



# ARGENT INDUSTRIAL LIMITED

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

## Financial Highlights

Revenue ↑ 25.2%      Headline earnings ↑ 33.6%  
 Attributable earnings ↑ 27.1%      Headline earnings per share ↑ 17.7%  
 Attributable earnings per share ↑ 12.0%      Gearing 21.6%

## Unaudited Interim Results for the six months ended 30 September 2006

### Abridged consolidated income statement

| for the six months ended<br>30 September 2006             | Unaudited<br>six months<br>30 Sept 2006 | Unaudited<br>six months<br>30 Sept 2005 | Audited<br>year ended<br>31 Mar 2006 |
|---|---|---|--------------------------------------|
| <b>R000</b>   |   |   |                                      |
| <b>Continuing operations</b>                              |   |   |                                      |
| Revenue   | 629 218                                 | 502 619                                 | 1 000 002                            |
| Operating profits before financing costs                  | 101 950                                 | 75 844                                  | 182 159                              |
| Financing costs   | 10 822                                  | 6 522                                   | 17 608                               |
| Profit before taxation                                    | 91 128                                  | 69 322                                  | 144 551                              |
| Taxation  | 21 601                                  | 17 972                                  | 37 186                               |
| Net profit for continuing operations                      | 69 527                                  | 51 350                                  | 107 365                              |
| <b>Discontinued operation</b>                             |   |   |                                      |
| Net (loss)/profit for discontinued operation              | (4 063)                                 | 148                                     | 327                                  |
| <b>Total Group</b>  |   |   |                                      |
| Net profit attributable to ordinary shareholders          | 65 464                                  | 51 498                                  | 107 692                              |
| Attributable earnings per share (cents)                   | 83.2                                    | 74.3                                    | 147.4                                |
| Headline earnings per share (cents)                       | 88.2                                    | 75.0                                    | 148.3                                |
| Dividends per share (cents)                               | 14.0                                    | 12.0                                    | 25.0                                 |
| <b>Supplementary information</b>                          |   |   |                                      |
| Shares in issue (000)                                     |   |   |                                      |
| - at end of period  | 80 462                                  | 72 296                                  | 80 462                               |
| - weighted average  | 78 664                                  | 69 301                                  | 73 074                               |
| Interest received (R000)                                  | 6 546                                   | 1 669                                   | 7 542                                |
| Cost of sales (R000)                                      | 367 185                                 | 311 919                                 | 572 524                              |
| Depreciation (R000)                                       | 8 962                                   | 6 442                                   | 13 635                               |
| Net profit/(loss) on foreign exchange transactions (R000) | 4 651                                   | 507                                     | (445)                                |
| <b>Calculation of headline earnings (R000)</b>            |   |   |                                      |
| Net profit attributable to ordinary shareholders          | 65 464                                  | 51 498                                  | 107 692                              |
| Profit on disposal of property, plant and equipment       | (181)                                   | (53)                                    | (137)                                |
| Loss on disposal of property, plant and equipment         | 28                                      | 353                                     | 461                                  |
| Discontinued operation                                    | 4 063                                   | 148                                     | 327                                  |
| Headline earnings attributable to ordinary shareholders   | 69 374                                  | 51 946                                  | 108 343                              |

### Abridged consolidated cash flow statement

| for the six months ended<br>30 September 2006    | Unaudited<br>six months<br>30 Sept 2006 | Unaudited<br>six months<br>30 Sept 2005 | Audited<br>year ended<br>31 Mar 2006 |
|--|---|---|--------------------------------------|
| <b>R000</b>                                      |   |   |                                      |
| Cash generated from operations                   | 40 331                                  | 67 676                                  | 140 847                              |
| Interest paid                                    | (10 822)                                | (6 522)                                 | (17 608)                             |
| Interest received                                | 6 546                                   | 1 669                                   | 7 542                                |
| Dividends paid                                   | (10 435)                                | (8 141)                                 | (17 115)                             |
| Taxation paid                                    | (11 308)                                | (15 627)                                | (37 422)                             |
| Cash flows from operating activities             | 14 312                                  | 39 055                                  | 76 244                               |
| Cash flows from investing activities             | (37 695)                                | (94 291)                                | (182 634)                            |
| Cash flows from financing activities             | 4 636                                   | 9 919                                   | 105 735                              |
| Net decrease in cash and cash equivalents        | (18 747)                                | (45 317)                                | (655)                                |
| Cash and cash equivalents at beginning of period | 44 536                                  | 45 191                                  | 45 191                               |
| Cash and cash equivalents at end of period       | 25 789                                  | (126)                                   | 44 536                               |

