ARGENT
Industrial Limited

ANNUAL REPORT 2017

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CORPORATE PROFILE

Argent Industrial Limited is largely a steel-based beneficiation group with a very diverse portfolio of businesses that include international brands.

The business portfolio consists of Argent Industrial Engineering, Atomic Office Equipment, Allan Maskew, Castor and Ladder, Cedar Paint, Gammid Trading, Hendor Mining, Jetmaster, Koch's Cut & Supply, Lifting Online, Megamix, Phoenix Steel, Pro Crane Services, Rifumo Concepts, Sentech Industries, Toolroom Services, Tricks Wrought Iron Services, Xpanda Security, Cannock Gates & Burbage Iron Craft , OSA Door Parts and New Joules North America.

These businesses cover a huge spectrum of products and services from manufacturing and steel-based trading, concrete building products and regional outlets that trade in a number of these products.

The company has 27 operating units which operate throughout South Africa, the United Kingdom and North America.

Manufacturing is the biggest activity of the group and this, together with a strategy of vertical integration and being self-sufficient has led the group to being totally diversified.

This protects the group from economic swings in any one segment of the market and is a catalyst for new growth opportunity.

The group's character is innovation, speed, delivery and service. Argent has a bold approach to business and is always seeking new investments and investors.

Our customers are the key to our success, and benefit from our dedicated attention.

The Argent group's strategic intent is to grow profitability by streamlining the business and extracting maximum value from vertical integration and good management practice.

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. The group's key values are:

- 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 eagerness to learn and improve;
- Respecting the dignity and human rights of all employees; and
- Maintaining a high standard in the areas of workplace safety and health.

OPERATION LOCATIONS

South Africa

Manufacturing

Argent Industrial Engineering	Western Cape
Atomic Office Equipment	Western Cape
Castor & Ladder Jhb	Gauteng
Cedar Paint	Free State, Gauteng, KwaZulu-Natal, Eastern and Western Cape
Paint & Ladder KZN	KwaZulu-Natal
Hendor Mining Supplies	Gauteng
Jetmaster	Gauteng
Koch's Cut & Supply Steel Centre	KwaZulu-Natal
Lifting Online	Gauteng
Megamix	Western Cape
Paint & Ladders Klerksdorp	North West
Parlance Investments	North West
Pro Crane Services	Gauteng and KwaZulu-Natal
Rifumo Concepts	Gauteng
Toolroom Services	Gauteng
Tricks Wrought Iron Services	KwaZulu-Natal
Xpanda Security	KwaZulu-Natal, Gauteng and Western Cape

Steel trading

Gammid Cape	Western Cape
Gammid KZN	KwaZulu-Natal
Gammid Trading	Gauteng
Phoenix Steel Gauteng	Gauteng
Phoenix Steel Natal	KwaZulu-Natal

Automotive

Sentech Industries	Eastern Cape
Allan Maskew	Gauteng

Properties

Argent Industrial Investments	Gauteng, North West and Western Cape

United States of America

Manufacturing

New Joules Engineering North America	Kansas City

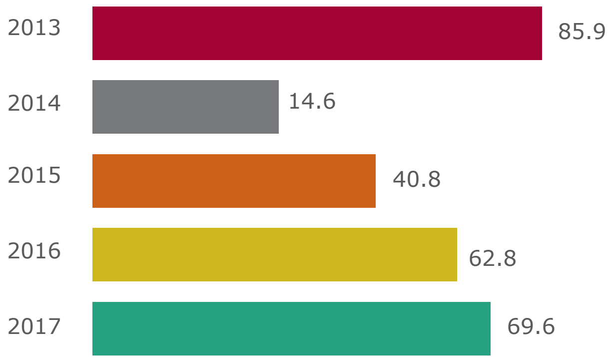
United Kingdom

Manufacturing

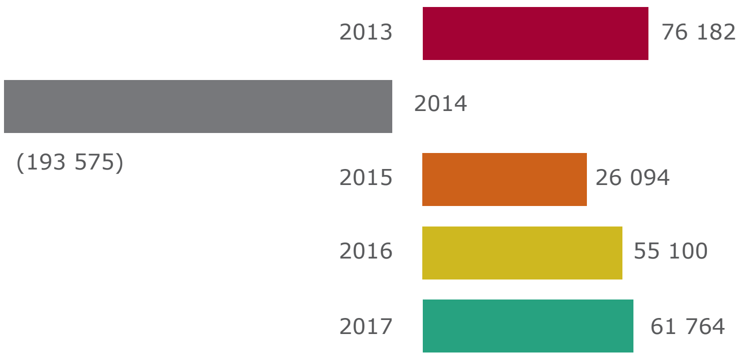
Cannock Gates & Burbage Iron Craft	Cannock
OSA Door Parts	Runcorn

FINANCIAL HIGHLIGHTS

Headline earnings per share (cents)



Attributable earnings/(loss) (R 000)



Revenue (R 000)

Net asset value per share (cents)

FIVE-YEAR REVIEW

	2017	2016	2015	2014	2013
Revenue (R 000)	1 849 127	1 706 923	1 791 163	1 880 476	1 850 430
Attributable earnings/(loss) for the year (R 000)	61 764	55 100	26 094	(193 575)	76 182
Basic earnings/(loss) per share (cents)	68.0	60.1	28.5	(211.4)	83.2
Diluted earnings/(loss) per share (cents)	68.0	60.1	28.5	(211.4)	83.2
Headline earnings per share (cents)	69.6	62.8	40.8	14.6	85.9
Tax rate (%)	27.6	25.3	23.9	8.2	22.1
Dividends per share (cents)	19.0	18.0	15.0	14.0	12.0
- Final prior	9.0	9.0	7.0	7.0	6.0
- Interim current	10.0	9.0	8.0	7.0	6.0
Dividend cover (times)	3.6	3.3	1.9	(15.1)	6.9
Net asset value per share (cents)	1 349.2	1 302.2	1 252.8	1 242.4	1 474.4
Net asset value per share (excluding intangibles) (cents)	1 113.5	1 108.9	1 064.5	1 053.6	1 152.5
Total assets employed (R 000)	1 719 345	1 613 352	1 672 687	1 731 329	2 055 169
Return on shareholders' equity (%)	5.0	4.6	2.2	(16.9)	5.6
Gearing (%)	5.6	3.6	6.8	12.1	12.8
Liquidity					
- Current ratio	2.33	2.41	1.86	1.82	1.77
- Current ratio, excluding current portion of interest-bearing borrowings	2.56	2.56	2.08	2.03	2.01
- Acid test ratio	1.00	1.01	0.72	0.76	0.72

ADMINISTRATION

Argent Industrial Limited

Reg. No. 1993/002054/06

Secretary and registered office

Jaco Dauth
First floor, Ridge 63, 8 Sinembe Crescent,
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Ridge Office Estate, 4019)
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Fax: + 27 86 528 1674
www.argent.co.za
Email: argent10@argent.co.za

Transfer secretaries

Link Market Services South Africa
13th floor,
Rennies House,19 Ameshoff Street,
Johannesburg, 2001
(PO Box 4844, Johannesburg, 2000)
Tel: + 27 11 713 0800
Fax: + 27 86 674 2450

Bankers

Nedcor Limited
Corporate Banking Division Gauteng
First floor, Block F, 135 Rivonia Road,
Sandton, 2196
(PO Box 1144, Johannesburg, 2000)
Tel: + 27 11 294 4444
Fax: + 27 11 295 8115

Attorneys

Clyde & Co
6th floor, Katherine and West Building,
114 West Street, Sandton, 2196
(PO Box 786448, Sandton, 2146)
Tel: + 27 10 286 0350
Fax: + 27 10 286 0399

Auditors

Grant Thornton
2nd floor, 4 Pencarrow Crescent,
Pencarrow Park, La Lucia Ridge Office Estate, 4019
(PO Box 950, Umhlanga Rocks, 4320)
Tel: + 27 31 576 5500
Fax: + 27 31 576 5555

Sponsor

PSG Capital (Pty) Ltd
2nd floor, Building 3,
11 Alice Lane, Sandhurst,
Sandton, 2196
(PO Box 650957, Benmore, 2010)
Tel: + 27 11 032 7400
Fax: + 27 11 784 4755

DIRECTORATE

Teunis Scharrighuisen (72) (Netherlands)

Non-executive chairman

Appointed 12 May 1993

Tony, an entrepreneur with many years of business experience, has been involved in businesses from property owning to opencast mining and earthmoving services. He served on a number of companies' boards as director and chairman and was the founding member and shareholder of the company now known as Argent.

Panagiotis Andrea Christofides (48)

Lead independent non-executive director

Appointed 24 August 2016

Member of the nomination, audit and risk and remuneration committees.

Pedro has a BCompt degree from the University of the Witwatersrand. He served as COO of Blue Label Distribution between 2007 and 2010. He is currently the CEO of Polsa Holdings Group of Companies Limited.

Khathutshelo Mapasa (40)

Independent non-executive director

Appointed 18 August 2006

Member of audit and risk committee.

K2 has a BSc Engineering (Chemical) degree from the University of Cape Town and has completed the Harvard Business School Management Development Program. He is currently an executive of a JSE-listed heavy engineering and construction company and was recently appointed as acting CEO. Previously K2 worked for one of the largest diamond mining multi-national companies in various technical and senior managerial roles. He also holds a number of non-executive directorship positions in privately held companies.

Clayton Dean Angus CA (SA) (49)

Independent non-executive director

Appointed 16 May 2016

Chairs the audit and risk and remuneration committee and is a member of the nomination and social and ethics committee.

Clayton is a Chartered Accountant (SA) and was the group financial director of Nutritional Holdings Limited, a JSE Alt-X company from 1 June 2012 to 2 March 2015. He was previously the chief financial officer of NOAH (Nurturing Orphans of Aids for Humanity) and also a non-executive director at Argent from March 2013 to August 2015. Clayton served his articles of traineeship with KPMG and has vast experience in business, both in South Africa and London, where he worked for two years.

Treve Robert Hendry CA (SA) (50) (British)

Chief executive officer

Appointed 5 May 1997

Chairs the social and ethics committee.

Sue Joan Cox CA (SA) (51)

Financial director

Appointed 1 April 2002

Member of the social and ethics committee.

Alfred Franz Litschka BSC (Metallurgy) MBA (51)

Executive director

Appointed 1 January 2004

CHAIRMAN'S STATEMENT

The Argent board of directors ("the board") continues to believe that the group's core focus on branded manufactured products will create a sound base for both local and international sustainability and growth. Growth in FOREX-related business will continue to be a key driver going forward, both through offshore investment in existing and new operations and through driving exports.

The success of the group depends on a number of factors, including but not limited to the human element, without which the group could not or would not exist. I would thus like to take this opportunity to express my genuine gratitude to the people who dedicate their time and efforts to the common goal of making the group a success.

To my fellow board members, in particular Treve and his team of executive directors, your dedication, commitment and unwavering loyalty to the group are qualities that are admired and respected in the difficult world of business. Your ongoing efforts to achieve and maintain the success of the group is greatly appreciated.

The employees of an organisation remain the most important resource within an organisation. Without the efforts and dedication of each and every employee of the Argent group, the continued growth and success of the group would not be achieved, and I believe it is necessary to extend a heartfelt thank you.

The goal of a group such as Argent is to make a profit while at the same time returning value to those who have invested in the group. It is therefore necessary to pay particular tribute to our shareholders for their continued support and loyalty. To Argent's suppliers, customers and business associates, both locally and internationally, thank you again for your continued support and commitment to our group during the year.

Teunis Scharrighuisen
(Non-executive chairman)
Umhlanga, Durban
27 June 2017

CORPORATE GOVERNANCE REPORT

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. 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 has complied throughout the accounting period with all the objectives incorporated in the King Code of Governance Principles and the King Report on Governance for South Africa 2009 ("**the King Code or King III**") and the Listings Requirements of the JSE Limited ("**JSE Listings Requirements**"), except as set out in the summary below:

Key – Level of compliance:

1 – Not applied/will not be applied   2 – In process/partially applied   3 – Full application

	Principle	Level of compliance	Comments
1.	**Ethical leadership and corporate citizenship**		
1.1	The board should provide effective leadership based on an ethical foundation	3	Applied: Ethics form part of the values of the company and its board. The board provides effective leadership based on an ethical foundation.
1.2	The board should ensure that the company is, and is seen to be, a responsible corporate citizen	3	Applied: Projects applicable to corporate social (re)investment are considered and assessed on a continual basis while the board ensures that the company is, and is perceived to be, a responsible corporate citizen.
1.3	The board should ensure that the company's ethics are managed effectively	3	Applied: Ethical principles are applied, as a matter of course, during all decision-making processes.
2.	**Board and directors**		
2.1	The board should act as the focal point for and custodian of corporate governance	3	Applied: The board as a whole is responsible for effective corporate governance.
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable	3	Applied: Strategy, risk, performance and sustainability are collectively considered by the board in all decision-making processes.
2.3	The board should provide effective leadership based on an ethical foundation	3	Applied: Ethics form part of the values of the company and the board.
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen	3	Applied: The board ensures that the company is a responsible corporate citizen in line with the image it would like to project.
2.5	The board should ensure that the company's ethics are managed effectively	3	Applied: Ethics are the responsibility of the board as a whole.
2.6	The board should ensure that the company has an effective and independent audit committee	3	Applied: The audit and risk committee consists of three independent non-executive directors.
2.7	The board should be responsible for the governance of risk	3	Applied: The board as a whole is responsible for risk governance.
2.8	The board should be responsible for information technology (IT) governance	3	Applied: The board as a whole is responsible for IT governance in the company.

	Principle	Level of compliance	Comments
2.	**Board and directors**		
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	3	Applied: Compliance with all applicable laws and adherence to non-binding rules, codes and standards form part of the values of the company.
2.10	The board should ensure that there is an effective risk-based internal audit	3	Applied: An internal audit function exists.
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation	3	Applied: The board continually monitors stakeholders' perceptions in light of its importance to the company's reputation.
2.12	The board should ensure the integrity of the company's integrated report	3	Applied: Due care is applied during the generation and completion of the annual report to ensure its integrity.
2.13	The board should report on the effectiveness of the company's system of internal controls	3	Applied: The board reports on the effectiveness of the company's system of internal controls.
2.14	The board and its directors should act in the best interests of the company	3	Applied: The board acts in the best interests of the company.
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed, as defined in the Companies Act, 2008	3	Applied: This will be considered, if applicable.
2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfill the role of chairman of the board	3	Applied: The company has a CEO and a chairman and these roles are not fulfilled by the same person. The chairman of the board is, however, not an independent non-executive director because of his shareholding in the company. Mr PA Christofides was appointed as lead independent non-executive director.
2.17	The board should appoint a chief executive officer and establish a framework for the delegation of authority	3	Applied: The board has appointed a CEO and a framework applicable to the delegation of power has been established.
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	3	Applied: The majority of the board is non-executive and the majority of non-executive directors are independent.
2.19	Directors should be appointed through a formal process	3	Applied: New directors are appointed through a formal process.
2.20	The induction and ongoing training and development of directors should be conducted through formal processes	1	Not applied: The nature of the business does not warrant a formal induction process. New directors have unlimited access to the company's resources to familiarise themselves with all matters related to the company.
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary	3	Applied: The board is assisted by a suitably qualified and experienced secretary.

	Principle	Level of compliance	Comments
2.22	The evaluation of the board, its committees and the individual directors should be performed every year	3	Applied: The board, its committees and its individual directors are evaluated on an annual basis.
2.23	The board should delegate certain functions to well-structured committees without abdicating its own responsibilities	3	Applied: Committees make recommendations, which are considered (and if deemed appropriate) approved at board level.
2.24	A governance framework should be agreed between the group and its subsidiary boards	3	Applied: Given that the directors who serve on the boards of the subsidiaries are also directors of the company, the board is of the view that it is not necessary to formulate a governance framework between Argent and its subsidiaries. The situation will be continuously monitored.
2.25	Companies should remunerate directors and executives fairly and responsibly	3	Applied: Non-executive directors are remunerated by the company. Executive directors are remunerated via the subsidiaries.
2.26	Companies should disclose the remuneration of each individual director and certain senior executives	3	Applied: The remuneration of each individual director is disclosed in the annual report in note 16.
2.27	Shareholders should approve the company's remuneration policy	2	In process: The remuneration policy has been included in the annual general meeting notice for consideration by the shareholders as a non-binding advisory resolution.
3.	**Audit committees**		
3.1	The board should ensure that the company has an effective and independent audit committee	3	Applied: The audit and risk committee consists of three independent directors.
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors (subsidiary exemption)	3	Applied: Audit and risk committee members are suitably skilled and experienced.
3.3	The audit committee should be chaired by an independent non-executive director	3	Applied: The audit and risk committee is chaired by an independent non-executive director.
3.4	The audit committee should oversee integrated reporting (integrated reporting, financial, sustainability and summarised information) The audit committee should be responsible for evaluating the significant judgments and reporting decisions affecting the integrated report The audit committee's review of the financial reports should encompass the financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any other intended release of price-sensitive financial information, trading statements, circulars and similar documents	3	Applied: These functions are performed by the audit and risk committee.

	Principle	Level of compliance	Comments
3.5	The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities	3	Applied: The audit and risk committee ensures that a combined assurance model is applied.
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	3	Applied: The audit and risk committee has satisfied itself in this regard.
3.7	The audit committee should be responsible for overseeing internal audit	3	Applied, where applicable.
3.8	The audit committee should be an integral component of the risk management process	3	Applied: This forms part of the audit and risk committee's role and function.
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	3	Applied: This forms part of the audit and risk committee's roles and responsibilities.
3.10	The audit committee should report to the board and shareholders on how it has discharged its duties	3	Applied: Reported on at board level by the chairman of the audit and risk committee and to shareholders via the annual report.
4.	**The governance of risk**		
4.1	The board should be responsible for the governance of risk	3	Applied: Risk is governed by the board as a whole.
4.2	The board should determine the levels of risk tolerance	3	Applied: Risk tolerance levels are discussed and considered by the board.
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities	3	Applied: Performed by the audit and risk committee.
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan	3	Applied: The board has delegated to the executive committee the responsibility of designing, implementing and monitoring the risk management plan.
4.5	The board should ensure that risk assessments are performed on a continual basis	3	Applied: The board performs risk assessment on a continual basis.
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	3	Applied: All risk factors within the current business model are continually monitored.
4.7	The board should ensure that management considers and implements appropriate risk responses	3	Applied: Responses are continually monitored.
4.8	The board should ensure continual risk monitoring by management	3	Applied: Risk-monitoring forms part of all planning and decision-making.

