

Argent Industrial Limited

(Incorporated in the Republic of South Africa)

Registration number 1993/002054/06

Share code : ART ISIN code : ZAE000019188

("Argent" or "the company" or "the group")

ABRIDGED UNAUDITED AND UNREVIEWED INTERIM CONSOLIDATED RESULTS AND DIVIDEND DECLARATION FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2022

Financial Highlights

Revenue up	13.5%
Headline earnings per share	181.2 cents
Headline earnings per share up	22.4%
Basic earnings per share	182.7 cents
Basic earnings per share up	28.2%
Gearing	11.6%
Net asset value per share	2,438 cents
Interim dividend per share	45 cents

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

Consolidated Statement of Profit or Loss for the period ended	Unaudited	Unaudited	Audited
	6 months 30 Sep 2022	6 months 30 Sep 2021	year ended 31 Mar 2022
	R 000	R 000	R 000
Revenue	1,203,401	1,060,371	2,432,702
Cost of sales	(894,778)	(783,778)	(1,820,366)
Gross profit	308,623	276,593	612,336
Other operating income	1,907	2,702	872
Other operating expenses	(167,631)	(163,330)	(348,949)
Operating profit before finance income and expense	142,899	115,965	264,259
Finance income	673	1,353	3,353
Finance expense	(6,991)	(6,561)	(15,003)
Profit before taxation	136,581	110,757	252,609
Taxation	(32,963)	(27,453)	(60,533)
Profit for the period	103,618	83,304	192,076
Attributable to owners of the			
- Parent	101,747	82,217	190,208
- Non-controlling interest	1,871	1,087	1,868
	103,618	83,304	192,076
Basic earnings per share (cents)	182.7	142.5	330.0
Diluted earnings per share (cents)	182.7	142.5	325.3
Headline earnings per share (cents)	181.2	148.1	339.2
Diluted headline earnings per share (cents)	181.2	148.1	334.3
Dividends per share (cents)	45.0	0.0	42.0

Supplementary information

Shares in issue (000)			
- at end of period excluding treasury shares	55,298	57,395	56,392
- at end of period including treasury shares	56,145	59,521	57,239
- weighted average	55,684	57,679	57,634
- diluted weighted average	55,684	57,679	58,477
Interest expense on lease liabilities (R 000)	2,482	3,601	7,544
Amortisation of intangibles (R 000)	179	156	322
Depreciation of right-of-use assets (R 000)	9,810	11,010	22,493
Depreciation of property, plant and equipment (R 000)	17,156	15,158	32,022

Reconciliation between earnings and headline earnings	Unaudited 6 months 30 Sep 2022		Unaudited 6 months 30 Sep 2021		Audited year ended 31 Mar 2022	
	Gross	Net	Gross	Net	Gross	Net
	R 000	R 000	R 000	R 000	R 000	R 000
Earnings attributable to ordinary shareholders		101,747		82,217		190,208
Adjusted for:						
(Profit)/loss on disposal of property, plant and equipment	(1,125)	(821)	4,435	3,193	7,316	5,268
Headline earnings attributable to ordinary shareholders	(1,125)	100,926	4,435	85,410	7,316	195,476

Consolidated Statement of Other Comprehensive Income or Loss for the period ended	Unaudited 6 months 30 Sep 2022	Unaudited 6 months 30 Sep 2021	Audited year ended 31 Mar 2022
	R 000	R 000	R 000
	Profit for the period	103,618	83,304
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations	21,832	(1,704)	(9,473)
Items that will not be reclassified subsequently to profit and loss			
Revaluation of land and buildings	-	-	2,188
Tax effect of above transactions	-	-	(591)
Transfer of reserve to retained earnings	-	-	(1,183)
Total other comprehensive income for the period	125,450	81,600	183,017
Attributable to owners of the			
- Parent	123,579	80,513	181,149
- Non-controlling interest	1,871	1,087	1,868
	125,450	81,600	183,017

