2	2.9
Net asset value per share (cents)*	395.7	347.4	299.8	282.4	274.9
Net asset value per share (excluding goodwill) (cents)*	349.7	303.1	293.3	282.4	274.9
Total assets employed (R000)	455 664	435 835	271 684	199 681	185 675
Return on shareholders' equity (%)	23.1	20.7	16.6	13.4	12.8
Gearing (%)	25.3	24.7	18.9	21.3	23.4
Liquidity					
- current ratio	2.00	1.44	1.53	1.78	1.79
- current ratio excluding current portion of interest-bearing borrowings	2.35	1.61	1.64	2.01	1.99
- acid test ratio	1.27	0.85	0.99	1.00	1.05

\* Prior years adjusted for share consolidation of one for five shares that took place during the 2000 financial year

## DIRECTORATE & MANAGEMENT



**Teunis Scharrighuisen (59)**  
(Netherlands)  
*Non-Executive Chairman*  
Appointed 1993

**Trewe Robert Hendry CA (SA) (37)**  
(British)  
*Chief Executive Officer*  
Appointed 1997

**Patrick Arthur Day (62)**  
*Non-Executive Director*  
Appointed 1999

**Mark Joey Antonic (30)**  
*New Business Development Director*  
Appointed 2002

**Gavin Keith Youngman (42)**  
*Alternate Director*  
Appointed 2002

**Sue Joan Cox CA (SA) (38)**  
*Financial Director*  
Appointed 2002

**Donovan Smith (30)**  
*Alternate Director*  
Appointed 2002

**Peter Hector Lawson (57)**  
*Director*  
Appointed 2003

**Fred Litschka (38)**  
*Non-Executive Director*  
Appointed 2004

**Nesta Glover (42)**  
*Company Secretary*  
Appointed 1999

**Delyse Jacobs (50)**  
*Human Resources*  
Appointed 2000

**Hennie Steyn (40)**  
*Group Accountant*  
Appointed 2003

**Christa Stander (36)**  
*Internal Auditor*  
Appointed 2004

## ADMINISTRATION

**Argent Industrial Limited**  
Reg. No. 1993/002054/06

### Secretary & Registered Office

*N. Glover (Mrs)*  
1316 Club House Street  
Maraisburg, Roodepoort, 1724  
(P.O. Box 14461, Wadeville, 1422)  
Tel: (011) 474 2100  
Fax: (011) 473 1212  
Web: www.argent.co.za  
Email: argent3@argent.co.za

### Transfer Secretaries

*Ultra Registrars*  
Fifth Floor, 11 Diagonal Street  
Johannesburg, 2001  
(P.O. Box 4844, Johannesburg, 2000)  
Tel: (011) 832 2652  
Fax: (011) 834 4398

### Bankers

*Nedcor Limited*  
Corporate Banking Division Gauteng  
1st Floor, Block F, 135 Rivonia Road  
Sandton, 24196  
(P.O. Box 1144, Johannesburg, 2000)  
Tel: (011) 294 4444  
Fax: (011) 295 8115

### Attorneys

*Rossouws Attorneys*  
8 Sherborne Road, Parktown  
Johannesburg, 2193  
(P.O. Box 1588, Johannesburg, 2000)  
Tel: (011) 726 9000  
Fax: (011) 726 3855

### Auditors

*Etchells James Kruger & Associates Inc.*  
47 Voortrekker Road, Newcastle  
KwaZulu Natal, 2940  
(Private Bag X6647, Newcastle, 2940)  
Tel: (034) 312 3400  
Fax: (034) 312 5856

### Sponsor

*LPC Manhattan Sponsors*  
4th Floor, South Office Tower  
Hyde Park Corner, Jan Smuts Avenue  
Hyde Park, 2196  
(P.O. Box 55376, Northlands, 2116)  
Tel: (011) 783 4199  
Fax: (011) 883 0303

## CHAIRMAN'S STATEMENT



It is a pleasure to announce the Group's financial results for 2004.

Attributable earnings increased by 46% to R 61,3 million (2003 - R42 million). Headline earnings per share increased by 27% to 106,2 cents per share (2003 - 83,7 cents per share). Revenue decreased by 3% to R 605 million (2003 - R 621 million). Group gearing increased to 25,3% (2003 - 24,7%).

This financial year's success has been motivating for all involved, and far from leading to any sense of complacency, it is serving to strengthen, resolve and to maintain the impetus with innovative ideas, plans and new business initiatives as well as further internal efficiencies.

We welcome Mr Fred Litschka to the board, as a Non-Executive Director, with effect from 1 January 2004. Mr Litschka brings to the Company 12 years of experience in general management and engineering.

In terms of the board of directors, the following changes took place during the year under review:

- T Scharrighuisen – (Chairman 1993 - 2003), (Non-Executive Chairman 2004)
- PA Day – (Executive Director 1999 - 2003), (Non-Executive Director 2004)

### APPRECIATION

I take this opportunity to express my personal appreciation to

- our shareholders for their continued confidence
- our clients for their continued support and loyalty, and
- our suppliers and strategic partners for their invaluable contribution towards our success.

In closing, I wish to pay special tribute to my team of highly motivated employees as well as their management, my colleagues on the board and their executive teams, ably led by Chief Executive Officer, Mr Trewe Hendry, for their support and dedication in working towards the achievement of our objectives. I have every confidence that we will meet the inevitable challenges that will arise and that the financial year ahead will prove to be a successful one for the Argent Group.

**T Scharrighuisen**  
*Non-Executive Chairman*  
Maraisburg  
Roodepoort  
1 June 2004

# CORPORATE GOVERNANCE REPORT



Corporate governance requires the identification of the Company's stakeholders and the agreement on, and implementation of, policies to manage and advance the relationship with those stakeholders in the interests of the Company. It also embraces the adoption and monitoring of sound and effective systems of internal control, the assessment and management of business risks and the definition and implementation of appropriate business procedures.

The directors of the Argent Group regard corporate governance as vitally important to the success of the Group's business and are unreservedly committed to applying the principles necessary to ensure that good governance is practiced. For this they accept full responsibility. These principles include discipline, independence, responsibility, fairness, social responsibility, transparency and accountability of the directors to all stakeholders. In pursuit of these ideals, the intention is to exceed 'minimum requirements' with due consideration for international trends and codes. Corporate governance within the Group is managed by a unitary board of directors and several sub-committees of the board. The board is of the opinion that the Group currently complies with all the significant principles incorporated in the Code of Corporate Practices and Conduct, as set out in the King II Report and the JSE Securities Exchange Listing Requirements.

## BOARD OF DIRECTORS

The board's primary responsibilities, based on a predetermined assessment of materiality, include giving strategic direction to the Argent Group, identifying key risk areas and key performance indicators of the Group's business, monitoring investment decisions, considering significant financial matters, and reviewing the performance of executive management against business plans, budgets and industry standards. The board has identified and monitors the non-financial aspects relevant to the business. In addition, specific attention is given to ensuring that a comprehensive system of policies and procedures is operational and that compliance with corporate governance principles is reviewed regularly.

## AUDIT COMMITTEE

The audit committee identifies and continuously evaluates exposure to significant risks, reviews the appropriateness and adequacy of the systems of internal financial and operational control, reviews accounting policies and financial information issues to the public, provides effective communication between directors, management and internal and external auditors, and recommends the appointment of external auditors. Committee members have unlimited access to all information, documents and explanations required in the discharge of their duties. This authority has been extended to the internal and external auditors. The activities of the committee are reviewed by the members via an annual self-assessment control exercise. Furthermore, the board is provided with regular reports on the activities of the committee. The internal audit department currently reports directly to the audit committee and is also responsible to the Financial Director on day-to-day matters. Significant reports are copied to the Chief Executive Officer and there is regular communication between the Chief Executive Officer and internal audit.

## INTERNAL AUDIT

The internal audit function is an independent appraisal function which examines and evaluates the Group's activities and the appropriateness, adequacy and efficacy of the systems of internal control and resultant business risks. In terms of the audit committee charter, the head of internal audit has the responsibility of reporting to the audit committee and has unrestricted access to its chairman.

The objective of the internal audit function is to assist members of executive management in the effective discharge of their responsibilities. Its scope includes reviews of the reliability and integrity of financial and operating information, the systems of internal control, the means of safeguarding assets, the efficient management of the Group's resources, and the effective conduct of its operations. Audit plans are based on an assessment of risk

areas and every assignment is followed by a detailed report to management including recommendations on aspects requiring improvement. Significant findings are reported to the audit committee. The internal audit work plan is presented in advance to the audit committee.

In addition, internal audit provides pivotal input to the semi-annual risk assessment monitor in terms of which key Group risks are identified and assessed, and management plans are formulated to reduce exposure to these risks. This risk assessment monitor is tabled for consideration semi annually before the audit committee and the board.

## EXTERNAL AUDIT

The external auditors provide an independent assessment of systems of internal financial control and express an independent opinion on the annual financial statements. The external auditors complement the work of the internal audit department and review all internal audit reports on a regular basis. The external audit function offers reasonable, but not absolute assurance on the accuracy of financial disclosures.

## RISK MANAGEMENT

The board is responsible for the total process of risk management for the Group and uses the risk assessment monitor as its main source of information to determine the effectiveness of the Group's risk management process. The objective of risk management is to identify, assess, manage and monitor the risks to which the business is exposed. These include credit granting risks, crime, the shift in spending patterns, and currency and interest rate risks. Operational and financial risks are managed through detailed systems of operating and financial controls which are reviewed and monitored continuously.

Losses from defaulting debtors are limited by stringent credit application criteria and clearly defined credit and collection policies. These are reviewed regularly in the light of prevailing economic conditions and bad debt statistics.

With assistance from expert insurance consultants, risks are assessed and insurance cover purchased for all risks above pre-determined, self insured limits. Levels of cover are reassessed annually in the light of claims experiences and changes within and outside the Group.

## INTERNAL CONTROL

The board of directors is responsible for the Group's systems of internal control. To fulfil its responsibilities, management maintains accounting records and continues to maintain appropriate systems of internal control.

The directors report that the Group's internal controls and systems are designed to provide reasonable and not absolute assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain accountability of its assets and to detect and minimise significant fraud, potential liability, loss and material misstatement, while complying with applicable laws and regulations.