### Statement of changes in equity

| for the six months ended<br>30 September 2006 | Share<br>capital | Share<br>premium | Treasury<br>shares | Revaluation<br>reserve | Reserve on<br>subsidiary<br>acquisition | Reserve on<br>translation<br>of foreign<br>operation | Retained<br>earnings |
|---|------------------|------------------|--------------------|------------------------|---|--|----------------------|
|   |                  |                  |                    |                        |   |  |                      |

### Abridged consolidated balance sheet

| for the six months ended<br>30 September 2006  | Unaudited<br>at<br>30 Sept 2006 | Unaudited<br>at<br>30 Sept 2005 | Audited<br>at<br>31 Mar 2006 |
|--|---------------------------------|---------------------------------|------------------------------|
| <b>R000</b>                                    |                                 |                                 |                              |
| <b>ASSETS</b>                                  |                                 |                                 |                              |
| <b>Non-current assets</b>                      |                                 |                                 |                              |
| Property, plant and equipment                  | 386 793                         | 253 639                         | 357 351                      |
| Intangibles                                    | 113 863                         | 68 224                          | 113 940                      |
|  | 500 656                         | 321 863                         | 471 291                      |
| <b>Current assets</b>                          |                                 |                                 |                              |
| Inventories                                    | 243 273                         | 200 934                         | 233 324                      |
| Trade and other receivables                    | 274 149                         | 176 696                         | 210 964                      |
| Bank balance and cash                          | 25 789                          | 147                             | 44 536                       |
|  | 543 211                         | 377 777                         | 488 824                      |
| <b>Total assets</b>                            | <b>1 043 867</b>                | <b>699 640</b>                  | <b>960 115</b>               |
| <b>EQUITY AND LIABILITIES</b>                  |                                 |                                 |                              |
| <b>Capital and reserves</b>                    |                                 |                                 |                              |
| Share capital and premium                      | 231 083                         | 171 644                         | 229 279                      |
| Reserves                                       | 71 799                          | 23 721                          | 73 196                       |
| Retained earnings                              | 342 100                         | 239 851                         | 287 071                      |
| <b>Total shareholders' funds</b>               | <b>644 982</b>                  | <b>435 216</b>                  | <b>589 546</b>               |
| <b>Non-current liabilities</b>                 |                                 |                                 |                              |
| Interest-bearing borrowings                    | 97 075                          | 66 192                          | 91 677                       |
| Deferred tax                                   | 47 039                          | 16 525                          | 42 652                       |
|  | 144 114                         | 82 717                          | 134 329                      |
| <b>Current liabilities</b>                     |                                 |                                 |                              |
| Trade and other payables                       | 199 168                         | 136 776                         | 183 977                      |
| Taxation                                       | 13 088                          | 12 819                          | 7 182                        |
| Bank overdraft                                 |                                 | 273                             |                              |
| Current portion of interest-bearing borrowings | 42 515                          | 31 839                          | 45 081                       |
|  | 254 771                         | 181 707                         | 236 240                      |
| <b>Total equity and liabilities</b>            | <b>1 043 867</b>                | <b>699 640</b>                  | <b>960 115</b>               |
| Net asset value per share (cents)              | 801.6                           | 602.0                           | 732.7                        |