	Principle	Level of compliance	Comments
4.9	The board should receive assurance regarding the effectiveness of the risk management process	3	Applied: This assurance occurs at board level.
4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	3	Applied: Disclosed in the annual report. Further disclosures are assessed when needed.
5.	**The governance of information technology**		
5.1	The board should be responsible for information technology (IT) governance	3	Applied: The board is responsible for IT governance.
5.2	IT should be aligned with the performance and sustainability objectives of the company	3	Applied: IT is aligned with the performance and sustainability objectives of the company.
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework	3	Applied: Management is responsible for the implementation of an IT governance framework.
5.4	The board should monitor and evaluate significant IT investments and expenditure	3	Applied: The board monitors and evaluates significant IT investments and expenditure.
5.5	IT should form an integral part of the company's risk management	3	Applied: IT is considered part of risk management.
5.6	The board should ensure that information assets are managed effectively	3	Applied: The board is comfortable with the current practice.
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities	3	Applied: The audit and risk committee assists the board in carrying out its IT responsibilities.
6.	**Compliance with laws, codes, rules and standards**		
6.1	The board should ensure that the company complies with applicable laws and considers adherence to nonbinding rules, codes and standards	3	Applied: The board continually considers applicable laws, codes, rules and standards and changes applicable thereto.
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	3	Applied: The board and each individual director have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its operations.
6.3	Compliance risk should form an integral part of the company's risk management process	3	Applied: Compliance forms part of all risk management processes.
6.4	The board should delegate to management the implementation of an effective compliance framework and processes	3	Applied: This is performed by the company management with the assistance of the executive committee.

	Principle	Level of compliance	Comments
7.	**Internal audit**		
7.1	The board should ensure that there is an effective risk-based internal audit function	3	Applied: An internal audit function exists.
7.2	Internal audit should follow a risk-based approach to its plan	3	Applied: Internal audit follows a risk-based approach.
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management	3	Applied: A semi-annual risk assessment monitor is presented to the audit and risk committee for review.
7.4	The audit committee should be responsible for overseeing internal audit	3	Applied: Forms part of the audit and risk committee's role and responsibilities.
7.5	Internal audit should be strategically positioned to achieve its objectives	3	Applied: Internal audit is an independent appraisal function and the head of internal audit has unrestricted access to the chairman of the audit and risk committee.
8.	**Governing stakeholder relationships**		
8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation	3	Applied: The board continually monitors stakeholders' perceptions as the company's reputation is considered important to its sustainable success.
8.2	The board should delegate to management the responsibility to proactively deal with stakeholder relationships	3	Applied: Stakeholder relationships are critical to the success of the company and are maintained by the company's executive committee.
8.3	The board should strive to achieve an appropriate balance between its various stakeholder groupings, in the best interests of the company	3	Applied: All stakeholders are considered in the company's decision-making processes.
8.4	Companies should ensure the equitable treatment of shareholders	3	Applied: Equal treatment of stakeholders is considered vital to the board, which ensures the integrity, completeness, accuracy and usability of the company's annual report.
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	3	Applied: Communication with stakeholders is the responsibility of the executive committee and the company secretary.
8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	3	Applied: The board is informed of any disputes to ensure speedy and effective resolution thereof.
9.	**Integrated reporting and disclosure**		
9.1	The board should ensure the integrity of the company's integrated report	3	Applied: The board ensures the integrity, completeness and usability of the company's annual report.
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting	3	Applied: Sustainability reporting and disclosure are incorporated in the company's annual report.
9.3	Sustainability reporting and disclosure should be independently assured	3	Applied: Where appropriate, non-financial information disclosed in the company's annual report has been independently assured.

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, as well as identifying and monitoring 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.

There is a set policy for appointments to the board. Nominations for appointment to the board are formal and transparent and submitted by the nomination committee, which mainly comprises non-executive directors, to the full board for consideration. Any appointments to the board are made taking into account the need for ensuring that it provides a diverse range of skills, knowledge and expertise, the requisite independence, the necessity of achieving a balance between skills and expertise and the professional and industry knowledge necessary to meet the group's strategic objectives, as well as the need for ensuring demographic representation. There is a clear division of responsibilities at board level to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

Executive directors have employment contracts for five (5) years effective from 1 September 2013 to 31 August 2018, renewable at the executive director's discretion for another five (5) years. Six months written notice of intention to renew is required. In terms of the memorandum of incorporation, one third of the directors shall retire from office, except for the executive directors who shall not be subject to retirement by rotation. The retiring directors, being eligible, can be re-elected at the annual general meeting of the company.

Specific responsibilities have been delegated to the board committees, and they operate under written terms of reference approved by the board. Each committee's terms of reference is reviewed annually by the board. Board committees are free to acquire independent outside professional advice as and when deemed necessary.

The board is constituted as follows:

Non-executive directors

Independent

PA Day* – appointed 20 August 1999 and resigned 24 August 2016
K Mapasa – appointed 18 August 2006
CD Angus – appointed 16 May 2016
PA Christofides * – appointed 24 August 2016

**Lead independent non-executive director*

Non-executive directors

T Scharrighuisen – appointed 12 May 1993 (Chairman)

Executive directors

TR Hendry (CEO) – appointed 5 May 1997
Ms SJ Cox (FD) – appointed 1 April 2002
AF Litschka – appointed 1 January 2004

Chairman/CEO

The roles of the chairman and chief executive officer (CEO) are separate. The CEO of the group reports to the chairman.

Attendance at meetings of the board (four held)

	Meetings attended
CD Angus	4
PA Christofides#	2
PA Day	2
Ms SJ Cox	4
TR Hendry	4
AF Litschka	4
K Mapasa	4
T Scharrighuisen	4

Attended all meetings since appointment

Audit and risk committee

The audit and risk 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 issued to the public; provides effective communication between the directors, management and internal and external auditors; and considers and monitors the independence of the external auditors and the appropriate rotation of the lead audit partner; and recommends to the board the appointment and dismissal of the external auditors.

The audit and risk committee considers, on an annual basis, and has satisfied itself as to the experience and expertise of the financial director and that the external auditors are independent in the discharge of their duties. The use of the services of the external auditors for non-audit services requires prior approval by the committee.

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.

In addition to the committee members, the chairman of the board, the financial director and certain other group executives are usually invited to attend meetings of the committee as observers. The external auditors attend the meetings and have direct and unrestricted access to the audit and risk committee at all times.

The internal audit department currently reports directly to the audit and risk committee and is also responsible to the financial director on day-to-day matters. Significant reports are copied to the CEO and there is regular communication between the CEO and internal audit.

The audit and risk committee has reviewed the group and company financial statements for the year ended 31 March 2017 and recommended to the board that the said financial statements be approved.

As at 31 March 2017, the audit and risk committee was constituted as follows:

CD Angus – appointed 16 May 2016 (Chairman)
PA Day – appointed 20 August 2015 and resigned 24 August 2016
K Mapasa – appointed 23 September 2011
PA Christofides – appointed 24 August 2016

Attendance at meetings of the audit and risk committee (three held)

	Meetings attended
CD Angus	3
Ms SJ Cox*	3
PA Christofides#	2
PA Day	1
TR Hendry*	3
K Mapasa	3

** Attended as observer*
 # Attended all meetings since appointment

Clayton Angus CA (SA)
Audit and risk committee chairman
Umhlanga, Durban
27 June 2017

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 marketplace and recommends emolument structures and levels to the chairman for his consideration and approval. The remuneration policy has been included in the annual general meeting notice for consideration by the shareholders as a non-binding advisory resolution.

The remuneration committee is constituted as follows:

CD Angus – appointed 16 May 2016 (Chairman)
PA Day – appointed 1 April 2010 and resigned 24 August 2016
PA Christofides – appointed 24 August 2016

Attendance at meetings of the remuneration committee (one held)

	Meetings attended
CD Angus	1
Ms SJ Cox*	1
PA Day	1
PA Christofides#	0
TR Hendry*	1

** Attended as observer*
 # Not appointed at time of meeting

Nomination committee

The committee reviews and approves the appointments of directors and terms of employment of executive directors and senior employees of the group.

The nomination committee is constituted as follows:

PA Day – appointed 14 September 2010 (Chairman) and resigned 24 August 2016
CD Angus – appointed 16 May 2016 and appointed as Chairman on 24 August 2016
PA Christofides – appointed 24 August 2016

Attendance at meetings of the nomination committee (two held)

	Meetings attended
CD Angus	2
PA Christofides#	1
PA Day	1

Attended all meetings since appointment

Gender diversity

In terms of item 3.84(k) of the JSE Listings Requirements, "The board of directors or the nomination committee, as the case may be, must have a policy on the promotion of gender diversity at board level. The issuer must confirm this by reporting to shareholders in its annual report on how the board of directors or the nomination committee, as the case may be, have considered and applied the policy of gender diversity in the nomination and appointment of directors. If applicable, the board of directors or the nomination committee must further report progress in respect thereof on agreed voluntary targets."

The board supports the principles and aims of gender diversity at board level and has set a voluntary target of one female director, which the board contains. Furthermore, all future nominations will be based on merit and in line with the gender policy.

Social and ethics committee

The functions and responsibilities of the committee are to monitor the company's activities with regards to matters relating to:

- Social and economic development;
- Issues of good corporate citizenship, including promotion of equality, prevention of unfair discrimination, reduction of corruption and contribution to development of communities;
- The company's record in charitable donations and sponsorships;
- The environment, health and safety issues;
- Consumer relationships and the company's compliance with consumer protection laws;
- Labour and employment, including the company's observance of the International Labour Organization's protocols and contributions towards educational development of its employees; and
- Drawing matters within its mandate to the attention of the board as the occasion requires.

The social and ethics committee is constituted as follows:

TR Hendry – appointed 1 May 2012 (Chairman)
Ms SJ Cox – appointed 1 May 2012
CD Angus – appointed 16 May 2016

Attendance at meeting of the social and ethics committee (one held)

	MEETINGS ATTENDED
CD Angus	1
Ms SJ Cox	1
TR Hendry	1

Internal audit

The internal audit function is an independent appraisal function which examines and evaluates the group's activities and the appropriateness, adequacy and efficiency of the system of internal controls and resultant business risks. In terms of the audit and risk committee charter, the head of internal audit has the responsibility of reporting to the audit and risk 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 system of internal controls, 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 and risk committee. The internal audit work plan is presented in advance to the audit and risk 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.

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 foreign 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 predetermined 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 of Argent is responsible for the group's system of internal controls. To fulfil its responsibilities, management maintains accounting records and continues to maintain an appropriate system of internal controls.

The directors report that the group's internal controls and systems are designed to provide reasonable but 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. The effectiveness of the system of internal controls in operation is monitored continually through reviews and reports.

Going concern

The financial statements 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.

Closed periods

The group operates a closed period between its interim and year-end reporting dates and also at times cautionary notices are extant.

During these periods, directors, officers and other designated members of the group's management who may have access to price-sensitive information, are precluded from dealing in the company's shares.

All directors' and designated managers' share dealings require the prior approval of the designated director or CEO.

Company secretary and professional advice

All directors have access to the advice and services of the company 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.

In keeping with the JSE Listings Requirements, the board of directors has conducted an annual review of the company secretary and is satisfied with the competence, qualification and experience of the company secretary. The board is also satisfied that the company secretary maintains an arms-length relationship with members of the board because the company secretary is not a director of the board.

Directors' responsibilities and approval

The directors are required by the South African Companies Act, No. 71 of 2008, as amended ("**the Companies Act**"), to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group, and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring that the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion that, based on the information and explanations given by management, the system of internal controls provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial controls can provide only reasonable, and not absolute, assurance against material misstatement and loss.

The directors have reviewed the group's cash flow forecast for the year to 31 March 2017 and in light of this review and the current financial position, they are satisfied that the group has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the group's financial statements. The financial statements have been examined by the group's external auditors and their report is presented on page 27.

The financial statements, as set out on pages 33 to 76, which have been prepared on the going-concern basis, were approved by the board of directors on 27 June 2017 and were signed on its behalf by:

Teunis Scharrighuisen
Non-executive chairman
Umhlanga, Durban
27 June 2017

Treve Hendry CA (SA)
Chief executive officer
Umhlanga, Durban
27 June 2017

CERTIFICATE BY THE COMPANY SECRETARY

In my capacity as company secretary, I hereby certify, in terms of the Companies Act, that for the year ended 31 March 2017, the company has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the said Act, and that all such returns and notices, to the best of my knowledge and belief, appear to be true, correct and up to date.

Jaco Dauth
Company secretary
Umhlanga, Durban
27 June 2017

PREPARATION OF THE FINANCIAL STATEMENTS

The preparation of the financial statements in accordance with International Financial Reporting Standards for the year ended 31 March 2017, which appear on pages 33 to 76, has been supervised by the financial director of Argent Industrial Limited, Ms SJ Cox.

Sue Cox CA (SA)
Financial director
Umhlanga, Durban
27 June 2017

CHIEF EXECUTIVE OFFICER'S REVIEW

Financial overview

Argent Industrial Limited has had a successful year, despite a challenging economic environment in South Africa. The group continues to focus on its brands, both locally and internationally.

Operations review

Manufacturing

The division was adversely effected by the downturn in the South African economy and the improvement in the South African exchange rates. Hendor Mining was handed an unexpected court ruling by the Constitutional Court relating to 2007 for which we had to provide R4.5 million in the current financial year, details are disclosed in note 25.7. The manufacturing brand division is the group's core focus and to this end it purchased both OSA Door Parts Limited, a UK manufacturer and supplier of industrial sectional insulated warehouse doors, as well as 75% of Pro Crane Services (Pty) Ltd, a Johannesburg-based manufacturer and importer of overhead cranes. Details of the acquisitions can be found in note 21.5 of the financial statements. The acquisition of Pro Crane Services was cash neutral.

The group's main brands performed to expectations, while the steel furniture and the Jetmaster divisions showed negative returns. Cedar Paint being profitable, has now been included in the manufacturing sector and is no longer on the watch list.

Cedar Paint is in the process of closing its Bloemfontein branch, as well as downsizing its Klerksdorp branch. We have also consolidated the control of the Durban operation into the Pretoria factory, which has reduced the administrative costs and improved the financial control and customer service levels.

Steel trading

The steel trading operations continued to trade positively, while emphasis has been on the reduction of stock holding. To this end Phoenix Steel Gauteng, to date, has managed to reduce its year-end stock by R16 million. In addition, we are in the process of reducing our steel exposure in Cape Town, which will provide a further R15 million in stock relief.

The current steel trading environment is very difficult, with government hell-bent on creating an inefficient singular carbon steel supply monopoly, while nullifying the local manufacturer via higher input costs. We will continue downsizing our carbon steel merchants until we have correctly matched our operational returns.

Automotive

The recent price increases did manage to turn this sector around, however, the sudden announcement from General Motors that they are disinvesting from South Africa will result in our automotive plant being closed before 30 September 2017. The group has provided an additional R2 million in the form of stock provisions, but has not provided for the cost of retrenchments and the capital losses on equipment, which will be market dependant.

Properties

There are no changes or expected changes in this division.

Outlook

The outlook remains positive as the group is well positioned to take advantage of any upswing in the South African economy, as well as being in a position where it can rely on its overseas operations for positive growth and as a hedge against the Rand. One would need to take heed of South Africa's current macro-economics and the unpredictability of the local political environment and the consequent economic implications.

The current year's results should be seen in light of abnormal provisions of R4.5 million for Hendor and R2 million for Sentech, which would have improved the current year's earnings to R94 million before tax.

The group's offshore profit will be, where possible, used to make further investments into offshore brand operations, while the local profits and cash generating restructures will be used to reduce the overdraft and buy-back the companies' shares.

TR Hendry CA (SA)
Chief executive officer
Umhlanga, Durban
27 June 2017

SUSTAINABILITY REPORT

The group conducts its business with the aim of making a profit while at the same time returning value to those who have invested therein. We aim to build value for our shareholders by addressing our social, environmental and economic responsibilities.

Assurance

We acknowledge that Argent's annual report, though a positive move toward compliance, is far from perfect and that there are areas that can be improved upon. The directors are committed to applying themselves to that which we see as an opportunity for learning, rather than just a vessel for information or a means to compliance. We have dedicated ourselves to ensuring that the non-financial information provided in this report is accurate and reasonably reflects the environmental, social and governance issues that are discussed in direct relation to the key drivers of the business.

Risk management

The board is responsible for the total risk management process of 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, crime, shift in spending patterns, foreign currency risks as well as interest rate risks. Operational and financial risks are managed through detailed systems of operating and financial controls, which are reviewed and monitored regularly.

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

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

Social responsibilities

The group acknowledges its social responsibilities towards the communities in which it operates, as well as deserving institutions at large. Our programmes are mainly channelled through Argent and focus on support and contributions towards training, deserving welfares, HIV/AIDS and environmental foundations. Each year the board sets aside a specific amount for corporate social investment and various charitable institutions receive the benefit of financial support from Argent as part of our ongoing commitment to the community.

Equality

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

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 respect and to encourage people at all times as to how they can improve. 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.

Ethics and values

The group endeavours to act with honesty, responsibility and professional integrity in its dealings with employees, shareholders, customers, suppliers and society at large. 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. In any instance where ethical standards are called into question, the circumstances are thoroughly investigated and resolved in an appropriate and fair manner. The group endeavours at all levels within the organisation to work against all forms of corruption and dishonesty.

Argent is committed to the following:

- Employee development;
- Participation and empowerment;
- Respect, dignity and equal opportunity;
- A safe and healthy work environment;
- Community and environmental commitment;
- Open communication;
- Continuous improvement; and
- Product quality and customer service.

Environmental sustainability

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 long-term damage to the environment and atmosphere through the inappropriate use of plant and equipment.

Our underlying environmental philosophy is the adoption of protective strategies to manage and control the impact of our manufacturing operations upon the environment, while at the same time safeguarding our assets and human resources.

