2018

BUILDING BLOCKS FOR GROWTH

INTEGRATED ANNUAL REVIEW

SEPHAKU
HOLDINGS LTD

OUR INVESTMENT PROPOSITION

SEPHAKU HOLDINGS IS A BUILDING AND CONSTRUCTION MATERIALS COMPANY

Sephaku Holdings Limited (SepHold) is a JSE-listed company that offers investors a portfolio of assets focused on the building and construction materials industry.

SepHold's investment portfolio comprises a subsidiary, Métier Mixed Concrete Proprietary Limited (Métier or the subsidiary), and an associate, Dangote Cement South Africa Proprietary Limited (Sephaku Cement or the associate), which collectively are referred to as the group.

The South African cement and mixed concrete manufacturing sector holds promising growth opportunities as it is vital to infrastructure development. SepHold invests in modern, efficient capacity for this sector and is well positioned to capitalise on its opportunities, generate growth and create value for shareholders over the long term. Métier and Sephaku Cement strive for sustainable returns through the following:

Strategically focusing on the building and construction materials sector and its potential earnings and growth opportunities.

State-of-the-art production plants with cost efficiencies that enhance competitiveness.

Profitable concrete operations with a renowned concentration of technical skills providing solid earnings and positive net operating cashflows.

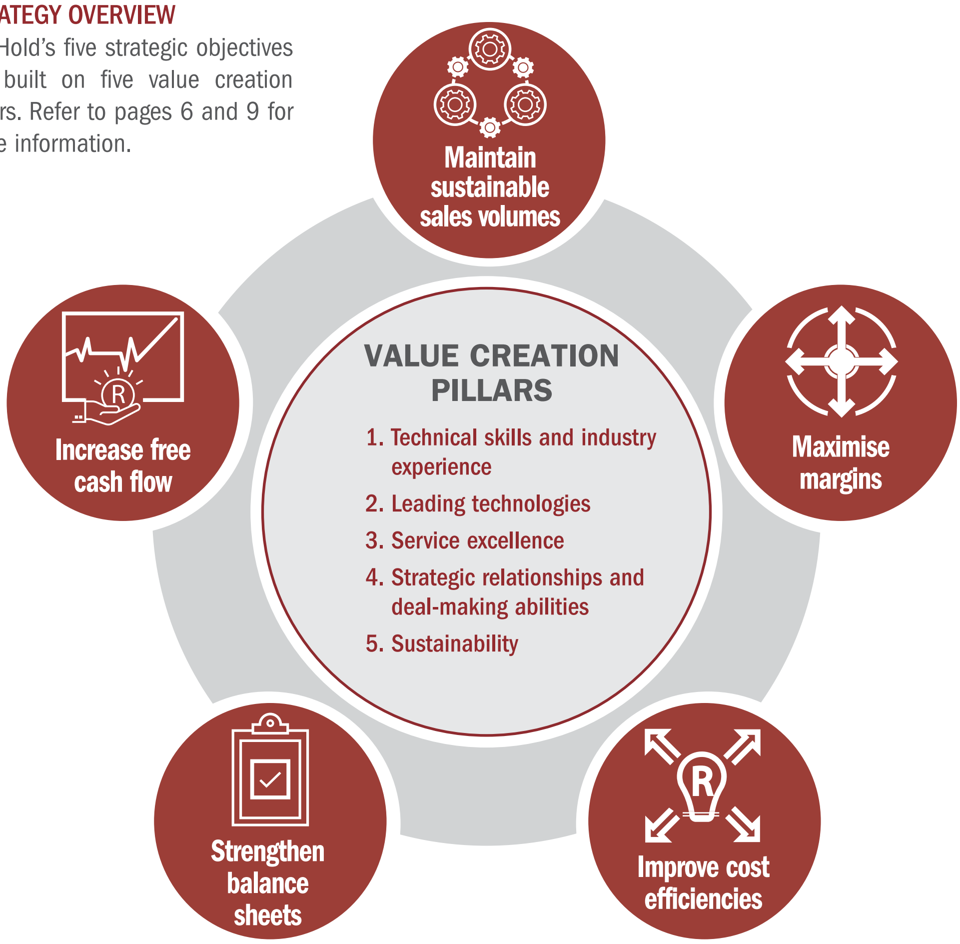
Operational management with deep industry skills and experience, and the ability to successfully execute the strategic objectives.

view this review online: www.sephakuholdings.com

SEPHOLD AT A GLANCE

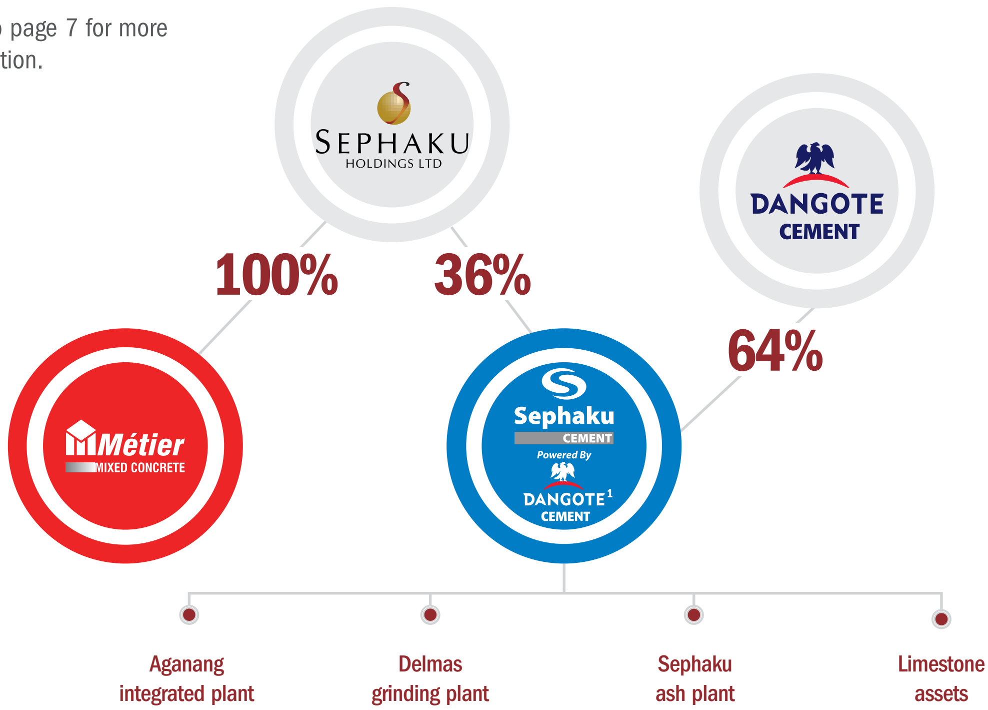
STRATEGY OVERVIEW

SepHold's five strategic objectives are built on five value creation pillars. Refer to pages 6 and 9 for more information.



OPERATIONAL STRUCTURE

Refer to page 7 for more information.



[1] *Dangote Cement Plc.*

FINANCIAL AND SAFETY PERFORMANCE

for the financial year ended 31 March 2018

Group for the financial year ended 31 March 2018

EBITDA
R89,1 million
(2017: R130,7 million)

EBIT
R54,3 million
(2017: R84,7 million)

Sephaku Cement equity-accounted earnings
R20,8 million
(2017: R24,8 million)

NPAT
R44,2 million
(2017: R68,1 million)

EPS
21.60 cents
(2017: 33.63 cents)

HEPS
20.92 cents
(2017: 33.37 cents)

Cash generated from operations
R47,5 million
(2017: R96,9 million)

Net cash from operations
R18,4 million
(2017: R60,8 million)

NAV per share
501.79 cents
(2017: 484.74 cents)

Métier for the financial year ended 31 March 2018

Sales revenue
R830,7 million
(2017: R839,9 million)

EBITDA margin
10,9%
(2017: 15,1%)

EBIT margin
9,6%
(2017: 12,9%)

ZERO fatalities
at all 12 plants
(2017: Zero fatalities)

3,96 lost time
injury frequency rate
(2017: 1,80)

Sephaku Cement* for the financial year ended 31 December 2017

Sales revenue
R2,4 billion
(2016: R2,3 billion)

EBITDA margin
21,3%
(2016: 23,1%)

EBIT margin
14,1%
(2016: 15,7%)

ZERO fatalities
at all 3 plants
(2016: Zero fatalities)

Lost time injury frequency rates

Aganang	Delmas
0	**0,65**
(2016: 0,19)	(2016: 0)

SepAsh
0 (2016: 0)

The 2016 figures are for the year ended 31 December 2016.

ABOUT THIS ANNUAL REVIEW

SCOPE AND BOUNDARY

SepHold hereby presents its integrated annual review (review)[1] to its stakeholders for the period 1 April 2017 to 31 March 2018 (the year). As a subsidiary of Dangote Cement Plc (DCP), Sephaku Cement has a 31 December year-end. The equity accounted profit included in this review relates to Sephaku Cement's results in the period 1 January 2017 to 31 December 2017. There has been no significant change to the group's size and structure since the 2017 review.

REPORTING BOUNDARY

SEPHAKU HOLDINGS LTD

Métier MIXED CONCRETE – 100% owned

Sephaku CEMENT – 36% owned

Our operating context
(Page 37)

Stakeholder overview
(Page 13)

Risk management
(Page 49)

OUR MATERIAL MATTERS
(Page 16)

Strategy
(Page 12)

Performance
(Pages 1, 37 and 47)

Operational | Financial | Environmental | Social

HOW WE CREATE VALUE
(Page 9)

[1] *This 2018 review reports on SepHold, Métier and Sephaku Cement, which are collectively referred to as the group.*

HOW WE REPORT

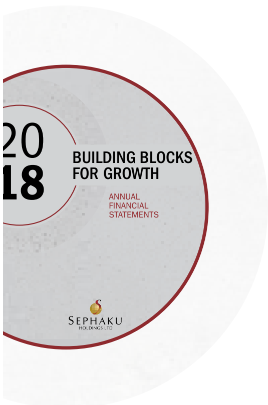
We use the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework to guide us in structuring our review. All significant information is reported on a like-for-like basis to the previous review, and there are no major restatements.

2018 annual reporting suite

Our reporting suite is available at www.sephakuholdings.com/investor-centre/results-and-reports

Integrated annual review

The review provides an overview of the group and its highlights, strategic matters and performance reviews. It complies with the South African Companies Act, 71 of 2008, as amended (Companies Act) and the JSE Limited's (JSE) Listings Requirements. The group applied the King IV Report on Corporate Governance of South Africa, 2016 (King IV) to the extent possible (refer page 72 for more detail).



Annual financial statements

The annual financial statements contain the statutory financial results. They comply with International Financial Reporting Standards (IFRS) and the Companies Act.

The following supplementary information is available on the website:

- Notice of annual general meeting and proxy form
- King IV application register

ASSURANCE

The group executive committee determines what information is material to disclose. Assurance is through internal controls, management attestation, independent BBBEE verification and internal audits.

SepHold's financial statements were independently assured by our external auditors, Grant Thornton Johannesburg Partnership. The summarised financial information (pages 31 to 33) was extracted from the group audited annual financial statements.

A South African National Accreditation System accredited verification agency, 5 Star Compliance Solutions, verified the Broad-Based Black Economic Empowerment (BBBEE) performance for Métier, Sephaku Cement and SepHold.

APPROVAL OF THE INTEGRATED ANNUAL REVIEW

The board has applied its collective mind to the preparation and presentation of this integrated annual review to ensure its integrity and completeness.

The board approved the 2018 integrated annual review on 23 July 2018, taking into consideration the completeness of its material matters and the reliability of its data and information.

On behalf of the board:

Brent Williams
Chairman

Dr Lelau Mohuba
Chief executive officer

FORWARD-LOOKING STATEMENTS

Opinions in this review are, by nature, subject to known and unknown risks and uncertainties. Changing information or circumstances may cause the actual results, plans and objectives of the group to differ materially from those expressed or implied in any forward-looking statements. Undue reliance should not be placed on such opinions, forecasts or data. No representation is made on the completeness or correctness of opinions, forecasts or data in this review. Neither the group nor any affiliates, advisors or representatives accept any responsibility for any loss arising from the use of any opinion, forecast or data in this review.

Forward-looking statements apply only at the date on which they are made and the group does not undertake any obligation to publicly update or revise any opinions or forward-looking statements, whether to reflect new data or future events or circumstances. The financial information on which the forward-looking statements are based has not been audited or reported on by SepHold's independent external auditors.

Feedback

We welcome your feedback and comments. Please direct any queries or suggestions on the content and form of this review to info@sepman.co.za.

2 AN OVERVIEW OF THE GROUP

AN OVERVIEW OF THE GROUP

WHO WE ARE

SepHold strives to be a leading building and construction materials investment company in South Africa.

The group's five value creation pillars are based on its founding principles and core values which are ingrained into our daily operations. At a strategy review session in May 2018, the board introduced sustainability as the fifth value creation pillar to enhance focus and disclosure on the group's environmental management.

It was entrepreneurship and resilience that steered SepHold's founders to become South Africa's first new cement manufacturer in over 80 years. These principles continue to resonate in the group as the competitive landscape intensifies. The innovation in the configuration of our modern cement plants; specialised concrete manufacturing at Métier; and the enterprise and supplier development programme (EDP) at Sephaku Cement has contributed to the group's success. The group is committed to transformation through community empowerment in its operating areas and employment equity. All entities within the group are level 6 BBBEE contributors and are continually seeking ways to improve contribution. The board and management aim to balance investors' return on investment with the interests of other stakeholders. Refer to page 13.

The SepHold code of ethics that is available at www.sephakuholdings.com/our-business/corporate-governance, recognises that the group and its employees have an obligation to act ethically. The directors and employees are expected to conduct business with stakeholders in line with this code. The board reviews the code regularly to ensure it instils a group-wide ethical culture. Métier and Sephaku Cement base their detailed policies, which include additional guidelines to cater to their unique operating contexts, on the SepHold code.

OUR INVESTMENTS

SepHold is a JSE-listed investment holding company that focuses on businesses in the building and construction materials value chain. The company acquired Métier, a concrete manufacturer in 2013, which enabled the immediate generation of income and synergistic benefits to be realised between Sephaku Cement and Métier.

MÉTIER MIXED CONCRETE PROPRIETARY LIMITED (MÉTIER OR THE SUBSIDIARY)

Métier manufactures ready-mix concrete products for South Africa's industrial, commercial and residential markets. The subsidiary aims to be a trusted building and construction materials brand and to build a lasting legacy as South Africa's leading mixed concrete manufacturer.

Métier has 12 plants and is in the process of constructing a 13th plant in Gauteng (Tshwane). Its head office and seven of its plants are in KwaZulu-Natal (eastern region), and five plants are in Gauteng (northern region). The geographically diversified plant locations reduce Métier's market concentration risk.

Northern operations: Plants located in Gauteng. The regional administration office is in Midrand.

Eastern operations: Plants are in the greater Durban and Pietermaritzburg areas within KwaZulu-Natal.