The directors have satisfied themselves that these systems and procedures are implemented, maintained and monitored by appropriately trained personnel with suitable segregation of authority, duties and reporting lines and by comprehensive use of advanced computer hardware and software technologies. Employees are required to maintain the highest ethical standards in ensuring that business practices are conducted in a manner which, in all reasonable circumstances, is above reproach. The effectiveness of the systems of internal control in operation is monitored continually through reviews and reports.

## GOING CONCERN

The annual financial statements set out on pages 17 to 38 have been prepared on the going concern basis since the directors have every reason to believe that the Company and Group have adequate resources in place to continue to operate for the foreseeable future.

## EMPLOYEE PARTICIPATION

The Group will continue to have its operating decisions made at the appropriate levels. Participative management lies at the heart of this strategy, which relies on the building of employee partnerships at every level to foster mutual trust and to encourage people to think at all times about how they can 'do things better'. The Group strives to liberate the initiative and energies of its people, because it is they who make the difference in the Group's performance.

## AFFIRMATIVE ACTION

The Group is an equal opportunity employer and there is no discrimination on the basis of ethnic origin or gender or in any other manner. A number of programmes are in place to ensure that the Group's employee profile will become increasingly representative of the demographics of the regions in which it operates whilst maintaining the Group's high standards.

## REMUNERATION COMMITTEE

The committee reviews and approves the remuneration and terms of employment of executive directors and senior employees of the Group. The committee reviews salary trends in the market place and recommends emolument structures and levels to the chairman for his consideration and approval.

## ENVIRONMENT

The Group is conscious of the fact that in carrying out its activities there is a potential risk of environmental damage. An effort has therefore been made to educate all employees in best practice so as to avoid causing long-term damage to the environment or atmospheric pollution through the inappropriate use of plant and equipment.

## ETHICS

The Group subscribes to the key values outlined on page 2 and endeavours to act with honesty, responsibility and professional integrity in its dealings with employees,

shareholders, customers, suppliers and society at large. In any instance where ethical standards are called into question, the circumstances are investigated and resolved in an appropriate and fair manner.

### GROUP SECRETARY AND PROFESSIONAL ADVICE

All directors have access to the advice and services of the Group secretary, who is responsible to the board for ensuring that board procedures are followed. All directors are entitled to seek independent professional advice about the affairs of the Group at the Group's expense.

### SOCIAL RESPONSIBILITIES

We acknowledge our social responsibility towards the communities in which we operate and deserving Institutions at large. Our programmes are mainly channeled through Argent and focus on support and contributions towards training, deserving welfares, HIV/AIDS and environmental foundations.

### DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The directors are solely responsible for the preparation of the annual financial statements and related financial information that fairly present the state of affairs and the results of the Company and of the Group. The external auditors are responsible for independently auditing and reporting on these annual financial statements in conformity with generally accepted auditing standards.

The annual financial statements set out in the report have been prepared by management in accordance with the Companies Act of South Africa and comply with South African statements of Generally Accepted Accounting Practices. They incorporate full and reasonable disclosure and are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable and prudent judgments and estimates.

No event, material to the understanding of this report, has occurred subsequent to the financial year-end and the date of this report. In the context of their audit, carried out for the purposes of expressing an opinion on the fair presentation of the annual financial statements, the auditors have concurred with the disclosures of the directors on going concern and corporate governance.

The annual financial statements have been approved by the board of directors.

### CERTIFICATE BY THE COMPANY SECRETARY

In my capacity as Company Secretary, I hereby confirm, in terms of the Companies Act, 1973 as amended, that for the year ended 31 March 2004, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that such returns are true, correct and up to date.

N. Glover (Mrs)  
*Company Secretary*  
Maraisburg  
Roodepoort  
1 June 2004

## CHIEF EXECUTIVE OFFICER'S REVIEW



Argent Industrial Limited has again produced solid earnings and strengthened its foundation in the South African economic and business communities.

### STEEL AND STEEL RELATED PRODUCTS

The Group's steel companies experienced a good year and in light of the recent steel price increases, will continue to enjoy an excellent 2005 financial year.

Giflo Engineering had an exceptional year, achieving record turnover both locally and internationally. Giflo has embarked on an expansion project which will double its production capacity by December 2005. Giflo has purchased an additional 20 000 square metres of property of which 7 000 square metres are under cover. Giflo's total footprint is now 52 000 square metres, with some 27 000 square metres under cover. During the course of the 2005 financial year, the Group will be moving Excalibur's entire original equipment manufacturing facility to Giflo.

Giflo has ordered two additional pipe bending machines from Italy, an electro polishing line, a shot blasting facility from Germany and assorted state-of-the-art measuring equipment from Italy and Germany. The company plans to become one of the world's leading automotive suppliers in its field.

Giflo currently supplies original equipment parts to Ford, Mazda, Nissan, Landrover, Delta and Mercedes Benz. Giflo will start supplying Toyota South Africa from January 2005. Giflo also supplies Landrover UK, Landrover Brazil, LDV UK and three aftermarket customers in the USA.

Excalibur Vehicle Accessories had an excellent year, becoming both a supplier to Giflo Engineering and a distributor of certain of Giflo's products. Excalibur has increased its after-market vehicle accessory range to include stainless steel products, which will increase its overall market share in the 2005 financial year. During the year under review Excalibur purchased a 4kw laser machine which is fully utilised in servicing the Group's internal requirements. The

Group is planning to purchase an additional laser machine during the 2005 financial year. Excalibur has opened branches in East London and Pinetown and will be opening branches in Cape Town and Port Elizabeth during the 2005 financial year.

Without setting the world alight, Hendor Mining Supplies produced a very good set of results for the 2004 financial year. Turnover was depressed during the middle part of the year, due mainly to the weak gold price and strong rand-dollar exchange rate. The early part of the 2004 calendar year has seen an improvement, with turnover increasing to levels which are considered more than adequate.

Jetmaster had an excellent year and is in a prime position to achieve a record 2005 financial year. The company has set up a state-of-the-art research and development department which allows it not only to design new products, but also to pre-test the gas emissions of the various products before sending the units for approval by the relevant international gas authorities.

Argent's motivation in acquiring Jetmaster three years ago was firstly to obtain a well-branded product that could be exploited on an exponential basis and secondly to provide Phoenix Steel Gauteng with yet another Group steel customer. Jetmaster has already launched a number of new products in South Africa, Australia and New Zealand and these will give the company an edge over its competitors and ensure an eventful 2005 financial year.

Jetmaster's growth prospects are huge, with exports growing into Australia, New Zealand and the UK. Argent owns the Jetmaster brand throughout the world, except in the European Union (EU) and the UK, where it resides with the original owner. As strong branding of Jetmaster has not taken place in the EU, Argent may decide to enter the EU under a name other than Jetmaster, but the aim is first to enhance its position in North America. In some areas Jetmaster uses existing distributors and in others it opens its own distribution networks.

Jetmaster is in the process of introducing a modern new barbeque that will complement the R10-million of existing barbeques that it has imported from China each year. Jetmaster and Excalibur are joining forces to manufacture the new barbeque, which is part mild steel (to be supplied by Phoenix Gauteng), part aluminium pressing (to be supplied by Excalibur), and part stainless steel tube (to be supplied by Giflo). The expected launch date is January 2005. Jetmaster will open an additional distribution outlet in KwaZulu Natal, where it is experiencing a substantial increase in demand. To this end, a stand has been purchased in the Umhlanga Ridge, New Town Centre, adjacent to the Gateway shopping complex.

**Phoenix Steel - Gauteng** had a good year. The tube mill, which was purchased in January 2003, came into full production during the period under review. This has had positive effects on margins and volumes. Phoenix supplies tube to all of Argent's steel branches and exports tube to both Namibia and Botswana. A second tube mill has been purchased which will be commissioned by July 2004. Phoenix is currently expanding its warehousing facility which will increase its stockholding capacity by 20%. The expansion will be completed in October 2004. Phoenix Steel - Gauteng has diversified into the medium and heavy sections market, which was not previously focused on. The Group believes this to be a natural progression which should result in an increase in market share. This, together with the advantages emanating from the Iscor price increases, will ensure that Phoenix has an outstanding 2005 financial year.

**Phoenix Steel - East London** had an excellent year. Besides selling steel into the East London area, the company also supplies Giflo's products to Daimler Chrysler on a just-in-time basis. This process has proved very successful and has allowed the Group to further improve its level of service.

**Phoenix Steel - Mpumalanga** acquired an additional 2000 square metres of land to expand its warehousing facility during the 2005 financial year. The company currently operates two profile machines and will be

purchasing a third during the coming year. Phoenix Steel - Mpumalanga is now well established and has completed its second year of operation. The company has found its niche and the outlook for 2005 is very promising.

**Phoenix Steel - Natal** had a more than satisfactory year, but was hampered by the depressed demand for steel in KwaZulu Natal which inevitably placed pressure on margins. Market share, however, was maintained during the year. The company began the 2005 year with a flourish and the Iscor mill price increases have helped push both turnover and margin levels to all-time highs. The Group expects Phoenix Steel - Natal to post record results for the 2005 financial year, especially in light of the decision to move into the medium and heavy sections market. The Group is actively looking for other ways to increase market share in the KwaZulu Natal area via diversification into complementary product lines and/or businesses.

**Phoenix Steel - Port Elizabeth** started trading in March 2004. The first two months of the 2005 financial year have produced promising results and there is reason to believe that the new branch will prove a success. The company will also provide a marketing outlet for Giflo Engineering and a fitment centre for Excalibur Vehicle Accessories.

Despite a slow start to the 2004 financial year, **Koch's Cut and Supply** experienced an excellent last six months, leading to a solid overall performance for the year, despite considerable pressure on margins. This trend has subsequently continued, with turnovers well in excess of budget for the first two months of the 2005 financial year. This trend is expected to continue during the year and as a result the Group will invest in modernising certain machinery, such as the plasma cutting, plate rolling and surface grinding facilities. Koch's is also in an excellent position to take advantage of the steel price increases.

**Argent Richards Bay** had an improved year, but has not yet achieved the desired levels of return. Significant changes have taken place throughout the operation and

for the first time the company is in a prime position to take advantage of any opportunities which may present themselves. Turnover levels have steadily increased over the last six months.

