

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

ABRIDGED UNAUDITED AND UNREVIEWED INTERIM CONSOLIDATED RESULTS FOR THE
 6 MONTHS ENDED 30 SEPTEMBER 2020

Financial Highlights

Headline earnings per share	73.7 cents
Headline earnings per share up	47.1%
Basic earnings per share	74.3 cents
Basic earnings per share up	49.5%
Gearing	22.5%
Net asset value per share	1 746.6 cents

The abridged unaudited financial statements are presented on a consolidated basis.

Consolidated Statement of Profit or Loss for the period ended	Unaudited 6 months 30 Sept 2020	Unaudited 6 months 30 Sept 2019	Audited year ended 31 Mar 2020
	R 000	R 000	R 000
Revenue	874,086	871,516	1,727,721
Cost of sales	(661,178)	(643,322)	(1,274,361)
Gross profit	212,908	228,194	453,360
Net operating expenses	(149,585)	(168,372)	(319,977)
Operating profit before finance costs	63,323	59,822	133,383
Net interest expense	(7,753)	(7,618)	(14,721)
Profit before taxation	55,570	52,204	118,662
Taxation	(10,840)	(11,927)	(20,748)
Profit for the period	44,730	40,277	97,914
Attributable to equity holders of the			
- Parent	45,353	37,901	96,221
- Non-controlling interest	(623)	2,376	1,693
	44,730	40,277	97,914
Basic earnings per share (cents)	74.3	49.7	130.8
Diluted earnings per share (cents)	74.3	49.7	130.1
Headline earnings per share (cents)	73.7	50.1	133.4
Diluted headline earnings per share (cents)	73.7	50.1	132.8
Dividends per share (cents)	0.0	0.0	0.0
Supplementary information			
Shares in issue (000)			
- at end of period excluding treasury shares	61,021	75,518	61,370
- at end of period including treasury shares	64,567	80,201	64,916
- weighted average	61,021	76,230	73,589
- diluted weighted average	61,021	76,230	73,947

Interest expense on lease liabilities (R 000)	4,188	6,290	12,140
Amortisation of right-of-use assets (R 000)	11,494	13,895	27,030
Depreciation and amortisation (R 000)	14,660	13,044	28,464
Calculation of headline earnings (R 000)			
Earnings attributable to ordinary shareholders	45,353	37,901	96,221
(Profit) / loss on disposal of property, plant and equipment	(562)	367	2,504
Impairment of property, plant and equipment	-	-	177
Total tax effects of adjustments	157	(103)	(701)
Headline earnings attributable to ordinary shareholders	44,948	38,165	98,201
Consolidated Statement of other Comprehensive Income or Loss for the period ended	Unaudited 6 months 30 Sept 2020	Unaudited 6 months 30 Sept 2019	Audited year ended 31 Mar 2020
	R 000	R 000	R 000
Profit for the period	44,730	40,277	97,914
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations	(5,263)	2,635	19,454
Total other comprehensive income for the period	39,467	42,912	117,368
Attributable to equity holders of the			
- Parent	40,090	40,536	115,675
- Non-controlling interest	(623)	2,376	1,693
	39,467	42,912	117,368
Consolidated Statement of Financial Position for the period ended	Unaudited At 30 Sept 2020	Unaudited At 30 Sept 2019	Audited at 31 Mar 2020
	R 000	R 000	R 000
ASSETS			
Property, plant and equipment	461,592	452,212	466,120
Intangible assets	3,919	3,784	4,314
Goodwill (1)	199,036	150,144	150,144
Right-of-use assets	90,284	128,967	100,945
Long-term receivables	14,607	15,461	15,928
Deferred taxation	-	8,857	2,537
Non-current assets	769,438	759,425	739,988

Inventories	352,372	371,463	366,565
Trade and other receivables	344,416	271,371	309,129
Current portion of long-term receivables	3,346	5,003	3,304
Bank balance and cash	195,230	94,242	158,570
Current assets	895,364	742,079	837,568
Non-current assets held for sale	3,529	10,500	-
TOTAL ASSETS	1,668,331	1,512,004	1,577,556

EQUITY AND LIABILITIES

Capital and reserves			
Stated capital and treasury shares	295,959	380,900	297,830
Reserves	22,638	10,561	27,641
Retained earnings	747,187	643,824	701,834
Attributable to owners of the parent	1,065,784	1,035,285	1,027,305
Non-controlling interest	19,553	20,859	20,176
Total shareholders' funds	1,085,337	1,056,144	1,047,481
Interest-bearing borrowings	113,463	4,683	115,782
Long-term loans	15	15	15
Lease liabilities	74,276	121,891	94,661
Other liabilities	-	29,832	35,383
Deferred tax	46,509	56,628	46,840
Non-current liabilities	234,263	213,049	292,681
Trade and other payables	274,804	180,386	193,706
Taxation	17,413	1,614	12,389
Bank overdraft	-	30,261	-
Current portion of lease liabilities	28,469	22,127	18,744
Current portion of interest-bearing borrowings	28,045	8,423	12,555
Current liabilities	348,731	242,811	237,394
TOTAL EQUITY AND LIABILITIES	1,668,331	1,512,004	1,577,556
Net asset value per share (cents)	1,746.6	1,370.9	1,674.0

1. The group purchased the entire issued share capital of Partington Engineering Limited ("Partington") for a maximum amount GBP 3.1 million.