### Segment report

| for the six months ended<br>30 September 2006 | Revenue<br>unaudited<br>six months<br>ended<br>30 Sept 2006 | Results<br>unaudited<br>six months<br>ended<br>30 Sept 2006 | Revenue<br>unaudited<br>six months<br>ended<br>30 Sept 2005 | Results<br>unaudited<br>six months<br>ended<br>30 Sept 2005 |
|---|---|---|---|---|
| <b>R000</b>                                   |   |   |   |   |
| Steel and steel related products              | 578 316   | 77 281  | 451 273   | 59 610  |
| Non-steel related                             | 50 902  | 9 700   | 51 346  | 9 398   |
| Properties                                    |   | 84  |   | 462   |
| <b>Total</b>                                  | <b>629 218</b>  | <b>87 065</b>   | <b>502 619</b>  | <b>69 470</b>   |

### Commentary

**Chief executive officer's review**  
On behalf of the board of directors of Argent, the unaudited results for the six months ended 30 September 2006 are hereby presented.

#### Salient features

- Revenue increased by 25.2% to R629.2 million (2005 - R502.6 million)
- Attributable earnings increased by 27.1% to R65.5 million (2005 - R51.5 million)
- Attributable earnings increased by 12.0% to 83.2 cents per share (2005 - 74.3 cents per share)
- Headline earnings increased by 33.6% to R69.3 million (2005 - R51.9 million)
- Headline earnings increased by 17.7% to 88.2 cents per share (2005 - 75.0 cents per share)
- Group gearing decreased to 21.6% (2005 - 22.5%)

#### Divisional performance

Argent's good performance, as well as its projected performance is largely affected by the significant increase in infrastructural spending that has already started and which is expected to escalate in the coming years. The companies that will benefit most by this expenditure are Phoenix Steel, Megamix and Villiersdorp Quarries. Consumer spending and confidence is still high as can be seen by the excellent performance of Xpanda, Jetmaster and Toolroom Services which have had no decline in their sales and order book growth. The automotive companies are also performing exceptionally well and there has been no slowdown in sales and contracts for Giflo, Excalibur and the Group's new addition, Sentech Industries.

#### STEEL AND STEEL RELATED PRODUCTS

**Phoenix Steel Gauteng** has rebounded strongly from a disappointing previous financial year, but could not source sufficient steel in light of a national shortage. Thus, the company's performance could have been even better. The Group is currently following up on several steel importing options. The new R16 million cut-to-length/blanking line will be commissioned in December 2006, while the company is currently negotiating the purchase of a new slitting line as well as the upgrade of one of its older tube mills.

**Phoenix Steel East London's** performance continues to improve steadily and is currently doubling the size of its building which will lead to an increase in stock holding capacity.

On the back of substantially higher local steel prices and an increase emphasis on margin delivery, **Phoenix Steel Mpumalanga** delivered excellent results for the period under review. This trend has continued into October and November 2006.

**Phoenix Steel Natal's** growth has once again surpassed expectations even though its current premises are far too small and unsuitable for its requirements. However, the company has been successful in having an offer for a much larger premises accepted. Only a few formalities need to be completed before transfer takes place. This centrally situated, fit for purpose, 44 225 square metres property with a total of 11 563 square metres under roof would increase the company's stocking capability six-fold.

**Phoenix Steel Port Elizabeth**, in its first year as a fully fledged company, experienced a slower than expected first six months of the 2007 financial year and has only started achieving its targets from October 2006. The Group is confident that the company will continue to improve its performance and that it is currently operating at a level of just over half of its medium-term potential.

The recent solid results obtained by **Phoenix Steel Richards Bay** have continued during the period under review and management is confident that the company will further benefit from the planned high level of industrial activity in the area.

**Giflo Engineering** enjoyed a very solid start to the 2007 financial year and boasts an excellent contractually secured order book. The

Centre in Benoni. Hendor will use these premises to satisfy the current demand while further business is expected to be secured from Goldfields and Anglo Platinum. In addition, Hendor's extensive fabrication expertise will ensure that it also satisfies a sizeable portion of Jetmaster's barbeque and fireplace requirements.

**Jetmaster** delivered record results for the period under review and is in a position to ensure that its current impressive turnover levels will be maintained going forward. Jetmaster is also increasing the size of its production facility to further improve its capacity.