The Group has converted **Bavarian Metal Industries** from a tipper manufacturer into an in-house production facility. The company has therefore relinquished its Meiller franchise on tipper hydraulics and now concentrates on forming cold rolled sections, Jetmaster fabrication, steel profiling and general fabrication.

### NON STEEL RELATED PRODUCTS

**NWN Automotive Precision Engineering** had a slightly disappointing year, with turnover lower than originally predicted. The company's performance over the last three months of the review period, however, improved vastly and an all time record monthly turnover was achieved in March 2004. This trend has unfortunately not continued into the start of the 2005 financial year. The industry as a whole is generally very unpredictable and quiet at present. NWN has tendered on a number of large contracts and should it be successful in some, turnover could vastly improve over the next two years.

**New Joules Engineering North America** had a disappointing first six months of the year and although the second six months showed improvement, the financial year remained disappointing. The outlook for the 2005 financial year is promising as two major clients have indicated their intention to modernise a total of three railway shunting yards before December 2005.

**Megamix and Villiersdorp Quarries** had yet another good year. The current boom in construction and development of approximately R800 million in the Strand and Somerset West area will ensure that 2005 is another successful year. Megamix has increased its concrete truck fleet by five units and will take delivery of a 32 metre pump truck in July 2004.

**Barker Flynn Associates** discontinued operations during the period under review. The cost of this amounted to R 2.288 million.

### BLACK ECONOMIC EMPOWERMENT

Argent Industrial Limited has taken a 20% stake in Vuya! Resources (Pty) Ltd. The Group has entered into an agreement with Vuya! Resources (Pty) Ltd whereby certain operations/opportunities can be placed with the company.

The Argent Group has concentrated on promoting transformation by empowering employees to continuously improve their quality of life through better career prospects and greater job satisfaction.

### PROSPECTS

Although still somewhat hampered by the strong rand-dollar exchange rate in terms of exports, the Group expects to continue its growth trend during the 2005 financial year. Significant efforts are being made to increase market share in all the Group's subsidiaries. These efforts have already produced very encouraging results both in terms of product and client diversification strategies. Furthermore, the increase in local steel prices has produced various opportunities within the Group's steel companies. The Group has never been stronger, partly as a result of the maturation of previous smaller operations, and the returns generated by both recent acquisitions and green field's projects. We expect the 2005 financial year to be a successful one.

### APPRECIATION

The excellent results and the success of Argent are a 'monument' to the commitment, enthusiasm and work ethic of our staff and their leaders. I would also like to express my gratitude to the Board of Directors for their guidance in the strategic affairs of the Group.

On behalf of the board

**T.R. Hendry CA (SA)**  
*Chief Executive Officer*

Maraisburg  
Roodepoort  
1 June 2004





## VALUE ADDED STATEMENT

Value added is the wealth created by the Group and its employees by supplying its services and expertise. This statement shows how the value was shared by those responsible for its achievements.

Revenue  
Purchased materials and services

Non-operating income

Value added

Applied as follows:

To remunerate employees:

Salaries, wages, pensions, bonuses and other benefits

To reward providers of capital:

Interest on loans

Dividends to shareholders

To the State:

Company tax

Value added tax

To replace assets:

Depreciation

To expand the Group:

Retained earnings

To remunerate employees	83 445
To expand the Group	50 702
To the State	27 888
To reward providers of capital	26 338
To replace assets	14 292

2004  
R 000

2003  
R 000

604 639  
410 349  
194 290

621 381  
471 773  
149 608

8 375

3 455

202 665

153 063

83 445

71 604

26 338

13 127

15 703

9 089

10 635

4 038

27 888

20 094

19 926

11 772

7 962

8 322

14 292

10 276

50 702

37 962

202 665

153 063

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## SHAREHOLDERS' DIARY

Financial year end: 31 March  
Annual General Meeting: 20 August

## REPORTS AND PROFIT STATEMENT

Half year interim report: September  
Newspaper announcement of annual profit: June  
Annual financial statements published: July

# REPORT OF THE INDEPENDENT AUDITORS



## TO THE MEMBERS OF ARGENT INDUSTRIAL LIMITED

We have audited the annual financial statements and Group annual financial statements of Argent Industrial Limited set out on pages 17 to 38 for the year ended 31 March 2004. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

### SCOPE

We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

#### An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

## AUDIT OPINION

In our opinion, the financial statements fairly represent, in all material respects, the financial position of the company and the Group at 31 March 2004 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa.

**Etchells James Kruger and Associates Inc.**  
*Registered Accountants and Auditors*  
Chartered Accountants (SA)  
Newcastle  
1 June 2004

# DIRECTORS' REPORT



The directors of Argent Industrial Limited have pleasure in submitting the annual financial statements of the Company and Group for the year ended 31 March 2004.

### NATURE OF BUSINESS

Argent Industrial Limited carries on the business of a holding company. The Group derives its income from manufacturing, trading, contracts and rental.

### RESULTS OF OPERATIONS

Earnings attributable to ordinary shareholders in respect of the year ended 31 March 2004 was R61 million (2003 - R42 million) which represents earnings of 99.1 cents per share (2003 - 83.1 cents per share). Barker Flynn Associates discontinued operation during the period under review - refer to note 24 in the financial statements.

### DIVIDENDS

Details of dividends are reflected in note 17 to the financial statements. Interim ordinary dividends of 9 cents per share have been declared and paid. A final dividend of 10 cents per share has been proposed.

### DIRECTORS

The names of the directors in office at the date of the report appear on page 6.

### SECRETARY AND REGISTERED OFFICE

The address of the Secretary and the registered office of the Company is recorded on page 6.

### DIRECTORS' SHAREHOLDINGS

The directors were beneficially, directly and indirectly, interested with 10 762 158 (2003 - 11 531 488) of the issued ordinary shares of the company. No material changes have been advised since year end.

### AUTHORISED AND ISSUED SHARE CAPITAL

Details of the authorised, issued and unissued shares are set out in note 8 to the financial statements.

## SUBSIDIARIES

Details of major subsidiaries appear on page 38 of this report. The aggregate net profit attributable to shareholders of the company is as follows:

R 000	2004	2003
Net profit	69 157	42 625

## RISK MANAGEMENT AND INSURANCE

The Group is committed to managing its risk in order to protect its assets and earnings against unacceptable financial loss and to safeguard against legal liabilities. Possible catastrophic types of risk are insured at minimum cost with satisfactory cover. Non-catastrophic risks are self-insured. Property, plant and equipment are insured at current replacement values.

## INFLATION ACCOUNTING

The effects of inflation on the Group's profitability and cash flow are continually monitored by management. In the absence of a generally accepted method of accounting for the effect of change in prices, inflation adjusted financial statements are not presented.

## EVENTS SUBSEQUENT

No material facts or circumstances have occurred between the accounting date and the date of this report.

**Teunis Scharrighuisen**  
*Non-Executive Chairman*  
Maraisburg  
Roodepoort

**Treve Robert Hendry CA (SA)**  
*Chief Executive Officer*  
Maraisburg  
Roodepoort

1 June 2004

## BALANCE SHEETS

as at 31 March 2004

Note	GROUP		COMPANY	
	2004 R 000	2003 R 000	2004 R 000	2003 R 000
<b>ASSETS</b>				
Property, plant and equipment	3	110 642	95 290	
Investment property	4	48 016	39 319	
Intangibles	5	31 390	25 843	
Employee share incentive scheme			17 975	1 325
Interest in subsidiaries	6		111 203	135 841
<b>Non-current assets</b>		<b>190 048</b>	<b>160 452</b>	<b>129 178</b>
				<b>137 166</b>
Inventories	7	96 481	112 403	
Trade and other receivables		134 415	156 381	11 364
Taxation			150	210
Bank balance and cash		34 720	6 599	23 248
<b>Current assets</b>		<b>265 616</b>	<b>275 383</b>	<b>34 762</b>
				<b>18 215</b>
<b>TOTAL ASSETS</b>		<b>455 664</b>	<b>435 835</b>	<b>163 940</b>
				<b>155 381</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital and premium	8	117 046	104 855	135 020
Reserves	9	24 045	24 045	
Retained earnings		124 390	73 688	6 461
Ordinary shareholders' funds		265 481	202 588	141 481
Minority interest			4 722	
<b>Total shareholders' funds</b>		<b>265 481</b>	<b>207 310</b>	<b>141 481</b>
				<b>132 132</b>
Interest-bearing borrowings	10	47 423	30 608	7 667
Deferred tax	11	10 087	6 583	
<b>Non-current liabilities</b>		<b>57 510</b>	<b>37 191</b>	<b>7 667</b>
Trade and other payables		100 270	165 200	12 792
Taxation		12 532	5 490	
Bank overdraft				8 263
Current portion of interest-bearing borrowings	10	19 871	20 644	2 000
<b>Current liabilities</b>		<b>132 673</b>	<b>191 334</b>	<b>14 792</b>
				<b>23 249</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>455 664</b>	<b>435 835</b>	<b>163 940</b>
				<b>155 381</b>
Net asset value per share (cents)		395.7	347.4	

## INCOME STATEMENTS

for the year ended 31 March 2004

Note	GROUP		COMPANY	
	2004 R 000	2003 R 000	2004 R 000	2003 R 000
<b>REVENUE</b>				
	12	604 639	621 381	
OPERATING PROFIT before financing costs	13	96 966	63 759	(3 277)
<b>FINANCING COSTS</b>	14	<b>15 703</b>	<b>9 089</b>	<b>4 548</b>
PROFIT before taxation		81 263	54 670	(7 825)
<b>TAXATION</b>	15	<b>19 926</b>	<b>11 772</b>	<b>(5)</b>
PROFIT after taxation		61 337	42 898	(7 820)
<b>MINORITY INTEREST</b>			898	
<b>NET PROFIT for year end</b>		<b>61 337</b>	<b>42 000</b>	<b>(7 820)</b>
				<b>25</b>
Basic earnings per share (cents)	16.1	99.1	83.1	
Headline earnings per share (cents)	16.2	106.2	83.7	
Dividends per share (cents)	17	18.0	17.0	
Interim		9.0	8.0	
Final		9.0	9.0	
In accordance with AC107, the final dividend of 10 cents per share proposed by the directors has not been reflected in the annual financial statements				
Shares in issue (000)				
- at end of period		67 090	58 308	
- weighted average for the year		61 867	50 558	

## STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2004

GROUP	Note	Share capital	Share premium	Treasury shares	Revaluation reserve	Reserve on subsidiary acquisition	Retained earnings
		R 000	R 000	R 000	R 000	R 000	R 000
Balance at 31 March 2002 as previously stated		2 220	71 339		836	23 209	35 514
Consolidation of share incentive trust				(907)			212
Balance at 31 March 2002 restated		2 220	71 339	(907)	836	23 209	35 726
Shares issued		695	32 312	(2 647)			
Net treasury movement				1 843			
Profit for the period							42 000
Dividends - interim	17						(4 212)
Less treasury shares	17						174
Balance at 31 March 2003	8, 9	2 915	103 651	(1 711)	836	23 209	73 688
Shares issued		439	28 016	(16 679)			
Net treasury movement				415			
Profit for the period							61 337
Dividends - current interim and prior final	17						(11 286)
Less treasury shares	17						651
Balance at 31 March 2004	8, 9	3 354	131 667	(17 975)	836	23 209	124 390

## COMPANY

COMPANY	Note	Share capital	Share premium	Retained earnings
		R 000	R 000	R 000
Balance at 31 March 2002		2 220	71 338	29 754
Shares issued		695	32 312	
Profit for the period				25
Dividends - interim	17			(4 212)
Balance at 31 March 2003	8, 9	2 915	103 650	25 567
Shares issued		439	28 016	
Profit for the period				(7 820)
Dividends - current interim and prior final	17			(11 286)
Balance at 31 March 2004	8, 9	3 354	131 666	6 461

## CASH FLOW STATEMENTS

for the year ended 31 March 2004

Note	GROUP		COMPANY	
	2004 R 000	2003 R 000	2004 R 000	2003 R 000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
	626 605	582 411		
Cash receipts from customers	(550 162)	(540 696)	35 824	19 721
Cash paid to suppliers and employees	76 443	41 715	35 824	19 721
Cash generated from operations	8 375	3 455	1 521	178
Interest received	(15 703)	(9 089)	(4 548)	(535)
Interest paid				650
Dividends received				
Dividends paid	(10 635)	(7 146)	(11 286)	(7 320)
Normal taxation paid	(9 380)	(5 993)	65	(108)
Net cash inflow from operating activities	49 100	22 942	21 576	12 586
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
	(47 220)	(46 244)		
Purchase of property, plant and equipment	2 730	1 239		
Proceeds on disposal of property, plant and equipment			(11 537)	(42 747)
Acquisition of subsidiaries		(39 106)		
Acquisition of subsidiaries net of cash acquired	(4 722)			
Acquisition of minority interest			(16 650)	(630)
Increase in employee share incentive scheme				
Net cash outflow from investing activities	(49 212)	(84 111)	(28 187)	(43 377)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
	11 776	30 360	28 455	33 007
Proceeds from issue of ordinary shares	415	1 843		
Net movement in treasury shares	16 042	25 072	9 667	
Payment of interest-bearing borrowings				
Net cash inflow from financing activities	28 233	57 275	38 122	33 007
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	28 121	(3 894)	31 511	2 216
Cash and cash equivalents at beginning of year	6 599	10 493	(8 263)	(10 479)
Cash and cash equivalents at end of year	34 720	6 599	23 248	(8 263)

# NOTES TO ANNUAL FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

The Group financial statements are prepared on the historical cost basis, and in accordance with South African Statements of Generally Accepted Accounting Practice. The following policies are consistent with those applied in the previous year

### 1.1 Revenue

The invoiced values of sales and services rendered excluding value added tax and investments and other non operating income, in respect of manufacturing, trading and contracts, are recognised at the date when the significant risks and rewards of ownership are transferred to the buyer

### 1.2 Basis of Consolidation

The Group financial statements include the results, cash flows, and financial position of the company and of its subsidiary companies. The results and cash flows of subsidiaries are included from the effective date of their acquisition and up to the effective date of their disposal. Inter-group transactions and balances are eliminated on consolidation

### 1.3 Investment Property

Investment property is property held to earn rentals. Investment property is stated at historical cost less depreciation. Depreciation is calculated on a straight line basis at rates considered appropriate to reduce book values over the useful lives of the assets to estimated residual values at a rate of 2% per annum

### 1.4 Property, Plant and Equipment

Property, plant and equipment are stated at historical costs less depreciation. Fixed property is revalued annually and any surpluses or deficits arising herefrom are taken directly to the revaluation reserve. Freehold land is not depreciated. Depreciation is calculated on the reducing balance method at rates considered appropriate to reduce book values over the useful lives of the assets to estimated residual values

The following depreciation rates are applied:

Buildings	2%
Plant and equipment	10 - 15%
Motor vehicles	20%
Furniture, fittings & equipment	10 - 25%

Surpluses arising from the valuations of properties are taken direct to the revaluation reserve. Valuation surpluses realised on sale are transferred from the revaluation reserve to the income statement. Any deficit arising from the valuation of properties is taken direct to the revaluation reserve to the extent

that such deficit is regarded as temporary. Where a permanent diminution in value of an individual property is identified, the deficit is eliminated against any revaluation reserve in respect of that property with any excess being charged to the income statement

### 1.5 Intangibles

Costs incurred on patents, where purchased by the Group, are capitalised and amortised on the reducing balance method at a rate of 10% per annum. The directors assess the carrying value of each intangible asset annually and revisions are made where it is considered necessary

### 1.6 Inventories

Inventories are valued at average cost or actual cost using the first-in-first-out method. Work in progress is valued at cost, including direct costs and overheads. In all cases inventories are valued at the lower of average or actual cost and realisable value

### 1.7 Contracts in Progress

Contracts in progress are valued at cost, after adjusting for all known contingencies, plus profit recognised, less amounts received and receivable. Progress payments, received in excess of the measured value of work determined on each contract, are included in the composition of contracts in progress. Cost includes direct costs and overheads. Profit is brought to account on the percentage of completion basis. Where a loss is anticipated on any particular contract, provision is made for such loss

### 1.8 Operating Leases

Operating lease costs are charged to the income statement on a systematic basis over the term of the lease

### 1.9 Deferred Tax

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised

### 1.10 Foreign Currencies

Transactions in foreign currencies are translated at the rate of exchange ruling at the transaction date. Gains and losses arising from the settlement of such transactions are recognised in the income statement. Monetary assets and liabilities designated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Unrealised differences on monetary assets and liabilities are recognised in the income statement in the period in which they occur

# NOTES TO ANNUAL FINANCIAL STATEMENTS (CONTINUED)

### 1.11 Goodwill

Goodwill, consisting of the excess of the cost over the value of the net attributable assets acquired at the date of acquisition, is capitalised as an intangible asset and amortised on the straight line basis according to the director's assessment of the useful life of this goodwill to a maximum of 20 years

### 1.12 Financial Instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, trade creditors and borrowings. These instruments are generally carried at their estimated fair value. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item

Gains and losses arising from changes in the fair value of financial instruments, subsequent to initial recognition, are included in net profit or loss for the period

### 1.13 Cash Flows

For the purpose of the cash flow statement, cash includes cash on hand, deposits held on call with banks, investments in money market instruments and bank overdrafts

### 1.14 Segments

All segment revenue and expenses are directly attributable to the segment. Segment assets include all operating assets used by a segment and consist principally of property, plant and equipment, as well as current assets. Segment liabilities include all operating liabilities and consist principally of trade creditors. These assets and liabilities are all directly attributable to the segments. Segment revenue, expenses and results include transfers between business segments and between geographical segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. These transfers are eliminated on consolidation

### 1.15 Trade and other receivables

Trade and other receivables are stated at fair value. Bad debts are written off

### 1.16 Trade and Other Payables

Trade and other payables are stated at fair value

### 1.17 Dividends Payable

Dividends payable are recognised as a liability in the year in which they are declared

### 1.18 Retirement Benefits

Provision is made for retirement benefits for eligible employees by way of a provident fund. The fund is a defined contribution plan under which amounts to be paid as retirement benefits are determined by contributions to the fund together with investment earnings thereon. Contributions are charged against income in the year of payment

### 1.19 Presentation

All amounts in the financial statements, reports and supporting schedules are stated to the nearest R000 except where otherwise indicated

### 1.20 Comparatives

Where necessary, comparative figures have been adjusted to conform to the changes in presentation in the current year

## 2. DEFINITIONS

### 2.1 Cash and Cash Equivalents

These comprise cash on hand and demand deposits together with any highly liquid investments readily convertible to known amounts of cash and not subject to significant risk of changes in value

### 2.2 Current Ratio

Current assets divided by current liabilities. Current liabilities include current portion of interest-bearing borrowings and interest-free liabilities other than deferred tax

### 2.3 Dividend Cover

Basic earnings per share divided by dividends per share

### 2.4 Dividend Yield

Dividends per share divided by the closing share price on the JSE Securities Exchange SA

### 2.5 Earnings Yield

Earnings per share divided by the closing share price on the JSE Securities Exchange SA

### 2.6 Gearing Ratio

Interest-bearing debt, divided by capital and reserves and minority interest

### 2.7 Price Earnings Ratio

The closing share price on the JSE Securities Exchange SA divided by basic earnings per share

## NOTES TO ANNUAL FINANCIAL STATEMENTS (CONTINUED)

### 3. PROPERTY, PLANT AND EQUIPMENT

	GROUP					
	Land & buildings R 000	Plant & equipment R 000	Motor vehicles R 000	Furniture fittings equipment R 000	Total 2004 R 000	Total 2003 R 000
Carrying amount at beginning of year	18 796	57 173	16 100	3 221	95 290	66 115
Gross carrying amount	19 230	80 757	25 674	5 766	131 427	98 722
Accumulated depreciation	(434)	(23 584)	(9 574)	(2 545)	(36 137)	(32 607)
New subsidiaries						4 252
Additions	1 817	22 127	5 622	1 163	30 729	34 910
Disposals		(2 763)	(501)	(68)	(3 332)	(842)
Depreciation	(205)	(7 294)	(3 802)	(744)	(12 045)	(9 145)
Carrying amount at end of year	20 408	69 243	17 419	3 572	110 642	95 290
Gross carrying amount	21 046	96 192	29 028	6 262	152 528	131 427
Accumulated depreciation	(638)	(26 949)	(11 609)	(2 690)	(41 886)	(36 137)