The initial purchase consideration of GBP 2.5 million was settled in cash in the buyer's solicitor's account on 16 June 2020.

Two additional purchase considerations of GBP 300 000 each will be settled in cash on 29 January 2021 and 28 January 2022, respectively, if sales to its major customer have grown cumulatively by 15% for each 12-month period. The first period is 1 January 2020 to 31 December 2020 and the second period is 1 January 2021 to 31 December 2021.

A clawback payment of GBP 150 000 is payable from the Sellers if sales to its major customer have decreased by 15% for each 12-month period mentioned above when compared to the actual for the 12-month period ended December 2019.

Partington is a major supplier of bespoke trolleys to both the traditional and e-commerce retail industries in the United Kingdom.

The goodwill arising on acquisition is attributable to the anticipated profitability of these businesses.

The fair value of assets and liabilities assumed were as follows:

	R 000
Property, plant and equipment	5,211
Inventory	9,055
Trade and other receivables	8,932
Bank balance and cash	14,831
Trade and other payables	(14,153)
Deferred taxation liability	(954)
Taxation liability	(3,133)
Interest-bearing borrowings	(624)
Goodwill / other intangible assets	48,892
Total purchase price and acquisition costs	68,057
Deduct bank balance on acquisition	(14,831)
Cash flow on acquisition net of cash acquired	53,226
	R 000
Revenue since acquisition date included in consolidated results for period	31,939
Profit after tax (excluding foreign exchange adjustment) since acquisition date included in consolidated results for period	3,976
Group revenue had the business combination been included for the entire period	899,347
Group profit after tax (excluding foreign exchange adjustment) had the business combination been included for the entire period	46,857

Consolidated Statement of Cash Flows for the period ended	Unaudited 6 months 30 Sept 2020	Unaudited 6 months 30 Sept 2019	Audited year ended 31 Mar 2020
	R 000	R 000	R 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	141,413	104,555	173,071
Finance income	2,101	700	1,857
Finance costs	(9,854)	(8,318)	(16,578)
Normal taxation paid	(7,660)	(16,570)	(19,396)
Net cash inflows from operating activities	126,000	80,367	138,954
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(13,894)	(17,423)	(41,048)
Additions to intangible assets	-	(2)	(8)
Proceeds on disposal of property, plant and equipment	5,025	3,326	19,918
Acquisition of subsidiaries net of cash acquired	(53,226)	-	-

Long-term receivables repaid	1,279	3,449	4,681
Net cash outflows from investing activities	(60,816)	(10,650)	(16,457)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share buy-back	(1,871)	(11,909)	(94,979)
Repayment of lease liabilities	(37,711)	(9,596)	(12,877)
Repayment of long-term loans	-	(2,606)	(2,606)
Proceeds from interest-bearing borrowings	23,432	5,524	129,713
Repayment of interest-bearing borrowings	(10,885)	(7,503)	(16,461)
Net cash (outflow)/ inflow from financing activities	(27,035)	(26,090)	2,790
Net increase in cash and cash equivalents	38,149	43,627	125,287
Cash and cash equivalents at beginning of period	158,570	19,877	19,877
Exchange differences on cash and cash equivalents	(1,489)	477	13,406
Cash and cash equivalents at end of period	195,230	63,981	158,570

Consolidated Statement of Changes in Equity for the period ended 30 September 2020	Stated capital	Treasury shares	Employee share incentive reserve
	R 000	R 000	R 000
Balance at 1 April 2019 - unaudited	485,855	(93,046)	452
Share-based payments	-	-	521
Share buy-back	(99,834)	4,855	-
Total comprehensive income for the period	-	-	-
Balance at 31 March 2020	386,021	(88,191)	973
Share-based payments	-	-	260
Share buy-back	(1,871)	-	-
Total comprehensive income for the period	-	-	-
Balance at 30 September 2020	384,150	(88,191)	1,233