After a below-par 2006 financial year, **Koch's Cut and Supply** has delivered results far in excess of expectations for the six months under review. The investment made in terms of new and improved machinery has paid dividends in terms of increased turnover and margin levels.

**Toolroom Services**, the manufacturer of steel office furniture has had an excellent first six months and has an order book which is 38% up from the previous six months. The Group has purchased a 24 000 square metre property and will commence the building of a 15 000 square metre factory on 1 February 2007. The current factory is rented and not ideal for expanding the company's manufacturing capacity and benefitting from the resultant economies of scale.

**Xpanda Security** has taken advantage of its market leading product range as well as the Group's increasingly settled infrastructure to post an excellent set of results for the six months ended 30 September 2006. Turnover levels are substantially ahead of expectations while margins have been very successfully managed in a period of rapidly increasing input costs.

**Life 'n Leisure Cape Town** did not perform to expectations with turnover below budget. A change in management, tighter system controls, as well as an aggressive marketing plan has been implemented to get the company back on track.

**Life 'n Leisure Centre Umhlanga** opened its doors in early August 2006. Public response has been excellent and management is confident that an average of R2 million in monthly turnover will be achieved by June 2007 on the back of increased exposure in the Durban area.

**Xpanda Steel Centre**, the steel fabricator supplying both internal and external clients, was closed down over the three months ended 30 September 2006. The Group incurred a loss of R4 million which related to retrenchment costs and the writing down of truck body components and load cell stock items.

#### NON-STEEL RELATED PRODUCTS

**New Joules Engineering North America** had an excellent first six months and expects the trend to continue for the remainder of the year. The company still has tenders awaiting adjudication of US\$4.2 million which it believes it will be successful in securing. The client has however indicated that adjudication will only take place in the first quarter of the 2007 calendar year.

Both **Megamix** and **Villiersdorp Quarries** performed in line with budgetary expectations despite the wet Cape winter period experienced. Megamix currently has a satisfactory order book with many large contracts starting in the new year. Access to the land for the fourth batch plant has been delayed further by the developer not completing services on time. The new plant will now only be commissioned early 2007.

**NWN Automotive Engineering**, whilst not a major contributor to the Group, continues to perform satisfactorily and expects its turnover to be up by 20% on the 2006 financial year.

#### Prospects

Notwithstanding the local steel shortages that negatively impacted on the Group's steel trading performance, Argent's results are in line with the expectations as outlined in its audited financials for the 2006 financial year. The increase in steel prices and the enhancement of export automotive component margins are just two of the reasons that Argent is extremely confident about the future. Shareholders can expect more good news from Argent for the last six months of the 2007 financial year and beyond.

#### Dividend

**Statement of changes in equity**

| for the six months ended<br>30 September 2006 | Share<br>capital | Share<br>premium | Treasury<br>shares | Revaluation<br>reserve | Reserve on<br>subsidiary<br>acquisition | Reserve on<br>translation<br>of foreign<br>operation | Retained<br>earnings |
|---|------------------|------------------|--------------------|------------------------|---|--|----------------------|
| <b>R000</b>                                   |                  |                  |                    |                        |   |  |                      |
| Balance at 30 September 2005                  | 3 615            | 181 381          | (13 352)           | 836                    | 23 209                                  | (324)  | 239 851              |
| Shares issued                                 | 408              | 90 241           |                    |                        |   |  |                      |
| Net treasury movement                         |                  |                  | (33 014)           |                        |   |  |                      |
| Foreign currency translation adjustment       |                  |                  |                    |                        |   | 168  |                      |
| Revaluation of properties                     |                  |                  |                    | 49 307                 |   |  |                      |
| Net profit for the period                     |                  |                  |                    |                        |   |  | 56 194               |
| Dividends                                     |                  |                  |                    |                        |   |  | (9 853)              |
| Less: Treasury shares                         |                  |                  |                    |                        |   |  | 879                  |
| Balance at 31 March 2006                      | 4 023            | 271 622          | (46 366)           | 50 143                 | 23 209                                  | (156)  | 287 071              |
| Net treasury movement                         |                  |                  | 1 804              |                        |   |  |                      |
| Foreign currency translation adjustment       |                  |                  |                    |                        |   | (904)  |                      |
| Reversal of revaluation of properties         |                  |                  |                    | (493)                  |   |  |                      |
| Net profit for the period                     |                  |                  |                    |                        |   |  | 65 464               |
| Dividends                                     |                  |                  |                    |                        |   |  | (11 264)             |
| Less: Treasury shares                         |                  |                  |                    |                        |   |  | 829                  |
| Balance at 30 September 2006                  | 4 023            | 271 622          | (44 562)           | 49 650                 | 23 209                                  | (1 060)  | 342 100              |