Certain fixed assets are encumbered as set out in note 10

### 4. INVESTMENT PROPERTY

Carrying amount at beginning of year				39 319	28 604
Gross carrying amount				41 120	29 913
Accumulated depreciation				(1 801)	(1 309)
Additions				9 411	11 334
Disposals					(127)
Depreciation				(714)	(492)
Carrying amount at end of year				48 016	39 319
Gross carrying amount				50 531	41 120
Accumulated depreciation				(2 515)	(1 801)

As the Group has more than five items of land and buildings, a register is maintained in terms of paragraph 22 (3) of Schedule 4 of the South African Companies Act. The register is available for inspection at the registered office of the Group. Details of the valuations are also available at the registered office of the Group

## NOTES TO ANNUAL FINANCIAL STATEMENTS (CONTINUED)

### 5. INTANGIBLES

Carrying amount at beginning of year				
Gross carrying amount				
Accumulated amortisation				
Goodwill in respect of subsidiaries acquired				
Amortisation for the year				
Carrying amount at end of year				
Gross carrying amount				
Accumulated amortisation				

### 6. INTEREST IN SUBSIDIARIES

Shares at cost			115 449	88 912
Loan owing by subsidiaries			(4 246)	46 929
			111 203	135 841

For further details of interest in subsidiaries refer page 38

### 7. INVENTORIES

Raw materials	61 144	85 974
Work in progress	14 500	10 116
Finished goods	20 837	16 313
	96 481	112 403

	GROUP			
	Patents R 000	Goodwill R 000	Total 2004 R 000	Total 2003 R 000
	547	25 296	25 843	3 455
	1 380	26 025	27 405	4 378
	(833)	(729)	(1 562)	(923)
		7 080	7 080	23 027
	(55)	(1 478)	(1 533)	(639)
	492	30 898	31 390	25 843
	1 380	33 104	34 484	27 405
	(888)	(2 206)	(3 094)	(1 562)

	GROUP		COMPANY	
	2004 R 000	2003 R 000	2004 R 000	2003 R 000
			115 449	88 912
			(4 246)	46 929
			111 203	135 841
	61 144	85 974		
	14 500	10 116		
	20 837	16 313		
	96 481	112 403		

## NOTES TO ANNUAL FINANCIAL STATEMENTS (CONTINUED)

### 8. SHARE CAPITAL AND PREMIUM

Authorised share capital 100 000 000 ordinary shares of 5 cent each (2003 - 100 000 000 ordinary shares of 5 cent each)				
Issued share capital 67 090 051 ordinary shares of 5 cents each (2003 - 58 307 705 ordinary shares of 5 cent each)				
Share premium				
Treasury shares				
Total share capital and premium				

The unissued shares are under the control of the directors until the next annual general meeting

Ordinary shares of 5 cents each were issued during the year as follows:  
On 1 October 2003 3 634 575 shares at a premium of R3,19 each  
On 3 October 2003 5 147 771 shares at a premium of R3,19 each

#### The Argent Employee Share Option Scheme

All shares allocated to the share option scheme are to be exercised during a five year option period in five tranches

Should the option holder resign from the Group prior to the option maturity date, the shares will not be issued

Payment will therefore not be required, and options will be cancelled

Shares have been allocated to the share option scheme as follows:

On 3 October 2003 5 147 771 shares were allocated at a purchase price of R3,24 each

#### Number of share options granted to date

Share options granted	2 200 158	1 175 000		
Share options granted due to increase in issued shares	3 485 000	892 875		
Available for future utilisation	1 662 771	132 283		
<b>Total</b>	<b>7 347 929</b>	<b>2 200 158</b>		

#### Movements in number of options granted

Balance at beginning of year	1 024 661	857 000		
Options granted	3 695 560	990 376		
Options exercised	(820 301)	(802 595)		
Options forfeited	(5 000)	(20 120)		
<b>Balance at end of year</b>	<b>3 894 920</b>	<b>1 024 661</b>		

### 9. RESERVES

Non-distributable reserves				
Reserve on acquisition of subsidiaries	23 209	23 209		
Revaluation reserve	836	836		
	24 045	24 045		

## NOTES TO ANNUAL FINANCIAL STATEMENTS (CONTINUED)

### 10. INTEREST-BEARING BORROWINGS

#### Secured

##### Suspensive sale agreements

Amounts owing in respect of plant, vehicles and equipment with book values amounting to R29.1 million (2003 - R18.3 million)

Repayments are made in equal monthly instalments

Aggregate repayments are due as follows:

Year ending 31 March

- 2005 12 034

- 2006 8 791

- 2007 and later 4 165

Deferred finance charges (1 803)

The effective average interest rate applicable to these liabilities is 2% to 3% below prime

##### Mortgage bonds

Secured by fixed property bearing interest at 1% to 2.75% below prime

Loan and Subscription Agreement amount owing by the Group to Affin (Pty) Limited, bearing an effective after-tax interest rate of 2,28% for this period and repayable in six monthly instalments

Loan and Subscription Agreement amount owing by the Group to BOE Bank, bearing an effective after-tax interest rate of 4,03% for this period and repayable in monthly instalments

Loan facility secured by suretyship given by the holding company bearing interest linked to prime and repayable in monthly instalments

Loan facility owing by the Group to Standard Corporate and Merchant Bank, bearing an average interest rate of 1.75% below prime and repayable in monthly instalments

#### Unsecured

##### Loan facilities with Group bankers

Bearing interest at an average of 3% below prime and repayable on thirteen months' notice

Less: Portion payable within twelve months reflected under current liabilities

##### Non-current portion

In terms of the Company's Articles of Association, the borrowing powers are unlimited

	GROUP		COMPANY	
	2004 R 000	2003 R 000	2004 R 000	2003 R 000
Authorised share capital 100 000 000 ordinary shares of 5 cent each (2003 - 100 000 000 ordinary shares of 5 cent each)	5 000	5 000	5 000	5 000
Issued share capital 67 090 051 ordinary shares of 5 cents each (2003 - 58 307 705 ordinary shares of 5 cent each)	3 354	2 915	3 354	2 915
Share premium	131 667	103 651	131 666	103 650
Treasury shares	(17 975)	(1 711)		
Total share capital and premium	117 046	104 855	135 020	106 565
Number of share options granted to date				
Share options granted	2 200 158	1 175 000		
Share options granted due to increase in issued shares	3 485 000	892 875		
Available for future utilisation	1 662 771	132 283		
<b>Total</b>	<b>7 347 929</b>	<b>2 200 158</b>		
Movements in number of options granted				
Balance at beginning of year	1 024 661	857 000		
Options granted	3 695 560	990 376		
Options exercised	(820 301)	(802 595)		
Options forfeited	(5 000)	(20 120)		
<b>Balance at end of year</b>	<b>3 894 920</b>	<b>1 024 661</b>		
Non-distributable reserves				
Reserve on acquisition of subsidiaries	23 209	23 209		
Revaluation reserve	836	836		
	24 045	24 045		

	GROUP		COMPANY	
	2004 R 000	2003 R 000	2004 R 000	2003 R 000
Secured				
Suspensive sale agreements				
Amounts owing in respect of plant, vehicles and equipment with book values amounting to R29.1 million (2003 - R18.3 million)	23 187	14 604		
Repayments are made in equal monthly instalments				
Aggregate repayments are due as follows:				
Year ending 31 March				
- 2005			12 034	
- 2006			8 791	
- 2007 and later			4 165	
Deferred finance charges			(1 803)	
The effective average interest rate applicable to these liabilities is 2% to 3% below prime				
Mortgage bonds				
Secured by fixed property bearing interest at 1% to 2.75% below prime	16 577	11 566		
Loan and Subscription Agreement amount owing by the Group to Affin (Pty) Limited, bearing an effective after-tax interest rate of 2,28% for this period and repayable in six monthly instalments	1 914	5 218		
Loan and Subscription Agreement amount owing by the Group to BOE Bank, bearing an effective after-tax interest rate of 4,03% for this period and repayable in monthly instalments	11 741	13 936		
Loan facility secured by suretyship given by the holding company bearing interest linked to prime and repayable in monthly instalments	3 150	3 780		
Loan facility owing by the Group to Standard Corporate and Merchant Bank, bearing an average interest rate of 1.75% below prime and repayable in monthly instalments	9 667		9 667	
Unsecured				
Loan facilities with Group bankers				
Bearing interest at an average of 3% below prime and repayable on thirteen months' notice	1 058	2 148		
Less: Portion payable within twelve months reflected under current liabilities	67 294	51 252	9 667	
	19 871	20 644	2 000	
Non-current portion	47 423	30 608	7 667	
In terms of the Company's Articles of Association, the borrowing powers are unlimited				

## NOTES TO ANNUAL FINANCIAL STATEMENTS (CONTINUED)

	GROUP		COMPANY	
	2004 R 000	2003 R 000	2004 R 000	2003 R 000
<b>11. DEFERRED TAX</b>				
Movement of deferred tax commitment				
Balance at beginning of year	6 583	3 320		
Originating temporary differences on property, plant and equipment	3 504	3 263		
Balance at end of year	10 087	6 583		
<b>12. REVENUE</b>				
Revenue is derived from manufacturing, trading, contracts and rental				
<b>13. OPERATING PROFIT BEFORE FINANCING COSTS</b>				
after allowing for the following:				
<b>Income</b>				
Income from subsidiaries - dividends				650
Profit on disposal of plant and equipment	395	529		
Profit on disposal of fixed property		9		
Profit on foreign exchange transactions	180	774	26	94
Profit on translation of foreign operation	1 475	2 301		
Interest received	8 375	3 455	1 521	178
<b>Expenses</b>				
Cost of sales	359 249	421 922		
Auditors' remuneration				
Audit fees current year	490	434	54	65
Loss on disposal of plant and equipment	997	268		
Depreciation				
- Land and buildings - owner occupied	205	180		
- Land and buildings - investment	714	492		
- Plant and equipment	7 294	5 406		
- Motor vehicles	3 802	2 970		
- Furniture, fittings and equipment	744	589		
Amortisation of intangibles				
- Patents	55	60		
- Goodwill	1 478	579		
Loss on foreign exchange transactions	4 139	4 884	2 949	1 280
Operating lease costs				
- Buildings	877	406		