Consolidated Statement of Financial Position for the period ended	Unaudited	Unaudited	Audited
	at 30 Sep 2022	at 30 Sep 2021	at 31 Mar 2022
	R 000	R 000	R 000
ASSETS			
Property, plant and equipment	462,554	462,456	456,745
Intangible assets	3,371	3,098	2,896
Goodwill	248,459	244,446	248,459
Right-of-use assets	46,225	75,803	54,719
Long-term receivables	5,363	4,973	5,523
Deferred taxation	-	-	2,881
Non-current assets	765,972	790,776	771,223
Inventories	605,611	486,787	529,579
Trade and other receivables	366,682	360,023	477,647
Current portion of long-term receivables	772	1,901	762
Bank balance and cash	183,808	159,762	183,468
Current assets	1,156,873	1,008,473	1,191,456
Non-current assets held for sale	17,000	-	17,000
TOTAL ASSETS	1,939,845	1,799,249	1,979,679
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital and treasury shares	227,292	266,198	241,316
Reserves	19,279	4,403	(2,693)
Retained earnings	1,101,595	914,413	1,023,587
Attributable to owners of the parent	1,348,166	1,185,014	1,262,210
Non-controlling interest	17,058	14,406	15,187
Total shareholders' funds	1,365,224	1,199,420	1,277,397
Interest-bearing borrowings	69,143	97,662	83,779
Lease liabilities	34,750	59,444	40,708
Other liabilities	-	14,565	-
Deferred tax	61,684	51,862	56,610
Non-current liabilities	165,577	223,533	181,097
Trade and other payables	305,412	292,705	432,518
Bank overdraft	26,879	-	15,245
Current portion of interest-bearing borrowings	32,665	33,337	33,879
Current portion of lease liabilities	22,158	30,562	25,356
Taxation	21,930	19,692	14,187
Current liabilities	409,044	376,296	521,185
TOTAL EQUITY AND LIABILITIES	1,939,845	1,799,249	1,979,679
Net asset value per share (cents)	2,438.0	2,064.7	2,238.3

Consolidated Statement of Changes in Equity for the period ended 30 September 2022	Stated	Treasury	Employee	Revaluation	Foreign	Retained	Total	Non-	Total
	capital	shares	share	reserve	currency	earnings	attributable	controlling	shareholders'
	R 000	R 000	incentive	reserve	translation	R 000	to owners	interest	funds
	R 000	R 000	reserve	R 000	reserve	R 000	of the parent	R 000	R 000
Balance at 1 April 2021	360,031	(82,034)	1,493	8,068	(3,715)	832,196	1,116,039	17,369	1,133,408
Share-based payments	-	5,505	520	-	-	-	6,025	-	6,025
Share buyback	(42,186)	-	-	-	-	-	(42,186)	-	(42,186)
Other comprehensive income	-	-	(1,183)	1,597	-	1,183	1,597	-	1,597
Profit for the year	-	-	-	-	(9,473)	190,208	180,735	1,868	182,603
Non-controlling interest - dividend	-	-	-	-	-	-	-	(4,050)	(4,050)
Balance at 31 March 2022	317,845	(76,529)	830	9,665	(13,188)	1,023,587	1,262,210	15,187	1,277,397
Share-based payments	-	-	140	-	-	-	140	-	140
Share buyback	(14,024)	-	-	-	-	-	(14,024)	-	(14,024)
Profit for the period	-	-	-	-	21,832	101,747	123,579	1,871	125,450
Dividends	-	-	-	-	-	(24,024)	(24,024)	-	(24,024)
Less dividend on treasury shares	-	-	-	-	-	285	285	-	285
Balance at 30 September 2022	303,821	(76,529)	970	9,665	8,644	1,101,595	1,348,166	17,058	1,365,224