**Registered office:** 1316 Clubhouse Street, Maraisburg, Roodepoort 1724 Tel: +27 11 661 5900

**Auditor:** Siyabala Inc.

**Sponsor:** Vunani Corporate Finance

**Transfer Secretaries:** Link Market Services South Africa (Pty) Limited, 5th floor, 11 Diagonal Street, Johannesburg 2001 (PO Box 4844, Johannesburg 2000)

**Directors:** T Scharrighuisen (*Non-Executive Chairman*), T R Hendry (*Chief Executive Officer*), Ms S J Cox (*Financial Director*), P A Day (*Non-Executive*), K Mapasa (*Non-Executive*), M J Antonic, P H Lawson, G K Youngman (*Alternate*), D Smith, M P Allen, F Litschka

**Company Secretary:** Ms Lindsay Grobler



nave continued during the period under review and management is confident that the company will further benefit from the planned high level of industrial activity in the area.

**Giflo Engineering** enjoyed a very solid start to the 2007 financial year and boasts an excellent contractually secured order book. The recent weakening of the Rand against the US Dollar will enhance the value of Giflo's exports which represents 20% of the company's turnover.

A new subsidiary of Argent is **Sentech Industries**. This company, which the Group started in Port Elizabeth, was born out of the Group's purchase of the operational assets from a company that was in serious financial distress. Sentech specialises in tube manipulation, steel fabrication and steel pressings for the automotive industry. A total of R22 million has been invested in the assets for this operation and a further R12 million has been committed by way of ordering new machinery from overseas. This operation started trading in September 2006. The Group will manage Sentech on the same lines as Giflo Engineering and the growth strategies for the two companies will be jointly formulated.

On the back of its wider product range, **Excalibur Vehicle Accessories** enjoyed a satisfactory six months. To further expand its range of aluminium products, a 57 000 square metre piece of land with an existing 7 000 square metre production facility has been purchased. Excalibur will take occupation of these premises in February 2007.

**Hendor Mining Supplies** has continued to benefit from the high levels of demand experienced late in the 2006 financial year and currently boasts an order book far in excess of any levels ever previously experienced. Hendor's management has now also taken over the premises previously occupied by B.M.I./Xpanda Steel

enhancement of export automotive component margins are just two of the reasons that Argent is extremely confident about the future. Shareholders can expect more good news from Argent for the last six months of the 2007 financial year and beyond.

**Dividend**

A final dividend of 14 cents per share in respect of the year ended 31 March 2006 was paid during the period.

An interim dividend of 15 cents per share has been declared, subsequent to 30 September 2006, payable on Monday, 22 January 2007 to shareholders recorded in the register at close of business on Friday, 19 January 2007, being the record date in order to participate in such dividend. The last day to trade *cum* dividend is Friday, 12 January 2007. The share will trade *ex* dividend on Monday, 15 January 2007.

Share certificates may not be dematerialised/rematerialised between Monday, 15 January 2007 and Friday, 19 January 2007, both days inclusive.

**Accounting policies and presentation**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34 (Interim Financial Reporting) and in compliance with the Companies Act of South Africa of 1973 and the Listings Requirements of the JSE Limited. The accounting policies are consistent with those of the previous financial period.

**On behalf of the board**

T R Hendry, CA(SA)  
Chief Executive Officer

Maraisburg, Roodepoort  
22 November 2006