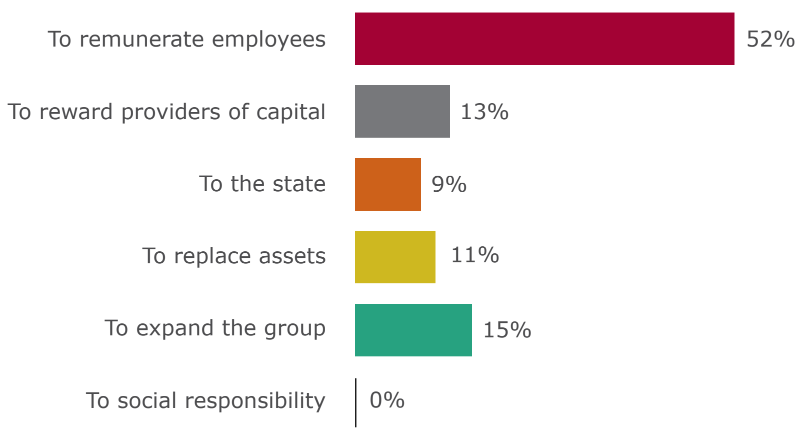
Stakeholder engagement

As a listed entity, Argent Industrial Limited complies with legal communication requirements. We believe in regular dialogue with various stakeholders and the investor community as a whole. Regular SENS announcements are published to keep stakeholders informed, while our website provides up-to-date information regarding the group.

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.

	2017 R000	2016 R000
Revenue	1 849 127	1 706 923
Purchased materials and services	1 557 229	1 439 528
	291 898	267 395
Non-operating income	1 183	1 494
Value-added	293 081	268 889
Applied as follows:		
To remunerate employees:		
Salaries, wages, pensions, bonuses and other benefits	151 761	143 547
To reward providers of capital:	36 735	34 923
Interest on loans	19 678	17 985
Dividends to shareholders	17 057	16 938
To the state:	27 079	20 651
Company tax	24 057	19 017
Value-added tax	3 022	1 634
To replace assets:		
Depreciation and amortisation	32 635	31 476
To expand the group:		
Retained earnings	44 707	38 162
To social responsibility:		
Donations	164	130
	293 081	268 889



INDEPENDENT AUDITOR'S REPORT

Report on the audit of the financial statements

Opinion

We have audited the consolidated and separate financial statements of Argent Industrial Limited (the group) set out on pages 33 to 76, which comprise the statements of financial position as at 31 March 2017, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 31 March 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The following key audit matters relate to the consolidated financial statements. We have determined that there are no key audit matters in respect of the separate financial statements to communicate in our report.

Key audit matter	How our audit addressed the key audit matter
Goodwill Goodwill comprises 12% of total assets of the Group as reflected in Note 4. This asset arises from acquisitions made by the Group. As required by International Financial Reporting Standards, management performs an annual impairment test on the recoverability of goodwill which is subjective in nature due to judgements having to be made of future performance. The Group uses either a net asset value or discounted cash flow model to determine the value in use for each appropriate cash generating unit. There are a number of sensitive judgements made in determining the inputs into these models, including: • Revenue growth rate (including market share and volume growth); • Expected changes to selling prices and direct costs during the period; • Discount rate applied to the projected cash flows. The revenue growth rate used involves judgement and the current economic climate increases the complexity of forecasting. Scrutiny is thus placed on forecast assumptions and discount rates. Accordingly, the impairment tests of goodwill are considered to be a key audit matter due to the impact of the above assumptions.	In evaluating the impairment of goodwill, we reviewed the calculations prepared by management, with particular focus on the growth rate and discount rate. We performed various procedures, including the following: • identifying the key assumptions in the model; • obtaining evidence to support the key assumptions; • re-computing the value-in-use of each cash generating unit; • evaluating the reasonableness of the revenue and costs forecasts against current year actuals; • involving a specialist from our firm to review management's calculation and confirm the appropriateness of the variables and reasonability of assumptions made by management.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Property
Property comprises 22% of total assets of the Group as disclosed in Note 3. Management performs an annual revaluation of the property portfolio in compliance with the fair value model of International Financial Reporting Standards.
The Group uses a net income capitalization method of valuation to value the properties. This method determines the net normalized annual income of the property, assuming the property is fully let at market related rentals and market related escalations.
The following key assumptions are used :
Rentals are adjusted to agree with those fetched by similar properties in similar areas.
The capitalization rate is determined from the market.
The current economic climate increases the complexity of determining the rentals of similar properties. Scrutiny is placed on rental assumptions and capitalization rates.
Accordingly, the property valuations are considered to be a key audit matter due to the impact of the above assumptions.</td><td>We focused our testing on the key assumptions made by management and our procedures included:
identifying the key assumptions in the method used;
obtaining evidence to support the key assumptions used;
performing an estimated calculation in order to test the mathematical accuracy of management's calculation using the latest independent published sources to ensure reasonableness of the discount rates and vacancy levels;
agreeing square meters and extents to supporting schedules.</td></tr>
<tr><td>Valuation of inventory
Total inventories of R 489 million represent 28% of total assets as disclosed in Note 8.
There is a risk that some inventory is carried at values higher than net realisable value due to inherent judgement required in estimating future market conditions and selling prices. Hence, this is considered to be a key audit matter.</td><td>In considering the amount of the write down of inventory to net realisable value our procedures included:
assessing the ageing of inventory and the inventory levels;
assessing the estimated selling prices;
where inventory is expected to be sold at values below cost, we ensured that management's estimate fell with an acceptable audit range.</td></tr>
<tr><td>Impairment of trade receivables
Total trade receivables of R 324 million represent 19% of total assets as disclosed in Note 9.
The receivables provision has increased relative to the prior year.
Accordingly, the estimation of the allowance for trade receivables is a significant judgement area and is therefore considered a key audit matter.</td><td>In considering the possible impairment of trade receivables, our procedures included:
testing the ageing of invoices;
identifying potential non-collectable accounts;
considering payments received subsequent to year-end, past payment history, and obtaining management's assessment of potentially impaired balances;
developing an independent estimate of the allowance for doubtful accounts and comparing to the recorded allowance and ensuring that management's estimate fell with an acceptable audit range.</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
Outstanding claim liabilities and contingencies The valuation and assessment of the entity's outstanding claims and contingencies is complex and requires input from the Group's legal advisors to derive the estimates and probability. Such complexities are considered key audit matters because of the significance of the value of these liabilities, the uncertainty of the legal positions taken, and the judgement inherent in the valuation and assessment of these contingent liabilities. We refer to Contingencies, Guarantees and Other Commitments reflected in Note 25 which outlines, inter alia, these legal matters.	In considering outstanding claim liabilities and contingencies, our procedures included: • obtaining an understanding of the legal matters, including management's assumptions in arriving at their assessment on the probability of these matters and the likely liability; • obtaining confirmation from the Group's legal advisors of these matters, including the advisor's assessment of the probability; • ensuring the assumptions used by management in their calculations of the outstanding claim liability was supported by views obtained from their senior legal advisor; • testing the mathematical accuracy of management's calculation.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report. The directors are responsible for the other information. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Grant Thornton has been the auditor of Argent Industrial Limited for nine years.

Grant Thornton

GRANT THORNTON
Registered Auditors
Practice number: 905690

A Timol
Partner
Registered Auditor
Chartered Accountant (SA)

27 June 2017

2nd Floor
4 Pencarrow Crescent
Pencarrow Park
La Lucia Ridge Office Estate
La Lucia
4019

DIRECTORS' REPORT

The directors of Argent Industrial Limited ("**Argent**" or "**the company**" or "**the group**") have pleasure in submitting the financial statements of the company and group for the year ended 31 March 2017.

Nature of business

Argent carries on the business of a holding company. The group derives its income from manufacturing and trading of steel and steel-related products, automotive and properties.

Results of operations

Earnings attributable to ordinary shareholders in respect of the year ended 31 March 2017 was R61.8 million (2016 – R55.1 million) and represents earnings of 68 cents per share (2016 – 60.1 cents per share).

The earnings attributable to the various classes of business of the group are disclosed in note 23 to the financial statements.

A provision of R4.5 million has been made for a legal case with the National Union of Metal Workers of South Africa ("NUMSA") and one of the group subsidiaries, Argent Steel Group (Proprietary) Limited t/a Hendor Mining Supplies ("Hendor"). Details of the legal case is disclosed in note 25 to the financial statements.

Dividends

Details of dividends are reflected in note 20 to the financial statements. An interim ordinary dividend of 10 cents per share has been declared and paid. A final dividend of 11 cents per share has been approved and declared.

Share-based remuneration scheme

Full details of the company's share-based remuneration scheme are set out in note 22 to the financial statements.

Directors' emoluments

The emoluments of executive and non-executive directors are determined by the company's remuneration committee. Further information relating to the earnings of the directors is set out in note 16 to the financial statements.

Directors

Mr PA Day resigned on 24 August 2016 and Mr PA Christofides was appointed as his replacement.

The names of the directors in office at the date of the report appear on page 7 of the annual report.

The following directors, who retire by rotation in terms of the Memorandum of Incorporation, and being eligible for re-election, will be standing for re-election at the annual general meeting ("AGM") of the shareholders of Argent: Mr CD Angus, Mr PA Christofides and Mr K Mapasa.

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 have a direct or indirect interest in 14 183 707 (2016 – 13 922 852) of the issued ordinary shares of the company. No material changes have arisen since year-end.

Authorised and issued stated capital

Details of the authorised, issued and unissued shares are set out in note 10 to the financial statements.

Subsidiaries

Details of major subsidiaries appear on page 76 of this report. The aggregate net profit of the subsidiaries attributable to shareholders of the company is as follows:

	2017	2016
Net profit (R 000)	62 007	69 884

Acquisitions

The group acquired 100% of the shares of OSA Door Parts Limited on 11 July 2016 from Ensor Holdings PLC for a purchase consideration of GBP2 500 000.

Pro Crane Services was acquired for a purchase consideration of R6.75 million and Lifting Online for no consideration. Both Pro Crane and Lifting Online were acquired on 1 December 2016 at a 75% shareholding.

Risk management and insurance

It is the group's belief that its risks should be managed to protect its assets and earnings against unacceptable financial loss and to safeguard against legal liabilities. Possible catastrophic risks are insured at minimum cost with satisfactory cover. Non-catastrophic risks are self-insured. Property, plant and equipment are insured at current replacement values.

Events after the reporting period

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

Resolutions

No special resolutions, the nature of which might be significant to shareholders in their appreciation of the state of affairs of the group, were passed by the company's subsidiaries during the period covered by this annual report.

Share buy-back programme

Annually the directors seek, and obtain, the approval of the shareholders in the AGM to repurchase Argent shares. This authority, valid until the following year's AGM and subject to the JSE Listings Requirements, allows the Argent group to repurchase its own shares up to a maximum of 20% of the issued shares, at a price not greater than 10% above the preceding five-day weighted average. Shareholders will be asked to renew this authority at the company's AGM in August 2017.

During the year, Argent repurchased 560 227 shares at an average share price of R4.06 per share, costing a total of R2 275 028.

Teunis Scharrighuisen
Non-executive chairman
Umhlanga
Durban
27 June 2017

Treve Hendry CA (SA)
Chief executive officer
Umhlanga
Durban
27 June 2017

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2017

		Group		Company	
	Note	2017 R 000	2016 R 000	2017 R 000	2016 R 000
Assets					
Property, plant and equipment	3	631 861	621 273	139	172
Intangible assets	4	213 693	176 298		
Long-term loan	5	14 971	15 931		
Employee share incentive scheme loan	6			17 606	18 229
Deferred taxation	13	7 432	9 278		
Interest in subsidiaries	7			336 946	251 649
Non-current assets		**867 957**	**822 780**	**354 691**	**270 050**
Inventories	8	488 641	464 081		
Trade and other receivables	9	339 285	298 216	35 229	22 820
Bank balance and cash	21.4	30 894	37 553	66 573	41 119
Current assets		**858 820**	**799 850**	**101 802**	**63 939**
Total assets		**1 726 777**	**1 622 630**	**456 493**	**333 989**
Equity and liabilities					
Capital and reserves					
Stated capital and treasury shares	10	447 872	450 147	540 918	543 193
Reserves	11	24 177	31 289		
Retained earnings/(accumulated loss)		750 923	706 216	(285 942)	(267 551)
Attributable to owners of the parent		1 222 972	1 187 652	254 976	275 642
Non-controlling interest		15 180	11 211		
Total shareholders' funds		**1 238 152**	**1 198 863**	**254 976**	**275 642**
Interest-bearing borrowings	12	36 509	23 818		
Deferred taxation	13	83 700	68 067	347	412
Non-current liabilities		**120 209**	**91 885**	**347**	**412**
Trade and other payables	14	235 257	188 603	40 655	21 272
Loans from subsidiaries	7			160 515	36 663
Taxation		1 673	1 606		
Bank overdraft	21.4	99 023	122 493		
Current portion of interest-bearing borrowings	12	32 463	19 180		
Current liabilities		**368 416**	**331 882**	**201 170**	**57 935**
Total equity and liabilities		**1 726 777**	**1 622 630**	**456 493**	**333 989**
Net asset value per share (cents)		**1 349.2**	**1 302.2**		

STATEMENTS OF PROFIT OR LOSS

for the year ended 31 March 2017

		Group		Company	
	Note	2017 R 000	2016 R 000	2017 R 000	2016 R 000
Revenue	15	1 849 127	1 706 923		
Operating profit/(loss) before finance costs	16	105 985	91 245	(4 789)	19 788
Finance income		1 183	1 494	4 482	6 023
Finance costs	17	(19 678)	(17 985)		
Profit/(loss) before taxation		87 490	74 754	(307)	25 811
Taxation	18	(24 057)	(19 017)	64	(122)
Profit/(loss) for the year		63 433	55 737	(243)	25 689
Attributable to equity holders of the					
- Parent		61 764	55 100	(243)	25 689
- Non-controlling interest		1 669	637		
		63 433	**55 737**	**(243)**	**25 689**
Basic earnings per share (cents)	19.1	68.0	60.1		
Diluted earnings per share (cents)	19.2	68.0	60.1		
Dividends per share (cents)	20	19.0	18.0		
Final prior		9.0	9.0		
Interim current		10.0	9.0		
Shares in issue (000)					
- at end of period		90 642	91 202		
- weighted average for the year		90 815	91 623		

STATEMENTS OF OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2017

	Group		Company	
	2017 R 000	2016 R 000	2017 R 000	2016 R 000
Profit/(loss) for the year	63 433	55 737	(243)	25 689
Other comprehensive income for the year				
Items that may be reclassified subsequently to profit and loss				
Exchange differences on translating foreign operations	(7 483)	2 192		
Items that will not be reclassified subsequently to profit and loss				
Change in tax rate on revaluation reserve		(698)		
Total other comprehensive income/(loss) for the year	**55 950**	**57 231**	**(243)**	**25 689**
Attributable to equity holders of the				
- Parent	54 281	56 594	(243)	25 689
- Non-controlling interest	1 669	637		
	55 950	**57 231**	**(243)**	**25 689**

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2017

Group

	Note	Stated capital R 000	Treasury shares R 000	Employee share incentive reserve R 000	Revaluation reserve R 000	Foreign currency translation reserve R 000	Retained earnings R 000	Total attributable to owners of the parent R 000	Non-controlling interest R 000	Total shareholders' funds R 000
Balance at 31 March 2015		**545 643**	**(93 046)**	**840**	**37 021**	**(8 156)**	**667 847**	**1 150 149**	**10 574**	**1 160 723**
Share-based payments				297				297		297
Share buy-back		(2 450)						(2 450)		(2 450)
Transfer of reserve to retained earnings				(207)			207			
Total comprehensive income					(698)	2 192	55 100	56 594	637	57 231
Dividends – current interim and prior final	20						(17 296)	(17 296)		(17 296)
Less dividend on treasury shares	20						358	358		358
Balance at 31 March 2016		**543 193**	**(93 046)**	**930**	**36 323**	**(5 964)**	**706 216**	**1 187 652**	**11 211**	**1 198 863**
Non-controlling interest on aquisition of subsidiary									2 300	2 300
Share-based payments				371				371		371
Share buy-back		(2 275)						(2 275)		(2 275)
Total comprehensive income						(7 483)	61 764	54 281	1 669	55 950
Dividends – current interim and prior final	20						(18 148)	(18 148)		(18 148)
Less dividend on treasury shares	20						1 091	1 091		1 091
Balance at 31 March 2017		**540 918**	**(93 046)**	**1 301**	**36 323**	**(13 447)**	**750 923**	**1 222 972**	**15 180**	**1 238 152**
Note		10	10	11	11	11				

(Statements of changes in equity for the year ended 31 March 2017 continued)

Company

	Note	Stated capital R 000	Accumulated loss R 000	Total R 000
Balance at 31 March 2015		**545 643**	**(275 944)**	**269 699**
Share buy-back		(2 450)		(2 450)
Total comprehensive income			25 689	25 689
Dividends - current interim and prior final	20		(17 296)	(17 296)
Balance at 31 March 2016	**10**	**543 193**	**(267 551)**	**275 642**
Share buy-back		(2 275)		(2 275)
Total comprehensive loss			(243)	(243)
Dividends – current interim and prior final	20		(18 148)	(18 148)
Balance at 31 March 2017	**10**	**540 918**	**(285 942)**	**254 976**

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2017

		Group		Company	
	Note	2017 R 000	2016 R 000	2017 R 000	2016 R 000
Cash flows from operating activities					
Cash generated from/(used in) operations	21.1	122 200	102 127	97 146	(6 710)
Finance income		1 183	1 494	4 482	6 023
Finance costs		(19 678)	(17 985)		
Dividends received					40 473
Dividends paid	21.2	(17 057)	(16 938)	(18 148)	(17 296)
Normal taxation paid	21.3	(6 468)	(5 769)		
Net cash inflow from operating activities		**80 180**	**62 929**	**83 480**	**22 490**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(48 357)	(39 913)	(44)	(130)
Additions to intangible assets	4	(89)	(3 286)		
Proceeds on disposal of property, plant and equipment		3 274	70 241		
Acquisition of subsidiaries net of cash acquired	21.5	(42 267)		(56 330)	
Long-term loan advanced/(repaid)		960	(1 310)	623	171
Net cash (outflow)/inflow from investing activities		**(86 479)**	**25 732**	**(55 751)**	**41**
Cash flows from financing activities					
Share buy-back		(2 275)	(2 450)	(2 275)	(2 450)
Payment of interest-bearing borrowings		25 385	(36 217)		
Net cash inflow/(outflow) from financing activities		**23 110**	**(38 667)**	**(2 275)**	**(2 450)**
Net increase in cash and cash equivalents		16 811	49 994	25 454	20 081
Cash and cash equivalents at beginning of year		(84 940)	(134 934)	41 119	21 038
Cash and cash equivalents at end of year	**21.4**	**(68 129)**	**(84 940)**	**66 573**	**41 119**

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the South African Companies Act, No. 71 of 2008, the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Listings Requirements of the JSE Limited.