Consolidated Statement of Changes in Equity for the period ended 30 September 2020 (continued)	Revaluation reserve	Foreign currency translation reserve	Retained earnings
	R 000	R 000	R 000
Balance at 1 April 2019 - unaudited	8,068	(854)	605,613
Share-based payments	-	-	-
Share buy-back	-	-	-
Total comprehensive income for the period	-	19,454	96,221
Balance at 31 March 2020	8,068	18,600	701,834
Share-based payments	-	-	-
Share buy-back	-	-	-
Total comprehensive income for the	-	(5,263)	45,353

period

Balance at 30 September 2020

8,068

13,337

747,187

Consolidated Statement of Changes
in Equity for the period ended
30 September 2020
(continued)

Total
attributable
to owners of
the parent

Non-
controlling
interest

Total
shareholders'
funds

R 000

R 000

R 000

Balance at 1 April 2019 -
unaudited

1,006,088

18,483

1,024,571

Share-based payments

521

-

521

Share buy-back

(94,979)

-

(94,979)

Total comprehensive income for
the period

115,675

1,693

117,368

Balance at 31 March 2020

1,027,305

20,176

1,047,481

Share-based payments

260

-

260

Share buy-back

(1,871)

-

(1,871)

Total comprehensive income for
the period

40,090

(623)

39,467

Balance at 30 September 2020

1,065,784

19,553

1,085,337

Segmental review

Manufacturing

Steel
trading

Properties

Consolidated

R 000

R 000

R 000

R 000

Business segments

for the 6 months ended 30
September 2020 -
unaudited

Revenue from external
sales

601,944

271,955

187

874,086

Inter-segment sales

79,598

47,513

14,875

Total revenue

681,542

319,468

15,062

Profit before taxation

34,808

15,153

5,609

55,570

Taxation

(10,840)

Profit for the period

44,730

Other information

Net assets

772,363

191,391

121,583

1,085,337

Capital expenditure

10,835

2,229

830

13,894

Depreciation/amortisation

13,693

967

-

14,660

Depreciation on right-of-
use assets

6,324

5,170

-

11,494

Interest paid on lease
liabilities

1,130

3,058

-

4,188

Net interest expense
excluding lease

(1,911)

(58)

5,534

3,565

* As per the group policy, finance costs and finance income derived from
primary banking is netted off.

Segmental review
(continued)

Manufacturing

Steel
trading

Properties

Consolidated

R 000

R 000

R 000

R 000

Business segments
for the 6 months ended 30
September 2019 -
unaudited

Revenue from external sales	620,820	250,502	194	<u>871,516</u>
Inter-segment sales	26,851	102,412	12,688	
Total revenue	<u>647,671</u>	<u>352,914</u>	<u>12,882</u>	
Profit before taxation	<u>40,569</u>	<u>7,228</u>	<u>4,407</u>	52,204
Taxation				<u>(11,927)</u>
Profit for the period				<u>40,277</u>

Other information

Net assets	717,392	210,345	128,407	1,056,144
Capital expenditure	13,357	3,713	355	17,425
Depreciation/amortisation	12,005	1,029	10	13,044
Depreciation on right-of-use assets	12,353	1,542	-	13,895
Interest paid on lease liabilities	5,142	1,148	-	6,290
Net interest expense excluding lease liabilities *	(1,498)	(1,553)	4,379	1,328

Segmental review (continued)	Manufacturing	Steel trading	Properties	Consolidated
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	R 000	R 000	R 000	R 000
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Business segments for the year ended 31 March 2020 - audited				
Revenue from external sales	1,226,997	499,970	754	<u>1,727,721</u>
Inter-segment sales	63,639	118,475	25,123	
Total revenue	<u>1,290,636</u>	<u>618,445</u>	<u>25,877</u>	
Profit before taxation	<u>99,283</u>	<u>10,933</u>	<u>8,446</u>	118,662
Taxation				<u>(20,748)</u>
Profit for the year				<u>97,914</u>

Other information

Net assets	739,024	182,097	126,360	1,047,481
Capital expenditure	5,102	1,937	34,017	41,056
Depreciation/amortisation	26,420	2,035	9	28,464
Depreciation on right-of-use assets	15,518	11,512	-	27,030
Interest paid on lease liabilities	4,662	7,478	-	12,140
Net interest expense excluding lease liabilities *	(5,236)	(1,177)	8,994	2,581

Segmental review (continued)	South Africa	Rest of the world	Consolidated
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	R 000	R 000	R 000
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Geographical segments
for the 6 months ended
30 September 2020 - unaudited

Revenue from external sales	606,088	267,998	874,086
Profit before taxation	1,889	53,681	55,570
Taxation			(10,840)
Profit for the period			44,730