Consolidated Statement of Cash Flows for the period ended	Unaudited	Unaudited	Audited
	6 months 30 Sep 2022	6 months 30 Sep 2021	year ended 31 Mar 2022
	R 000	R 000	R 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	81,385	10,807	181,973
Finance income	673	1,353	3,353
Finance expense	(6,991)	(2,960)	(15,003)
Normal taxation paid	(19,146)	(22,545)	(57,335)
Net cash inflows / (outflows) from operating activities	32,182	(13,345)	112,988
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(21,487)	(30,772)	(56,142)
Proceeds on disposal of property, plant and equipment	6,375	2,534	4,846
Acquisition of subsidiaries net of cash acquired	-	(54,533)	(48,697)
Share-based payments	-	-	5,505
Long-term receivables repaid	150	5,235	1,774
Net cash outflows from investing activities	(14,962)	(77,536)	(92,714)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share buy-back	(14,024)	(11,799)	(42,186)
Repayment of lease liabilities	(10,508)	(14,319)	(21,521)
Repayment of other liabilities	-	-	(13,893)
Proceeds from interest-bearing borrowings	918	48,804	12,470
Repayment of interest-bearing borrowings	(16,999)	(18,374)	(25,057)
Net cash (outflow) / inflow from financing activities	(40,613)	4,312	(90,187)
Net (decrease) / increase in cash and cash equivalents	(23,393)	(86,569)	(69,913)
Cash and cash equivalents at beginning of period	168,223	246,234	246,234
Exchange differences on cash and cash equivalents	12,099	97	(8,098)
Cash and cash equivalents at end of period	156,929	159,762	168,223

Segmental Review

	Manufacturing	Steel trading	Properties	Consolidated
	R 000	R 000	R 000	R 000
Business segments				
for the 6 months ended 30 September 2022 - unaudited				
Revenue from external sales	821,939	380,862	600	1,203,401
Inter-segment sales	107,511	97,650	13,644	
Total revenue	929,450	478,512	14,244	
Profit before taxation	102,282	28,475	5,824	136,581
Taxation				(32,963)
Profit for the period				103,618
Other information				
Net assets	984,961	262,798	117,465	1,365,224
Capital expenditure	20,142	34	1,311	21,487
Depreciation / amortisation	16,236	1,099	-	17,335
Depreciation on right-of-use assets	4,641	5,169	-	9,810
Interest paid on lease liabilities	236	2,246	-	2,482
Finance income *	2,859	(1,967)	(219)	673
Finance expense excluding lease liabilities	659	65	3,785	4,509
* As per the group policy, finance expense and finance income derived from primary banking is netted off.				
	Manufacturing	Steel trading	Properties	Consolidated
	R 000	R 000	R 000	R 000
for the 6 months ended 30 September 2021 - unaudited				
Revenue from external sales	716,580	342,487	1,304	1,060,371
Inter-segment sales	72,956	61,034	13,620	
Total revenue	789,536	403,521	14,924	
Profit before taxation	67,759	36,663	6,335	110,757
Taxation				(27,453)
Profit for the period				83,304
Other information				
Net assets	858,629	209,974	130,817	1,199,420
Capital expenditure	29,952	442	378	30,772
Depreciation / amortisation	14,317	997	-	15,314
Depreciation on right-of-use assets	5,841	5,169	-	11,010
Interest paid on lease liabilities	907	2,694	-	3,601
Finance income *	3,285	(147)	(1,785)	1,353
Finance expense excluding lease liabilities	233	38	2,689	2,960
	Manufacturing	Steel trading	Properties	Consolidated
	R 000	R 000	R 000	R 000
for the year ended 31 March 2022 - audited				
Revenue from external sales	1,552,922	877,813	1,967	2,432,702
Inter-segment sales	138,625	116,722	22,322	
Total revenue	1,691,547	994,535	24,289	
Profit before taxation	159,644	79,902	13,063	252,609
Taxation				(60,533)
Profit for the year				192,076
Other information				
Net assets	935,737	212,899	128,761	1,277,397
Capital expenditure	51,690	1,899	2,553	56,142
Depreciation / amortisation	30,313	2,031	-	32,344
Depreciation on right-of-use assets	12,154	10,339	-	22,493
Interest paid on lease liabilities	2,155	5,389	-	7,544
Finance income *	3,487	(134)	-	3,353
Finance expense excluding lease liabilities	1,094	84	6,281	7,459