DANGOTE CEMENT SOUTH AFRICA PROPRIETARY LIMITED (SEPHAKU CEMENT OR ASSOCIATE)

Sephaku Cement specialises in manufacturing, marketing and distributing high-quality cementitious products to a broad range of users. Sephaku Cement's products are well known and are available at major hardware retailers and second-tier distributors.

The associate's integrated cement plant in Aganang and grinding plant in Delmas have a combined production capacity of 2,8 million tonnes per annum (mtpa) (Delmas 1,5 mtpa and Aganang 1,3 mtpa). The Aganang plant comprises a limestone open-cast quarry as well as a clinker and cement production plant. Sephaku Cement mines for limestone at close proximity to the plant and then processes it to clinker. The clinker is grinded and blended with other elements to produce bagged and bulk cement.

Sephaku Cement operates at steady-state production capacity and primarily supplies the Gauteng, Limpopo, Mpumalanga, North West and northern KwaZulu-Natal markets.

64% of Sephaku Cement is owned by DCP, a Nigerian Stock Exchange-listed company with projects and operations in Nigeria and nine other African countries. Refer to www.dangcem.com for further information.

Sephaku Cement categorises operations into cement manufacturing and exploration projects. The cement manufacturing category comprises Aganang, Delmas and Sephaku Ash. Sephaku Ash primarily supplies fly ash as an extender for bagged cement.

Exploration projects consist of limestone assets at various stage of development, such as the Dwaalboom project. This provides a pipeline for growth.

WHERE WE OPERATE

We operate in four provinces: Gauteng, KwaZulu-Natal, North West and Mpumalanga.

MÉTIER OPERATIONS

GAUTENG

Johannesburg office

- OR Tambo plant
- Sandton plant
- Midrand and Chloorkop plant
- Denver plant

Employs **120 people**

KWAZULU-NATAL

Head office

- Phoenix plant
- Canelands plant
- Mkondeni plant
- Umhlali plant
- Taylors Halt plant
- Mobeni plant
- Cato Ridge plant

Employs **161 people**

SEPHAKU CEMENT OPERATIONS

NORTH WEST

Aganang integrated cement plant

Aganang is Sephaku Cement's clinker producing operation. The plant is approximately 25 km west of Lichtenburg, North West. The secured limestone deposit on the adjacent farms has a proven life of over 30 years, starting in 2014.

Employs **210[1] people**

MPUMALANGA

Delmas grinding plant

The Delmas plant is in Mpumalanga, approximately 50 km from central Gauteng, off the N12 freeway. It is approximately 35 km from Sephaku Ash, which is at the Eskom Kendal Power Station.

Employs **86[1] people**

SEPHAKU CEMENT PROJECTS

Dwaalboom limestone project

The Dwaalboom resource is approximately 8 km southwest of Dwaalboom, and 80 km west-south-west of Thabazimbi, Limpopo. It is Sephaku Cement's most advanced limestone exploration asset and has the potential to be the second major 3 000-tonnes-per-day clinker production facility near Dwaalboom. The plant's construction has not been determined yet as we await feedback on the mining rights application.

[1] *Sephaku Cement has a head office in Centurion which employs 95 people, and Sephaku Ash employs 6 people, resulting in a total employee complement of 397 people*

HOW WE CREATE VALUE

Métier's and Sephaku Cement's respective contributions to the construction value chain create shared value for the group's stakeholders through the production of building and construction materials. Our operations depend on the cash they generate, equity from our investors, and borrowings. The challenging operating environment over the last three years has constrained the group's returns to shareholders. We expect higher pricing to improve our ability to distribute dividends and to enhance share capital appreciation. We also aim to create value for and meet the expectations of our broad stakeholder base.

The group recognises that business sustainability entails environmental awareness and social responsibility. Métier and Sephaku Cement have various initiatives and internal processes to mitigate their negative environmental impact and uplift their communities.

Sephaku Cement

Sephaku Cement creates value by identifying and mining limestone resources. Limestone is the principal raw material for cement, and it is used to manufacture clinker at our technologically advanced plants. It is further processed into different strengths of bagged and bulk cement for different construction activities through retail distribution channels and bulk users including mixed concrete manufacturers.

The associate's responsible mining practices minimise its environmental impacts and do not disrupt neighbouring communities. Sephaku Cement regularly engages different authorities to ensure compliance to licence conditions.

To better steward limited water resources, the associate manages and monitors several parameters including water balance. This, together with the closed-circuit water systems at the plants, maximises recycling and minimises discharge into the environment.

We employed and/or trained people in our communities and improved the lives of several families. Furthermore, the Enterprise and Supplier Development Programme (EDP) has improved the local economies of North West and Mpumalanga provinces as entrepreneurs are mentored to build sustainable businesses.

Métier

Métier uses the cement manufactured by, among others, Sephaku Cement to manufacture mixed concrete, which harnesses downstream value for the group. Métier holds high standards for its concretes and maintains high customer service levels.

The subsidiary sources its raw materials from different suppliers and secures strategic inputs from sustainable producers. It has a large complement of technical personnel in concrete technology who contribute to the brand equity. Métier regularly engages independent experts on how to develop effective environmental programmes that comply with the regulatory framework and that mitigate its negative environmental impact.

Métier sells its primary product, ready-mix concrete, to various customers including building contractors, civil contractors, residential developers, pool manufacturers, government organisations and various smaller segments within the building industry.

VALUE **CREATION** PILLARS

The group's focus is on creating sustainable shareholder value by enhancing the five value creation pillars on which earnings and growth are based.

- **Technical skills and industry experience** are critical to the group's strategy and to understanding the building and construction materials market dynamics to maximise profitability.
- **Leading technologies** produce the highest-quality cement and mixed concrete.
- **Service excellence** distinguishes us, and is driven by our high-performance culture, and improves our value proposition.
- **Strategic relationships** and deal-making abilities position the group as a major South African building and construction materials manufacturer.
- **Sustainability** emphasises responsible mining and manufacturing by continually seeking ways to minimise our negative environmental impacts.

SepHold's competitive advantages are derived from its value creation pillars.

Sephaku CEMENT

Métier MIXED CONCRETE

TECHNICAL SKILLS AND INDUSTRY EXPERIENCE

397 employees

281 employees

LEADING TECHNOLOGIES

Plant **efficiency**

Integrated products and distribution logistics software

SERVICE EXCELLENCE

High-**performance** culture

Responsible manufacturing

STRATEGIC RELATIONSHIPS AND DEAL-MAKING ABILITIES

SUSTAINABILITY

Robust sales **team**

Emissions **control**

We deliver superior customer service and specialised and consistent quality products.

Sephaku Cement

R2,4 billion
revenue

R333 million
in operating profits

80% sales volumes
sold in bags mainly to major building and construction materials retailers

Level 6 BBBEE contributor

R5 million spend on **employee training and development**

R88 million on **community social and enterprise development**

Water consumption:
54 litres/tonne of clinker produced

Dust emissions: **3 mg/Nm³ – 16 mg/Nm³** against a standard of 30 mg/Nm3

Métier

R830 million
revenue

R80 million
in operating profits

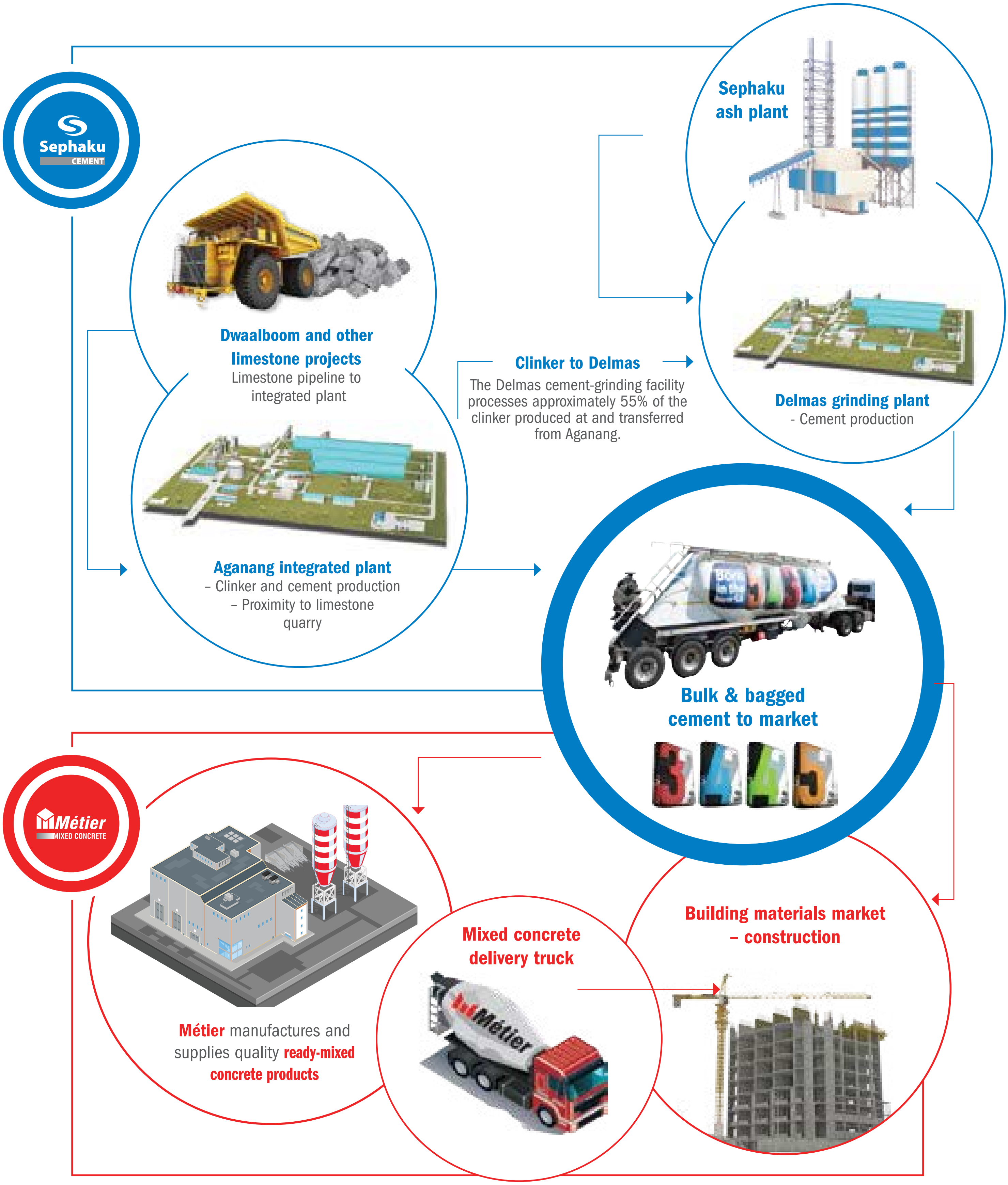
Level 6 BBBEE contributor

R1,2 million spend on employee training and development

37 million litres of water recycled during the year

Material matters page 16

The group's manufacturing and exploration projects aim to create sustainable shareholder value by enhancing the five value creation pillars on which earnings and growth are based.



Governance page 62

HOW WE CREATE VALUE (continued)

STRATEGY OVERVIEW

SepHold's executive committee formulates the strategy and manages the business in an integrated manner. The board strategically oversees and guides SepHold to capitalise on opportunities decisively, ethically, and responsibly. The strategy translates into operational action plans to ensure it achieves its objectives. The strategy is reviewed annually and revised if necessary to align to the dynamic South African socio-economic operating context and trading environment.

The group's strategic objectives focus on financial sustainability, product and service quality and operational efficiency as follows:

- Produce high-quality products and implement effective marketing activities to **maintain sustainable sales volumes and maximise margins**
- Implement cost management programmes that **improve cost efficiencies**
- Implement action plans that **strengthen the operations' balance sheets and increase free cashflow**

The group actively seeks for diversification opportunities in the building and construction materials industry to enhance the ability to create value in cognisance of the constrained economic environment.

Métier's and Sephaku Cement's performance against the objectives is detailed in their respective business reviews from page 34.

The board reviewed its contribution in determining and reviewing the group's strategy at year end and decided to commence intensive annual workshops to assess the previous year's performance against the strategic objectives and to approve the following year's strategic action plans. To this end, the board held the initial strategy workshop in May 2018.

STAKEHOLDER OVERVIEW

OUR ENGAGEMENT ETHOS

Stakeholder support is vital to our strategic objectives and the group's sustainability.

We aim for effective stakeholder engagement to develop and maintain mutually beneficial relationships. We determine our key stakeholders through the influence they have on the group and vice versa. The stakeholders' legitimate needs and expectations are appropriately addressed and incorporated in the management and board reports. Métier's and Sephaku Cement's internal experts and external practitioners effectively manage these matters and report on them to operational executive committees. SepHold, as the listed entity, is primarily responsible for managing the group's investor relationships.

Several factors, such as accessibility and priority, determine how we engage with each stakeholder group. The matters that stakeholders highlight also contribute to material matters determinations and risk assessments.

Our stakeholder engagement focus areas aim to:

1. Increase investor confidence in the group's strategy and our ability to deliver on it, to create sustainable value by providing complete, accurate and timely disclosure of material matters and performance information.
2. Partner with communities and authorities, to the furthest possible extent, to enhance our social licence to operate by:
   - promoting enterprise and supplier development initiatives in our communities;
   - supporting skills development opportunities, mainly for historically disadvantaged individuals; and
   - complying with all licence conditions awarded by the various government departments.
3. Position the group as an employer of choice by:
   - appropriately awarding all employees, and always treating them fairly and with dignity;
   - providing a safe working environment that supports overall wellness; and
   - offering career advancement opportunities for the employees who surpass expected performance.
4. Establish robust and mutually beneficial relationships with customers, suppliers and contractors by:
   - regularly and transparently engaging them to better understand and satisfy their expectations.
   - supplying consistent, good quality building and construction materials; and
   - ensuring that suppliers and contractors align to the group's terms that promote responsible and ethical manufacturing practices.

We engage with our stakeholders through, among other things, our integrated annual review, annual financial statements, written submissions, newsletters, roadshows, conferences, focus group discussions, meetings, workshops, forums, websites, presentations, working groups, community engagements and surveys.

KEY STAKEHOLDER ENGAGEMENT THEMES

	Matters raised	Stakeholders impacted	Response
Profitability	• SepHold's ability to achieve and maintain targeted profit margins • Industry price competition's negative impact on margins • Impact of import volumes on pricing • Group's ability to meet its debt covenants related to profitability metrics • Diminishing return on investment	• Investors • Employees • Organised labour • Customers • Suppliers and contractors • Government • Industry associations	• SepHold has been exploring diversification of the product range within the building and construction industry. Cato Ridge aggregates project is at mining application phase. Management is assessing several other diversification projects. • Sephaku Cement increased prices in most markets and adopted a dynamic market segmentation approach to improve margins. • Sephaku Cement completed the 24-month optimisation programme in December 2017.