## NOTES TO ANNUAL FINANCIAL STATEMENTS (CONTINUED)

	GROUP		COMPANY					
	2004 R 000	2003 R 000	2004 R 000	2003 R 000				
<b>13. OPERATING PROFIT BEFORE FINANCING COSTS (CONTINUED)</b>								
<b>Staff costs</b>	80 117	69 262						
Included in staff costs are:								
- Defined contribution plan expense	5 015	3 843						
Number of employees at year end	1 237	897						
<b>Investment property</b>								
- Operating rent received	136	134						
- Direct operating expenses	41	52						
<b>Directors' emoluments</b>								
	<b>Basic</b>	<b>Fees</b>	<b>Bonus</b>	<b>Other Benefits</b>	<b>Share Options</b>	<b>Prov. Contrib.</b>	<b>Total 2004</b>	<b>Total 2003</b>
	<b>R 000</b>	<b>R 000</b>	<b>R 000</b>	<b>R 000</b>	<b>R 000</b>	<b>R 000</b>	<b>R 000</b>	<b>R 000</b>
Antonic M.J.	199 742	33 000	21 296	51 954	83 979	14 865	404 836	359 845
Cox S.J.	228 697	33 000	22 044	57 954	36 129	16 962	394 786	362 127
Day P.A.	279 680	33 000	30 420	74 940	85 689	20 741	524 470	367 244
Hendry T.R.	387 398	55 000	49 289	181 396	96 689	33 552	803 324	656 451
Lawson P.H.	290 368	33 000	31 878	78 153	32 277	21 526	487 202	
Litschka F.		20 000					20 000	
Scharrighuisen T.		55 000					55 000	50 000
Smith D.	121 083	16 500	12 575	67 170	25 760	10 748	253 836	219 181
Youngman G.K.	240 176	16 500	25 382	60 701	24 503	17 651	384 913	327 247
<b>Total</b>	<b>1 747 144</b>	<b>295 000</b>	<b>192 884</b>	<b>572 268</b>	<b>385 026</b>	<b>136 045</b>	<b>3 328 367</b>	<b>2 342 095</b>
Directors share option allocations are granted on the same terms as the Argent Employee Share Option Scheme								
<b>Movement in the number of options granted</b>								
	<b>Balance at Beginning of Year</b>	<b>Options Granted</b>	<b>Options Forfeited</b>	<b>Options Exercised</b>	<b>Balance at End of Year</b>			
Antonic M.J.	161 400	273 530		(95 056)	339 874			
Cox S.J.	51 400	293 530		(87 556)	257 374			
Day P.A.	165 000	198 530		(95 956)	267 574			
Hendry T.R.	165 000	483 340		(145 956)	502 384			
Lawson P.H.	38 600	273 530		(66 356)	245 774			
Scharrighuisen T.		250 000		(100 000)	150 000			
Smith D.	32 880	283 340		(62 926)	253 294			
Youngman G.K.	38 880	215 000		(24 720)	229 160			
<b>Total</b>	<b>653 160</b>	<b>2 270 800</b>		<b>(678 526)</b>	<b>2 245 434</b>			



## NOTES TO ANNUAL FINANCIAL STATEMENTS (CONTINUED)

	GROUP		COMPANY	
	2004 R 000	2003 R 000	2004 R 000	2003 R 000
<b>14. FINANCING COSTS</b>				
Interest paid				
Suspensive sale contracts	2 029	1 606		
Bank overdraft and other	13 674	7 483	4 548	535
	<u>15 703</u>	<u>9 089</u>	<u>4 548</u>	<u>535</u>
<b>15. TAXATION</b>				
SA normal taxation				
Current taxation				
- current year	16 536	8 644		
- prior years	(114)	(135)	(5)	
Deferred tax				
- current year	3 504	3 263		
Charge for the year	<u>19 926</u>	<u>11 772</u>	<u>(5)</u>	
Comprising:				
South African normal tax	19 592	11 400	(5)	
Foreign taxes	334	372		
Amount per income statement	<u>19 926</u>	<u>11 772</u>	<u>(5)</u>	
Reconciliation of rate of taxation	%	%	%	%
Normal taxation rate	30.0	30.0	30.0	30.0
Decrease in rate of taxation due to:				
Net utilisation of accessible losses	(6.5)	(7.8)	(29.8)	
Dividend income	(0.3)			(30.0)
Permanent differences	1.2	(2.2)	(0.2)	
Effect of S37(H) tax allowance		3.1		
Prior year over provision	(0.1)	(0.3)		
Foreign taxation rate differential	0.2	(1.3)		
Effective rate of taxation	<u>24.5</u>	<u>21.5</u>		
Estimated assessable losses available for set off against future taxable income are as follows:				
Total assessable losses	11 107	10 631		
Applied to reduce deferred tax	(4 976)	(6 832)		
	<u>6 131</u>	<u>3 799</u>		

## NOTES TO ANNUAL FINANCIAL STATEMENTS (CONTINUED)

	GROUP		COMPANY	
	2004 R 000	2003 R 000	2004 R 000	2003 R 000
<b>16. EARNINGS PER SHARE</b>				
<b>16.1 Basic earnings per share</b>	99.1	83.1		
The calculation of basic earnings per share is based on net profit of R61 337 (2003 - R42 000) and a weighted average of 61 867 (2003 - 50 558) shares in issue				
<b>16.2 Headline earnings per share</b>	106.2	83.7		
The calculation of headline earnings per share is based on headline earnings of R65 705 (2003 - R42 309) and a weighted average of 61 867 (2003 - 50 558) shares in issue				
This basis highlights the sustainable earnings per share				
Reconciliation between earnings and headline earnings:				
Net profit for the period	61 337	42 000		
Adjusted for:				
Amortisation of goodwill	1 478	579		
Loss on disposal of plant and equipment	997	268		
Profit on disposal of plant and equipment	(395)	(529)		
Profit on disposal of fixed property		(9)		
Discontinued operation	2 288			
Headline earnings attributable to ordinary shareholders	<u>65 705</u>	<u>42 309</u>		
<b>17. DIVIDENDS</b>				
Dividend No. 15 of 8 cents per share paid on 9 December 2002 to members recorded in the register on 6 December 2002		4 212		4 212
Dividend No. 16 of 9 cents per share paid on 18 August 2003 to members recorded in the register on 15 August 2003	5 248		5 248	
Dividend No. 17 of 9 cents per share paid on 26 January 2004 to members recorded in the register on 23 January 2004	6 038		6 038	
	<u>11 286</u>	<u>4 212</u>	<u>11 286</u>	<u>4 212</u>
Less treasury shares	(651)	(174)		
	<u>10 635</u>	<u>4 038</u>	<u>11 286</u>	<u>4 212</u>
A final dividend of 10 cents per share has been declared, payable on 5 July 2004 to shareholders recorded in the register at close of business on 2 July 2004. No secondary taxation on companies is payable due to a secondary taxation on companies credit brought forward				

## NOTES TO ANNUAL FINANCIAL STATEMENTS (CONTINUED)

	GROUP		COMPANY	
	2004 R 000	2003 R 000	2004 R 000	2003 R 000
<b>18. NOTES TO THE CASH FLOW STATEMENT</b>				
<b>18.1 Reconciliation of profit before taxation to cash generated from operations</b>				
Profit before taxation	81 263	54 670	(7 825)	25
Adjustments:				
Loss on disposal of plant and equipment	997	268		
Profit on disposal of plant and equipment	(395)	(529)		
Profit on disposal of fixed property		(9)		
Dividends received				(650)
Depreciation	14 292	10 276		
Interest received	(8 375)	(3 455)	(1 521)	(178)
Interest paid	15 703	9 089	4 548	535
Operating profit (loss) before working capital changes	103 485	70 310	(4 798)	(268)
(Decrease) Increase in working capital	(27 042)	(28 595)	40 622	19 989
Decrease (Increase) in inventories	15 922	(44 265)		
Decrease (Increase) in trade and other receivables	21 966	(38 970)	6 641	(1 126)
(Decrease) Increase in trade and other payables	(64 930)	54 640	(2 194)	(537)
Decrease in amount owing by subsidiaries			36 175	21 652
Cash generated from operations	76 443	41 715	35 824	19 721
<b>18.2 Dividends paid</b>				
Dividends unpaid at beginning of year		(3 108)		(3 108)
Dividends charged to the income statement	(10 635)	(4 038)	(11 286)	(4 212)
Dividends unpaid at end of year	(10 635)	(7 146)	(11 286)	(7 320)
<b>18.3 Taxation paid</b>				
Taxation unpaid at beginning of year	(5 490)	(3 902)	210	102
Taxation charged to the income statement (excluding deferred tax)	(16 422)	(7 581)	5	
Taxation unpaid at end of year	12 532	5 490	(150)	(210)
	(9 380)	(5 993)	65	(108)
<b>18.4 Cash and cash equivalents, consisting of cash on hand and balance with banks</b>	34 720	6 599	23 248	(8 263)

## NOTES TO ANNUAL FINANCIAL STATEMENTS (CONTINUED)

	Jetmaster R 000	Excalibur R 000	2003 Total R 000	
<b>18.5 Acquisition of subsidiaries</b>				
The Group acquired 100% of Jetmaster (Proprietary) Limited on 16 August 2002 and 100% of Excalibur Vehicle Accessories (Proprietary) Limited on 31 January 2003. The fair value of assets and liabilities assumed were as follows:				
Property, plant & equipment	1 316	2 936	4 252	
Inventory	6 202	992	7 194	
Trade and other receivables	12 862	3 171	16 033	
Bank balance and cash	3 158	483	3 641	
Taxation	622	231	853	
Deferred tax	445	(66)	379	
Trade and other payables	(9 705)	(2 600)	(12 305)	
Interest-bearing borrowings		(327)	(327)	
Goodwill	9 347	13 680	23 027	
Total purchase price	24 247	18 500	42 747	
Deduct bank balance on acquisition	(3 158)	(483)	(3 641)	
Cash flow on acquisition net of cash acquired	21 089	18 017	39 106	
<b>18.6 Acquisition of minority interest</b>				
The Group acquired the final 23% of Giflo Engineering (Bop) (Proprietary) Limited on 3 October 2003				
<b>18.7 Segment information</b>				
Cash Flow from				
Operating activities	49 891	(6 983)	6 192	49 100
Investing activities	(55 296)	11 237	(5 153)	(49 212)
Financing activities	35 534	(3 258)	(4 043)	28 233
	30 129	996	(3 004)	28 121
Cash Flow from				
Operating activities	(3 565)	20 276	6 231	22 942
Investing activities	(40 199)	(29 875)	(14 037)	(84 111)
Financing activities	48 125	1 609	7 541	57 275
	4 361	(7 990)	(265)	(3 894)