The group financial statements are prepared 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 as appropriate and incorporate the following principal accounting policies, which have been consistently applied in all material respects.

The financial statements have been prepared on the going concern basis, which assumes that the group will continue in operation for the foreseeable future.

The accounting policies are the same as the prior year.

The following standards and interpretations were adopted, but did not have an effect on the financial statements:

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations (effective from 1 July 2016)

IFRS 7 – Financial Instruments: Disclosures (effective from 1 July 2016)

IAS 19 – Employee Benefits (effective 1 July 2016)

IAS 34 – Interim Financial Reporting (effective 1 July 2016)

All amounts in the financial statements, reports and supporting schedules are stated to the nearest R 000, except where otherwise indicated.

1.2 Significant judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates made by management from time to time.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant estimates and judgements are made in the following areas:

- Property, plant and equipment – Residual values and useful lives – note 1.4.
- Property, plant and equipment – Revaluation of land and buildings – note 3.
- Impairment of goodwill – note 4.
- Inventory - Allowance for slow moving, damaged and obsolete inventory – note 8.
- Trade receivables – allowance for doubtful debts – note 9.
- Deferred taxation – note 13.
- Contingent liabilities – note 25.
- Fair value of share-based payments – note 22.
- Fair value of foreign exchange contracts – note 26.
- Fair value of financial liabilities – note 26.

1.3 Basis of consolidation

The group financial statements consolidate those of the parent company and all of its subsidiaries. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

1.4 Property, plant and equipment

Property, plant and equipment, except for land and buildings, are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on the straight-line basis at rates considered appropriate to reduce book values over the useful life of the assets to estimated residual values. The depreciation method, useful life and residual value, if significant, are reassessed annually. The current estimated useful life is as follows:

Item	Average useful life
Buildings	50 years
Plant and equipment	15 years
Motor vehicles	10 years
Furniture, fittings and equipment	3 to 10 years

Land and buildings are carried at revalued amounts, being the fair values at the date of revaluation less any subsequent accumulated depreciation (on buildings) and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the statement of financial position date. Any increase in an asset's carrying amount, as a result of revaluation, is credited to other comprehensive income. The increase is recognised in profit and loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset. As no finite useful life for land can be determined, related carrying amounts are not depreciated. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of an item.

1.5 Intangibles

Intangible assets, other than goodwill, are stated at cost less accumulated amortisation and impairment. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The amortisation methods and estimated remaining useful lives are reviewed at least annually.

Expenditure on purchased patents is capitalised. Expenditure to extend the term of the patent is capitalised. All other expenditure is charged to the statement of profit or loss when incurred.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

1.6 Goodwill

Goodwill is initially measured at cost, being the excess of the cost of business combination over the company's interest of the net fair value of the identifiable assets, liabilities and contingent liabilities.

Subsequently goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

The excess of the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is immediately recognised in profit and loss as a gain on bargain purchases.

1.7 Investments in subsidiaries

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group;
- any costs directly attributable to the purchase of the subsidiary; plus
- long-term loans to subsidiaries capitalised to the cost of the investment.

1.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

1.9 Financial instruments

Initial recognition

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Loans to/(from) group companies

These include loans to subsidiaries and are recognised initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the statement of profit or loss.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

Other loans and receivables

Other financial assets are initially recognised at fair value plus transaction costs, and are subsequently carried at amortised cost less any accumulated impairment.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Offsetting

Financial assets and liabilities are off-set and the net amount presented in the statement of financial position when the group has a legal right to set off the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

1.10 Revenue

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred.

The group also earns rental income from operating leases on its properties. Rental income is recognised on a straight-line basis over the term of the lease.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

1.11 Taxation

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in comprehensive income or equity; or
- a business combination.

Current tax and deferred taxes are charged or credited directly to comprehensive income or equity if the tax relates to items that are credited or charged, in the same or a different period, directly to comprehensive income or equity.

1.12 Dividends

Dividends to equity holders are only recognised as a liability when declared and are included in the statement of changes in equity.

1.13 Impairments

The carrying amount of the group's assets, other than inventories (refer accounting policy note 1.8) and deferred tax assets (refer accounting policy note 1.11) are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of the group's receivables at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective rate computed at initial recognition of these financial assets).

The recoverable amount of other assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

1.14 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of group entities at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit and loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to SA Rand at foreign exchange rates at the reporting date. The income and expenses of foreign operations are translated to SA Rand at rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

1.15 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.16 Cash flows

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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.

1.17 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. The key operating decision makers are the executive board members.

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 as incurred.

1.19 Short-term employee benefits

The cost of all short-term employee benefits is recognised during the year in which the employee renders the related service. The accruals for employee entitlements to remuneration and annual leave represent the amount which the group has a present obligation to pay as a result of the employee's services provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current remuneration rates.

1.20 Share-based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or services are received. A corresponding increase in equity is recognised if the goods or services are received in an equity-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses, in which case their value and the corresponding increase in equity, are measured directly at the fair value of the goods or services received, unless that fair value cannot be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity are measured indirectly by reference to the fair value of the equity instruments granted.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, the group accounts for those services as they are rendered by the counterparty during the vesting period (or on a straight-line basis over the vesting period).

If the share-based payments vest immediately the services received are recognised in full.

Where the equity instruments are no longer outstanding, the accumulated share-based payment reserve in respect of those equity instruments is transferred to retained earnings.

1.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Government grants

When the conditions attached to government grants have been met they are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related expenses.

1.23 Contingent assets and liabilities

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group. Contingent assets are not recognised as assets.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities.

1.24 Definitions

1.24.1 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.

1.24.2 Dividend cover

Basic earnings per share divided by dividends per share.

1.24.3 Gearing

Interest-bearing debt, divided by capital and reserves and non-controlling interest.

2. Statements and interpretations not yet effective

New standards or revisions to current standards have been issued with effective dates applicable to future statements of the group. Only those standards not yet adopted and that could be expected to be applicable to the group are set out below, i.e. those applicable to unrelated industries or economies are not dealt with herein.

The group expects to adopt the amendments from the effective dates. Adoption of these standards by the group in future reporting periods is not expected to have a significant impact on the financial statements of the group or company.

STANDARD	DETAILS OF AMENDMENTS	ANNUAL PERIODS BEGINNING ON AFTER
IFRS 1 First time adoption of International Reporting Standards	• Annual Improvements 2014–2016: Deletion of short-term exemptions that are no longer applicable.	1 January 2018
IFRS 2 Share Based Payments	• Classification and measurement of share-based payment transactions: A collection of three distinct narrow-scope amendments dealing with classification and measurement of share-based payments. • The amendments address: - The effects of vesting conditions on the measurement of a cash-settled share-based payment; - The accounting requirements of a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled; and - Classification of share-based payment transactions with net settlement features.	1 January 2018
IFRS 9 Financial Instruments	• A final version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition: - IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. - The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets. - IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. - IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.	1 January 2018 *IFRS 9 (2014) supersedes any previous versions of IFRS 9, but earlier versions of IFRS 9 remain available for application if the relevant date of application is before 1 February 2015*
IFRS 12 Disclosure of Interest in Other Entities	• Annual Improvements 2014–2016 Cycle: Clarification of the scope of IFRS 12 with respect to interests in entities classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.	1 January 2017

STANDARD	DETAILS OF AMENDMENTS	ANNUAL PERIODS BEGINNING ON AFTER
IFRS 15 Revenue from Contracts with Customers	• New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five-step methodology that is required to be applied to all contracts with customers. • The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. • The new standard supersedes: - IAS 11 Construction Contracts; - IAS 18 Revenue; - IFRIC 13 Customer Loyalty Programmes; - IFRIC 15 Agreements for the Construction of Real Estate; - IFRIC 18 Transfers of Assets from Customers; and - SIC-31 Revenue–Barter Transactions Involving Advertising Services.	1 January 2018
IFRS 16 Leases	• New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows. • IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. • IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. • IFRS 16 supersedes the following Standards and Interpretations: - IAS 17 Leases; - IFRIC 4 Determining whether an Arrangement contains a Lease; - SIC-15 Operating Leases–Incentives; and - SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.	1 January 2019

STANDARD	DETAILS OF AMENDMENTS	ANNUAL PERIODS BEGINNING ON AFTER
IAS 7 Statements of Cash Flows	• Disclosure Initiative: Amendments requiring entities to disclose information about changes in their financing liabilities. The additional disclosures will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses).	1 January 2017
IAS 12 Income Tax	• Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12): Narrow-scope amendment to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017
IAS 40 Interim Financial Reporting	• Transfers of Investment Property: Clarification of the requirements on transfers to, or from, investment property.	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	• This interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.	1 January 2018

3. Property, plant and equipment

Group

	Land and buildings R 000	Plant and equipment R 000	Motor vehicles R 000	Furniture, fittings and equipment R 000	Total 2017 R 000
Carrying amount at beginning of year	362 793	217 070	37 487	3 923	**621 273**
Gross carrying amount	372 814	410 154	89 522	22 780	**895 270**
Accumulated depreciation	(10 021)	(193 084)	(52 035)	(18 857)	**(273 997)**
Exchange difference on translation of foreign operations	(1 005)	(729)	(24)	(94)	**(1 852)**
New business combinations		559	724	534	**1 817**
Additions	18 785	19 824	7 910	1 838	**48 357**
Disposals	(1 151)	(1 996)	(2 065)	(103)	**(5 315)**
Depreciation	(308)	(22 627)	(7 307)	(2 177)	**(32 419)**
Carrying amount at end of year	379 114	212 101	36 725	3 921	**631 861**
Gross carrying amount	389 082	418 697	90 915	24 039	**922 733**
Accumulated depreciation	(9 968)	(206 596)	(54 190)	(20 118)	**(290 872)**

The carrying amount would have been R340 million had land and buildings been accounted for using the cost model.

Group

	Land and buildings R 000	Plant and equipment R 000	Motor vehicles R 000	Furniture, fittings and equipment R 000	Total 2016 R 000
Carrying amount at beginning of year	371 041	227 391	37 665	5 258	**641 355**
Gross carrying amount	418 643	397 725	85 338	22 695	**924 401**
Accumulated depreciation	(47 602)	(170 334)	(47 673)	(17 437)	**(283 046)**
Exchange difference on translation of foreign operations	2 078	924	71	76	**3 149**
Additions	14 101	14 857	9 667	1 288	**39 913**
Disposals	(22 279)	(5 269)	(2 831)	(150)	**(30 529)**
Impairments	(1 250)				**(1 250)**
Depreciation	(898)	(20 833)	(7 085)	(2 549)	**(31 365)**
Carrying amount at end of year	362 793	217 070	37 487	3 923	**621 273**
Gross carrying amount	372 814	410 154	89 522	22 780	**895 270**
Accumulated depreciation	(10 021)	(193 084)	(52 035)	(18 857)	**(273 997)**

The carrying amount would have been R324 million had land and buildings been accounted for using the cost model.

Company

	Furniture, fittings and equipment R 000	Total 2017 R 000
Carrying amount at beginning of year	172	**172**
Gross carrying amount	443	**443**
Accumulated depreciation	(271)	**(271)**
Additions	44	**44**
Depreciation	(77)	**(77)**
Carrying amount at end of year	139	**139**
Gross carrying amount	452	**452**
Accumulated depreciation	(313)	**(313)**

Company

	Furniture, fittings and equipment R 000	Total 2016 R 000
Carrying amount at beginning of year	112	**112**
Gross carrying amount	314	**314**
Accumulated depreciation	(202)	**(202)**
Additions	130	**130**
Depreciation	(70)	**(70)**
Carrying amount at end of year	172	**172**
Gross carrying amount	443	**443**
Accumulated depreciation	(271)	**(271)**

Pledged security

Certain items of property, plant and equipment are encumbered as set out in note 12.

A register containing details of the property, plant and equipment is available for inspection at the registered office of the company.

Valuation of land and buildings

Land and buildings is recognised at the revalued amount, which is based on directors valuations prepared every year at year-end. The carrying amount of properties is the fair value as determined by the directors less subsequent accumulated depreciation and impairment losses. The effective date of the revaluations was 31 March 2017.

The fair values of the land and buildings are estimated using an income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields and take into account the type of the property and the property's location.

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions about vacancy levels and the discount rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rates (market yields) decline. Management considers that the range of reasonably possible alternative assumptions is greatest for rental values and vacancy levels and that there is also an interrelationship between these inputs. The assumed discount rates applied for the future income streams range between 9.3% and 11.65%.

The directors assessed the useful lives of the buildings to be 50 years, and the residual values exceed their carrying values, with the exception of New Joules North America that has a useful life of 39 years.

4. Intangible assets

Group

	Patents R 000	Goodwill R 000	Total 2017 R 000
Carrying amount at beginning of year	3 432	172 866	**176 298**
Gross carrying amount	5 798	172 866	**178 664**
Accumulated amortisation	(2 366)		**(2 366)**
Goodwill in respect of business combinations		37 851	**37 851**
Exchange difference on translation of foreign operation	(329)		**(329)**
Additions	89		**89**
Amortisation for the year	(216)		**(216)**
Carrying amount at end of year	2 976	210 717	**213 693**
Gross carrying amount	3 303	210 717	**214 020**
Accumulated amortisation	(327)		**(327)**

Group

	Patents R 000	Goodwill R 000	Total 2016 R 000
Carrying amount at beginning of year		172 866	**172 866**
Gross carrying amount	2 255	172 866	**175 121**
Accumulated amortisation	(2 255)		**(2 255)**
Exchange difference on translation of foreign operation	257		**257**
Additions	3 286		**3 286**
Amortisation for the year	(111)		**(111)**
Carrying amount at end of year	3 432	172 866	**176 298**
Gross carrying amount	5 798	172 866	**178 664**
Accumulated amortisation	(2 366)		**(2 366)**

Patents

The patent is a railway retarder and has a remaining useful life of 13 years.

Goodwill

Goodwill is not amortised but subject to an annual impairment test. For the purpose of annual impairment testing goodwill is allocated to the relevant underlying cash-generating unit (CGU).

Goodwill amounting to R211 million is represented by 15 CGUs. No individual CGU is significant in comparison to the group's total carrying amount of goodwill. The recoverable amounts of the CGUs are determined from value in use calculations.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specified to the CGUs. Budgets are prepared for a five year period. The discount factor applied in the value in use model is between 13.5% and 15%.

The average projected growth rate used is 7%. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. All the recoverable amounts are in excess of the carrying values and therefore no impairments have been recongised.

5. Long-term loan

	Group		Company	
	2017 R 000	2016 R 000	2017 R 000	2016 R 000
Unsecured loans advanced to BEE minority shareholders for the purchase of interest in subsidiaries. Indefinite period of repayment at an interest rate of prime less 1%.	14 971	15 931		

6. Employee share incentive scheme loan

	Group		Company	
	2017 R 000	2016 R 000	2017 R 000	2016 R 000
Employee share incentive trust loan			17 606	18 229
An analysis of the Argent Employee Share Incentive Scheme loan is as follows:				
Balance at the beginning of the year			18 229	18 400
Loan repaid – dividends			(1 091)	(358)
Issue of shares				
Restatement of loan			468	187
Total employee share incentive scheme loan			**17 606**	**18 229**

The loan is interest free with no fixed terms of repayment set.
The unallocated shares are under the control of the trustees of the scheme.

7. Interest in subsidiaries

	Group		Company	
	2017 R 000	2016 R 000	2017 R 000	2016 R 000
Opening cost less impairment			251 649	251 649
New acquisitions			56 330	
Loans transferred to equity			28 967	
Shares at cost less impairments			**336 946**	**251 649**
Opening balance			(36 663)	(27 992)
Movement during the year			(94 885)	(8 671)
Loans transferred to equity			(28 967)	
Loans from subsidiaries included in current liabilities			**(160 515)**	**(36 663)**
Loans owing by subsidiaries			72 398	135 889
Loans owing to subsidiaries			(232 913)	(172 552)
Loans from subsidiaries included in current liabilities			**(160 515)**	**(36 663)**

The loans are payable by mutual arrangements. The loans to and from subsidiaries are netted off as they are managed on a group basis according to group cash flow requirements. For further details of interest in subsidiaries refer page 76.

8. Inventories

	Group		Company	
	2017 R 000	**2016 R 000**	**2017 R 000**	**2016 R 000**
Raw materials	111 116	107 345		
Work in progress	46 044	32 748		
Goods in transit	15 605	11 300		
Finished goods	315 876	312 688		
Total inventories	**488 641**	**464 081**		

An allowance is created to write down inventory to the lower of cost or net realisable value. The write down is included in operating profit.

Management makes estimates of the selling price and direct costs to sell inventory in determining the net realisable value.

Inventory with a carrying amount of R3.4 million (2016 – R14.3 million) was impaired during the year.

Nedbank Limited holds a notarial general covering bond for R150 million over all movable assets held by Argent Steel Group (Pty) Ltd.

9. Trade and other receivables

	Group		Company	
	2017 R 000	**2016 R 000**	**2017 R 000**	**2016 R 000**
Trade receivables *	323 785	269 252	22 415	8 071
Other receivables	15 500	28 964	12 814	14 749
Total trade and other receivables	**339 285**	**298 216**	**35 229**	**22 820**
Reconciliation of impairment allowance				
Opening balance	(16 585)	(19 476)		
New acquisitions	(16 513)			
Net amount utilised	785	2 891		
Closing balance	**(32 313)**	**(16 585)**		

* The fair values of the trade receivables approximate their carrying values and are stated net of impairments.

Trade receivables are reviewed for impairment on an individual basis and factors considered include the nature and credit quality of counter-parties as well as disputes regarding price, delivery and quality.

Trade receivables have been ceded for facilities granted.

Refer to note 26.3 for additional disclosure on trade and other receivables.