STAKEHOLDER OVERVIEW (continued)

	Matters raised	Stakeholders impacted	Response
Consistent product quality and competitive pricing	• The group's ability to consistently supply good quality products • Offering customers competitive prices and after-sales support	• Customers	• Métier and Sephaku Cement have sufficient technical skills to supply consistent quality products. • Sephaku Cement regularly undergoes production audits to ensure that it supplies customers with the quality and specifications they require. • Métier and Sephaku Cement offer customised competitive pricing and services for different customer categories.
Compliance to legislative requirements	• Government's proposed carbon tax legislation and the related costs • Métier's and Sephaku Cement's compliance to mining and/or environmental legislation and licensing conditions	• Investors • Government • Industry associations	• Sephaku Cement continued to engage with the authorities on their proposed carbon budget in 2017 and expect it to be approved in the 2018 calendar year. • Internal audits of all Sephaku Cement and Métier operations ensure full compliance to the requisite regulations. • Métier and Sephaku Cement have qualified and experienced environmental managers, and specialised competencies are outsourced.
Supporting communities	• Expectations for increased support in enterprise and supplier development initiatives • Expectations that Sephaku Cement will exclusively have preference for local community members for employment, training and skills development opportunities • Expectations that communities will be offered equity ownership in the business over and above the Torosesha Trust which has been established as a community ownership entity. • Expectations for the group to support community upliftment projects such as schools and clinics	• Communities • Government	• The Sephaku Cement EDP empowers local businesses and indirectly provides employment opportunities. • Métier and Sephaku Cement preferentially employ people who live near their operations. • Sephaku Cement has an experienced stakeholder management team that continually engages with community leaders and local authorities. It occasionally contracts external experts to manage unique challenges. • Sephaku Cement continued to work with national, provincial and local government officials to develop engagement channels and structures with the communities in which there is contestation over their legitimate leaders. • All employees at Métier and Sephaku Cement are continuously trained and developed.

	Matters raised	Stakeholders impacted	Response
Employee relations	• Employment security • Career development and training • Performance-related incentives and rewards • Formalisation of collective bargaining structures for unionised employees • Safe working environment	• Employees • Organised labour • Government	• Sephaku Cement annually conducts employment climate surveys. • Roadshows and workshops provide several feedback platforms for Sephaku Cement's employees. • Métier and Sephaku Cement train and develop employees to enhance performance and facilitate succession planning. • Performance-related remuneration is benchmarked at Métier and Sephaku Cement – Biannual performance reviews promote a high-performance culture at Sephaku Cement. • Sephaku Cement established an engagement framework with the Association of Mineworkers and Construction Union (AMCU) during the year for effective collaboration. – Management, union leaders and shop stewards hold regular meetings at operational level to address concerns and develop mutually beneficial relationships. • Regular safety workshops and inspections are conducted at Métier and Sephaku Cement.

OUR MATERIAL MATTERS

The group executive management determined the material matters and the board approved the determination process and reporting frameworks applied. The process considers the group's operating context, as well as input from both the group's stakeholders and risk management.

The group's material matters are those that affect our value creation process. They were assessed regarding:

- the risks and opportunities they present;
- the degree to which they enhance or hinder the group's business model; and
- the likelihood of them becoming more significant.

The section below outlines the group's material matters, how they impact the group, how we address them, and the year-on-year movement. Matters specific to Sephaku Cement are listed separately as they materially impact the group.

GROUP MATERIAL MATTERS

Supply/demand imbalance

Improved slightly but still high for the cement and concrete sectors

Context

This imbalance is the primary driver for the cement's price competition coupled with the import burden of approximately 500 ktpa. We anticipate flat or at best a marginal increase in cement sales volumes. Our focus will be on achieving an effective cement annual price increase of 5% in the 2018 calendar year. Métier experienced fierce competition due to declining demand that impacted margins and volumes. Mixed concrete volumes and pricing are expected to remain constrained.

Our response

Métier

Métier manages costs through strategic sourcing.

Sephaku Cement

Sephaku Cement adopted a market segmentation approach that allowed us the flexibility to selectively price products to maximise margins. The associate implemented price increases in most markets in February and July 2017. Sephaku Cement commenced an optimisation programme in 2016 that saved R152 million in costs by end of 2017.

Our focus for 2019

Métier

Métier will improve cost efficiencies by optimally and sustainably using plant and mixer truck capacity. The subsidiary will focus on creating a customer-centric business that fully understands and harnesses all opportunities. Métier will maintain sales volumes by extending its offering into Pretoria.

Sephaku Cement[1]

The associate will protect its market share and enhance profitability by adapting its product offering and pricing to the prevailing market dynamics.

Affected strategic objectives

- Maintain sustainable sales volumes
- Maximise margins
- Strengthen balance sheets
- Increase free cashflow
- Improve cost efficiencies

Stakeholder concerned

- Investors
- Employees
- Organised labour
- Customers
- Suppliers and contractors
- Government

[1] *Sephaku Cement's reporting for financial year 2019 will be for the 12 months ending December 2018.*

Price competition

Cement pricing significantly improved but mixed concrete pricing marginally increased

Context

Cement price competition has a strong link to the supply/demand imbalance and has been intense since 2015. We have observed a shift in all cement manufacturers' focus from increasing sales volumes to improving prices and profitability. In 2017, the sector increased prices between 3 – 5% in the first and third quarters.

The mixed concrete sector had more intense price competition because most independent and some vertically integrated manufacturers offered unsustainably low prices to either reach their targeted sales volumes or be channels for the cement and/or aggregates volumes. The major reason of price competition was manufacturers who increasingly migrated from low-demand markets where construction activity has either regressed or stagnated to more active markets such as Gauteng.

Furthermore, independents who manufacture related building and construction materials such as aggregates, forward integrated to use mixed concrete as the conduit to penetrate the construction industry supply chain. Pricing marginally increased by 1,8% year-on-year, which was significantly lower than cost inflation.

Our response

Métier

Métier secured supply contracts into projects that optimised volume and margin mix. Concrete price increases lag behind those of the cement sector because the supply contracts are based on agreed tenure, volumes and pricing. This significantly narrowed margins in the year.

Sephaku Cement

Sephaku Cement's effective average annual price increase was 5% for both bagged and bulk cement. The associate optimised margins by determining which deals not to pursue.

Our focus for 2019

Métier

In response to the significant decline in margins, Métier has identified several cost efficiency measures to reduce the impact of the low prices.

Sephaku Cement[1]

Sephaku Cement will focus on an effective average price increase of between 5% and 7% for both bulk and bagged cement in 2018. The associate will target higher margins in geographic areas where it has a competitive advantage.

Affected strategic objectives

- Maintain sustainable sales volumes
- Maximise margins
- Strengthen balance sheets
- Increase free cashflow
- Increase cost efficiencies

Stakeholder concerned

- Investors
- Customers

[1] *Sephaku Cement's reporting for financial year 2019 will be for the 12 months ending December 2018.*

OUR MATERIAL MATTERS (continued)

Customer credit default risk

This matter worsened at Métier, but Sephaku Cement does not consider it material going forward

Context

The operating environment was tough for Métier's customer base constituting medium to large building contractors who were impacted by declining demand. Their constrained cashflows filtered to their raw material suppliers such as Métier.

Insufficient funding and convoluted project management structures delayed construction projects increasing the credit default risk. Métier recorded a high incidence of late payments during the year. For further detail on this matter refer to the financial director's report on page 26.

Sephaku Cement experienced no material credit default trends, because approximately 80% of the cement sold is distributed through the major building and construction materials retailers.

Our response

Métier

Métier implemented a rigorous process to understand the complete project structure of any contractor for an accurate assessment of their creditworthiness. The sales and finance teams collaborated in the assessments and the executive management monitored the risk.

Sephaku Cement

Sephaku Cement monitored all its top tier customers and insured the others. The associate also subscribed to the credit bureau to access independent, accurate and updated information on key customers to complement the information collected directly.

Our focus for 2019

Métier

The subsidiary will strengthen credit management for all new customers while monitoring existing customers' payment record to ensure compliance with credit terms. Métier will contract the services of credit insurers to minimise the risk of default through a thorough vetting of the credit applications.

Affected strategic objectives

- Strengthen balance sheets
- Increase free cashflow

Stakeholder concerned

- Investors
- Customers

Shortage of technical skills and industry knowledge

Slightly improved

Context

The technical skills to produce consistent quality and effectively manage building and construction material sales are limited. The industry is highly concentrated – it has six producers with two, including Sephaku Cement, entering in the past four years.

Our response

The group has identified competitive remuneration and intensive training as the two main solutions for retaining and expanding the internal complement of scarce skills.

Métier

Métier implemented extensive in-house training and development with a focus on concrete technology.

Sephaku Cement

Sephaku Cement has developed appropriate training programmes for key positions to transfer knowledge and establish protocols for technical and scientific methodologies. Sephaku Cement has a long-term retention scheme to attract and retain key employees. The scheme is based on a deferred system over a two-year period. The participating employees include members of the executive committee, senior management and select individuals who are key to the business's sustainability.

Our focus for 2019

Métier

Métier's customer focus requires that employees are continuously internally trained to deliver the quality element of its brand equity. A deliberate programme of knowledge and skills transfer will also be a focus area. Métier will establish a retention plan for employees with key competences and skills.

Sephaku Cement[1]

Sephaku Cement will pursue the 2017 action plan to increase the technical skills and participants in the retention scheme.

Affected strategic objectives

- Maintain sustainable sales volumes
- Improve cost efficiencies

Stakeholder concerned

- Investors
- Employees
- Organised labour
- Industry associates

Industry-concentrated investment portfolio

No change

Context

SepHold is primarily invested in South Africa's building and construction materials industry through Métier and Sephaku Cement. This means that the group is exposed to both industry concentration and single country risks. Furthermore, Sephaku Cement is 36% owned by the group and is its most significant asset.

Our response

To simultaneously diversify the portfolio and improve access to raw materials for Métier, the group continued pursuing the acquisition of an aggregates business. In FY 2017 the group began investing into a greenfield aggregates project called Cato Ridge Quarry Proprietary Limited and concluded a 50% partnership with Umhlali Quarry Proprietary Limited (joint venture).

Until the end of FY 2018, the joint venture dealt with the Ethekwini Municipality Environmental Department's concerns on the potential destruction of the ecological value of the area.

Our focus for 2019

The main focus is to conclude the stakeholder engagement with Ethekwini Municipality to enable the issuance of the mining licence and explore more mergers and acquisition opportunities.

Affected strategic objectives

- Maintain sales volumes
- Maximise margins
- Increase free cashflow

Stakeholder concerned

- Investors

[1] *Sephaku Cement's reporting for financial year 2019 will be for the 12 months ending December 2018.*

OUR MATERIAL MATTERS (continued)

SEPHAKU CEMENT-SPECIFIC MATERIAL MATTERS

Loan covenant pressure

Solved and no longer a material matter

Context

The highly competitive market and downward pressure on cement pricing during Sephaku Cement's 2016 financial year increasingly pressured the debt service cover ratio. The ratio was 1,23 instead of the requisite 1,30, resulting in a R135 million equity injection by the shareholders, SepHold and DCP.

Our response

Sephaku Cement successfully negotiated for the loan terms to be reshaped. In September 2017, the lenders consortium collectively agreed to change the repayment profile of the remaining R1,8 billion on the loan from equal capital instalments to increasing capital amounts over five years.

The covenants were maintained at the original levels, but the interest rate was increased by 50 bps to JIBAR plus 450 bps.

Our focus for 2019[1]

Sephaku Cement will pursue a disciplined pricing approach while maintaining sustainable sales volumes. Although this is no longer a material matter, executive management will continually monitor the covenants.

Affected strategic objectives

- Strengthen the balance sheet

Stakeholder concerned

- Investors

Managing local communities' expectations

Marginally improved

Context

Sephaku Cement's plants are in North West and Mpumalanga, both of which have depressed macroeconomic conditions. This, coupled with poor service delivery in the local municipality, has heightened tensions between the communities and local companies.

The communities approached Sephaku Cement for employment, preferential procurement, skills development and development for small, medium and micro enterprise (SMME).

Our response

Both plants consistently engaged with communities on all matters. Community relations at the Delmas plant improved substantially but became marginally worse at Aganang. The challenge in North West is the lack of official or acknowledged community leadership structures which delayed progress on any issue. To improve the relations at Aganang, Sephaku Cement contracted an independent stakeholder engagement consultancy with extensive experience in working with the local communities. By the end of 2017, a memorandum of agreement on the engagement framework had been signed by most parties.

Our focus for 2019[1]

To conclude and implement a revised SMME strategy with definitive action plans for sustainable solutions to all issues raised by the communities.

Affected strategic objectives

- Improve cost efficiencies

Stakeholder concerned

- Communities
- Government

[1] *Sephaku Cement's reporting for financial year 2019 will be for the 12 months ending December 2018.*

Ensuring overall equipment effectiveness at Aganang integrated plant

Equipment effectiveness has been optimised and is no longer a material matter going forward

Context

Overall equipment effectiveness (OEE) is a reliable standard for measuring manufacturing productivity. OEE combines plant availability, product quality and plant performance into one measure. Consistently improving OEE rates ensures that the plant can adequately and sustainably supply good-quality product to meet customer's requirements. Maximising OEE is imperative in an excess demand scenario, particularly when the plant operates at full capacity. Although the industry currently has excess capacity, it is prudent to continually improve OEE to targeted rates to enable Sephaku Cement to respond to any increase in demand.

Our response

We achieved satisfactory net OEE for the kiln at Aganang of 84% (2016: 78%). Sephaku Cement monitored real-time operational efficiencies to ensure that the plant operates at peak levels.

Affected strategic objectives

- Maintain sales volumes
- Maximise margins
- Improve cost efficiencies

Stakeholder concerned

- Investors
- Customers

Unionisation of labour at Aganang integrated and Delmas milling plants

Improved and is no longer a material going forward

Context

At the beginning of 2017, 60% of employees at Aganang and Delmas operations joined AMCU. None of the employees at the Centurion office belong to a union.

Our response

The union was afforded all the statutory organisational rights at both operations and in 2017, AMCU submitted a list of demands in respect to wages and other conditions of employment. Sephaku Cement reached an agreement in the fourth quarter following several months of discussions. There was no labour unrest or strikes at the operations during the year.

Our focus for 2019[1]

To resume negotiations for the new financial year earlier and promote continuous constructive engagement.

Affected strategic objectives

- Maximise margins
- Improve cost efficiencies

Stakeholder concerned

- Employees
- Organised labour

[1] *Sephaku Cement's reporting for financial year 2019 will be for the 12 months ending December 2018.*

LEADERSHIP REVIEWS

JOINT CHAIRMAN'S AND CEO'S REPORT

Improved trading environment for Sephaku Cement but increased competitive forces for Métier.

Brent Williams
Chairman

Dr Lelau Mohuba
Chief executive officer

Dear stakeholders,

The year saw a positive turn in Sephaku Cement's performance, while Métier's performance declined. We hope to provide you with insight into our performance and how we navigated the year. We continue to structure our report around investors' frequently asked questions.

HOW WOULD YOU DESCRIBE THE MACROECONOMIC OPERATIONAL CONTEXT?