Segmental Review

	South Africa	Rest of the world	Consolidated
	R 000	R 000	R 000
Geographical segments			
for the 6 months ended 30 September 2022 - unaudited			
Revenue from external sales	821,205	382,196	1,203,401
Profit before taxation	58,491	78,090	136,581
Taxation			(32,963)
Profit for the period			103,618
Other information			
Net assets	966,878	398,346	1,365,224
Capital expenditure	7,993	13,494	21,487
Depreciation / amortisation	9,223	8,112	17,335
Depreciation on right-of-use assets	5,954	3,856	9,810
Interest paid on lease liabilities	2,147	335	2,482
Finance income *	536	137	673
Finance expense excluding lease liabilities	4,329	180	4,509
for the 6 months ended 30 September 2021 - unaudited			
Revenue from external sales	796,964	263,407	1,060,371
Profit before taxation	55,946	54,811	110,757
Taxation			(27,453)
Profit for the period			83,304
Other information			
Net assets	904,264	295,156	1,199,420
Capital expenditure	10,402	20,370	30,772
Depreciation / amortisation	9,456	5,858	15,314
Depreciation on right-of-use assets	6,677	4,333	11,010
Interest paid on lease liabilities	3,132	469	3,601
Finance income *	1,503	(150)	1,353
Finance expense excluding lease liabilities	2,946	14	2,960
for the year ended 31 March 2022 - audited			
Revenue from external sales	1,828,960	603,742	2,432,702
Profit before taxation	146,781	105,828	252,609
Taxation			(60,533)
Profit for the year			192,076
Other information			
Net assets	961,092	316,305	1,277,397
Capital expenditure	19,168	36,974	56,142
Depreciation / amortisation	18,434	13,910	32,344
Depreciation on right-of-use assets	13,672	8,821	22,493
Interest paid on lease liabilities	6,587	957	7,544
Finance income *	3,219	134	3,353
Finance expense excluding lease liabilities	6,939	520	7,459

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 ("USA").

The South African subsidiaries include, the **trading** companies, Phoenix Steel and Gammid, which both have trading and processing operations in the stainless, aluminium and mild steel markets. The **retail manufacturing** companies are Xpanda, American Shutters, Jetmaster and Castor and Ladder which are strong brands locally and internationally. The **industrial manufacturing** companies are Hendor Mining, a manufacturer of underground mining scrapers, Koch's Cut and Supply, a specialist engineered steel jobbing shop, Pro Crane Services, manufacturers of industrial lifting equipment and Megamix, which is a concrete mixing and distribution company in the Western Cape, which also has a stone quarry located in Villiersdorp.

The UK subsidiaries comprise a number of **specialist manufacturing** companies. Fuel Proof manufactures fuel storage solutions and offers rental options through Roll-Tec. Fluid Transfer International and Flofuel manufacture mobile fuel storage systems for the international aviation industry, as well as the maritime and vehicle industry. OSA Door Parts manufactures a range of industrial doors, Partington supplies material handling solutions and Cannock Gates supplies iron and wooden gate products for the consumer market.

The USA operation, New Joules Engineering, manufactures joule speed control retarder systems for classification rail yards.

Operational review

The group had a particularly good first six months, even when compared to the record results achieved in the comparative period last year. This exceptional performance is set to continue for the next six months, given that the current order books of most of the companies will carry them past financial year-end. The group has managed to maintain its margins in this inflationary environment through proactive cost management, product innovation and clever sourcing of resources.

South African operations

The steel prices have come off their highs since mid-year due to a global slowdown in steel demand, so the steel trading entities have been managing inventories and protecting margin. This lower steel demand will continue for the rest of the year. The reduction in steel prices have had a positive impact on the manufacturing entities who use steel, as input costs have reduced and, in most cases, the additional margin has been retained within the business, initially at least.