## NOTES TO ANNUAL FINANCIAL STATEMENTS (CONTINUED)

### 19. BUSINESS SEGMENTS

For management purposes the Group is organised into three major operating divisions, namely Steel and Steel Related Products, Non Steel Related and Properties. These divisions are the basis on which the company reports its primary segment information. The Steel and Steel Related Product segment merchants and adds value to a broad range of steel and steel related products, while the Non Steel Related segment, is involved in the supply of ready mix concrete, railway retarders and the refurbishment of engines. The Property segment is a summary of the Group's properties, the majority of which is utilised by the Group. Financial information about business segments is presented in the following report:

#### Segment report for the year ended 31 March 2004

	Steel & Steel Related Products R 000	Non Steel Related R 000	Properties R 000	Consolidated R 000
Revenue				
External sales	482 929	121 574	136	604 639
Inter-segment sales	115 475	70 520	4 133	
<b>Total Revenue</b>	<b>598 404</b>	<b>192 094</b>	<b>4 269</b>	<b>604 639</b>
Net profit before taxation				
Segment result	72 599	8 573	91	81 263
Taxation				(19 926)
Net profit after taxation				61 337
Other information				
Segment assets	350 098	60 039	45 527	455 664
Segment liabilities	100 500	50 704	16 360	167 564
Capital expenditure	29 780	7 940	9 472	47 192
Depreciation / amortisation	10 049	3 389	854	14 292

#### Segment report for the year ended 31 March 2003

	Steel & Steel Related Products R 000	Non Steel Related R 000	Properties R 000	Consolidated R 000
Revenue				
External sales	334 236	286 752	393	621 381
Inter-segment sales	131 132	86 443	3 779	
<b>Total Revenue</b>	<b>465 368</b>	<b>373 195</b>	<b>4 172</b>	<b>621 381</b>
Net profit before taxation				
Segment result	46 151	8 258	261	54 670
Taxation				(11 772)
Net profit after taxation				42 898
Other information				
Segment assets	305 147	90 485	41 528	437 160
Segment liabilities	130 476	71 524	14 452	216 452
Capital expenditure	25 096	9 867	11 281	46 244
Depreciation / amortisation	6 468	3 191	617	10 276

## NOTES TO ANNUAL FINANCIAL STATEMENTS (CONTINUED)

### 20. RELATED PARTY TRANSACTIONS

Related party relationships exist between the subsidiaries in the Group. All purchasing and selling transactions as well as rental arrangements are concluded at arms length

### 21. GUARANTEES

- 21.1** The Company's bankers hold guarantees issued by the Company for facilities granted to its subsidiary companies and holding company
- 21.2** The Company's bankers hold letters of guarantee for the amount of R6.9 million in respect of performance bonds and R4.8 million in respect of property bonds

### 22. FINANCIAL INSTRUMENTS

#### 22.1 Risk management activities

In the normal course of its operations, the Group is exposed to currency, interest rate, liquidity and credit risk. In order to manage these risks, the Group has developed a comprehensive risk management process to facilitate control and monitoring of these risks. General corporate hedging unrelated to any specific project is not undertaken. The Group also does not issue or acquire derivative instruments for trading purposes

#### Credit risk

The Groups financial instruments do not represent a concentration of credit risk as the Group deals with a number of major clients. Accounts receivables are regularly monitored and assessed and where necessary an adequate level of provision is maintained. Counterparty credit limits are in place and are reviewed and approved by the respective subsidiary boards

#### Foreign currency risk

The Group has potential foreign exchange exposure in respect of items denominated in foreign currencies comprising transactional exposure in terms of exports incurred in currencies other than rand and in respect of investments in overseas operations

The Group does not currently hedge its exposure to foreign currency exchange rates

#### Interest rate and liquidity risk

Fluctuations in interest rates impact on the value of short term investments and financing activities giving rise to interest rate risk

In the ordinary course of business, the Group receives cash proceeds from its operations and is required to fund working capital and capital expenditure requirements. The cash is managed to ensure that surplus funds are invested to maximise returns whilst ensuring that capital is safeguarded for the maximum extent possible by investing only with top financial institutions

Contractual arrangements for committed borrowing facilities are maintained with several banking counterparties to meet the Groups normal and contingency funding

## NOTES TO ANNUAL FINANCIAL STATEMENTS (CONTINUED)

	31 March 2004		31 March 2003	
	Carrying Amount R 000	Fair Value R 000	Carrying Amount R 000	Fair Value R 000

### 22.2 Fair value of financial instruments

On-balance sheet financial instruments

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in an arms length transaction between willing parties

#### Estimated values of the Group's financial instruments

##### Financial assets

Cash and cash equivalents	34 720	34 720	6 599	6 599
Trade and other receivables	134 415	134 415	156 381	156 381

##### Financial liabilities

Trade and other payables	100 270	100 270	165 200	165 200
Long term borrowings (including current portion)	67 294	67 294	51 252	51 252

The following methods and assumptions were used to estimate the fair value of each on-balance sheet financial instruments:

#### Accounts receivable, accounts payable and cash and cash equivalents

The carrying amounts approximate fair values due to the short maturity of these investments

#### Long term borrowings

The carrying amount is considered to approximate fair value

## 23. BUSINESS COMBINATIONS

On 3 October 2003, Argent Industrial Limited purchased the final 23% of Giflo Engineering (Bop) (Proprietary) Limited. The cost of acquisition amounted to R11,7 million and was paid by means of a share issue

## 24. DISCONTINUED OPERATION

As Barker Flynn Associates, the project management and materials handling company proved itself to be unsuccessful, the Group stopped operations during the period under review. All the assets of the company were sold

The results for the year ended 31 March 2004, which have been included in the consolidated financial statements, are as follows:

	2004 R 000	2003 R 000
Revenue	83 654	202 689
Cost of sales and operating costs	85 191	202 302
Financing costs	751	98
<b>Net (loss) profit from ordinary activities</b>	<b>(2 288)</b>	<b>289</b>

## NOTES TO ANNUAL FINANCIAL STATEMENTS (CONTINUED)

	Previously stated	Adjustment	Restated
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## 25. RESTATEMENT OF COMPARATIVES

A recent ruling given by the GAAP Monitoring Panel has provided more clarity regarding the consolidation of share incentive scheme trusts

Consequently the Group has changed its accounting policy in respect of its share incentive scheme trust ("share trust"). The share trust is now consolidated to the extent that the Group issued share capital is under the control of the Group. These shares are shown as treasury shares. The prior year comparatives have been restated as follows:

#### Balance Sheet

Employee share incentive scheme (R000)	1 325	(1 325)	
Treasury shares (R000)		1 711	1 711
Retained earnings (opening) (R000)	73 302	386	73 688

#### Number of shares

Shares in issue - weighted ('000)	50 580	(22)	50 558
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#### Earnings per share

Attributable earnings per share (cents)	83.0	0.1	83.1
Headline earnings per share (cents)	83.6	0.1	83.7
Net asset value per share (cents)	349.7	(2.3)	347.4

#### Movement in share incentive scheme

The movement in the shares in the share incentive scheme trust for the period under review can be summarised as follows:

	2004 number	2003 number
Opening balance	1 230 263	1 007 700
Purchases	5 147 771	1 025 158
Shares exercised	(820 301)	(802 595)
<b>Closing balance</b>	<b>5 557 733</b>	<b>1 230 263</b>

## SUBSIDIARY COMPANIES

### NAME OF SUBSIDIARY

All Proprietary Limited and incorporated in South Africa unless otherwise stated

NAME OF SUBSIDIARY	Issued share capital in Rands unless otherwise stated	% held by Argent 2004	Shares at cost 2004 R000	% held by Argent 2003	Shares at cost 2003 R000	Owing to Argent by subsidiary 2004 R000	Owing to Argent by subsidiary 2003 R000	Main business
Argent Industrial Investments	3 300	100	1 911	100	1 911	17 785	17 490	C
Argent Steel Group	150	100	12 785	100	12 785	6 724	(46 838)	A
Bavarian Metal Industries	1 000	100	1	100	1	864	4 055	A
Excalibur Vehicle Accessories	100	100	18 500	100	18 500	2 465		A
GHL Properties	4 000	100		100		2 987	1 101	C
Giflo Engineering (Bop)	100	100	28 797	77	17 020	(36 398)	7 930	A
Jetmaster	11 960	100	24 247	100	24 247	2 270	(3 371)	A
Koch's Cut and Supply Steel Centre	100	100	5 300	100	5 300	4 231	3 800	A
Megamix	100	100	15 000	100	1	(22 498)	(9 447)	B
New Joules Engineering North America Inc. (incorporated in America)	USD 1 000	100	293	100	294	9 370	67 039	B
New Joules Engineering	4 000	100	5 954	100	5 954	(461)	3 781	A
Non operating subsidiaries	57 300	100	1	100	239	(1 243)	(5 594)	A,B,C
NWN Automotive Precision Engineering	4 000	100	2 100	100	2 100	4 260	4 971	B
Palisade Trading	100	100		100		1 370	1 800	A
Parlance Investments	120	100	559	100	559	4 028	1 729	C
Villiersdorp Quarries	100	100	1	100	1		(1 517)	B
<b>TOTAL</b>			<b>115 449</b>		<b>88 912</b>	<b>(4 246)</b>	<b>46 929</b>	

### Main Business

- A Steel & Steel Related Products
- B Non Steel Related
- C Properties

## ANALYSIS OF SHAREHOLDERS / BENEFICIAL HOLDERS

as at 31 March 2004

Directors' direct  
 Directors' indirect  
 Pension, provident funds, insurance companies and other corporate bodies  
 Individuals  
 - holders of 5 000 or more shares  
 - holders of less than 5 000 shares

### Total

Number of shares held		% of total issued shares	
2004 R 000	2003 R 000	2004 R 000	2003 R 000
794 104	605 390	1.18	1.04
9 968 054	10 926 098	14.86	18.74
42 619 306	34 673 411	63.53	59.47
11 976 653	10 796 531	17.85	18.52
1 731 934	1 306 275	2.58	2.23
<b>67 090 051</b>	<b>58 307 705</b>	<b>100</b>	<b>100</b>

## SHAREHOLDERS IN EXCESS OF FIVE PERCENT

as at 31 March 2004

H.C. Scharrighuisen  
 Old Mutual  
 Argent Employee Share Option Scheme  
 Stanlib Asset Managers

Number of shares	%
6 585 363	9.82
6 490 838	9.67
5 557 733	8.28
4 175 951	6.22

## DIRECTORS' SHAREHOLDING

as at 31 March 2004

Antonic M.J.  
 Cox S.J.  
 Day P.A.  
 Hendry T.R.  
 Scharrighuisen T.  
 Smith D.  
 Youngman G.K.