The macroeconomic environment remained challenging for a large portion of the year, and improved slightly during the fourth quarter of 2017 which had a 3,1%[1] annualised and seasonally adjusted GDP growth rate. The construction industry declined by 0,3% during that quarter, characterising the operating environment for the cyclical building and construction materials industry. The estimated total cement demand was approximately 13 million tonnes against an industry production capacity of 17 million tonnes. This supply/demand imbalance has caused intense pricing competition among cement manufacturers since Sephaku Cement entered the market in 2015.

Mixed concrete sector

The mixed concrete manufacturing sector has low barriers to entry, and producers can move fairly easily between markets to secure volumes. Independent producers migrated from low-demand areas to regional markets with relatively high construction activity such as Gauteng.

Cement sector

Prices were more stable than during the 2016 calendar year. Manufacturers used segmentation pricing strategies to reach their targeted sales volumes which reduced price increases in the highly competitive regions. Some competitors attempted to merge and capitalise on the consolidation opportunities in the overcapacity context but were unsuccessful. However, we observed a sharpened focus by all manufacturers on improving operational efficiencies to enhance margins.

HOW DID THE GROUP RESPOND TO THE OPERATING ENVIRONMENT?

The group mainly focused on supporting margins by reducing debt to strengthen the balance sheet, improving cost efficiencies and maintaining sustainable sales volumes.

[1] *Statistics South Africa, Gross Domestic Product, Q4 2017.*

The mixed concrete competitive arena saw marginal price increases per cubic meter for Métier. Pricing was significantly below cost inflation with Gauteng remaining the most contested regional market.

Sephaku Cement's performance improved significantly as a result of:

- its management's excellent competence and deal making abilities;
- a more stable cement industry which allowed it to effectively increase prices in all of its markets; and
- persistent technical plant challenges for a competitor.

WHAT MATERIAL MATTERS IMPACTED THE GROUP'S VALUE CREATION?

The material matters are detailed on pages 16 to 21, and the top four are summarised below.

Loan covenant pressure	Sephaku Cement's reduced margins pressured its ability to meet its project loan debt covenants. The board prioritised the matter, and we are pleased to report that the debt was reshaped in September 2017. We no longer consider the management of this debt as material going forward.
Price competition	Métier's prices increased marginally amid intense competition in the mixed concrete industry, which inadvertently lowered margins. SepHold and the subsidiary are implementing several interventions to alleviate the continued pressure on the operations.
Managing local communities' expectations	Since Sephaku Cement's inception, it has been challenging to engage with the communities surrounding its plants. At Aganang, there were isolated disruptions to operational activities during the year. The lack of substantive community leadership structures hampered the quality of our engagements. To address the issue, Sephaku Cement developed a memorandum of understanding with local government representatives and communities to establish the terms of engagement.
Industry-concentrated investment portfolio	Cement and concrete are cyclical – the group is exposed and directly impacted by macroeconomic performance. Although bagged cement has persevered despite declining demand, it is essential for the group to improve the composition of assets to minimise the volatility of earnings. The group is pursuing the investment into aggregates that are less cyclical to diversify the concentration while simultaneously securing raw materials for Métier.

WHAT FACTORS HAVE ENABLED THE GROUP TO REMAIN COMPETITIVE?

Our management teams' competence and deep industry knowledge steer the group through the competitive landscape. Operational management's understanding of the trading environment was instrumental in maintaining market share. Sephaku Cement has established itself as a major producer in the country with solid relationships in the retail distribution network. Both Métier and Sephaku Cement have distinguished their offering to customers through consistent quality, timely deliveries and after-sales service.

HOW IS THE GROUP LIVING UP TO ITS RESPONSIBILITY AS A CORPORATE CITIZEN?

We have been responsive to our stakeholders to give their legitimate matters adequate attention. The group holds combined board social and ethics committee meetings for Métier and Sephaku Cement. The group responds to key issues timeously thanks to SepHold's and operational executive management's participation. We have a third party-managed whistle-blowing number for stakeholders to communicate matters freely. Furthermore, we are proud of the Sephaku Cement EDP that has developed local entrepreneurs, thereby contributing to the provincial GDP.

We have added sustainability to our value creation pillars, and we will emphasise responsible manufacturing and environmental stewardship in the new financial year. To this end, Sephaku Cement has set targets to reduce its coal consumption. Refer to page 59.

JOINT CHAIRMAN'S AND CEO'S REPORT (continued)

WHAT IS THE OUTLOOK FOR THE GROUP IN THE 2019 FINANCIAL YEAR AND BEYOND?

We will strengthen our strategic action plans to improve returns on shareholders' investment. Our operational companies are formidable competitors in the building and construction materials industry. We will ensure that they sustain their competitiveness to achieve superior returns.

We will implement the recommendations from our King IV gap analysis to propagate governance best practice in all group entities.

The economy is likely to remain under pressure for the next 12 to 18 months as the pro-business monetary and fiscal policies are implemented. The anticipated improvement in business confidence and investment should grow demand and improve earnings.

APPRECIATION

We extend our gratitude to all the employees and management teams who have remained committed to the group in an extremely challenging time. The board's and the executive committee's supervision and resourcefulness steered the group forward. They showed unwavering commitment to the group's strategic objectives. We appreciate the contribution of Ms. B Maluleke who resigned from the board on 30 October 2017 to fulfil her executive responsibilities at African Bank. Although Ms. Maluleke's tenure was short, her contribution was invaluable.

Finally, we acknowledge the ongoing support, loyalty and investment of our other stakeholders: our customers, shareholders, suppliers and contractors, the government bodies, and communities in which we operate. The group is dedicated to creating mutual value and to continue delivering on your material expectations.

Brent Williams
Chairman

Dr Lelau Mohuba
Chief executive officer

FINANCIAL DIRECTOR'S REPORT

OVERVIEW

Our group financial management focus for FY 2018 was on strengthening the balance sheets. We increased the magnitude of the Métier debt capital repayments to reduce the interest burden and successfully negotiated for the reshaping of the Sephaku Cement project loan to eliminate the pressure on covenants.

Neil Crafford-Lazarus
Financial director

The operating environment remained challenging for a significant portion of the year resulting in weaker financial performance from Métier and normalised Sephaku Cement results. The tough trading environment was evidently severe for Métier's customer base, who were impacted by the turmoil in the construction industry. Consequently, the subsidiary experienced a high incidence of overdue receivables thereby increasing customer credit default risk. The level of this risk was assessed resulting in a decision to increase Métier's provision for bad debts by R5 million at year-end.

GROUP

Sephaku Cement's equity accounted profit
R20,8 million
(2017: R24,8 million)

EBIT
R54,3 million
at a margin 6,5%
(2017: R84,7 million)

NPAT
R44,2 million
(2017: R68,1 million)

HEPS
20.9 cents
(2017: 33.4 cents)

MÉTIER

Revenue
R830,7 million
(2017: R839,9 million)

EBITDA margin
10,9%
R91,2 million
(2017: 15,0%)

EBIT margin
9,6%
R79,6 million
(2017: 12,9%)

NPAT
R48,0 million
(2017: R67,4 million)

SEPHAKU CEMENT

Revenue
R2,4 billion
(2016: R2,2 billion)

EBITDA margin
21,3%
R504,2 million
(2016: 23,1%)

EBIT margin
14,1%
R333,3 million
(2016: 16,0%)

NPAT
R57,8 million
(2016: R69,8 million)

FINANCIAL PERFORMANCE

Group net profit was R44,2 million at a revenue of R830,7 million resulting in basic earnings per share of 21.60 cents.

Analysis of the comprehensive income

Métier

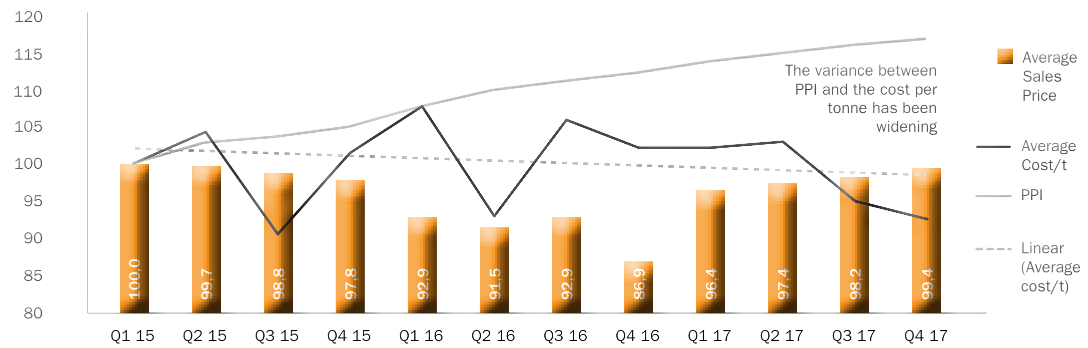
Métier implemented an average marginal price increase of 1,8% per cubic metre but due to a 3% decline in sales volumes had a 1,1% decrease in revenue to R830,7 million. The twelfth plant that commenced production in March 2017 contributed 7% to the sales volumes with commensurate increase in production cost of 8,5%. The increases in costs on lower volumes resulted in comparatively lower EBITDA and EBIT margins of 10,9% (R91,2 million) and 9,6% (R79,6 million) respectively. Métier's net profit was R48,0 million compared to R67,4 million achieved in the previous year.

Sephaku Cement[1]

Sephaku Cement achieved a 3,7% increase in revenue to R2,4 billion for the 12 months ended 31 December 2017. The price increases implemented in February and August 2017 were sustained in most markets resulting in an effective annual increase of 5% per tonne. The associate's performance was distinctive between the interim periods. The significant improvement in the second six months of the year reduced the negative impact on profitability of the weak performance in the first six months caused by excessive rainfall and low demand that resulted in a loss of R16,1 million. The associate's second half net profit increased by R90 million to R74 million as a result of increased sales volumes, higher cement pricing and improvements in operational efficiencies. The optimisation programme initiated in 2016 was successfully concluded in December 2017 with total cost savings of R152 million. The EBITDA margins recorded for the second half were 23% in the third quarter and 25% in the fourth quarter.

The annual EBITDA margin at 21,3% (R504,2 million) and net profit of R57,8 million were lower than the figures achieved in 2016 of 23,1% (R527,0 million) and R68,9 million, respectively. This was due to the fact that the previous year's results included the once-off income of R138 million from the closure agreement with Sinoma on the final handover of the plants and did not reflect a normalised position. The equity accounted income translated to SepHold's income statement was R20,8 million (2016: R24,8 million).

Sephaku Cement optimisation cost efficiencies impact on average cost



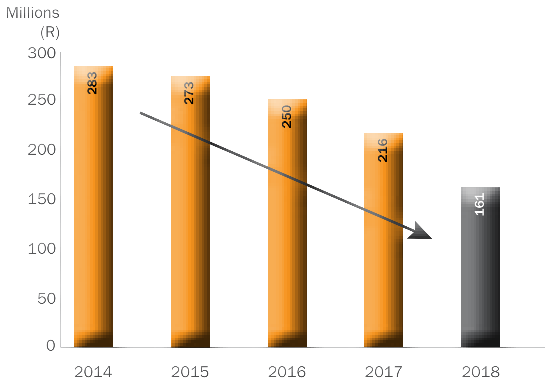
[1] Sephaku Cement has a December year-end as a subsidiary of Dangote Cement PLC

FINANCIAL DIRECTOR'S REPORT (continued)

Strengthening the financial position through debt management

Métier

Métier bank debt profile



Métier has steadily reduced its principal bank debt by 43% since 2014 while simultaneously increasing its plant footprint in Gauteng by constructing two plants. Approximately R112 million of the debt in FY 2014 was the loan for the acquisition of Métier. Furthermore, the subsidiary distributed a R50 million dividend to SepHold during the FY 2017 and commissioned a mobile plant to access new demand nodes in the Centurion area in March 2018. Métier achieved all these milestones in a trading environment with declining concrete prices and above inflation increases in costs and general expenses.

The subsidiary has two loan facilities with the same bank. The first one is a revolving credit facility of R100 million, which was R81,7 million as at 31 March 2018 and bears quarterly interest at JIBAR plus 400 basis points (bps). The second loan was R80,4 million at year end and is repayable in equal instalments of R3,7 million per month bearing interest at JIBAR plus 350 bps. The instalments are repayable over a period of three years and include payments of the interest and capital portions. The final contractual payment for both facilities is scheduled for February 2020 at which time it is envisaged that the revolving credit facility will be renegotiated.

Métier paid R55,5 million towards the principal during the year with R20 million into a revolving facility. The annual finance costs were R21,3 million. The ability of the subsidiary to reduce its debt exposure in the current constrained environment has demonstrated the resilience of the business model. The plan going forward is to further reduce the debt by repaying R35 million per annum for the next two years.

Sephaku Cement

In the FY 2017 report we highlighted the increasing pressure on Sephaku Cement's project loan covenants and that we were advanced in our negotiation with the lenders' consortium to reshape the loan to enable the associate to comply with the terms in a highly competitive trading environment. We are pleased that the negotiations were successful and the emerging upward trend in cement pricing observed in the past 18 months has resulted in Sephaku Cement comfortably fulfilling all its loan terms.

Background and original repayment profile of the project loan

The loan of R1,95 billion had a tenor of 10 years from 1 November 2012 with a 36-month payment holiday and capital repayable in 28 equal quarterly instalments. The loan attracted interest equal to the 3-month JIBAR rate plus a margin of 400 basis points. The accrued interest during the payment holiday was capitalised against the project loan to a final loan amount of R2,4 billion. Loan covenants included a loan life cover ratio of greater than or equal to 1,5; a debt service cover ratio of greater than or equal to 1,3; a reserve tail ratio greater than or equal to 30% and a gearing ratio of less than or equal to 75:25.

Reshaping of the loan

The highly competitive market and downward pressure on cement pricing during Sephaku Cement's financial year ended 31 December 2016, resulted in the debt service cover ratio being increasingly under pressure. This ratio for the financial year ended 31 December 2016 was 1,23 instead of the requisite 1,30, resulting in a R135 million equity injection by the shareholders, SepHold and DCP.

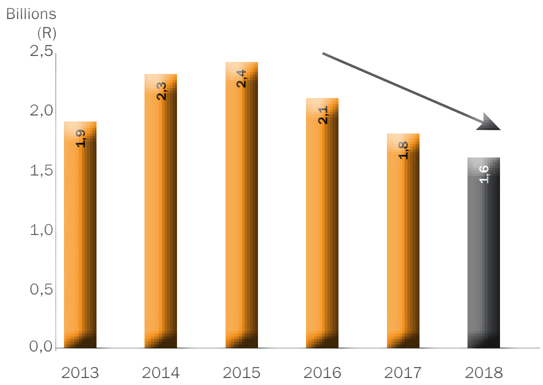
In September 2017, the lenders consortium collectively agreed to change the repayment profile of the remaining R1,8 billion on the loan from equal capital instalments to increasing capital amounts over five years from 2018. The annual instalments as a proportion of the outstanding debt would amount to approximately 10% in 2018; 15% in 2019 and the balance of 75% over the final three years. The covenants were maintained at the original levels, but the interest rate was increased by 50 bps to JIBAR plus 450 bps. The lenders agreed to condone this breach and the forecast breaches for the measurement periods ended 30 June 2017, 31 December 2017 and 30 June 2018. By December 2017 Sephaku Cement had made R600 million (25%) in capital repayments since the initial instalment in the first quarter of 2016.