10. Stated capital and treasury shares

	Group		Company	
	2017 R 000	2016 R 000	2017 R 000	2016 R 000
Authorised stated capital				
200 000 000 ordinary shares of no par value (2016 – 200 000 000 ordinary shares of no par value)				
Issued stated capital				
95 324 800 ordinary shares of no par value (2016 – 95 885 027 ordinary shares of no par value)	540 918	543 193	540 918	543 193
Balance at the beginning of the year	543 193	545 643	543 193	545 643
Share buy-back	(2 275)	(2 450)	(2 275)	(2 450)
Treasury shares	(93 046)	(93 046)		
Balance at the beginning of the year	(93 046)	(93 046)		
Issue of shares				
Total stated capital and treasury shares	**447 872**	**450 147**	**540 918**	**543 193**

During the year 560 227 shares were repurchased and cancelled as part of the share buy-back programme. The unissued shares are under the control of the directors until the next annual general meeting.

There are no unlisted securities.

Refer to note 22 for additional disclosure on treasury shares.

11. Reserves

	Group		Company	
	2017 R 000	2016 R 000	2017 R 000	2016 R 000
Revaluation reserve	36 323	36 323		
Foreign currency translation reserve	(13 447)	(5 964)		
Employee share incentive reserve	1 301	930		
Total reserves	**24 177**	**31 289**		

12. Interest-bearing borrowings

	Group		Company	
	2017 R 000	**2016 R 000**	**2017 R 000**	**2016 R 000**
Secured				
Instalment sale obligations	15 207	23 720		

Secured by property, plant and equipment with a net book value of R27.8 million (2016 – R49.5 million) (refer note 3)

Repayments are made in equal monthly instalments.

Aggregate repayments are due as follows:

Year ending 31 March	**R 000**
2018	8 921
2019	5 693
2020 and later	2 348

The effective average interest rate applicable to these liabilities is 1.25% below prime to 2.25% above prime.

	Group 2017 R 000	Group 2016 R 000	Company 2017 R 000	Company 2016 R 000
Mortgage bonds	740	1 766		

Repayments are due as follows:

Year ending 31 March	**R 000**
2018	768

Secured by fixed property bearing interest at 0.25% above prime.

	Group 2017 R 000	Group 2016 R 000	Company 2017 R 000	Company 2016 R 000
Loan facility owing by the group to Investec Bank Limited	53 025	17 512		

Repayments are due as follows:

Year ending 31 March	**R 000**
2018	28 220
2019	25 818
2020 and later	5 172

The loan bears an average interest rate of 0.13% above prime and is repayable in monthly instalments of approximately R2 million , secured by fixed property.

	Group 2017 R 000	Group 2016 R 000	Company 2017 R 000	Company 2016 R 000
Total interest-bearing borrowings	68 972	42 998		
Less: Portion payable within 12 months reflected under current liabilities	32 463	19 180		
Non-current portion	**36 509**	**23 818**		

In terms of the company's memorandum of incorporation, the directors' borrowing powers are unlimited.

13. Deferred taxation

	Group		Company	
	2017 R 000	**2016 R 000**	**2017 R 000**	**2016 R 000**
The following deferred taxation balances are reflected on the statement of financial position:				
Deferred taxation assets	7 432	9 278		
Deferred taxation liabilities	(83 700)	(68 067)	(347)	(412)
Total deferred taxation	**(76 268)**	**(58 789)**	**(347)**	**(412)**

Deferred taxation assets are recognised to the extent that realisation of the related tax benefit is probable.

A deferred tax asset of R14.6 million (2016 – R30.6 million) has been recognised in respect of tax losses, as future taxable income of sufficient amount is expected to be earned.

	Group 2017 R 000	Group 2016 R 000	Company 2017 R 000	Company 2016 R 000
Reconciliation				
Balance at beginning of year	(58 789)	(47 045)	(412)	(290)
New subsidiaries – capital allowances	43			
Change in tax rate on revaluation reserve		(698)		
Originating temporary difference	(17 522)	(11 046)	64	(122)
Capital allowances	(3 008)	(1 200)		
Prepayments	117	63	118	63
Assessable losses	(16 067)	2 503	(54)	(185)
Provisions	2 087	(13 341)		
Other temporary differences	(651)	929		
Balance at end of year	**(76 268)**	**(58 789)**	**(348)**	**(412)**
Analysis				
Capital allowances	(80 987)	(78 022)		
Prepayments	(384)	(501)	(383)	(501)
Assessable losses	14 580	30 647	35	89
Revaluation of land and buildings	(13 233)	(13 233)		
Provisions	3 042	955		
Other temporary differences	714	1 365		
	(76 268)	**(58 789)**	**(348)**	**(412)**

The deferred tax asset in Jetmaster (Pty) Ltd and Paint and Ladders (Pty) Ltd arises on temporary differences, most specifically an assessed loss.

The directors have tested the deferred tax asset recognised for recoverability in terms of IAS 12. The turnaround strategy supporting the recognition of this asset makes certain key assumptions which the board has considered and believes to be reasonable in the circumstances.

The principal assumptions are summarised as follows:

- Restructuring of certain brands and the closure of loss making divisions;
- Continued cost control; and
- Introduction of additional revenue streams which are reasonably and broadly achievable.

14. Trade and other payables

	Group		Company	
	2017 R 000	2016 R 000	2017 R 000	2016 R 000
Trade payables	140 277	138 101		
VAT	6 947	3 013		
Accruals	17 104	18 125		
Intercompany			21 219	
Goods in transit	12 519	6 522		
Other payables	58 410	22 842	19 436	21 272
Total trade and other payables	**235 257**	**188 603**	**40 655**	**21 272**

The fair values of the trade and other payables approximate their carrying value.

15. Revenue

	Group		Company	
	2017 R 000	2016 R 000	2017 R 000	2016 R 000
Revenue from goods sold	1 849 127	1 706 923		

16. Operating profit/(loss) before finance costs

are arrived at after taking into account:

	Group		Company	
	2017 R 000	2016 R 000	2017 R 000	2016 R 000
Income				
Income from subsidiaries – dividends				40 473
Profit on foreign exchange transactions	909	5 198		
Government grants		2 698		
Expenses				
Cost of sales	1 416 572	1 320 083		
Auditors' remuneration				
Audit fees current year	3 462	2 699	896	538
Loss on disposal of property, plant and equipment	2 040	1 635		
Loss on foreign exchange transactions		1 779		
Inventory write down (included in cost of sales)	3 462	14 358		
Impairment of property, plant and equipment		1 250		
Retrenchment costs	761	1 299		
Depreciation				
- Land and buildings	308	898		
- Plant and equipment	22 627	20 833		
- Motor vehicles	7 307	7 085		
- Furniture, fittings and equipment	2 177	2 549	77	70
Amortisation of intangibles				
- Patents	216	111		
Operating lease costs				
- Land and buildings	41 086	32 473		
Research and development	16	57		
Staff costs	151 761	143 547		
Included in staff costs are:				
- Defined contribution plan expense	23 877	24 664		

Executive directors' emoluments

	Basic R 000	Fees* R 000	Other benefits R 000	Bonus R 000	Prov contrib. R 000	Share options and benefits R 000	Total 2017 R 000
Ms SJ Cox	1 725	192	150	346	243	90	**2 746**
TR Hendry	1 955	242	701	368	291	90	**3 647**
AF Litschka	1 386	171	391	342	217	90	**2 597**
Total	5 066	605	1 242	1 056	751	270	8 990

Non-executive directors' emoluments

CD Angus		55					55
P Christofides		18					18
PA Day		37					37
Mrs JA Etchells		23					23
K Mapasa		58					58
T Scharrighuisen		150					150
Total		**341**					**341**

* Fees include amounts for services rendered to the company and subsidiaries

Executive directors' emoluments

	Basic R 000	Fees* R 000	Other benefits R 000	Bonus R 000	Prov contrib. R 000	Share options and benefits R 000	Total 2016 R 000
Ms SJ Cox	1 575	191	144	109	223	88	**2 330**
TR Hendry	1 931	236	687	185	290	88	**3 417**
AF Litschka	1 287	157	351	102	204	88	**2 189**
Total	4 793	584	1 182	396	717	264	**7 936**

Non-executive directors' emoluments

	Basic R 000	* Fees R 000	Other benefits R 000	Bonus R 000	Prov. contrib. R 000	Share options and benefits R 000	Total 2016 R 000
CD Angus							
PA Day		50					**50**
Mrs JA Etchells		50					**50**
K Mapasa		52					**52**
T Scharrighuisen		150					**150**
Total		**302**					**302**

	Total 2017 R 000	Total 2016 R 000
Directors' emoluments paid by:		
Company	946	886
Subsidiaries	8 385	7 352
Total	9 331	8 238

Executive directors have employment contracts for five years effective from 1 September 2013 to 31 August 2018, renewable at the executive directors discretion for another five years. Six months written notice of intention to renew is required.

Executive directors are entitled to receive the cash equivalent of the following number of shares on cessation of service:

	Balance at beginning of year	Yearly accrual	Balance at end of year 2017
Ms SJ Cox	200 000	20 000	220 000
TR Hendry	260 000	20 000	280 000
AF Litschka	160 000	20 000	180 000
Total	**620 000**	**60 000**	**680 000**

The liability relating to cessation benefits, amounting to R4 million (2016 – R3.7 million) is included in trade and other payables (note 14).

Directors share option allocations are granted on the same terms as the Argent Employee Share Option Scheme.

	Balance at beginning of year	Options granted	Options exercised	Options lapsed	Balance at end of year 2017
Movement in the number of options granted					
CD Angus					
Ms SJ Cox	733 000			(298 500)	434 500
PA Day					
Mrs JA Etchells					
TR Hendry	733 000			(298 500)	434 500
AF Litschka	733 000			(298 500)	434 500
K Mapasa					
T Scharrighuisen					
Total	**2 199 000**			**(895 500)**	**1 303 500**

	Balance at beginning of year	Options granted	Options exercised	Options lapsed	Balance at end of year 2016
Movement in the number of options granted					
CD Angus					
Ms SJ Cox	1 031 500			(298 500)	733 000
PA Day					
Mrs JA Etchells					
TR Hendry	1 031 500			(298 500)	733 000
AF Litschka	1 031 500			(298 500)	733 000
K Mapasa					
T Scharrighuisen					
Total	**3 094 500**			**(895 500)**	**2 199 000**

	Options with exercise price R5.55	Options with exercise price R5.80	Options with exercise price R5.70	Balance at end of year 2017
Details of number of options				
CD Angus				
Ms SJ Cox	160 000	2 500	272 000	434 500
PA Day				
Mrs JA Etchells				
TR Hendry	160 000	2 500	272 000	434 500
AF Litschka	160 000	2 500	272 000	434 500
K Mapasa				
T Scharrighuisen				
Total	**480 000**	**7 500**	**816 000**	**1 303 500**

	Options with exercise price R5.55	Options with exercise price R5.80	Options with exercise price R5.70	Balance at end of year 2016
Details of number of options				
CD Angus				
Ms SJ Cox	320 000	5 000	408 000	733 000
PA Day				
Mrs JA Etchells				
TR Hendry	320 000	5 000	408 000	733 000
AF Litschka	320 000	5 000	408 000	733 000
K Mapasa				
T Scharrighuisen				
Total	**960 000**	**15 000**	**1 224 000**	**2 199 000**

Details of the options are disclosed in note 22.

17. Finance costs

	Group		Company	
	2017 R 000	2016 R 000	2017 R 000	2016 R 000
Interest paid				
Instalment sale contracts	1 819	2 260		
Mortgage bonds and loans	5 585	3 297		
Bank overdraft and other	12 274	12 428		
Total finance costs	**19 678**	**17 985**		

18. Taxation

	Group		Company	
	2017 R 000	2016 R 000	2017 R 000	2016 R 000
Current taxation				
- current year	6 535	7 971		
Deferred taxation				
- current year	17 522	11 046	(64)	122
Charge for the year	**24 057**	**19 017**	**(64)**	**122**
Comprising:				
South African normal taxation	20 916	15 951	(64)	122
Foreign taxes	3 141	3 066		
Amount per statements of profit or loss	**24 057**	**19 017**	**(64)**	**122**
Deferred taxation recognised directly in other comprehensive income		(698)		
Estimated taxation losses available for off set against future taxable income are as follows:				
Estimated taxation losses	52 323	143 898		
Applied to reduce deferred taxation	(21 409)	(37 213)		
Total	**30 914**	**106 685**		

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Reconciliation of rate of taxation				
Normal taxation rate	28.0	28.0	(28.0)	28.0
Difference in rate of taxation due to:				
Impairments		(0.6)	(42.6)	16.0
Non-taxable income	(0.4)	(1.3)		(43.9)
Non-deductible expenses	0.8	0.2	49.7	0.4
Foreign taxes	(0.7)	(1.7)		
Tax losses not recognised	(0.1)	0.3		
Inventory impairments		0.4		
Effective rate of taxation	27.6	25.3	(20.9)	0.5

19. Earnings per share

	Group		Company	
	2017 R 000	2016 R 000	2017 R 000	2016 R 000
19.1 Basic earnings per share (cents)	68.0	60.1		
The calculation of basic earnings per share is based on earnings of R61.8 million (2016 – R55.1 million) and a weighted average of 90.815 million (2016 – 91.623 million) shares in issue				
19.2 Diluted earnings per share (cents)	68.0	60.1		
The calculation of diluted earnings per share is based on earnings of R61.8 million (2016 – R55.1 million) and a weighted average of 90.815 million (2016 – 91.623 million) shares in issue				
19.3 Headline earnings per share (cents)	69.6	62.8		
The calculation of headline earnings per share is based on net profit of R63.2 million (2016 – R57.5 million) and a weighted average of 90.815 million (2016 – 91.623 million) shares in issue				
19.4 Diluted headline earnings per share (cents)	69.6	62.8		
The calculation of diluted headline earnings per share is based on net profit of R63.2 million (2016 – R57.5 million) and a weighted average of 90.815 million (2016 – 91.623 million) shares in issue				
Reconciliation between earnings and headline earnings:				
Earnings attributable to ordinary shareholders	61 764	55 100		
Adjusted for:				
Loss on disposal of property, plant and equipment	2 040	1 635		
Impairment of property, plant and equipment		1 250		
Total tax effects of adjustment	(571)	(458)		
Headline earnings attributable to ordinary shareholders	**63 233**	**57 527**		

20. Dividends

	Group		Company	
	2017 R 000	2016 R 000	2017 R 000	2016 R 000
Dividend No. 38 of 9 cents per share paid on 5 October 2015 to members recorded in the register on 25 September 2015		8 666		8 666
Dividend No. 39 of 9 cents per share paid on 29 March 2016 to members recorded in the register on 16 March 2016		8 630		8 630
Dividend No. 40 of 9 cents per share paid on 1 August 2016 to members recorded in the register on 26 July 2016	8 615		8 615	
Dividend No. 41 of 10 cents per share paid on 27 March 2017 to members recorded in the register on 20 March 2017	9 533		9 533	
Total dividends before treasury shares	**18 148**	**17 296**	**18 148**	**17 296**
Less treasury shares	(1 091)	(358)		
Total dividends after treasury shares	**17 057**	**16 938**	**18 148**	**17 296**

A final dividend of 11 cents per share has been approved and declared subsequent to 31 March 2017, payable on 31 July 2017 to shareholders recorded in the register at close of business on 25 July 2017. This dividend has not been included as a liability in these financial statements.

21. Notes to the cash flow statement

	Group		Company	
	2017 R 000	2016 R 000	2017 R 000	2016 R 000
21.1 Reconciliation of profit before taxation				
to cash generated from/(used in) operations				
Profit/(loss) before taxation	87 490	74 754	(307)	25 811
Adjustments:				
Loss on disposal of property, plant and equipment	2 040	1 635		
Effects of exchange rate changes	(5 290)	(1 214)	(1)	
Impairment of property, plant and equipment		1 250		
Share-based payment expenses	371	297		
Depreciation and amortisation	32 635	31 476	77	70
Dividend received				(40 473)
Finance income	(1 183)	(1 494)	(4 482)	(6 023)
Finance costs	19 678	17 985		

	Group		Company	
	2017 R 000	**2016 R 000**	**2017 R 000**	**2016 R 000**
Operating profit/(loss) before working capital changes	135 741	124 689	(4 713)	(20 615)
Changes in working capital	(13 541)	(22 562)	101 859	13 905
Inventories	(149)	25 660		
Trade and other receivables	(13 820)	13 749	(12 409)	580
Trade and other payables	428	(61 971)	19 383	4 654
Amount owing by subsidiaries			94 885	8 671
Cash generated from/(used in) operations	122 200	102 127	97 146	(6 710)

21.2 Dividends paid

Dividends paid	(17 057)	(16 938)	(18 148)	(17 296)
Total	**(17 057)**	**(16 938)**	**(18 148)**	**(17 296)**

21.3 Taxation paid

Taxation (unpaid)/receivable at beginning of year	(1 606)	596		
Taxation charged to the statement of profit or loss and directly to other comprehensive income (excluding deferred taxation)	(6 578)	(7 971)		
Taxation unpaid at end of year	1 716	1 606		
Total	**(6 468)**	**(5 769)**		

21.4 Cash and cash equivalents, consisting of cash on hand and balance with banks

Bank balance and cash	30 894	37 553	66 573	41 119
Bank overdraft	(99 023)	(122 493)		
Total	**(68 129)**	**(84 940)**	**66 573**	**41 119**

21.5 Business combinations – 2017

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

	OSA Door Parts R 000	**Pro Crane Services R 000**	**Lifting Online R 000**	**Total R 000**
Property, plant and equipment	932	874	11	1 817
Inventory	8 344	14 019	2 048	24 411
Trade and other receivables	15 498	11 398	353	27 249
Bank balance and cash	5 813	8 144	106	14 063
Trade and other payables	(19 063)	(24 645)	(2 518)	(46 226)
Deferred taxation asset	54			54
Interest-bearing borrowings		(589)		(589)
Outside shareholder		(2 300)		(2 300)
Goodwill/excess of fair value of assets and liabilities acquired over purchase price	37 994	(143)		37 851
Total purchase price settled in cash	49 572	6 758		56 330
Deduct bank balance on acquisition	(5 813)	(8 144)	(106)	(14 063)
Cash flow on acquisition net of cash acquired	43 759	(1 386)	(106)	42 267

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

	R 000
Revenue since acquisition date included in consolidated results for the year	79 257
Profit after tax since acquisition date included in consolidated results for the year	8 931
Group revenue had the business combination been included for the entire period	1 963 263
Group profit after tax had the business combination been included for the entire year	66 835

On 11 July 2016, Argent Industrial Limited acquired 100% of the business of OSA Door Parts Limited ("OSA").The cost of the acquisition amounted to GBP2 500 000. OSA is a manufacturer and trade supplier of industrial sectional insulated warehouse doors.The business is situated in and predominantly operates in the United Kingdom.