The retail manufacturing entities have had steady performance in revenue and earnings, this is despite a slightly higher inflationary environment which has increased the cost of borrowing. The South African consumer is not new to this type of fiscal environment and spending on the group's retail products, which are largely based on security products and essential DIY products such as access equipment, are always in demand in any economic environment. Jetmaster on the other hand has benefitted by the weaker Rand through increased exports to Australia and New Zealand and would have done even better had global shipping been more efficient. Xpanda has also seen an increase in exports, particularly to Canada and its new venture into the UK, but also in its established markets in Australia, New Zealand, and the rest of Africa.

The industrial manufacturing companies, particularly Pro Crane and Hendor have had a particularly good first half of the year with record orderbooks, healthy margins and improved cashflow. This can be attributed to lower input costs, as well as increased spending by industrial businesses on their infrastructure, increased activity by mining companies as well as increased spending in neighbouring countries on their infrastructure and businesses.

Megamix has had a difficult first six months of the year, partly due to the rainy season which is always a feature in the first half, which limits access and activity on construction sites, but also due to a change within management at the operation, which is now starting to show significant improvement. The second half year is expected to be significantly better.

UK operations

The business in the UK has yielded exceptionally good and reliable results, despite the political noise and higher inflationary environment, neither of which have impacted the businesses, at this time at least.

Cannock Gates and Burbage Iron Craft have performed ahead of budget and the order outlook is strong. OSA Doors has had an exceptional first half with revenue and earnings up significantly on the previous comparative period and an orderbook that sets this trend to continue this year. Partington has had a big investment into its process equipment, which together with a new management team, and new business direction and products, will see this business grow significantly within the next 6 months. Additionally, Partington will be the local manufacturer and distributor of Xpanda's products into the UK and Europe, with production set to start in December 2022.

The fuel equipment supply companies, Fuel Proof; Roll-Tec; Fluid Transfer and Flofuel, have all had an incredible first half of the year and have order books that go well past March 2023. As an example, Fluid Transfer has exceeded its annual budget tenfold already, in the first half of the year; keeping in mind that Argent paid just 1 Pound for the company, 12 months ago. This growth can be attributed to the resurgence in the aviation industry from an exceptionally low base due to the global COVID-19 restrictions, as well as increased military spending, not only in the UK, but around the globe.

Outlook

Despite the global inflationary fears and increased cost of borrowings, the Argent group of companies are well positioned for another incredibly good year, and this can be attributed to the group's diversity in businesses and markets, as well as the excellent management at its operations and the dedicated support from their staff.

Share buy-back programme

Argent repurchased and cancelled 1 091 574 shares in the period under review at a cost of R13 984 288, equating to an average price of R12.81 per share. The share buy-back programme will continue, share price permitting.

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 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 2022 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.

Events after the reporting period

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

Changes to the board

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

Dividend declaration

The directors of the company have declared and approved an interim gross dividend of 45 cents per share for the six-month period ended 30 September 2022 from income reserves.

The following dates will apply to the abovementioned final dividend:

Publication of declaration data:	Wednesday, 16 November 2022
Last day to trade cum dividend:	Tuesday, 17 January 2023
Trading ex-dividend commences:	Wednesday, 18 January 2023
Record date:	Friday, 20 January 2023
Dividend payment date:	Monday, 23 January 2023

Share certificates may not be dematerialised or re-materialised between Wednesday, 18 January 2023 and Friday, 20 January 2023, both days inclusive.

In determining the dividends tax of 20% to be withheld in terms of the Income Tax Act (No 58 of 1962), those shareholders who are not exempt from the dividend tax will therefore receive a dividend of 36 cents per share net of dividend tax. The company has 56 107 632 ordinary shares in issue as at 16 November 2022 and its income tax reference number is 9096/002/71/3.

Ordinary shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited/updated on Monday, 23 January 2023.

On behalf of the board

TR Hendry CA (SA) Umhlanga Rocks
Chief Executive Officer 16 November 2022

Registered Office: First floor, Ridge 63,8 Sinembe Crescent,
La Lucia Ridge Office Estate,4019
Tel: +27 (0) 31 791 0061

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

Sponsors: PSG Capital

Transfer Secretaries: JSE Investor Services

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).