Requisite contribution from shareholders

An additional R95 million capital injection required by the lenders to reshape the loan was settled in full by DCP in September 2017 as per the relationship agreement terms between SepHold and DCP. SepHold will be required to make a payment of R34,2 million at a future date, still to be determined between SepHold and DCP, to avoid the dilution of SepHold's 36% interest in Sephaku Cement. SepHold's board and management has decided that it will not follow through on its right if the required contribution will be based on the valuation used for the subscription in March 2017 thereby decreasing SepHold's interest in Sephaku Cement to just below 35%. Refer to page 35 of the annual financial statements.

For the 12 months ended December 2017, Sephaku Cement repaid R474 million constituting R217 million towards interest and R257 million towards the capital. The loan will decrease to R1,62 billion by December 2018 accelerating the achievement of Sephaku Cement's targeted debt to EBITDA ratio of x2,5 in the next 12 to 18 months.

Sephaku Cement project debt profile



Update on the DCP (shareholder) project loan

In 2013 to 2014, DCP granted Sephaku Cement a standby debt facility of R275 million at an interest of JIBAR plus 400 bps to complement the bank project loan for the construction of the cement plants. At the end of December 2017, the balance of the loan was R418 million including accrued interest. The interest accrued during the construction phase was capitalised against the loan. The repayment of the accumulated debt will be subject to available cash which is anticipated to increase with improved profitability margins. The plan is to reduce the debt once there is sufficient excess free cash after complying with the requisite bank obligations.

Cashflow and customer credit default risk management

Métier

The receivables inflow was lower than planned as Métier's customers struggled to comply with their payment terms because of the tumultuous construction industry characterised by delayed projects and termination of contracts. This coupled with the liquidation of a long-term Métier customer who owed R5,2 million due to the unexpected termination of a major construction project, heightened the credit default risk management of all customers. By the end of the financial year, the receivables were R131 million with R15 million past the payment due date, and not impaired. Within the initial week of the new financial year, Métier had received R10,3 million of the outstanding R15 million. In our assessment of the balance of receivables which were neither past due nor impaired confirmed that they were of satisfactory credit quality. To continue to mitigate this risk, Métier is strengthening the credit management process for all new customers to ensure that profitability is protected and there is full compliance with the credit terms.

Sephaku Cement

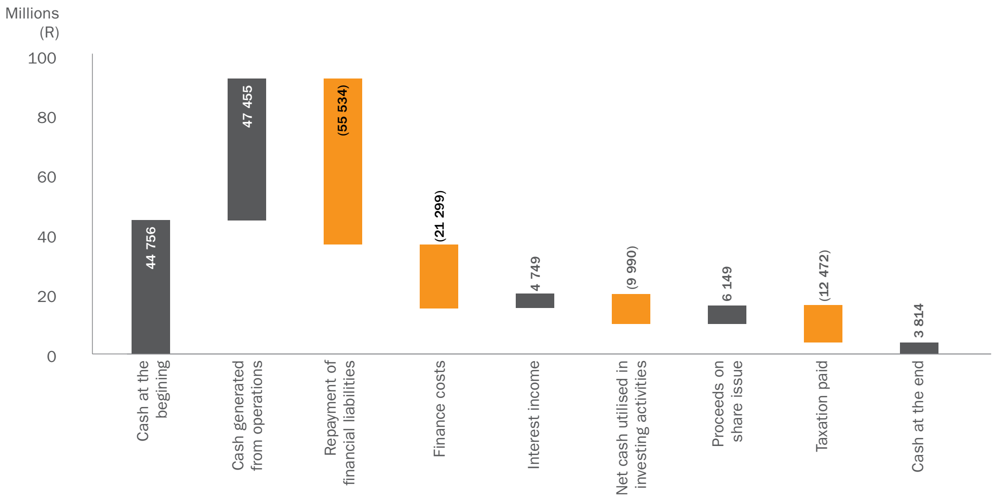
Sephaku Cement did not and continues not to experience the same customer credit default risk because of the profile of its customer base. Approximately 80% of its sales volumes is in bagged cement distributed through large retailers. These retailers have a low risk of default and furthermore Sephaku Cement has no exposure to major construction companies as customers. At the end of December 2017, the associate's provision for receivables impairment was slightly below R1 million representing 0,4% of the R232 million in outstanding credit sales.

Sephaku Cement generated R516 million cash from operations and began the year with R288 million in cash and cash equivalents. The main cash outflows during the year were towards finance costs and capital repayments totalling R529 million. This reflects the group's focus of strengthening the balance sheet through the reduction of debt.

The annual net cash movement was R125 million resulting in an ending cash balance of R413 million. Sephaku Cement's strong cash generative ability is expected to continue subject to sustainable price increases. As the cashflow increases, the possibility of the associate accelerating the repayment of the project loan is significantly enhanced.

FINANCIAL DIRECTOR'S REPORT (continued)

Group cash movement analysis



GROUP

Although the group cash balance at the financial year end was fairly low at R3,8 million, the combined undrawn balance was R36,5 million through Métier's revolving bank facility, overdraft and SepHold's overdraft.

SEPHAKU CEMENT POST-PERIOD PERFORMANCE

Sephaku Cement's first quarter sales volumes for the period ended 30 June 2018 increased by 7% year-on-year albeit from a fairly low base in the comparable period. The positive pricing trend continued to the end of March with Sephaku Cement implementing increases of 5% – 6% per tonne in February 2018. These prices have sustained in most markets with Gauteng continuing to be a highly contested market. Additional price increases are planned for during the second half of 2018.

GROUP INVESTMENT PORTFOLIO ENHANCEMENT

Cato – Ridge aggregates joint venture

The rationale for the 50% investment into the aggregated joint venture was to secure a major mixed concrete raw material. The synergistic benefits of the joint venture include favourable pricing and control of the aggregates source which is critical in supporting margins.

FOCUS AREAS FY 2019

The construction industry which is strongly linked to Métier's customer base is anticipated to continue to be weak for the near term. A building perception survey conducted between April and June 2018 by Bureau for Economic Research, revealed that the confidence index for the second quarter decreased to 29 points which is a six-year low. Equally the civil contractors are pessimistic and anticipate weak demand for this year. This will require astute and perpetual customer credit management processes to preserve value. Management of Métier's debt covenants will also be of high priority in view of the weak demand and downward pressure on profitability.

We will also ensure that a 13th mixed concrete plant is brought to full production in the most cost-efficient manner through rationalisation of movable plant equipment and trucks.

APPRECIATION

I extend gratitude to my colleagues, who have enabled me to manage the group finance functions effectively through their support. I thank the dedicated and competent group finance professionals who have worked tirelessly with me to guard the resources with which we have been entrusted. Finally, I thank the board members for their insights on how to enhance the financial management efficacy in a highly volatile trading environment.

Neil Crafford-Lazarus

Finance director

SUMMARISED CONSOLIDATED FINANCIAL RESULTS

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2018

	GROUP		COMPANY	
	2018 R	2017 R	**2018 R**	2017 R
Revenue	**830 686 042**	839 984 931	**12 073 869**	19 242 280
Cost of sales	**(488 756 744)**	(483 668 229)	**–**	–
Gross profit	**341 929 298**	356 316 702	**12 073 869**	19 242 280
Other income	**4 732 869**	2 429 156	**205 307**	214 465
Operating expenses	**(292 334 309)**	(273 996 024)	**(22 985 204)**	(30 762 448)
Operating profit/(loss)	**54 327 858**	84 749 834	**(10 706 028)**	(11 305 703)
Investment income	**4 749 191**	7 172 130	**1 336**	50 058 450
Reversal of impairment loss	**–**	–	**–**	89 410 741
Profit from equity-accounted investment	**20 819 672**	24 803 788	**–**	–
Finance costs	**(22 032 115)**	(26 695 077)	**(1 170 690)**	(1 202 079)
Profit/(loss) before taxation	**57 864 606**	90 030 675	**(11 875 382)**	126 961 409
Taxation	**(13 697 584)**	(21 892 284)	**–**	–
Profit/(loss) for the year	**44 167 022**	68 138 391	**(11 875 382)**	126 961 409
Other comprehensive income/(loss)				
Items that will not be reclassified to profit or loss:				
Revaluation reserve on land of associate written back	**1 207 663**	–	**–**	–
Total comprehensive income/(loss) for the year	**42 959 359**	68 138 391	**(11 875 382)**	126 961 409
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent	**42 959 359**	68 138 391	**(11 875 382)**	126 961 409
	42 959 359	68 138 391	**(11 875 382)**	126 961 409
Basic earnings per share (cents)	**21.60**	33.63		
Diluted earnings per share (cents)	**21.49**	33.36		

FINANCIAL DIRECTOR'S REPORT (continued)

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2018

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
ASSETS				
Non-current assets				
Investment property	–	–	18 427 525	18 427 525
Property, plant and equipment	143 665 110	142 797 829	103 098	152 022
Goodwill	223 421 981	223 421 981	–	–
Intangible asset	2 867 551	5 161 591	–	–
Investments in subsidiaries	–	–	299 378 029	299 378 029
Investment in joint ventures	120 552	–	–	–
Investment in associate	765 870 275	743 842 941	683 689 159	683 689 159
Other financial assets	8 459 008	10 638 527	8 459 008	10 638 527
Operating lease asset	–	–	1 105 338	613 869
Long-term loans	2 000 000	2 000 000	2 000 000	2 000 000
	1 146 404 477	1 127 862 869	1 013 162 157	1 014 899 131
Current assets				
Inventories	16 829 437	16 972 080	–	–
Loans to group companies	–	–	10 249	10 149
Trade and other receivables	133 331 514	121 613 883	326 256	253 002
Cash and cash equivalents	10 510 169	44 756 833	337 984	1 225 306
	160 671 120	183 342 796	674 489	1 488 457
Total assets	1 307 075 597	1 311 205 665	1 013 836 646	1 016 387 588
EQUITY AND LIABILITIES				
Equity				
Stated capital	644 443 723	635 403 188	644 443 723	635 403 188
Reserves	12 025 844	19 262 087	12 025 844	20 469 750
Retained income	378 928 819	329 214 333	213 012 820	219 340 739
	1 035 398 386	983 879 608	869 482 387	875 213 677
Liabilities				
Non-current liabilities				
Loans from group companies	–	–	12 625 620	13 647 025
Other financial liabilities	121 353 224	180 132 807	–	–
Deferred income	1 555 444	2 233 359	–	–
Deferred taxation	21 022 839	19 696 446	–	–
	143 931 507	202 062 612	12 625 620	13 647 025
Current liabilities				
Loans from group companies	–	–	128 278 008	126 115 900
Other financial liabilities	39 781 797	35 803 432	–	–
Current taxation payable	307 491	408 615	–	–
Operating lease liability	4 090 842	4 101 068	5 684	15 910
Trade and other payables	76 192 231	84 272 472	3 444 947	1 395 076
Deferred income	677 887	677 858	–	–
Bank overdraft	6 695 456	–	–	–
	127 745 704	125 263 445	131 728 639	127 526 886
Total liabilities	271 677 211	327 326 057	144 354 259	141 173 911
Total equity and liabilities	1 307 075 597	1 311 205 665	1 013 836 646	1 016 387 588
Net asset value per share (cents)	501.79	484.74		
Tangible net asset value per share (cents)	392.51	372.83		

STATEMENTS OF CASH FLOWS

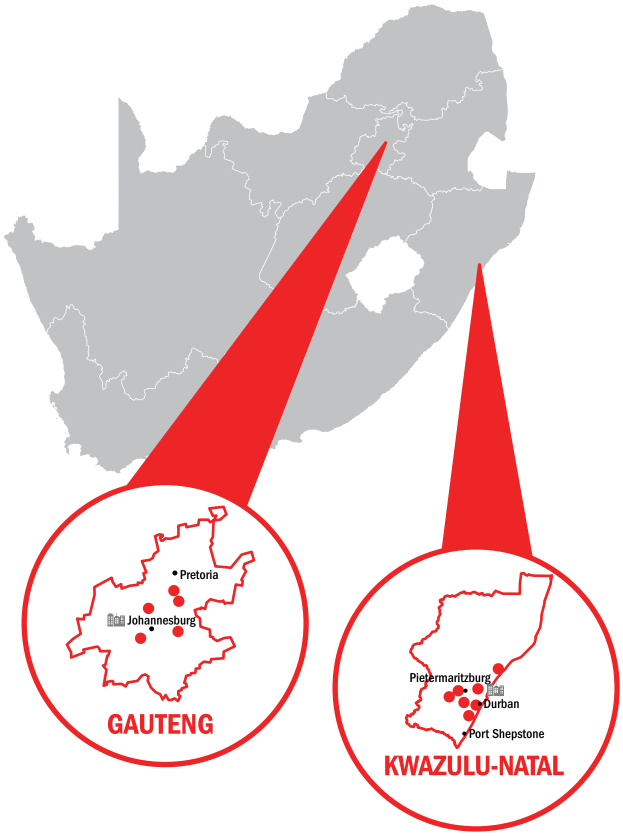
for the year ended 31 March 2018

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Cash flows from operating activities				
Cash generated from/(utilised in) operations	47 455 351	96 978 796	(7 635 415)	(7 054 616)
Interest income	4 749 191	7 172 130	1 336	58 450
Dividends received	–	–	–	50 000 000
Finance costs	(21 298 838)	(24 320 458)	(29 987)	(1 202 079)
Taxation paid	(12 472 313)	(19 049 210)	–	–
Net cash generated from/(utilised in) operating activities	18 433 391	60 781 258	(7 664 066)	41 801 755
Cash flows from investing activities				
Purchase of property, plant and equipment	(14 915 358)	(28 535 101)	(23 390)	(28 494)
Disposal of property, plant and equipment	4 314 861	1 852 035	–	–
Loans repaid	650 837	349 023	650 837	349 023
Investment increase in joint venture	(40 754)	–	–	–
Investment increase in associate	–	(48 571 875)	–	(48 571 875)
Government grant received	–	1 153 240	–	–
Net cash (utilised in)/generated from investing activities	(9 990 414)	(73 752 678)	627 447	(48 251 346)
Cash flows from financing activities				
Proceeds on share issue	6 149 397	2 453 033	6 149 397	2 453 032
Repayment of other financial liabilities	(55 534 494)	(35 195 345)	–	–
Facility raising fee paid	–	(760 867)	–	–
Advances of loans to group companies	–	–	(100)	(1 060 817)
Net cash (utilised in)/generated from financing activities	(49 385 097)	(33 503 179)	6 149 297	1 392 215
Total cash and cash equivalents movement for the year	(40 942 120)	(46 474 599)	(887 322)	(5 057 376)
Cash and cash equivalents at the beginning of the year	44 756 833	91 231 432	1 225 306	6 282 682
Total cash and cash equivalents at the end of the year	3 814 713	44 756 833	337 984	1 225 306

3

BUSINESS REVIEW: MÉTIER MIXED CONCRETE

BUSINESS REVIEW:
MÉTIER MIXED CONCRETE



To be a highly trusted brand and industry leader building a lasting concrete legacy in South Africa.