On 1 December 2016, Argent Industrial Limited acquired 75% of the business of Pro Crane Services ("Pro Crane"). The cost of the acquisition amounted to R6 750 000. Pro Crane supplies high quality overhead cranes, hoists and lifting equipment designed and manufactured for high speed and optimum flexibility. They also carry out servicing, maintenance and mandatory inspections on all makes of cranes, hoists and lifting equipment. Pro Crane is the sole distributor and licensee in South Africa and neighbouring regions for the world renowned crane manufacturer SWF Krantechnik.

On 1 December 2016, Argent Industrial Limited acquired 75% of the business of Lifting Online. No consideration was payable due to its link to Pro Crane Services. They are an e-commerce platform for lifting and rigging equipment delivered throughout sub-Saharan Africa.

22. Employee benefits

Employees, including senior management and executive directors, participate in a share-based remuneration scheme. The scheme is equity settled.

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.

	Group		Company	
	2017 R 000	2016 R 000	2017 R 000	2016 R 000
Total number of shares available for utilisation as at beginning of the year	4 682	4 682		
Issue of shares				
Net movement in share options				
Number of shares available for utilisation at end of the year	**4 682**	**4 682**		

Summary of activity in share option plans:

	2017 Number 000	2016 Number 000	2017 Weighted exercise price R	2016 Weighted exercise price R
Outstanding at the beginning of the year	2 299	3 244	5.73	5.93
Granted during the year				
Exercised during the year				
Lapsed during the year	(950)	(945)	4.99	4.99
Outstanding at the end of the year	**1 349**	**2 299**	**5.71**	**5.73**

Outstanding options

	Exercise date within one year 000	Exercise date from two to five years 000	Exercise date after five years 000	Total 000
Options with exercise price R5.55	480			480
Options with exercise price R5.70	408	408		816
Options with exercise price R5.80	53			53
Outstanding at the end of the year	**941**	**408**		**1 349**

Total expenses of R0.371 million (2016 – R0.297 million) related to equity-settled share-based payments transactions were recognised.

The fair value of the share options at grant date is determined based on the Black-Scholes model. The model inputs were as follows:

	Grant date 14 Aug 2013	Grant date 14 Aug 2013	Grant date 2 Dec 2013
Number of options granted (000)	85	480	408
Fair value at measurement date (R)	0.96	1.11	1.77
Share price at grant date (R)	5.80	5.55	5.70
Expected option lifetime (years)	5	5	5
Volatility %	7.00	7.00	5.60
Risk-free % rate (based on national government bonds)	8.31	8.31	8.00

In determining share price volatility, consideration has been given to historical volatility as well as the expected option lifetime.

	Group		Company	
	2017 R 000	2016 R 000	2017 R 000	2016 R 000
The amounts included in staff costs in respect of share-based payments	371	297		

23. Segments

23.1 Business segments

For management purposes the group is organised into four major operating divisions, namely manufacturing, steel trading, automotive, and properties. These divisions are the basis on which the company reports its segment information. These segments are derived from the primary operating activity of the particular business. The group executive directors are the key operating decision makers.

The Argent group is predominately an industrial manufacturing business that manufactures branded consumer goods that are sold both locally and internationally. The branded goods are sold directly to the consumer via the group's broad footprint of companies based in all the major centres around South Africa and our businesses based in the United Kingdom and the Unites States of America. These goods are also sold to all the major retailers in South Africa and neighbouring countries as well as a range of independent agents.

Steel trading makes up the second biggest category in the group and this segment makes up a complete range of ferrous steel, aluminium, and stainless steel products. This is a very competitive sector and the group's strategy is to supply as many value added products and services as possible, which includes cut-to-length, blanking, tube manufacture, flame cutting, etc. Steel products are also traded internally to the group's manufacturing businesses. The group also has distribution centres that offer a combination of steel trading and the distribution of the group's manufactured products. These centres are regionally spread to optimise the group's service offering around the country.

The group also has an extensive property portfolio with 14 properties valued at R379 million. Income is generated for the group by charging the companies market related rental for the properties.

Segment report for the year ended 31 March 2017

	Manufacturing R 000	Steel trading R 000	Automotive R 000	Properties R 000	Consolidated R 000
Revenue					
External sales	1 096 052	636 653	115 308	1 114	1 849 127
Inter-segment sales	97 289	216 614	24 774	29 422	
Total revenue	1 193 341	853 267	140 082	30 536	
Profit/(loss) before taxation:					
Segment result	59 810	21 794	(6 480)	12 366	87 490
Taxation					(24 057)
Profit for the year					63 433
Other information					
Segment assets	877 558	433 480	96 967	311 340	1 719 345
Segment liabilities	106 682	125 214	49 873	123 156	404 925
Capital expenditure	31 218	5 850	3 144	8 234	48 446
Depreciation/ amortisation	21 420	7 613	3 449	153	32 635
Finance costs *	(2 435)	9 237	1 437	11 439	19 678
Finance income	696	13	474		1 183

* As per the group policy, finance costs and finance income derived from primary banking is netted off. The company has net finance income and this is distorting the segment for finance costs.

Segment report for the year ended 31 March 2016

	Manufacturing	Steel trading	Automotive	Watch list	Properties	Consolidated
	R 000	R 000	R 000	R 000	R 000	R 000
Revenue						
External sales	1 015 193	545 981	94 204	50 627	918	1 706 923
Inter-segment sales	208 879	242 752	22 471	22 313	27 558	
Total revenue	1 224 072	788 733	116 675	72 940	28 476	
Profit/(loss) before taxation:						
Segment result	89 185	(16 097)	(3 454)	(5 381)	10 501	74 754
Taxation						(19 017)
Profit for the year						55 737
Other information						
Segment assets	759 780	429 891	90 832	28 179	304 670	1 613 352
Segment liabilities	74 573	147 623	36 623	8 407	88 474	355 700
Capital expenditure	25 732	3 205	4 555	332	9 375	43 199
Depreciation/ amortisation	20 377	6 369	3 607	1 018	105	31 476
Finance costs	(1 336)	5 808	2 038	442	11 033	17 985
Finance income	1 494					1 494

23.2 Geographical Segments

Segment report for the year ended 31 March 2017

	South Africa	Rest of the world	Consolidated
	R 000	R 000	R 000
Revenue			
External sales	1 677 103	172 024	1 849 127
Total revenue	1 677 103	172 024	
Profit before taxation:			
Segment result	59 079	28 411	87 490
Taxation			(24 057)
Profit for the year			63 433
Other information			
Segment assets	1 616 868	102 477	1 719 345
Segment liabilities	386 829	18 096	404 925
Capital expenditure	44 242	4 204	48 446
Depreciation/ amortisation	30 166	2 469	32 635
Finance costs	19 732	(54)	19 678
Finance income	1 183		1 183

Segment report for the year ended 31 March 2016

	South Africa R 000	Rest of the world R 000	Consolidated R 000
Revenue			
External sales	1 604 276	102 647	1 706 923
Total revenue	1 604 276	102 647	
Profit before taxation:			
Segment result	57 544	17 210	74 754
Taxation			(19 017)
Profit for the year			55 737
Other information			
Segment assets	1 534 844	78 508	1 613 352
Segment liabilities	343 230	12 470	355 700
Capital expenditure	38 513	4 686	43 199
Depreciation/ amortisation	27 292	4 184	31 476
Finance costs	18 033	(48)	17 985
Finance income	1 494		1 494

24. Related party transactions

Details of transactions between the group and its related parties are disclosed below. Transactions that are eliminated on consolidation are not included in this note. Amounts owed by and to subsidiaries are detailed in the subsidiary note.

Certain directors are also directors of the following entities that lease certain land and buildings to the group. The amount of the rentals paid by the group for the year amounted to:

	Group		Company	
	2017 R 000	2016 R 000	2017 R 000	2016 R 000
NWN Automotive Precision Engineering (Pty) Ltd	9 222	8 296		
Mercado Investments (Pty) Ltd	1 079	999	1 079	999
CXT Manufacturing (Pty) Ltd	3 126	3 734		

During the prior year, marketing and consulting fees were paid by the group to companies controlled by one of the directors of the group:

	Group		Company	
	2017 R 000	2016 R 000	2017 R 000	2016 R 000
Xibondlwane Consulting and Projects (Pty) Ltd		877		
RIBYE Consulting and Projects (Pty) Ltd		789		
Rifumo Empowerment Holdings (Pty) Ltd		4 367		

Key management personnel compensation

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling activities of the group, directly or indirectly, and consist of all executive and non-executive directors.

Details of the compensation paid to the board of directors are disclosed in note 16 and details of shareholdings in the company are disclosed on page 77.

25. Contingencies, guarantees and other commitments

25.1 The company's bankers hold guarantees issued by the company for facilities granted to its subsidiary companies.

25.2 The group's bankers hold letters of guarantee for the amount of R3.5 million (2016 - R3.6 million) in respect of performance bonds.

	Group		Company	
	2017 R 000	2016 R 000	2017 R 000	2016 R 000
25.3 Future minimum operating lease payments				
- Land and buildings within 1 year	5 800	9 244		
- Land and buildings within 2–5 years	9 691	2 904		
The group leases a number of premises under operating leases. The leases typically run for a period of five years, with an option to renew the lease upon expiration. None of the leases include contingent rentals.				
25.4 Letters of credit issued by the company's bankers.	13 230	15 124		

25.5 Golden Autumn Trust / Sentula

The Golden Autumn Trust ("the Trust") paid an amount of R8.8 million to Argent for the purpose of allowing Argent to pay such amount to Sentula/Megacube. Argent in turn paid Sentula/Megacube and the amount was received by Sentula/Megacube.

The Trust was subsequently liquidated by Sentula/Megacube and the liquidators of the Trust claimed back the payment of the R8.8 million from Argent.

Paying back the R8.8 million claimed by the Trust would effectively result in Sentula/Megacube being paid twice and Argent opposed the claim.

On 4 March 2015, judgement was granted against Argent in favour of the liquidators of the Trust for payment of R8.8 million plus interest and costs.

Argent was granted leave to appeal to the Full Court, and the appeal will proceed in the Pietermaritzburg High Court in December 2017.

Argent believes that it will succeed in the appeal.

If Argent loses the appeal it would then have to make a payment of R8.8 million, interest thereon and legal costs.

Argent has not made any provisions against the above.

25.6 Sentula / Megacube

During 2010, Megacube instituted action against Argent and several of its subsidiaries in respect of the alleged purchase of fuel, lubricants and other products from Engen by Megacube during the 2006–2008 financial years, allegedly on behalf of Argent and such subsidiaries.

The total amount claimed is in the region of R30 million plus interest and costs.

Argent has defended the action instituted by Megacube.

Argent denies that it is liable to pay the amount claimed, the interest and the costs.

Argent has not made any provisions against the above.

25.7 NUMSA/Hendor

On 30 March 2017, the Constitutional Court handed down judgment in an application for leave to appeal that concerned the nature of a claim for arrear-wages following an employee's reinstatement under section 193(1)(a) of the Labour Relations Act, 1995.

During August 2003, 42 employees of Argent Steel Group (Proprietary) Limited t/a Hendor Mining Supplies (Hendor), were dismissed for participating in a strike. On 16 April 2007, the Labour Court held that these dismissals were unfair, and the employees were reinstated with effect from January of that year (reinstatement order). An appeal against the reinstatement order was dismissed by the Labour Appeal Court in June 2009 and by the Supreme Court of Appeal on 15 September 2009. The employees were reinstated on 29 September 2009, but Hendor did not pay the arrear-wages from 1 January 2007 to 28 September 2009.

Dissatisfied, the employees issued a writ of execution for the arrear-wages in October 2010. This writ was set aside by the Labour Court in June 2011 on the basis that, since the reinstatement order was not a money-judgment, a valid writ could not be issued on its strength. The employees were directed to file a declaration setting out the amounts owed to each one of them. The employees brought a further application on 19 September 2012 claiming the arrear-wages. Hendor resisted the claim on the basis that, since a period of more than three years had elapsed from the date the Supreme Court of Appeal dismissed Hendor's application for leave to appeal against the reinstatement order, the claim had prescribed.

The Labour Court rejected Hendor's argument. It held that the claim for the arrear-wages for the period 1 January 2007 to the date of reinstatement constituted a judgment debt, and therefore would only prescribe after 30 years. The Labour Appeal Court overturned the decision of the Labour Court, holding that a claim for arrear-wages arising out of a reinstatement order is a debt under the reinstated employment contract, and would therefore prescribe after three years.

In this Court, the employees argued that the Labour Court was correct in holding that the claim for arrear-wages was a judgment debt and as such, it would prescribe only after 30 years. In the alternative, they argued that the earliest they could reasonably have come to know that Hendor would not pay the arrear-wages was on 29 September 2009 when they reported for duty. Based on that, they submitted that from 29 September 2009 to the date they launched their claim the three-year period of prescription had not elapsed. Hendor argued in support of what the Labour Appeal Court had held.

The first judgment written by Madlanga J (Froneman J, Khampepe J, and Mbha AJ concurring), held that there was no legal distinction between the period before the reinstatement order and the period thereafter. He held that the claim for arrear-wages arose from the reinstatement order. Consequently, the arrear-wages constituted a judgment debt and, as a result, the claim will prescribe after 30 years. The first judgment upheld the appeal with costs.

The second judgment written by Zondo J (Mogoeng CJ, Jafta J and Mhlantla J concurring), Zondo J agrees with the first judgment that the claims have not prescribed, that the workers are entitled to payment of their wages for the entire period and that the appeal should be upheld. He also agrees that interest should be paid on the amounts owed and that Hendor should pay costs. However, he disagrees with the reasons given in the first judgment for the conclusion that the claim has not prescribed.

The second judgment states that the claim falls into two distinct periods. The one period is before the reinstatement order of 16 April 2007, namely from 1 January 2007 to 15 April 2007 (first period). The other is the period after the reinstatement order, namely, from 16 April 2007 to 28 September 2009 (second period).

The second judgment took the view that the claim relating to the first period was a judgment debt because its payment was ordered in the reinstatement order. It concluded that, since the prescription period for a judgment debt is 30 years, the claim for wages for that period had not prescribed. However, it took the view that the claim for the second period was not a judgment debt as the reinstatement order did not order payment of any wages for the second period. The reinstatement order simply directed that the workers be reinstated. The second judgment states that the claim was a contractual debt which was to be dealt with in terms of the principles of the law of contract. The reinstatement of the workers resulted in the restoration of the contracts of employment of the workers.

The second judgment pointed out that the claim relating to the second period could not be a judgment debt. This is because the Labour Court did not and could not have adjudicated upon the question of wages which had not even fallen due for payment at the time it made the reinstatement order. On the facts, the second judgment held that the three-year period of prescription had not elapsed, hence its agreement with the outcome reached by the first judgment.

The calculation of the amount of the award is difficult to ascertain as any claim of an employee is dependent in value on certain factors such as whether the employees had been gainfully employed and/ or capable of being employed during the above periods. Consequently this would have an effect on the rights the company would have in respect of the employees claims given that it would have had more staff than required and would operationally be entitled to take legal steps in this regard. This would impact upon the values of the claims. The company has requested certain information from NUMSA in order to quantify the value of the claim, to date this information has not been forthcoming. An amount of R4.5 million has been provided in the accounts as a provision on the above amount including interest and costs.

26. Financial Instruments and Risk Management

26.1 Categories of financial assets and liabilities

The carrying amounts and fair values of each category of financial assets and liabilities are as follows:

Group

	Financial instruments at fair value R 000	Financial liabilities at amortised cost R 000	Loans and receivables R 000	Total carrying amount R 000
2017				
Financial assets				
Loans			14 971	14 971
Trade and other receivables			339 285	339 285
Cash and cash equivalents			30 894	30 894
			385 150	385 150
Financial liabilities				
Other financial liabilities		68 972		68 972
Forward exchange contract liability		341		341
Bank overdraft		99 023		99 023
Trade and other payables		217 542		217 542
		385 878		385 878
2016				
Financial assets				
Loans			15 931	15 931
Trade and other receivables			298 216	298 216
Cash and cash equivalents			37 553	37 553
			351 700	351 700
Financial liabilities				
Other financial liabilities		42 998		42 998
Forward exchange contract liability		308		308
Bank overdraft		122 493		122 493
Trade and other payables		175 122		175 122
		340 921		340 921

Company

	Financial liabilities at amortised cost R 000	Loans and receivables R 000	Total carrying amount R 000
2017			
Financial assets			
Trade and other receivables		35 229	35 229
Cash and cash equivalents		66 573	66 573
		101 802	101 802
Financial liabilities			
Loans from subsidiaries	160 515		160 515
Trade and other payables	40 655		40 655
	201 170		201 170
2016			
Financial assets			
Trade and other receivables		22 820	22 820
Cash and cash equivalents		41 119	41 119
		63 939	63 939
Financial liabilities			
Loans from subsidiaries	36 663		36 663
Trade and other payables	21 272		21 272
	57 935		57 935

26.2 Risk management

In the normal course of its operations, the group is exposed to currency, interest rate, liquidity, foreign currency and credit risk.

This note presents information about the group's exposure to each of these risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital.

In order to manage these risks, the group has developed a comprehensive risk management process to facilitate control and monitoring.

The directors have overall responsibility for the establishment and oversight of the group's risk management framework. Risk management is carried out by the board and management at operation levels under policies approved by the directors.

The group does not enter into any trade financial instruments, including derivative financial instruments (apart from forward exchange contracts).

26.3 Credit risk management

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The group's credit risk consists mainly of cash deposits, cash equivalents and trade and other receivables.

Trade receivables comprise a widespread customer base. Management evaluate credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used, otherwise if there are no independent ratings, risk control assesses the credit quality of the customer, taking into account its financial position and past experience. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored.

Credit guarantee insurance is purchased when deemed appropriate.

	Group	
	2017 R 000	**2016 R 000**
The ageing of amounts past due but not impaired is as follows:		
1 month past due	20 994	18 435
2 months past due	5 699	4 686
3 months past due	20 100	7 841
Trade and other receivables impaired is as follows:		
12 months past due	32 313	16 585

Refer to note 1.2 of the accounting policies for significant judgements applied.