### Total

Number of shares held	
Direct	Indirect
270 406	
72 906	
347 406	
	399 129
	9 568 925
53 946	
49 440	
<b>794 104</b>	<b>9 968 054</b>

## JSE SECURITIES EXCHANGE PERFORMANCE

as at 31 March 2004

	2004	2003	2002	2001	2000
Number of shares traded (000)	24 493	8 544	3 477	3 454	5 824
% of total issued shares	36.5	14.7	7.8	8.5	14.8
Value of shares traded (R000)	78 707	21 574	5 519	3 975	6 243
Prices quoted (cents per share)					
highest	390	370	185	133	160
lowest	220	160	115	90	15
closing	350	280	160	115	110
Market capitalisation at year end (R000)	234 815	163 262	71 055	46 559	43 242
Price earnings ratio	3.5	3.4	3.3	2.7	3.1
Earnings yield	28.3	29.7	30.1	37.1	32.5
Dividend yield	5.1	6.1	8.1	10.4	10.9

## SUMMARY OF SHAREHOLDER SPREAD

as at 31 March 2004

	Members	%	Shares	%
Public	2 678	99.51	43 372 729	64.65
Directors	7	0.26	10 762 158	16.04
Share Option Scheme	1	0.04	5 557 733	8.28
Other Non-Public Associates	5	0.19	7 397 431	11.03
<b>Total</b>	<b>2 691</b>	<b>100</b>	<b>67 090 051</b>	<b>100</b>

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders of Argent Industrial Limited will be held on Friday 20 August 2004 at 10am in the Argent Industrial Limited Board Room, 1316 Club House Street, Maraisburg, Roodepoort for the following purposes:

To consider and if deemed fit, to pass with or without modification, the following ordinary resolutions.

### 1. ORDINARY RESOLUTION NUMBER 1

To receive and adopt the Group annual financial statements for the year ended 31 March 2004

### 2. ORDINARY RESOLUTION NUMBER 2

To approve the appointment of the following directors:

- Mr T Scharrighuisen as Non-Executive Chairman
- Mr P Day as a Non-Executive Director
- Mr F Litchka as a Non-Executive Director

The appointments are in accordance with the provisions of the Company's Articles of Association.

### 3. ORDINARY RESOLUTION NUMBER 3

To authorise the directors in terms of the company's articles of association, until this authority lapses at the next annual general meeting of the company, and unless it is renewed at the next general meeting of the company provided that it shall not extend beyond 15 months, to allot and issue any shares for cash subject to the Rules and Requirements of the JSE Securities Exchange South Africa ("JSE") on the following basis:

1. allotment and issue of shares must be made to persons qualifying as public shareholders as defined in the Listing Requirements of the JSE;
2. the number of shares issued for cash shall not in the aggregate in any one financial year exceed 15% of the company's issued share capital. The number of shares which may be issued shall be based on the number of shares in issue at the date of such application less any shares issued during the current financial year, provided that any shares to be issued pursuant to a rights issue (announced, irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were shares in issue at the date of application;
3. the maximum discount at which shares may be issued is 10% of the weighted average traded price on the JSE of those shares over 30 days prior to the date that the price of the issue is determined or agreed by the directors of the company;

4. after the company has issued shares for cash which represent, on a cumulative basis within the financial year, 5% or more of the number of shares in issue prior to that issue, the company shall publish an announcement containing full details of the issue, including the effect of the issue on the net asset value and earnings per share.

In terms of the Listing Requirements of the JSE a 75% majority of the votes cast by shareholders present or represented by proxy at the general meeting must be cast in favour of Ordinary Resolution Number 3 for it to be approved.

### 4. ORDINARY RESOLUTION NUMBER 4

To re appoint Messrs Etchells James Kruger and Associates Inc. as the Company auditors.

### 5. ORDINARY RESOLUTION NUMBER 5

To transact any other business as may be transacted at a General Meeting.

### VOTING AND PROXIES

On a show of hands every Argent shareholder holding ordinary shares who (being an individual) is present in person, or (being a Company) is present by a representative or proxy not being himself a member is allowed to vote at the annual general meeting and shall have one vote and upon a poll every member holding Argent ordinary shares who is present in person or by proxy (or being a Company is represented) shall have one vote for every Argent ordinary share of which he is the registered member.

A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend and speak and, on a poll, vote in such a member's stead. A proxy need not be a member of the Company.

Registered shareholders of certificated Argent shares and holders of dematerialised Argent shares in their "own name" who are unable to attend the annual general meeting, must complete and return the attached form of proxy in accordance with the instructions contained therein so as to be received by the Transfer Secretaries, Ultra Registrars, Fifth Floor, 11 Diagonal Street, Johannesburg, (P.O. Box 4844, Johannesburg 2001) by no later than 12am Tuesday, 17 August 2004.

# NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

## Important Notice to Holders of dematerialised shares

Holders of dematerialised Argent ordinary shares which are not registered in their "own name" must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into with such CSPD or broker. If such holders wish to attend the annual general meeting in person, then they will need to request such CSPI or broker to provide them with the necessary authority to attend and to vote such shares.

## Important Notice to Certificated Holders through a Nominee

Holders of certificated Argent ordinary shares through a nominee must provide such nominee with their voting instructions in terms of the custody agreement entered into with such nominee. If such holders wish to attend the annual general meeting in person, then they will need to request such nominee to provide them with the necessary authority to attend and vote such shares.

By order of the Board



N. Glover (Mrs)  
Company Secretary

# FORM OF PROXY

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



## DIRECTORS

T. Scharrighuisen \* (Chairman)  
T.R. Hendry (Chief Executive Officer)  
S.J. Cox (Ms) (Financial Director)  
M.J. Antonic  
\* P.A. Day  
P.H. Lawson  
D. Smith (alt)  
G. Youngman (alt)  
\* F Litschka

\* non-executive

## FORM OF PROXY

*This form is only for the use of registered holders of certificated ordinary shares in the Company and the holders of dematerialised ordinary share in their "own name" in the capital of the company at the annual general meeting to be held at 10:00am on Friday, 20 August 2004 in the Argent board room ("the annual general meeting").*

Holders of dematerialised ordinary shares in the Company which shares are not registered in their "own name" must not complete this form of proxy but should timeously inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the annual general meeting and request such CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person. Such ordinary shareholders must not return this form of proxy to the Transfer Secretaries.

Holders of certificated ordinary shares in the Company through a nominee must provide such nominee with their voting instructions in terms of the custody agreement entered into with such nominees. If such holders wish to attend the annual general meeting in person, then they will need to request such nominee to provide them with the necessary authority to attend and vote such shares.

I/We \_\_\_\_\_

being the holder/s of \_\_\_\_\_ shares in Argent, hereby appoint (see Note 1)

1. \_\_\_\_\_ or failing him

2. \_\_\_\_\_ or failing him

3. the Chairman of the annual general meeting as my/our proxy to attend and speak and vote for me/us on my/our behalf at the annual general meeting of members of the Company, which will be held for the purpose of consideration, and if deemed fit, passing with or without modification, the resolutions to be proposed at the annual general meeting and at each adjournment of the annual general meeting and to vote for or against the ordinary and special resolutions or to abstain from voting. I/We hereby direct that my/our proxy shall exercise his/her discretion as to the manner in which he/she votes, except as indicated.

	For	Against	Abstain
Ordinary resolution number 1 to consider the financial statements			
Ordinary resolution number 2 to appoint Directors			
Ordinary resolution number 3 to authorise Directors to allot and issue unissued ordinary shares for cash			
Ordinary resolution number 4 to re-appoint Messrs Etchels James Kruger & Associates Inc. as the Company's auditors			
Ordinary resolution number 5 to transact any other business			

Inset an "X" in the relevant space above according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of ordinary shares that you own in Argent, Insert the number of ordinary share held in respect of which you desire to vote (see note 2).

Signed at \_\_\_\_\_

on \_\_\_\_\_ 2004.

Signature \_\_\_\_\_ assisted by me

(Where applicable) \_\_\_\_\_

Each member is entitled to appoint a proxy (who need not be a member of Argent) to attend, speak and, on a poll, vote in place of the member in annual general meeting.

#### NOTES

1. An ordinary shareholder may insert the name of proxy or the names of one alternative proxy of the ordinary shareholder's choice in the space/s provided, with or without deleting "the Chairman of the annual general meeting", but any such deletion must be initialled by the ordinary shareholder. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert an "X" in the relevant space according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of ordinary shares than you own in Argent, insert the number ordinary shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the ordinary shareholders' votes exercisable at the annual general meeting.

3. Forms of proxy must be received by the Transfer Secretaries, Ultra Registrars, 5th Floor, 11 Diagonal Street, Johannesburg, 2000 (P O Box 4844, Johannesburg, 2001), by no later than 10:00 am on Tuesday, 17 August 2004.

4. Where there are joint holders of any ordinary shares, only that holder whose name appears first in the register in respect of such ordinary share need sign this form of election.

5. The completion and lodging of this form of proxy will not preclude the relevant ordinary shareholder from attending the annual general meeting and speaking and voting in person at the annual general meeting to the exclusion of any proxy appointed in terms of this form.

6. Any alteration to this form must be signed in full and not initialled.

7. If this form of proxy is signed under a power of attorney, then such power of attorney or of a notarially certified copy thereof must be sent with this form of proxy for noting (unless it has already been noted by the Transfer Secretaries).

8. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretaries.

9. The Chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these notes if he is satisfied as to the manner in which the ordinary shareholder wishes to vote.