Based on the Métier Way ethos and the customer's experience of the company's products and services must be:

- **Integrity:** honesty, fairness, ethics, equality and respect
- **Service excellence:** efficiency, speed, dependability, motivation, drive, results-orientated, professional approach and brand pride
- **People:** partnerships, development, passion, engagement, commitment, loyalty, empathy, respect, transparency, humility and collaboration
- **Accountability:** reward, recognition and sustainability

Partnering with customers to enable success on their concrete projects through innovative solutions.

MANAGING DIRECTOR'S REPORT

Intense competition required a high level of cohesiveness and agility to secure supply deals as well as cost management efforts to support margins.

OPERATING CONTEXT

The construction industry, our key market, was depressed. Mixed concrete supply exceeded demand, which increased price competition and decreased margins. The higher volumes were mainly in KwaZulu-Natal where the decline in demand was less severe. Established producers migrated from areas where demand had stagnated to traditionally high-volume markets. More independent building and construction materials operators began using ready-mix as a conduit for their aggregates or hardware product offering, while vertically integrated producers secured supply contracts at low prices to distribute volumes for their related cement manufacturers.

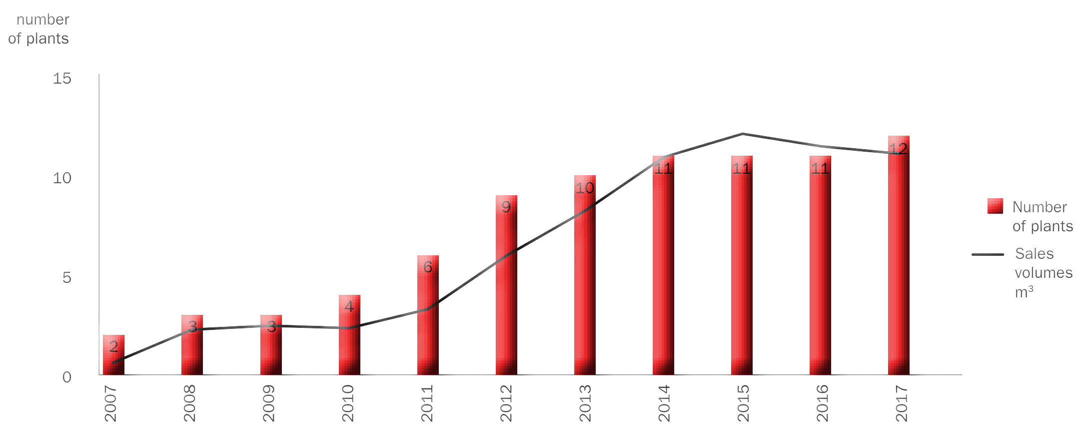
Jürgens du Toit
Managing director

PERFORMANCE OVERVIEW

However, I am pleased to confirm that our strategic expansion in Gauteng supported our performance with the 12th plant, contributing 7,0% to our overall sales volumes. The plant enabled our reach to new demand nodes within Gauteng. The plant's long-term value aligns to Métier's strategic plan for the northern region. Furthermore, we purchased a mobile ready-mix plant that was commissioned in March 2018 to supplement existing plant capacity in nodes with growing demand in Gauteng. Although this may seem counterintuitive in view of declining demand, this mobile plant provides flexibility in accessing different demand nodes in Métier's regions to service viable projects.

Métier's revenue decreased by 1,1% to R831 million in spite of the marginal price increase of 1,8% per unit of concrete because of a 3,0% decline in sales volumes. Selling prices have been significantly below cost inflation for the past few years due to intense competition. Métier recorded a net profit of R48 million against R67 million in the previous year.

Sales volumes growth compared to plant footprint from 1 January 2007 – 31 December 2017



MANAGING DIRECTOR'S REPORT (continued)

Cost management

To support margins, we focused on improving the sourcing of raw materials to minimise the cost increases without compromising our fit for purpose offering. Our deep skills and deal-making abilities enabled us to maintain our sales volumes through technical and after-sales customer support. We promised and delivered consistently high-quality product, high service levels and reliability to distinguish ourselves in an extremely competitive market. Although our customers were less interested in service for pricing, we did not lower our service levels below our pledged minimum standard. We also assessed all overhead expenses and production costs to lower the overall cost per cubic metre of concrete.

THE MÉTIER WAY

We reinforced the Métier Way (page 39) ethos in our operations and made plans to entrench this approach over the next few years. This is an ongoing process that will continue to grow and evolve with the business. We focused on motivating employees in the different operational functions to achieve the short- to medium-term objectives.

Intense competition required a high level of cohesiveness and agility to secure the supply deals as well as cost management efforts to support margins. We reorganised our operational structure to position all employees to have the requisite acumen to achieve success. We strengthened operating procedures to be more effective and efficient in offering consistent quality concrete. This sustained our market share in KwaZulu-Natal and Gauteng.

To instil the Metier Way , we have platforms through which we can hold each other accountable for agreed performance objectives.

RISK MANAGEMENT AND MATERIAL MATTERS

Identifying, understanding and mitigating key risks is on the agenda for every executive committee meeting. The committee continually monitors and manages the risk register. In 2017, customer credit default was our main risk, our customers have been operating in a challenging market with declining demand. Métier's customer base, mainly medium to large building and construction contractors, became less profitable and experienced constrained cashflows. Insufficient funding, convoluted project management structures, and disruptions from community-led business forums delayed construction projects for our customers and increased the credit default risk.

Consequently, we recorded a high incidence of payments beyond the agreed trading terms from our customers. To mitigate this risk, we implemented a rigorous vetting process to properly understand contractors' project structures and accurately assess their creditworthiness.

LOOKING AHEAD

Oversupply amid weak economic growth is still our biggest challenge, while credit risk exposure in the broad construction sector remains a concern. We anticipate marginal improvement in pricing on the back of the recent and sustained increases in cement pricing. Due to the tenure and pricing of supply contracts there is approximately a 6 to 12-month price recovery lag. To maintain sustainable sales volumes, we will expand our footprint in Gauteng by extending our offer into Pretoria in Tshwane through a thirteenth plant. This plant will continue to increase the market currently serviced by the mobile plant that is located in Centurion. The mobile plant will continue to be used to support those Métier plants in highly active nodes as the demand increases. The mobile plant provides us with the agility to harness viable supply opportunities as they emerge. The reporting structures to the senior and executive management will be improved to create a customer-centric business that fully understands and harnesses opportunities.

STRATEGIC OUTLOOK

- **To maintain sustainable sales volumes:** Addition of the 13th plant to increase geographical presence.
- **Re-alignment of the reporting structure:** Increased focus on the customers and to be solutions minded.
- **To improve cost efficiencies:** Continuously improve operational performance to reduce the impact on fixed and variable costs.

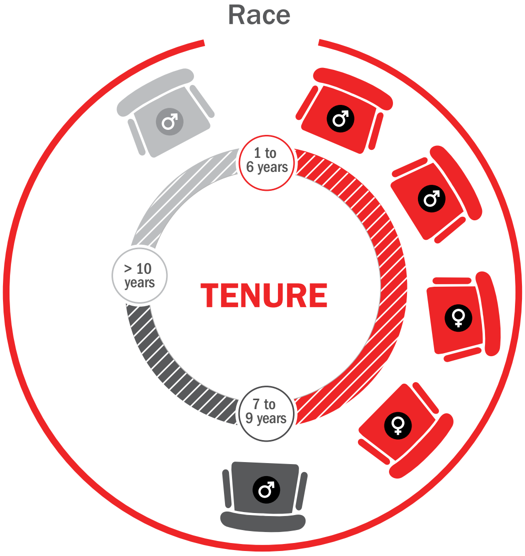
HUMAN CAPITAL OVERVIEW

Métier strives to up-skill and develop employees in line with its the Métier Way.

The Métier Way is a high-performance culture that promotes our brand of service, quality and reliability. This culture is characterised by:

- uncompromising service;
- a safe working environment;
- innovation;
- employees that are sensitive and responsive to the needs of customers; and
- ethically and honestly meeting commitments.

Executive committee



White

EXPERIENCE AND SKILLS

- Over 85 years combined experience in mixed concrete manufacturing
- Concrete technology experience and skills
- Deep quarrying and mining experience

Legend
♀ Women ♂ Men

HUMAN CAPITAL OVERVIEW (continued)

Jürgens du Toit (44)
Managing director

NDip (Civil Engineering) (Technikon Pretoria)

Jürgens has gained a wealth of experience in the mining and building and construction materials industries over the past 25 years. He has held senior management positions in several aggregates and ready-mix businesses in South Africa, Botswana and Lesotho. He was appointed as managing director on 1 March 2016.

Doug Thring (50)
National maintenance manager

BSc Hons (Environmental Management) (University of Natal), NHDip (Civil Engineering) (Technikon Natal)

Doug has extensive experience in construction and project management gained from over 27 years with Bosch & Associates Consulting Engineers, Murray & Roberts, and his own construction business. Doug joined Métier on 1 November 2015.

Gregg Hollins (47)
Regional manager, eastern region

NDip (Civil Engineering) (Technikon Natal)

Gregg has extensive experience in the ready-mix concrete and aggregates industry. He held various management positions in the technical, production and commercial departments of Lafarge South Africa over 11 years. Gregg is a civil technician and concrete technologist. He joined Métier on 1 June 2007.

Glen Talmage (47)
Regional manager, northern region

NHDip (Civil Engineering) (Technikon Witwatersrand)

Glen has extensive experience in the ready-mix concrete and aggregates industry. He held various senior positions in the technical, production and commercial sectors at a building and construction materials entity over 16 years. He joined Métier on 1 June 2011 to establish and expand Métier's footprint in Gauteng.

Stacey Venter (36)
Financial manager

BAcc (Rhodes University), CA(SA)

Stacey is a qualified chartered accountant with six years of commercial management experience. She has accounting, tax and financial experience from eight years with KPMG. Stacey is responsible for all administrative and financial aspects of the business. She was appointed on 1 October 2015.

Ceri Rayne (37)
Human resource manager

BSocSci (Hons) (University of KwaZulu-Natal), Cert: Retail Management (University of South Africa), Cert: Practical Labour Law (University of Cape Town), Cert: Advanced Human Resource Management (University of Cape Town)

Ceri has extensive experience in human resources gained from eight years with the Foschini Group. She joined Métier with a focus on training, human development, employee performance and talent management. Ceri was appointed on 1 July 2013.

EMPLOYEE OVERVIEW

Métier recruited fifty-two people against thirty-three terminations. Nineteen of the recruited people were for the fifth plant that commenced production in March 2017 and the technical laboratory, both in Gauteng. The reasons for the terminations were retirement or contract expiration (3), resignations (12) and dismissals (17). The dismissals were due to misconduct and failure to act with diligence and competence. We retained all our critical skills despite the increased turnover rate of 12,1% (2017: 10,1%).

Employee complement

	31 March 2018			31 March 2017		
	Male	**Female**	**Total**	Male	Female	Total
White	46	11	57	36	11	47
African	170	13	183	168	10	178
Coloured	3	0	3	3	0	3
Indian	32	6	38	28	6	34
Total	**251**	**30**	**281**	**235**	**27**	**262**

Training and development

Métier strives to up-skill and develop employees in line with the Métier Way. Employees developed their skills through strategically aligned training that included a sales management convention and BBBEE compliance workshop. We also conducted individual performance development discussions to improve employees' efficiency.

Métier increased its investment in training by 43% to R1,2 million (2017: R815 398), mainly through a new learnership programme for six physically challenged individuals. One hundred and eighty-three employees (2017: 145) were trained of which 127 (2017: 80) were historically disadvantaged South Africans (HDSAs). Fifty-eight employees attained certification in health and safety, and the balance completed training in leadership, technical skills and human resource management.

Logistics is vital to our business, and delivery truck drivers participate in a customised external monthly training programme and an internally managed advanced driving course. The training aims to make logistics activities more efficient and to reduce operating costs. Fifty-two drivers participated in the internal advanced driving course. This training was complemented by the customised online programme called 'King of the Road' which utilises a live tracking system to monitor and measure driver performance. This system monitors delivery in real-time, includes safety features, improves on-time delivery and reduces fuel costs. After assessing the costs and benefits of the driver-related training programmes, Métier suspended the accreditation of the internal driver courses through the Transport Education Training Authority. The assessment gauged the current programmes as sufficient for the operational requirements.

Internships

A university requested that Métier absorb some of their civil engineering students for 12 months as interns to broaden the technical skill and knowledge base. As part of the strategy of developing scarce skills, we recruited one student who started the internship during the year. The objective is to retain the intern pending the outcome of the internship.

Employee equity

Our two-year employment equity (EE) plan ends in August 2018 at which time we would have promoted 14 ACI[1] employees within and between different occupational levels. The plan targeted fair demographic representation across different occupational categories and levels. To date, Métier has achieved its targets for employing i) black women at middle and junior management levels and ii) people with disabilities. The number of black men in middle and senior management increased by 4% during the year, and we aim to improve HDSA representation at senior and middle management levels by prioritising internal promotions. There are still more opportunities to address current imbalances in occupational categories in which the ACI employees are under-represented.

Métier has a level 6 BBBEE certificate awarded on 28 July 2017.

In July 2017, Métier employed six physically disabled black learners who were on a 12-month business administrative service learnership (NQF Level 2) until June 2018. We partnered with a training consultancy that facilitates structured learning

[1] *African, Coloured and Indian*

HUMAN CAPITAL OVERVIEW (continued)

programmes and simulates a specified workplace environment. The reports produced by the consultancy indicated that the learners had made satisfactory progress during the 12 months and they all successfully completed the programme at the end of June 2018. Following the success of the learnership programme, the six employees have proceeded with business administration NQF level 3 learnership for another 12 months until June 2019.

Health and safety

Métier complies with the Occupational Health and Safety Act, 85 of 1993 and recorded zero fatalities (2017: 0). Safety induction is mandatory for new employees, and refresher sessions are regularly held at all plant construction sites, during which safety procedures are reinforced. Métier became a member of the ER24 network, and employees can now access emergency medical services throughout South Africa.

Unfortunately, there was a notable increase in lost time safety incidents to 22 (2017: 13) resulting in approximately 806 hours of lost time. Consequently, the recorded lost time injury rate frequency increased to 3,96 (2017: 1,80). Two of the 22 reported incidents resulted in 50% of the lost time hours.

Management identified disregard of the safety guidelines as the main reason for the major incidents. To this effect, Métier held several awareness and safety training initiatives, which included toolbox talks. The toolbox talks address broad safety and compliance matters, especially those that result in the highest recorded incidences. Furthermore, management enforced stricter corrective measures in cases of reported and identified non-compliant behaviour, such as written warning letters.

During the year, Métier held a total of 171 toolbox talks across all operations. We also held 87 health and safety committee meetings to assess the effectiveness of safety initiatives at the different operations.