26.4 Foreign currency risk

The group operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US Dollar, British Pound and Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and new investments in foreign operations.

The group enters into forward exchange contracts from time to time. The contracts are entered into in order to manage the group's exposure to fluctuations in foreign currency exchange rates. The contracts are generally matched with anticipated future cash flows in foreign currencies. As at the 31 March 2017, the group had the following exposure to forward exchange contracts:

	Amount in foreign currency purchased	Forward exchange rate	Maturity date
USD	1 351 358	12.849–14.559	3 April 2017 – 21 August 2017
EURO	250 115	13.9785–14.745	6 April 2017 – 6 July 2017

The company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

Currency exposure arising from the net assets of the company's foreign operations is managed primarily through holding cash denominated in the relevant foreign currency.

	Group	
	2017	**2016**
Closing exchange rates used for conversion of foreign balances were:		
USD	13.40	14.80
GBP	16.80	21.30
EUR	14.30	16.80
Average exchange rates used for conversion of foreign operations were:		
USD	14.02	13.87
GBP	18.24	20.70

26.5 Interest rate risk

The group is exposed to interest rate risk from long-term borrowings at variable rates. Fluctuations in interest rates impact on the value of the short term investments and financing activities giving rise to interest rate risk. Interest rate risks are not hedged.

26.6 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The risk is managed through cash flow forecasts and ensuring that adequate borrowing facilities are maintained. In terms of the company's memorandum of incorporation, its borrowing powers are unlimited.

The following table details the group's remaining contractual maturity for its non-derivative financial liabilities. This table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay.

Group

	Current interest rate	Due in less than a year R 000	Due in one to two years R 000	Due in two to three years R 000	Due after four years R 000
Trade and other payables		235 257			
Overdraft facilities used	10.30%	99 023			
Interest-bearing borrowings	10.27–10.75%	24 710	23 967	5 092	
Instalment sale agreements	9.25–12.75%	7 751	5 202	2 254	

Company

	Current interest rate	Due in less than a year R 000	Due in one to two years R 000	Due in two to three years R 000	Due after four years R 000
Trade and other payables		40 655			
Overdraft facilities used	10.30%				

Cash flow sensitivity analysis for variable instruments

An increase/decrease of 100 basis points in interest rates at the reporting date would have decreased/increased profit or loss by R2.7 million (2016 – R2.9 million). This analysis assumes that all other variables remain constant.

26.7 Capital management

Capital is regarded as total equity. The group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors also determines the level of dividends paid to shareholders.

The group may purchase its own shares on the market, if the cash resources of the company are in excess of its requirements. In this regard the directors will take into account, *inter alia*, an appropriate capitalisation structure for the company and the long-term cash needs of the company and will ensure that any such utilisation is in the interest of the shareholders.

The group monitors capital on the basis of the ratio of interest-bearing borrowings to total equity. This ratio is calculated as interest-bearing borrowings divided by total equity as follows:

	Group		Company	
	2017 R 000	2016 R 000	2017 R 000	2016 R 000
Interest-bearing borrowings	68 972	42 998		
Total equity	1 238 152	1 198 863	254 976	275 642
Ratio of interest-bearing borrowings to total equity	5.6%	3.6%	0.0%	0.0%

26.8 Fair value measurement

Fair value measurement of financial and non-financial instruments

Assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

The following table sets out the group's assets and liabilities that are measured and recognised at fair value:

2017	Level 1 R 000	Level 2 R 000	Level 3 R 000	Total R 000
Recurring fair value measurements				
Financial liabilities:				
Forward exchange contracts		341		341
Total recurring financial liabilities		**341**		**341**
Non-financial assets:				
Land and buildings			379 114	379 114
Total recurring non-financial assets			**379 114**	**379 114**

2016	Level 1 R 000	Level 2 R 000	Level 3 R 000	Total R 000
Recurring fair value measurements				
Financial liabilities:				
Forward exchange contracts		308		308
Total recurring financial liabilities		**308**		**308**
Non-financial assets:				
Land and buildings			362 793	362 793
Total recurring non-financial assets			**362 793**	**362 793**

There have been no transfers between Level 1 and Level 2 recurring fair value measurements during 2016 and 2017.

The group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

Measurement of fair value of financial and non-financial instruments

The group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the financial director (FD) and to the audit and risk committee.

Valuation processes and fair value changes are discussed among the audit and risk committee and the valuation team at least every year, in line with the group's reporting dates.

The valuation techniques used for instruments categorised in Level 2 and 3 are described below.

Foreign currency forward contracts (Level 2)

The group's foreign currency forward contracts are not traded in active markets. These have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for foreign currency forward contracts.

Land and buildings (Level 3)

The group's land and buildings and plant and equipment is estimated based on appraisals performed by the directors. The valuation processes and fair value changes are reviewed by the board of directors and audit and risk committee at each reporting date.

The fair values of the land and buildings are estimated using an income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields and take into account the type of the property and the property's location.

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions about vacancy levels and the discount rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rates (market yields) decline.

Management considers the range of reasonably possible alternative assumptions is greatest for rental values and vacancy levels and that there is also an interrelationship between these inputs. The assumed discount rates applied for the future income streams range between 9.3% and 11.65%.

The reconciliation of the carrying amounts of non-financial assets classified within Level 3 is as follows :

Land and buildings	R 000
Balance at 1 April 2016	362 793
Additions	18 785
Disposals	(1 151)
Recognised in other comprehensive income	
Exchange difference on translation of foreign operation	(1 005)
Recognised in profit or loss	
Depreciation	(308)
Balance at 31 March 2017	**379 114**

	Group		Company	
	2017 R 000	2016 R 000	2017 R 000	2016 R 000
Balance sheet				
Bank balance and cash		37 202		
Bank overdraft		(37 202)		

SUBSIDIARY COMPANIES

NAME OF SUBSIDIARY All Proprietary Limited and incorporated in South Africa unless otherwise stated	Issued stated capital in Rands unless otherwise stated	% held by Argent 2017	Shares at cost less impairments 2017 R 000	% held by Argent 2016	Shares at cost less impairments 2016 R 000	Owing to Argent by subsidiary 2017 R 000	Owing by Argent to subsidiary 2017 R 000	Owing to Argent by subsidiary 2016 R 000	Owing by Argent to subsidiary 2016 R 000	Main business
Allan Maskew				100						C
Argent Industrial Engineering	100	55		55						A
Argent Industrial Investments	3 300	100	1 912	100	1 912	10 694		50 469		D
Argent Steel Group	20 136 169	100	12 786	100	12 786		162 231		85 995	A,B,C
Atomic Office Equipment	100	100		100						A
Burbage Iron Craft (incorporated in England)	GBP 100	100	11 790	100	11 790				16 294	A
Cannock Gates (incorporated in England)	GBP 100	100	21 240	100	5 000			16 366		A
Excalibur Vehicle Accessories				100						C
Gammid Trading	1 000	100		100						B
Giflo Engineering (Bop)	100	100		100						C
Jetmaster	11 960	100	25 100	100	25 100	35 250		56 088		A
Koch's Cut and Supply Steel Centre	100	100	5 300	100	5 300	4 146		2 596		A
Lifting Online	100	75								A
Megamix	100	100		100						A
Mngou Suppliers	1 000	49		49						A
New Joules Engineering North America Inc. (incorporated in America)	USD 1 000	100	7 919	100	293				22 669	A
New Joules Engineering	4 000	100	5 954	100	5 954		944		944	A
OSA Door Parts (incorporated in England)	GBP 100	100	54 674							A
Paint and Ladders	20 000 410	100	19 839	100	19 839		43 673		44 460	A
Palisade Trading	100	100		100						B
Parlance Investments	120	100		100		536		279		A
Pro Crane Services	100	75	6 757			5 689				A
Rifumo Concepts	300	49		49						A
SA Furnquip	100	100		100						A
Toolroom Services	90	100	55 904	100	55 904	1 414		2 109		A
Tricks Wrought Iron Services	100	100	57 663	100	57 663		26 065	7 982		A
Xpanda Security	51 300	100	50 108	100	50 108	14 669			2 190	A
Total			336 946		251 649	72 398	232 913	135 889	172 552	

Main Business

A Manufacturing | B Steel trading | C Automotive | D Properties

ANALYSIS OF SHAREHOLDERS/BENEFICIAL HOLDERS

as at 31 March 2017

	Number of shares held		% of total issued shares	
	2017	2016	2017	2016
Directors' direct	1 259 997	1 073 647	1.32	1.12
Directors' indirect	12 923 710	12 849 205	13.56	13.40
Pension, provident funds, insurance companies and other corporate bodies	70 373 715	73 479 665	73.83	76.63
Individuals				
- Holders of 5 000 or more shares	8 706 092	7 109 296	9.13	7.41
- Holders of less than 5 000 shares	2 061 286	1 373 214	2.16	1.44
Total	**95 324 800**	**95 885 027**	**100**	**100**

SHAREHOLDERS IN EXCESS OF FIVE PERCENT

as at 31 March 2017

	Number of shares	%
Sanlam Life Insurance Limited	15 576 440	16.34
Giflo Trading (Pty) Ltd	10 639 353	11.16
Morgan Stanley and Company	7 577 710	7.95
RMB Morgan Stanley Pty Ltd – Propr	6 276 860	6.58

DIRECTORS' SHAREHOLDING

as at 31 March 2017

	2017 Number of shares held			2016 Number of shares held		
	Direct	Indirect	Total	Direct	Indirect	Total
CD Angus						
Ms SJ Cox	666 361	64 126	730 487	567 861	50 627	618 488
PA Christofides						
PA Day				63 980		63 980
Mrs JA Etchells						
TR Hendry	356 702	1 852 990	2 209 692	260 572	1 797 158	2 057 730
AF Litschka	81 834	64 127	145 961	76 134	50 627	126 761
K Mapasa	5 100		5 100	5 100		5 100
T Scharrighuisen	150 000	10 942 467	11 092 467	100 000	10 950 793	11 050 793
Total	**1 259 997**	**12 923 710**	**14 183 707**	**1 073 647**	**12 849 205**	**13 922 852**

There were no changes to directors' shareholding after year-end and prior to the issue of the annual report.

JSE LIMITED PERFORMANCE
as at 31 March 2017

	2017	2016	2015	2014	2013
Number of shares traded (000)	28 050	19 894	24 695	25 943	16 755
% of total issued shares	29.4	20.7	25.6	26.9	17.4
Value of shares traded (R 000)	119 197	80,711	133 231	142 342	111 417
Prices quoted (cents per share)					
Highest	520	510	615	640	790
Lowest	356	302	400	452	560
Closing	450	440	436	500	585
Market capitalisation at year-end (R 000)	428 962	421 894	420 699	482 453	564 470
Price earnings ratio	6.6	7.3	15.3	(2.4)	7.0
Earnings yield	15.1	13.7	6.5	(42.3)	14.2
Dividend yield	4.2	4.1	3.4	2.8	2.1

SUMMARY OF SHAREHOLDER SPREAD
as at 31 March 2017

	2017				2016			
	Members		Shares		Members		Shares	
Shareholder type	Number	%	Number	%	Number	%	Number	%
Public	2 467	99.56	76 458 152	80.21	2 060	99.37	77 279 234	80.60
Directors	10	0.40	14 183 707	14.88	12	0.58	13 922 852	14.52
Share option scheme	1	0.04	4 682 941	4.91	1	0.05	4 682 941	4.88
Total	2 478	100	95 324 800	100	2 073	100	95 885 027	100

SHAREHOLDERS' DIARY

Financial year-end	31 March
Annual General Meeting	30 August 2017

REPORTS AND PROFIT STATEMENT

Half-year interim report:	September
Financial statements published:	June

website address:	www.argent.co.za
email address:	argent10@argent.co.za

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given of the annual general meeting ("**AGM**") of shareholders of Argent Industrial Limited ("**Argent**" or "**the company**" or "**the group**") to be held in the company's boardroom at First Floor, Ridge 63, 8 Sinembe Crescent, La Lucia Ridge Office Estate, Umhlanga, on Wednesday, 30 August 2017 at 10:00.

Purpose

The purpose of the AGM is to transact the business set out in the agenda below.

Agenda

1. Presentation of the audited annual financial statements of the company, including the reports of the directors and the audit and risk committee for the year ended 31 March 2017. The annual report, containing the complete audited annual financial statements, is available at www.argent.co.za, or can be obtained from the company's registered office, at no charge, during office hours.
2. To consider and, if deemed fit, approve, with or without modification, the following resolutions:

Note:

For any of the ordinary resolutions numbers 1 to 9 to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof.

2.1 Ordinary resolution number 1: Re-election of Mr PA Christofides as an independent non-executive director

"Resolved that Mr PA Christofides, who retires by rotation in terms of the Memorandum of Incorporation and, being eligible and offering himself for re-election, be and is hereby re-elected as an independent non-executive director."

Mr PA Christofides's abbreviated curriculum vitae can be viewed on page 7 of the annual report.

2.2 Ordinary resolution number 2: Re-election of Mr K Mapasa as an independent non-executive director

"Resolved that Mr K Mapasa, who retires by rotation in terms of the memorandum of incorporation and, being eligible and offering himself for re-election, be and is hereby re-elected as an independent non-executive director."

Mr K Mapasa's abbreviated curriculum vitae can be viewed on page 7 of the annual report.

2.3 Ordinary resolution number 3: Re-election of Mr CD Angus as an independent non-executive director

"Resolved that Mr CD Angus, who retires by rotation in terms of the memorandum of incorporation and, being eligible and offering himself for re-election, be and is hereby re-elected as an independent non-executive director."

Mr CD Angus's abbreviated curriculum vitae can be viewed on page 7 of the annual report.

The reason for ordinary resolutions numbers 1 to 3 (inclusive) is that the Memorandum of Incorporation of the company, the Listings Requirements of the JSE Limited ("JSE") and, to the extent applicable, the South African Companies Act, No. 71 of 2008, as amended ("the Companies Act"), require that a component of the non-executive directors rotate at every AGM of the company and, being eligible, may offer themselves for re-election as directors.

2.4 Ordinary resolution number 4: Appointment of Mr K Mapasa as a member of the audit and risk committee of the company

"Resolved that Mr K Mapasa, an independent non-executive director of the company and being eligible, be and is hereby appointed as a member of the audit and risk committee of the company, as recommended by the board, until the next AGM of the company."

2.5 Ordinary resolution number 5: Appointment of Mr CD Angus as a member of the audit and risk committee of the company

"Resolved that, Mr CD Angus, an independent non-executive director of the company and being eligible, be and is hereby appointed as a member of the audit and risk committee of the company, as recommended by the board, until the next AGM of the company."

2.6 Ordinary resolution number 6: Appointment of Mr PA Christofides as a member of the audit and risk committee of the company

"Resolved that Mr PA Christofides, an independent non-executive director of the company and being eligible, be and is hereby appointed as a member of the audit and risk committee of the company, as recommended by the board, until the next AGM of the company."

The reason for ordinary resolution numbers 4 and 6 (inclusive) is that the company, being a public listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be appointed, or re-appointed, as the case may be, at each AGM of the company. For the avoidance of doubt, all references to the audit and risk committee of the company is a reference to the audit committee, as contemplated in the Companies Act.

2.7 Ordinary resolution number 7: Re-appointment of auditor

"Resolved that Grant Thornton be and is hereby re-appointed as the independent auditor of the company and its subsidiaries ("**the group**") and that Mr A Timol, be and is hereby appointed as the designated auditor to hold office for the ensuing year on the recommendation of the audit and risk committee of the company."

The reason for ordinary resolution number 7 is that the company, being a public listed company, must have its financial results audited and such auditor must be appointed or re-appointed, as the case may be, each year at the AGM of the company, as required by the Companies Act.

2.8 Ordinary resolution number 8: Unissued shares placed under control of the directors

"Resolved that the unissued shares in the company, limited to 5% of the number of shares in issue as at 31 March 2017, be and are hereby placed under the control of the directors until the next AGM and that they be and are hereby authorised to issue any such shares as they may deem fit, subject to the provisions of the Companies Act, the Memorandum of Incorporation and the provisions of the JSE Listings Requirements, save that the aforementioned 5% limitation shall not apply to any shares issued in terms of a rights offer."

The reason for ordinary resolution number 8 is that the board requires authority from shareholders in terms of the Memorandum of Incorporation to issue shares in the company. This general authority, once granted, allows the board from time to time, when it is appropriate to do so, to issue ordinary shares as may be required, *inter alia,* in terms of capital raising exercises and to maintain a healthy capital adequacy ratio. This general authority is subject to the restriction that it is limited to 5% of the number of shares in issue as at 31 March 2017.

2.9 Ordinary resolution number 9: Non-binding endorsement of Argent's remuneration policy

"Resolved that the shareholders endorse by way of a non-binding advisory vote, the company's remuneration policy as set out in annexure A to the notice of AGM."

The reason for ordinary resolution number 9 is that King III recommends that the remuneration policy of the company be endorsed through a non-binding advisory vote by shareholders.

3. To consider and, if deemed fit, approve, with or without modification, the following special resolutions:

Note:

For the special resolutions to be adopted, at least 75% of the voting rights exercised on each special resolution must be exercised in favour thereof.

3.1 Special resolution number 1: Remuneration of non-executive directors

"Resolved, in terms of section 66(9) of the Companies Act, that the company be and is hereby authorised to remunerate its non-executive directors for their services as non-executive directors on the basis set out below, provided that this authority will be valid until the next AGM of the company:

	Current annual remuneration				
		Committee member			
	Board member R 000	Audit and risk R 000	Remuneration R 000	Nomination R 000	Total R 000
Non-executive directors					
CD Angus	52	1	1	1	55
PA Christofides	16	1	-	1	18
PA Day	33	1	1	1	36
Mrs JA Etchells	23	-	-	-	23
K Mapasa	55	1	1	1	58
T Scharrighuisen	150	-	-	-	150

	Proposed annual remuneration with effect from 1 April 2017				
		Committee member			
	Board member R 000	Audit and risk R 000	Remuneration R 000	Nomination R 000	Total R 000
Non-executive directors					
CD Angus	57	1	1	1	60
PA Christofides	57	1	1	1	60
K Mapasa	57	1	1	1	60
T Scharrighuisen	160	-	-	-	160

The reason for special resolution number 1 is for the company to obtain the approval of shareholders by special resolution for the payment of remuneration to its non-executive directors in accordance with the requirements of the Companies Act.