Other information

Net assets	853,127	232,210	1,085,337
Capital expenditure	1,628	12,266	13,894
Depreciation/amortisation	9,259	5,401	14,660
Depreciation on right-of-use assets	6,721	4,773	11,494
Interest paid on lease liabilities	3,532	656	4,188
Net interest expense excluding lease liabilities *	3,507	58	3,565

for the 6 months ended
30 September 2019 - unaudited

Revenue from external sales	678,090	193,426	871,516
Profit before taxation	16,093	36,111	52,204
Taxation			(11,927)
Profit for the period			40,277

Other information

Net assets	843,864	212,280	1,056,144
Capital expenditure	12,177	5,248	17,425
Depreciation/amortisation	9,267	3,777	13,044
Depreciation on right-of-use assets	9,989	3,906	13,895
Interest paid on lease liabilities	5,635	655	6,290
Net interest expense excluding lease liabilities *	1,553	(225)	1,328

for the year ended 31 March 2020 -
audited

Revenue from external sales	1,329,485	398,236	1,727,721
Profit before taxation	42,912	75,750	118,662
Taxation			(20,748)
Profit for the year			97,914

Other information

Net assets	774,280	273,201	1,047,481
Capital expenditure	20,138	20,918	41,056
Depreciation/amortisation	18,865	9,599	28,464
Depreciation on right-of-use assets	18,793	8,237	27,030
Interest paid on lease liabilities	10,781	1,359	12,140
Net interest expense excluding lease liabilities *	3,148	(567)	2,581

Financial Overview

Argent Industrial Limited is a South African Group with manufacturing and commodity trading interests in South Africa, the United Kingdom (UK) and the United States of America.

Operations Review

The first half of this financial year has been challenged by the economic and logistical implications of COVID-19.

The overseas operations managed to collectively circumvent most of the negative impacts of COVID-19 and will be a major contributor to the group once the universe normalises. The recent acquisition in the UK, Partington Engineering Limited, has fitted well into the group and is currently performing beyond expectation, with a four-month order book which will see the business end strongly for the year.

Local companies have in part caught up the turnover lost during lock down and other than Toolroom Services, will all show a year to date profit by the end of November 2020. The local operations incurred R5.1 million in retrenchment costs and there was a further R5.6 million in stock impairments at Toolroom Services.

Properties

An offer of R4 million was accepted for the Klerksdorp property and awaits transfer.

Share buy-back programme

Argent repurchased and cancelled 348 979 shares in the period under review. An additional 1 815 284 shares were repurchased and cancelled on 12 October 2020. The share buy-back programme will continue, share price permitting.

COVID-19

The group had seven employees who were infected by the COVID-19 virus, all seven have recovered. The only COVID-19 forced closure was New Joules Engineering North America which was closed as a precaution for five days. The group suffered from two "work from home employees (Netflix)", one of which has subsequently left.

Appreciation

We are extremely proud and grateful to our staff and management for carrying the group through this trying time. It has created an enormous amount of self-worth and built up a fantastic team and camaraderie.

Outlook

The group is on track with its net asset realisation and offshore investment philosophy.

Current trading activity is expected to continue with a marked improvement from South African operations in recent months.

Basis of preparation

The abridged unaudited and unreviewed, consolidated interim financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), the presentation and disclosure requirements of IAS 34 - Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and in compliance with the Companies Act of South Africa (Act No. 71 of 2008) and the Listings Requirements of the JSE Limited.

The results have been prepared in terms of IFRS on the historical cost basis, except for the revaluation of land and buildings and certain

financial instruments which are carried at either fair value or amortised cost.

The accounting policies are consistent with those of the previous annual financial statements. The adoption of improved, revised or new standards and interpretations did not have any significant impact on the financial statements.

The abridged unaudited and unreviewed, consolidated interim financial statements were prepared under the supervision of the Financial Director, Ms SJ Cox CA (SA). Any reference to future financial performance included in this announcement has not been reviewed or reported on by the group's auditors.

Going concern

Shareholders are advised that the abridged unaudited results for the six-month period ended 30 September 2020 have been prepared on the going concern concept. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Changes to the board

During the reporting period there were no changes to the board of directors.

Dividend

No dividends were declared by the Board of Directors for the six-month period ending 30 September 2020. Excess funds will be utilised for the share buy-back programme.

On behalf of the board

TR Hendry CA (SA) Umhlanga Rocks
Chief Executive Officer 6 November 2020

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Auditors: BDO South Africa Inc. (Mrs G Bass as designated
auditor)

Sponsors: PSG Capital

Transfer Secretaries: Link Market Services South Africa

Company Secretary: Jaco Dauth

Directors: CD Angus (Independent Non-executive), PA Christofides (Independent Non-executive), Ms SJ Cox (Financial Director), TR Hendry (Chief Executive Officer), AF Litschka, K Mapasa (Independent Non-executive), T Scharrighuisen (Non-executive Chairman).