To further improve the safety regime the national quality assurance manager's function was extended to include the enforcement of the health and safety standards. The manager monitors and audits plants' adherence to safety procedures and their overall compliance.

CORPORATE SOCIAL INVESTMENT

Métier believes that educating children is the key to breaking the cycle of poverty.

Métier's social investment is primarily in early childhood development initiatives. We donated R750 000 (2017: R225 000) in cash and mixed concrete for building schools, crèches and orphan villages. The beneficiaries included Ithemba Lethu that received a donation towards their family integration programme which facilitates the reunification or adoption of orphaned or abandoned children.

NATURAL CAPITAL OVERVIEW

Métier strives to responsibly steward its working environment and mitigate the negative environmental impact of operations. We regularly consult with the relevant authorities on environmental management matters, which include bunded fuel areas; plant storm water run-off and storage; water usage and recycling and dust emissions. To minimise the impact on the surrounding areas, we partner with independent experts to develop environmental management programmes for all plants to ensure that they operate within the legislative framework. The national quality assurance manager conducted 52 audits (2017: 42) to effectively implement the environmental management programmes. The plants achieved above the targeted score and implementation was confirmed as satisfactory.

All concrete returns are dried and disposed of to quarry operators for crushing or to approved contractors for use in construction activities such as road layer works and fills.

DUST EMISSIONS MANAGEMENT

Métier proactively monitors dust emissions and recycles wash water sediment, which are the only two material outputs that impact the environment. The bulk of the dust comes from natural sand and natural crushed stone.

Our dust emissions were within the regulatory limit of 1 200 mg per m^2 per day. We achieved this by using mist sprayers, sprinklers and dust curtains to control the emissions.

Each of our silos have dust filters at the top which limit emissions during the re-filling process. We used two independent environmental consultants to monitor two of our plants, which are located near communities, for dust emissions compliance. Their proximity to communities requires stringent levels compared to the rest of the plants located close to quarries. This is ongoing but and to date the sampling results confirm our suppression is keeping the dust emissions within legal parameters for maximum emissions and three-month moving averages.

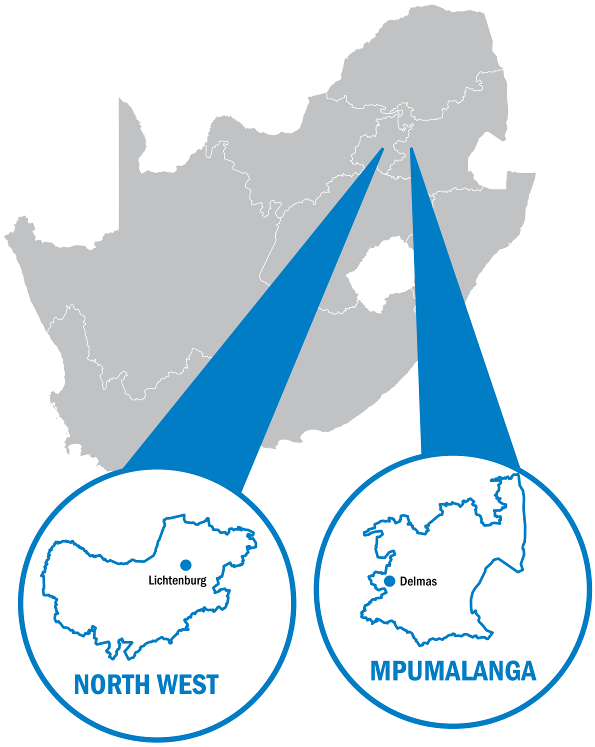
WATER MANAGEMENT

We recycled approximately 37 million litres during the year that was used in washing out the concrete drums and cleaning of the trucks and plants.

4

BUSINESS REVIEW:
SEPHAKU CEMENT

BUSINESS REVIEW:
SEPHAKU CEMENT



Sephaku Cement has modern manufacturing technologies and key skills in production, distribution and sales.

VALUES

- **Empowerment:** We empower our people to think and act in ways to get the job done, while adhering to processes that ensure proper governance and being mindful of company needs beyond one's own.
- **Accountability and integrity:** We are focused on delivering, and we do what we say we will do. We hold ourselves accountable for our work, our behaviour, our ethics and our actions. We aim to deliver to all stakeholders.
- **Passion and enthusiasm:** We love what we do. We are passionate about our brand and promote a positive, energising, optimistic and fun environment. Our reputation relies on the advocacy of every employee.
- **Customer care:** We are concerned with our customers' needs and perceptions. We aspire to build lasting relationships, based on trust, towards being the preferred choice in product and service.

VISION

- **Inspired people:** Passionate, engaged employees who love what they do.
- **Changing the face of our industry:** Being the best in the industry by offering innovative solutions.
- **Creating and growing stakeholder fulfilment:** Addressing and exceeding the needs and expectations of all stakeholders by creating and continuously developing value that did not exist before.

CHIEF EXECUTIVE OFFICER'S REPORT

Our main focus is to continually improve our performance for strong returns on capital employed.

Pieter Frederick Fourie
Chief executive officer

OPERATING CONTEXT

South Africa's economy was tepid for most of 2017[1] even though the overall economic growth rate improved to 1,3% (2016: 0,6%), mainly due to the exceptional growth in the final quarter of the year. The demand for building and construction materials was subdued in the first six months because of the weak economy, and several national infrastructure development projects were suspended. The estimated[2] cement demand, excluding imports, was 12,4 million tonnes (mt) compared to 12,6 mt in 2016. The imports[3] were 503 kilo tonnes resulting in an estimated total sales volume of 12,9 mt (2016: 13,0 mt) against an industry manufacturing capacity of 17 million tonnes per annum. This supply/demand imbalance has fuelled the pricing competition in the building and construction materials sector for the past three years.

The building plans data[4] as recorded by major municipalities, contributes to our market assessment with information on recent and potential construction activity based on plans completed and passed respectively. In 2017, the value of completed buildings increased by 19% to R73 billion year-on-year, representing 66% of the value of plans passed in 2016. The value of building plans passed decreased by 2% year-on-year to R109 billion mainly due to a 10% decline for non-residential and 3% for residential buildings categories. These statistics indicate that, although activity increased in 2017, industry demand might remain muted in 2018.

PERFORMANCE OVERVIEW

I am pleased to report that, in spite of the challenging operating environment, we performed well against the strategic objectives by maintaining sustainable sales volumes, achieving cost efficiencies from the optimisation programme and achieving relatively solid margins. Our revenue increased by 3,7% to R2,4 billion. We increased prices in February and August 2017, resulting in an effective average annual increase of 5% per tonne.

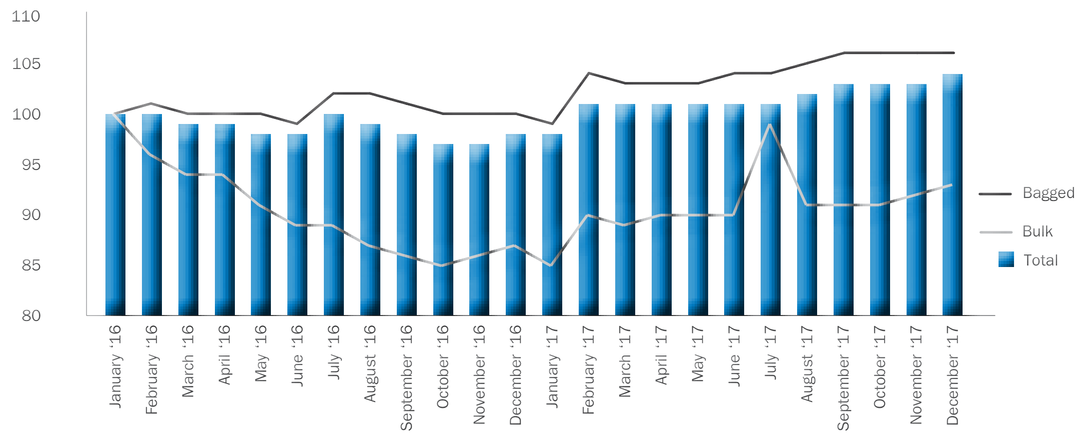
Approximately 78% (2016: 80%) of Sephaku Cement's sales volumes were in bagged cement, and Gauteng remained the largest and most competitive market. Overall, the industry increased prices between 3% and 5% which sustained in most markets for the first time since 2015. Sephaku Cement's strong relationships with all major national and regional building and construction material retailers, independent hardware retailers and bulk cement consumers have been instrumental in achieving our sales volumes.

[1] Sephaku Cement has a December year-end as a subsidiary of Dangote Cement PLC.
[2] Econometrix cement model February 2018.
[3] South African Revenue Service.
[4] Statistics South Africa.

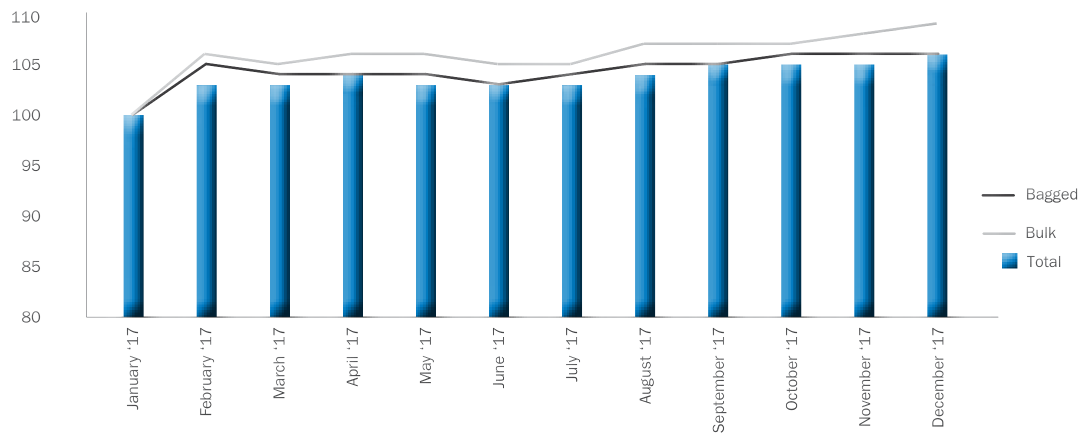
CHIEF EXECUTIVE OFFICER'S REPORT (continued)

The graphs below illustrate that 2017 is the initial 12-month period when the average pricing per tonne of bulk surpassed bagged cement. We sustained the indexed prices throughout the period for both the bagged and bulk cement. We expect the trend to continue until December 2018.

Indexed average price per tonne as at January 2016



Indexed average price per tonne as at January 2017



In the first half of the year, excessive rainfall and low demand hampered sales volumes, which decreased by 5% year-on-year for the interim period. In the second half, net profit increased by R90 million from a R16 million loss to R74 million for the full year. The EBITDA for the six months to June 2017 was R197 million and increased by 52% to R299 million. The higher second-half margin was due to higher volumes, cement price appreciation and improved cost savings from the optimisation programme. The annual EBITDA margin was 21,3% compared to 23,1% in 2016; the 2016 figure included R138 million once-off income from the closure agreement with Sinoma.

Cost management

We are one of the lowest cost manufacturers, thanks to our access to low-cost raw materials and operational capabilities that optimise fuel and power consumption. We have become more cost efficient because we continuously improve our operational performance and intensively benchmark ourselves against global standards. We commenced the optimisation programme at the beginning of 2016 to be more efficient in distribution, raw material sourcing, production and sales. The objective was to improve the EBITDA margin by 5% to 7% into the foreseeable future. We saved R152 million in costs – R57 million by end of December 2016 and R95 million in FY 2017. The savings constituted 60% logistics, 20% raw materials and 20% in sales optimisation.

Sustainability

Environmental sustainability is at the core of our activities. We mine and manufacture responsibly, and continually investigate ways to mitigate our environmental impact. The medium-term target is to substitute coal consumption by 5% with waste tyres and by another 10% with oil sludge in the kiln combustion. We are applying for environmental authorisation to use alternative fuels.

People

We value the competency and experience our employees bring, and we create an attractive working environment. To retain key skills, we added participants to the employee long-term retention programme. We particularly focused on identifying historically disadvantaged individuals with the requisite skills to be included in the retention programme.

To entrench our high-performance culture, we:

- train and develop all our employees;
- manage, monitor and improve employees' performance;
- increase leadership capabilities through personal and leadership development initiatives aligned to business imperatives by:
  - developing leadership at all levels through climate creation and facilitation programmes that communicate and manage teams and their performance; and
  - educating and equipping informal leaders to create an environment for optimal performance and;
- develop and equip line managers to perform exceptionally alongside their teams.

Refer to page 53 for further detail.

RISK MANAGEMENT AND MATERIAL MATTERS

We rigorously manage risk by having internal experts who regularly assess and audit all departments. This informs our operational priorities and material matters. To timeously harness the opportunities or mitigate any harm, the reports from risk assessments, internal audit and stakeholder engagement are a permanent agenda item at the executive committee meetings. Further to the group's material matters on pages 16 to 21, we discuss specific matters concluded during the year below.

Debt management

Following the collective agreement to reshape the project debt profile by all lenders, we met our obligations and complied with the covenants. In line with the group's strategic objectives, we are committed to strengthening the balance sheet by reducing debt levels to achieve a target debt to EBITDA ratio of 2.5x.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

Ensuring overall equipment effectiveness at Aganang integrated plant

Equipment effectiveness is essential in the initial years of cement production, but it ceases to be critical when the plant has been optimised. We are satisfied with our rates, and we will maintain them until it becomes necessary to increase them. Ultimately, our goal is to enhance shareholder wealth by improving efficiencies at our operations that culminate in higher margins.

Unionisation of labour at Aganang integrated and Delmas milling plants

We concluded the statutory organisational rights with AMCU at both plant operations and established a constructive engagement framework. A relationship charter guides our interaction with the union and stipulates terms of engagement so we can manage the business, grow and prosper.

LOOKING AHEAD

In February 2018, we increased prices by 5% across all its markets and most of the competitors increased pricing between February and March 2018. We expect prices to remain stable and we will focus on profitability and sustainable sales volumes. Our main focus is to continually improve the business's performance for strong returns on capital employed. We believe that we are well positioned to capitalise on the potential economic and market upside.

STRATEGIC OUTLOOK

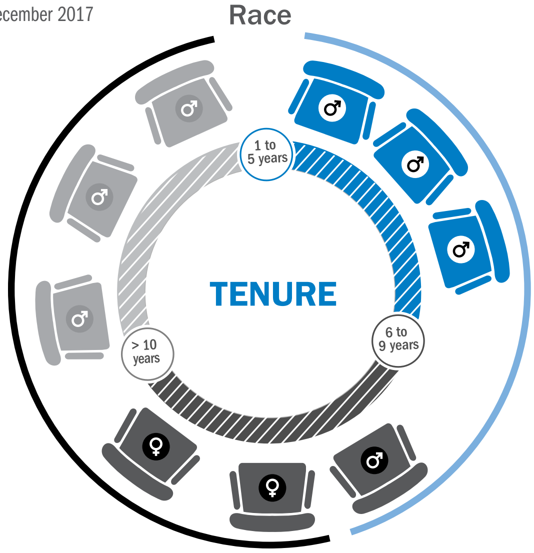
- **To maximise margins and increase free cashflow:** Increase profitability in the medium term by achieving the EBITDA margin target of between 27% and 30% and an increase in net profit margin to enhance its shareholder value.
- **To enhance sustainability through environmental stewardship:** Improve the CO_2 footprint by substituting 5% coal consumption with waste tyres and another 10% in the kiln combustion with oil sludge
- **To improve cost efficiencies:** Continuously improve operational performance and benchmark against global standards.
- **To maintain sustainable sales volumes:** Better understand customer expectations to enhance the sales offering.
- **To develop and implement a high-performance culture:** Focus on training and development, particularly for key skills.