The effect of special resolution number 1 is that the company will be able to pay its non-executive directors for the services they render to the company, without requiring further shareholder approval until the next AGM of the company.

3.2 Special resolution number 2: Inter-company loans

"Resolved, in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval, that the board be and is hereby authorised to approve that the company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in section 45(1) of the Companies Act) that the board may deem fit to any company or corporation that is related or inter-related ("related" or "inter-related" will herein have the meaning attributed to it in section 2 of the Companies Act) to the company, on the terms and conditions and for amounts that the board may determine, provided that the aforementioned approval shall be subject to the provisions of section 45(3)(b) of the Companies Act and shall be valid until the date of the next AGM of the company."

The reason for and effect of special resolution number 2 is to grant the directors of the company the authority until the next AGM to provide financial assistance to any company or corporation which is related or inter-related to the company. This means that the company is authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries. The company has satisfied the solvency and liquidity test as defined in section 4 of the Companies Act.

3.3 Special resolution number 3: Share repurchases by the company and its subsidiaries

"Resolved as a special resolution that the company, and the subsidiaries of the company, be and are hereby authorised, as a general approval, to repurchase any of the shares issued by the company, upon such terms and conditions and in such amounts as the directors of the company and its subsidiaries may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the Memorandum of Incorporation, the JSE Listings Requirements and, if applicable, the requirements of any other stock exchange on which the shares of the company may be quoted or listed, namely that:

- The general repurchase of the shares may only be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- This general authority shall only be valid until the next AGM of the company, provided that it shall not extend beyond fifteen months from the date of this resolution;
- An announcement must be published on SENS as soon as the company or its subsidiaries have acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the repurchase, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares repurchased thereafter;
- The general authority to repurchase is limited to a maximum of 20%, in aggregate in any one financial year, of the company's issued share capital at the time the authority is granted;
- A resolution has been passed by the board approving the repurchase and confirming that the company has satisfied the solvency and liquidity test, as defined in the Companies Act, and that since the solvency and liquidity test was applied there have been no material changes to the financial position of the group;
- The general repurchase is authorised by the Memorandum of Incorporation;
- Repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for five business days immediately preceding the date that the transaction is effected. The JSE should be consulted for a ruling if the company's securities have not traded in such five business day period;
- The company may, at any point in time, only appoint one agent to effect any repurchase(s) on the company's behalf; and
- The company may not effect a repurchase during any prohibited period as defined in terms of the JSE Listings Requirements unless a repurchase programme has been submitted to the JSE in writing and executed by an independent third party, as contemplated in terms of paragraph 5.72(h) of the JSE Listings Requirements."

The reason for and effect of special resolution number 3 is to grant the directors a general authority in terms of the Memorandum of Incorporation and the JSE Listings Requirements for the repurchase by the company and its subsidiaries of shares issued by the company on the basis reflected in special resolution number 3. The subsidiaries of the company have no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

In terms of section 48(2)(b)(i) of the Companies Act, subsidiaries may not hold more than 10%, in aggregate, of the number of the issued shares of a company. For the avoidance of doubt, a pro rata repurchase by the company from all its shareholders will not require shareholder approval, save to the extent as may be required by the Companies Act.

Information relating to the special resolutions

1. The directors of the company or its subsidiaries will only utilise the general authority to purchase shares of the company, as set out in special resolution number 3, to the extent that the directors, after considering the maximum shares to be repurchased, are of the opinion that the position of the group would not be compromised as to the following:

    - The company's ability, in the ordinary course of business, to pay its debts for a period of 12 months after the date of this AGM and for a period of 12 months after the repurchase;
    - The consolidated assets of the group will, at the time of the AGM and at the time of making such determination, be in excess of the consolidated liabilities of the group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the group;
    - The ordinary capital and reserves of the group after the repurchase will remain adequate for the purpose of the business of the group for a period of 12 months after the AGM and after the date of the share repurchase; and
    - The working capital available to the group after the repurchase will be sufficient for the group's requirements for a period of 12 months after the date of the notice of the AGM.

    General information in respect of major shareholders, material changes and the stated capital of the company can be found on pages 77 and 78 of the annual report.

2. The directors, whose names are reflected on page 7 of the annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and

belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this AGM notice contains all information required by the JSE Listings Requirements.

Voting

1. The date on which shareholders must be recorded as such in the share register maintained by the transfer secretaries of the company ("**the share register**") for purposes of being entitled to receive this notice is Friday, 23 June 2017.
2. The date on which shareholders must be recorded in the share register for purposes of being entitled to attend and vote at this AGM is Friday, 18 August 2017. The last date to trade will be Tuesday, 15 August 2017.
3. Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the AGM and must accordingly bring a copy of their identity document, passport or drivers' licence. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretaries for guidance.
4. Shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a shareholder of the company. A form of proxy, which sets out the relevant instructions for its completion, is enclosed for use by certificated shareholders or own-name registered dematerialised shareholders who wish to be represented at the AGM. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the AGM.
5. The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the company at the address given below by no later than 10:00 on Friday, 25 August 2017.
6. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the AGM in person, will need to request their Central Securities Depository Participant ("**CSDP**") or broker to provide them with the necessary authority in terms of the custody agreement entered into between such shareholders and the CSDP or broker.
7. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the AGM and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.
8. Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.

By order of the board

Mr Jaco Dauth
Company secretary
29 June 2017
Umhlanga

Registered office
First floor, Ridge 63,
8 Sinembe Crescent,
La Lucia Ridge Office Estate, 4019
(PO Box 5108, Sinembe Park, La Lucia
Ridge Office Estate, 4019)

Transfer secretaries
Link Market Services South Africa (Pty) Ltd
13th floor, Rennie House,
19 Ameshoff Street,
Johannesburg, 2001
(PO Box 4844, Johannesburg, 2000)

ANNEXURE 1

Argent Industrial Limited remuneration policy

1. Philosophy overview

The remuneration philosophy is designed to promote the group's entrepreneurial culture in a decentralised environment with the aim of achieving sustainable growth within all our businesses and is tailored to the needs of each entity. We value all of the employees in the group, and the value that they add to achieving the sustainable profitability of the entities and the group as a whole.

The board defines the remuneration philosophy and aligns the business strategy and objectives with the overall goal of extracting optimal performance from the enterprise and thus creating shareholder value. To ensure fair and responsible remuneration practices, we seek a balance between employee and shareholder interests, while promoting entrepreneurial drive throughout the organisation. We simultaneously strive to maintain a balance between risk and reward.

The remuneration committee bases its recommendations on information gathered from an individual, company and group perspective and bases its recommendations on this performance.

Five key performance criteria that shape our policy are:

1. The ability to attract, retain and motivate the talent required to achieve operational and strategic objectives. Both short- and long-term incentives are used to this end;
2. Outcome-based short-term objectives and associated incentives related to clear targets are viewed as strong drivers of performance;
3. A significant portion of senior management's reward is variable and is determined by the achievement of realistic profit targets. When warranted by exceptional circumstances, special bonuses may be considered as additional rewards;
4. Occasionally and as a consequence of the group's needs, management may be redeployed to take on new responsibilities and in such cases, subjective criteria may need to be applied when making an evaluation; and
5. The group's share option scheme is designed to add an additional incentive to promote and retain talent through the issue of shares based on individual performance and talent.

2. Remuneration committee policy

The remuneration committee implements the board's remuneration policy to ensure:

1. Salary structures and policies as well as cash and share-based incentives motivate superior performance and are linked to realistic performance objectives that support sustainable long-term business growth;
2. Stakeholders are able to make an informed assessment of reward practices and governance processes; and
3. Compliance with all applicable laws and regulatory codes.

3. Governance

Board responsibility

The board carries ultimate responsibility for the remuneration policy. The committee operates in accordance with a board-approved mandate. The board may, when required, refer matters for shareholder approval; for example, new and amended share-based incentive schemes and non-executive board and committee fees. During the year, the board accepted the recommendations made by the committee.

In terms of the recommendations set out in King III, the remuneration policy is submitted to shareholders for a non-binding vote.

Remuneration committee

An independent non-executive director presides over the committee. Full details of attendance are set out on page 17 of the annual report.

The committee:

1. Review the group's remuneration philosophy and policy;
2. Reviews the recommendations of management on fee proposals for the group chairman and non-executive directors and determines, in conjunction with the board, the final proposals to be submitted to shareholders for approval;

3. Determines all the remuneration parameters for the chief executive officer and executive directors;
4. Agrees the principles for senior management increases and cash incentives in both South African and off-shore operations;
5. Agrees incentive scheme allocations and awards for executive directors and all option allocations for senior management; and
6. Settles long-term incentive allocations and awards for executive directors and other qualifying senior managers.

No individual, irrespective of position, is present when their performance is evaluated and their remuneration is discussed.

To determine the remuneration of executive and non-executive directors and certain senior executives, the committee reviews relevant market and peer data and considers performance reviews. To retain flexibility and ensure fairness when directing human capital to those areas of the group requiring focused attention, subjective performance assessments may sometimes be required when evaluating employee contributions.

The committee assesses market practice relating to share-based incentive plans and considers market-related information in its review of board and committee fees. The board reviews committee proposals and, where required, submits them to the shareholders for approval at the annual general meeting ("AGM").

4. Composition

Non-executive directors

Terms of service

Non-executive directors are appointed by the shareholders at the AGM. Non-executive directors are required to retire on the third anniversary of their appointment and may offer themselves for re-election. As appropriate, the board proposes their re-election to shareholders. There is no limit on the number of times a non-executive director may seek re-election.

Non-executive directors' remuneration

Group policy is to pay competitively for the role while recognising the required time commitment. Fees are benchmarked against a comparator group of JSE-listed companies and these fees are paid annually. No contractual arrangements are entered into to compensate for loss of office.

Non-executive directors do not receive short-term incentives, nor do they participate in any long-term incentive schemes, except where non-executive directors previously held executive office and they remain entitled to unvested benefits arising from their period of employment. The company does not provide pension contributions to non-executive directors. Management reviews non-executive directors' fees annually. After discussions with the committee, recommendations are made to the board, which in turn proposes fees for approval by shareholders at the AGM.

Full details of the non-executive directors' fees for the year ended 31 March 2017 are shown on page 56 of the annual report. Details of the proposed non- executive directors' fees for the year ended 31 March 2018 are shown on page 81 of the notice of annual general meeting.

Executive directors

Elements of remuneration

Executive directors receive a remuneration package shaped by a total cost-to-company ("CTC") philosophy (including basic remuneration and retirement/medical and other benefits – all on a defined contribution basis) and, like other senior management, qualify for short- and long-term incentives. Executive directors participate in the Long-Term Incentive Plan (CSS) which is driven by performance criteria.

Senior managers and employees

Elements of remuneration

Senior managers and employees receive a remuneration package shaped by a total CTC philosophy (including basic remuneration and retirement/medical and other benefits – all on a defined contribution basis) and qualify for short- and long-term incentives.

5. Remuneration structure

Remuneration package makeup

The table below summarises the main components of the reward package for executive directors, senior staff and employees in the organisation.

Application	Incentive	Objective	Link to strategy	Policy elements
CTC guaranteed pay Executive directors, senior managers and all employees	Basic package	Attract and retain the best talent. Executives directors reviewed annually and set on 1 April. Senior managers and all employees reviewed annually and set on 1 July.	The group policy is to attract and retain appropriate skills and remunerate with a market related pay. This ensures group competitiveness and sustained skills levels.	Level of skill and experience, scope of responsibilities and competitiveness of the total remuneration package are taken into account when determining CTC.
	Benefits	Providing employees with contractually agreed basic benefits, such as retirement fund benefits (defined contribution), medical aid, risk benefits, and life and disability insurance on a CTC basis.	These benefits provide the employee with safety nets to ensure a satisfied workforce.	The company contributes towards retirement benefits as per the rules of its retirement funds. Medical aid contributions depend on each individual's needs and the package selection. Risk and insurance benefits are company contributions, all of which form part of total cost of employment.
Short term Executive directors, senior managers and all employees	13th cheque	To motivate all levels of salaried staff to ensure that the companies operate profitably. This is paid out annually in December every year if the business is profitable at this time.	Encourages profitable businesses and contributes to skills retention.	This bonus is paid out by company and per individual and is conditional to the company being profitable, and the employee contributing to the profitability.

Application	Incentive	Objective	Link to strategy	Policy elements
Short term Executive directors and senior managers	Short-term profitability bonus	To motivate and incentivise senior and executive management for delivery according to objectives set over a one-year period from 1 April every year. Bonus is paid in June every year, post the completion of the annual audit.	Encourages growth in trading profit targets, earnings per share and return on equity for shareholders in a sustainable manner over the short term. Combines the above company financial performance metrics with strategic metrics, such as leadership, to ensure well-balanced KPIs. Rewards executive directors for their measurable contribution to the group based on predetermined metrics.	For the 2018 financial year, target and stretch performance targets are set for the companies within the group in March on the previous financial year, based on agreed budgets set for the following year. **Company financial performance** Trading profit targets, set targets based on historical performance. Individual company metrics based on metrics required to achieve the above such as customer growth, capital expansions, etc. Targets set against prior year's performance and budgets. **Earnings potential** Stretch targets are set against a multiple of the monthly package up to a maximum multiple of 2x. **Discretion of remuneration committee** The remuneration committee has discretion, when warranted by exceptional circumstances and where considerable value has been created for shareholders and stakeholders of Argent by specific key employees, to award special bonuses or other ex-gratia payments to individuals. In exercising this discretion the remuneration committee must satisfy itself that such payments are fair and reasonable and are disclosed to shareholders as required by remuneration governance principles.

Application	Incentive	Objective	Link to strategy	Policy elements
Medium term Executives and key personnel	Share option scheme ("SOS")	To motivate and incentivise delivery of sustained performance over the medium term.	Alignment of executives' interests with shareholders' through conditional rights to future delivery of equity. The issue of equity is subject to performance targets, thereby supporting the performance culture of the group. Motivates and retains key staff.	Award levels are set according to individual performance and the need to retain individual skills. Awards consist of conditional rights to shares, issued in equal tranches over a five-year period. The strike price of the shares is set at year 1 as the average price of shares in the SOS. Each tranche is subjected to continued employment for the duration of the year in question and the vesting period is one year. The shares are acquired by the employee on the maturity date every year at the strike price. These acquisitions are subject to the tax laws and requirements.
Long term Executives and select key personnel	Conditional share scheme ("CSS")	The purpose of the conditional share plan is to recognise contributions made by selected employees and to provide for an incentive for their continuing relationship with the group, by providing them with the opportunity of receiving shares or a cash amount based on the share price, in the company, thereby providing participants with an incentive to advance the group's interests and to ensure that the group attracts and retains the core competencies required for formulating and implementing the group's business strategies.	Recognise contributions made by selected employees and provide an incentive for continuing their relationship with the group. To align the executive and management teams to that of the investment community and the investment environment by focusing on the key factors that measure the return on investment in the business. These metrics are proposed by the board and are then reviewed, modified and ratified by the remuneration committee in March of the preceding financial year.	For the 2018, 2019 and 2020 financial year, target and stretch performance targets are set for the following metrics: **Company financial performance** • Underlying financial performance as measured by growth in headline earnings per share relative to set targets; • Relative total shareholder return measured against a peer group median; and • Return on capital employed against set targets. Targets set against prior year's performance and budgets.

Details of each executive director's remuneration is disclosed in note 16 of the financial statements (refer to page 56).

Argent Industrial Limited

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

FORM OF PROXY – FOR USE BY CERTIFICATED AND OWN-NAME DEMATERIALISED SHAREHOLDERS ONLY

For use at the annual general meeting ("**AGM**") of ordinary shareholders of the company to be held in the company's boardroom at First Floor, Ridge 63, 8 Sinembe Crescent, La Lucia Ridge Office Estate, Umhlanga, on Wednesday, 30 August 2017 at 10:00.

I/We (Full name in print)____

of (address)____

being the registered holder of ____ ordinary shares hereby appoint:

1. ____ or failing him/her,

2.____or failing him/her,

3. the chairman of the AGM,

as my proxy to vote for me/us at the AGM for purposes of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name(s) in accordance with the following instructions (see notes):

		Number of shares		
		In favour of	Against	Abstain
2.1	Ordinary resolution number 1: To re-elect Mr PA Christofides as an independent non-executive director			
2.2	Ordinary resolution number 2: To re-elect Mr K Mapasa as an independent non-executive director			
2.3	Ordinary resolution number 3: To re-elect Mr CD Angus as an independent non-executive director			
2.4	Ordinary resolution number 4: To appoint Mr K Mapasa as a member of the audit and risk committee			
2.5	Ordinary resolution number 5: To appoint Mr CD Angus as a member of the audit and risk committee			
2.6	Ordinary resolution number 6: To appoint Mr PA Christofides as a member of the audit and risk committee			
2.7	Ordinary resolution number 7: To re-appoint the auditor, Grant Thornton			
2.8	Ordinary resolution number 8: Unissued shares placed under control of the directors			
2.9	Ordinary resolution number 9: Non- binding endorsement of Argent's remuneration policy			
3.1	Special resolution number 1: Remuneration of non-executive directors			
3.2	Special resolution number 2: Inter-company loans			
3.3	Special resolution number 3: Share repurchases by the company and its subsidiaries			

Signed at______________________________on this________day of__________________2017.

Signature(s) ____

Assisted by (where applicable) (state capacity and full name)

____

Each Argent shareholder is entitled to appoint one or more proxy(ies) (who need not be a shareholder(s) of the company) to attend, speak and vote in his/her stead at the AGM.

Notes to the form of proxy

1. An Argent shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairman of the AGM". The person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. An Argent shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the chairman of the AGM, if he/she is the authorised proxy, to vote in favour of the resolutions at the AGM, or any other proxy to vote or to abstain from voting at the AGM as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.
3. When there are joint registered holders of any shares, any one of such persons may vote at the AGM in respect of such shares as if he/she was solely entitled thereto, but, if more than one of such joint holders be present or represented at the AGM, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member, in whose name any shares stand, shall be deemed joint holders thereof.
4. Forms of proxy must be completed and returned to be received by the transfer secretaries of the company, Link Market Services South Africa (Proprietary) Limited (PO Box 4844, Johannesburg, 2000), by no later than 10:00 on Friday, 25 August 2017.
5. Any alteration or correction made to this form of proxy must be initialled by the signatory (ies).
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer secretaries or waived by the chairman of the AGM.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

ARGENT
Industrial Limited

www.argent.co.za