HUMAN CAPITAL OVERVIEW

Sephaku Cement recognises that employees are entitled to freedom of association and respects their right to collective bargaining.

EXECUTIVE COMMITTEE

At 30 December 2017



White

African, Coloured and Indian.

EXPERIENCE AND SKILLS

- Key management with over 250 years combined experience in cement manufacturing
- Sales, marketing and channel management
- Project management

Legend

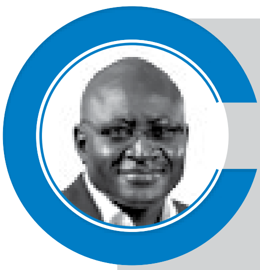
♀ Women ♂ Men

Pieter Frederick Fourie (62)

Chief executive officer

BCom (Accounting), Executive Development Programme (PRISM) for Global Leaders (Switzerland)

Pieter has extensive experience in the cement industry and assumed his position as chief executive officer of Sephaku Cement on 1 May 2007.



Suleiman Oladapo Olarinde (55)

Finance director

BSc (Hons) (Economics) (Ahmadu Bello University, Nigeria), FCA (Fellow of the Institute of Chartered Accountants of Nigeria)

Suleiman started his career with the then Price Waterhouse and has over 33 years of experience. He joined the Dangote group in 1991 as head of internal audit and financial services. Suleiman is employed by Dangote Industries Limited (Nigeria) as executive director (finance). He is on a fixed contract at Sephaku Cement as the finance director since 21 August 2014.

Duan Claassen (50)

Executive manager operations

BEng (Metallurgical Engineering) (University of Pretoria), Young MDP (INSEAD, France), MDP (Duke University, USA)

Duan completed his graduate engineer training at De Beers before joining Blue Circle Cement. He was involved with Blue Circle Cement's integration into Lafarge in 1996. He subsequently worked for PPC before joining Sephaku Cement on 1 January 2008.

HUMAN CAPITAL OVERVIEW (continued)

Heinrich de Beer (51)
Executive manager projects

BEng (Mechanical) (Potchefstroom University for Christian Higher Learning (PUCHE)), MDP (PUCHE), LDP (GIBS)

Heinrich started his career as a project engineer and maintenance manager at Mittal (Iscor) before joining Lafarge, where he held various positions. Heinrich joined Sephaku Cement on 1 June 2008.

Gay de Witt (49)
Chief financial officer

BCom (Hons) (University of Pretoria), CTA (University of South Africa), CA(SA)

Gay has experience in several fields, ranging from finance, operations and risk management. She previously worked for Clover Δ before joining Sephaku Cement on 1 July 2009.

Robert Mathye (42)
Executive manager organisation performance

MPhil (Rand Afrikaans University), BA (Hons), BAED (University of Venda)

Robert is a social scientist with a career that spans 16 years. He has extensive experience in managing and implementing social transformation. Robert worked for the De Beers group for over five years, where he was part of the team that implemented the company's transformation and its corporate social responsibility programme. Robert joined Sephaku Cement on 1 April 2009 and was appointed to the current position on 1 November 2016.

Jennifer Bennette (55)
Company secretary

Jennifer has been employed by various legal practices as a paralegal and was previously company secretary for the Platmin group. Jennifer joined Sephaku Cement on 1 August 2010.

INVITEES TO THE EXECUTIVE COMMITTEE

Alfred Radebe (36)
Head of internal audit

BCom (Accounting) (University of KwaZulu-Natal), AG (SA)

Alfred completed his SICA articles in 2003 before assuming the internal audit role at Imperial Group and Nampak. He later moved to Ernst & Young (EY), where he was responsible for managing internal audit engagements in various sectors across sub-Saharan Africa. He joined Sephaku Cement on 1 January 2015 and was appointed to this position on 1 August 2017.

Mziwake Matola (36)
Head of risk

BCom (Economics) (University of Pretoria), PGCert (Risk Management) (University of Johannesburg), PGDip (Hons) (Risk Management) (Unisa)

Mziwake has 12 years of experience in enterprise risk management (ERM) ranging from establishing to maturing ERM programmes. He has a track record in implementing ERM in various southern African countries, including South Africa, Namibia, Zambia and Botswana. Mziwake joined Sephaku Cement on 1 March 2016 after holding various risk management roles in the energy, chemicals, banking and insurance industries.

EMPLOYEE OVERVIEW

The total employee complement as at 31 December 2017 was 397 including 27 learnerships (2016: 399 including 14 learnerships). The learnerships are in the technical and administrative support functions with 17 of the 27 learners sponsored by the Mining Qualifications Authority.

TOTAL EMPLOYEE COMPLEMENT: 397

Centurion	Delmas	Aganang	Kendal
95	86	210	6

276 men

121 women

27 learnerships

363 permanent

7 fixed-term contract employees

Training and development

Sephaku Cement recognises the long-term benefits of up-skilling employees and invested R5 million (2016: R4 million) in training which represents 2,7% of the 2017 payroll. Sephaku Cement's expenditure target for training and development over the next four years is 3,0% of annual payroll.

The skills development programme included on-the-job coaching and mentoring for managers. The employees in the retention programme were targeted for continuous development to prepare them for promotion opportunities.

Employment equity

Our five-year employment equity plan commenced in September 2013 and represents the ongoing and sustained commitment to eliminating discrimination and to equitable representation. Although women are still underrepresented in almost all occupational levels, we made progress in the HDSA representation in the following aspects:

Promotions

Over the tenure of the plan, more than 85% of promotions were of historically disadvantaged individuals with majority being black men.

Senior management

In the past two years of the plan, two black men were appointed to senior management. During the five years, we appointed two black women as seniors, but they resigned for various reasons including relocation.

Learnership and apprenticeship

Sephaku Cement implemented a learnership for physically challenged employees and non-employees during the 2016 calendar year. We absorbed five of these participants into a training programme in the operations for job exposure. Twelve learners participated in an apprenticeship programme, and nine of them were offered jobs after completing the programme. The beneficiaries for the learnership and apprenticeship were 100% HDSA.

Employment equity statistics as at December 2017

Occupational levels	African			Coloured			Indian			White			Total			Target %	Actual EE %	Actual Black %
	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T			
Executive management	1	0	0	0	0	0	0	0	0	3	2	5	4	2	6	42%	50%	17%
Senior management	3	0	3	1	0	1	0	1	1	8	1	9	12	2	14	45%	43%	21%
Middle management	12	7	19	2	0	2	2	2	4	11	5	16	27	14	41	75%	73%	46%
Skilled (junior management)	51	25	76	3	1	4	1	4	5	18	8	26	73	38	111	85%	84%	68%
Semi-skilled	39	22	61	2	1	3	0	1	1	1	1	2	42	25	67	100%	99%	91%
Unskilled	95	27	122	0	1	1	1	0	1	0	0	0	96	28	124	100%	100%	98%
Total	**201**	**81**	**282**	**8**	**3**	**11**	**4**	**8**	**12**	**41**	**17**	**58**	**254**	**109**	**363**			
Fixed-term contractors	3	2	5	0	0	0	1	0	1	1	0	1	5	2	7			
Learnerships	17	10	27	0	0	0	0	0	0	0	0	0	17	10	27			
Total	**221**	**93**	**314**	**8**	**3**	**11**	**5**	**8**	**13**	**42**	**17**	**59**	**276**	**121**	**397**			

HUMAN CAPITAL OVERVIEW (continued)

Labour relations

Sephaku Cement recognises that employees are entitled to freedom of association and respects their right to collective bargaining. AMCU holds the statutory organisational rights at the Aganang and Delmas operations, and we concluded the wage agreement in December 2017 effective for 12 months. We established a relationship charter with AMCU at the end of the year to provide the rules of engagement.

Task teams were established to investigate and make proposals on employment matters including remuneration structure and benefits. The common objective for the charter is the efficient management, growth and prosperity of the business. The charter is premised on the following principles:

- Good relations
- Sephaku Cement's need to manage the business with minimal disruptions
- AMCU's need to organise and bargain
- Transparency and consistency in the fulfilment of respective responsibilities
- Commitment to effective communication

Health and safety

There were no fatalities at any of Sephaku Cement's operations (2016: 0). The lost-time injury frequency rates were zero at Aganang (2016: 0,19), 0,65 at Delmas (2016: 0) and zero at Sephaku Ash (2016: 0). Sephaku Cement prevents injuries and protects employees' wellbeing through a health and safety monitoring programme. This programme is regularly reviewed to ensure compliance to all safety rules.

Sephaku Cement's wellness programme educates employees on physical and mental health. An external service provider manages the programme and supports employees who have challenges at work and/or home. The programme has improved occupational health, safety, and productivity at the operations. Sephaku Cement used the services at a rate of 10,4%, compared to the 9,1% average in the manufacturing and industrial sector and the 8,2% service provider benchmark. Marital problems, finances and stress were the main issues the employees and families sought assistance for. In the new financial year, the focus is to provide one-on-one counselling and advise employees on how to best manage their stress, finances, work-life balance and resilience. Sephaku Cement spent R9,4 million towards employees' wellness and development.

Broad-Based Black Economic Empowerment

Sephaku Cement attained level 6 BBBEE rating (2016: level 6) because management control and ownership scored below 50% of the requisite target. We achieved 100% in the skills development criteria for permanently employing learners. We increased our score by 22% in the skills development criteria for employing the physically challenged learners and 100% in socio-economic development for the EDP. To improve our rating on management control, we are exploring ways for HDSAs to participate at senior and executive management levels. We give preference to black skilled and experienced employees in the retention programme as part of our efforts to create an extensive pool of professionals for senior and executive managerial positions. Furthermore, we actively search for external individuals with deep industry knowledge, skills and experience. It is challenging to improve the ownership criteria because the majority shareholder, DCP, is a pan-African company from Nigeria and therefore not considered in the rating.

Sephaku Cement is working on establishing a board of directors for the community empowerment entity, Torosesha Trust (Torosesha). Torosesha has 15% shareholding in Sephaku Development Proprietary Limited (SepDev), a Sephaku Cement subsidiary that manages mining activities so the Verdwaal and Springpokpan communities benefit from the its earnings. The cumulative proportion due to Torosesha as dividend to date is R4,9 million. This dividend will fund community development projects. Sephaku Cement has had difficulties in establishing the Torosesha board since inception and could not elect two local directors due to contentions from the affected communities on several matters including the delay in alternative grazing land.

We contracted a stakeholder consultant company with experience in dealing with the local communities. The consultants drafted the memorandum of understanding between Sephaku Cement, local authorities and the affected communities to expedite the operationalisation of Torosesha among other outstanding matters such as the alternative grazing land. The memorandum had been signed by most of the parties by 31 December 2017.

COMMUNITY UPLIFTMENT

Sephaku Cement is active in its communities and sustainably contributes to them.

Sephaku Cement partnered with national and provincial government officials to develop engagement structures with the communities in the absence of recognised leadership structures. Following numerous attempts to engage the communities, we established a steering committee through the provincial premier, chaired by the executive mayor, to address the outstanding community issues with all stakeholders. We presented a project framework with clearly defined timelines for the outstanding matters.

ENTERPRISE AND SUPPLIER DEVELOPMENT PROGRAMME

Sephaku Cement invested R88,4 million (2016: R83,6 million) in procuring services including transport, plant cleaning and catering from EDP participants. These enterprises' employee profiles were consistent with 2016, constituting 189 individuals, of whom 35 (18%) are women and 108 (57%) are younger than 35.

Sephaku Cement's EDP develops entrepreneurship by enabling small businesses to start up, and provides training, mentorship and coaching for business to the entrepreneurs. In 2017, nineteen SMMEs from the local communities of Verdwaal and Springbokpan were trained on disciplines of business management including:

- SMME gap assessment;
- sales and marketing skills;
- financial management; and
- innovation.

This initial phase of the enterprise development programme was completed in October 2017.

Sephaku Cement will contract a training service provider to formalise training for the beneficiaries and other selected local SMMEs. The training will be accredited and will develop the appropriate skills and knowledge for the participants to grow their enterprises. The service provider that has been identified is accredited with South African Qualification Authority and authorised to award national certification in new venture creation to the entrepreneurs. The training lasts 12 months and participants receive an NQF level 2 registered qualification on completion. The curriculum highlights the administrative and behavioural pitfalls that inhibit the success and sustainability of participants' businesses. The disciplines covered include:

- literacy and effective business communication;
- numeracy and business funding;
- marketing and sales management; and
- legislative/compliance requirements.

COMMUNITY UPLIFTMENT (continued)

EDP beneficiaries' profiles

Category	Number of employees for the year ended 31 December 2017	Details
Logistics and transportation	127	Twenty enterprises: • Seven beneficiaries from Lichtenburg and five from Delmas transport raw materials. – The beneficiaries reduced by 50% as they failed to fulfil their service mandate in spite of efforts through the EDP training programme to train and support their enterprises. • Eight beneficiaries from Lichtenburg transport employees exclusively from the surrounding communities. – This category performed satisfactorily with no accidents or incidents during the year. • Twelve beneficiaries are in their second year of five-year supply agreements with Sephaku Cement.
Plant cleaning and cement recoveries	50	Two beneficiaries, appointed in 2016 for each plant, continued providing their service in 2017: • The Delmas beneficiary is 100 % black women-owned. • These enterprises permanently employ a minimum complement of 50 employees, and an additional 50 during peak periods. • The contracts are due for renewal at Aganang and Delmas in 2019 and 2020 respectively.
Office support cleaning	14	• The beneficiary from Springbokpan village has been cleaning offices at Aganang since 2014. • The contract is due for renewal in 2019.
Catering	11	Two beneficiaries, one for each plant, provide catering services for all shifts: • Both enterprises are 100 % black women-owned. • The enterprises cater meals for 296 people at both plants for the day and night shifts. • The contracts are due for renewal in 2019 (Delmas) and 2020 (Aganang).
Total jobs for 2017	**202**	

SOCIAL AND LABOUR PLAN

The proposed five-year social and labour plan (SLP) for the period 2017 to 2021 was submitted to the department of mineral resources (DMR) in April 2017 for approval. It focuses on the development of facilities for brick and block manufacturing, sports and recreational and agro-processing. The plan allocates R17 million for, among other things, projects to develop the local economies at Springbokpan and Verdwaal, skills development and SMME development. Pending the approval of the SLP, Sephaku Cement is implementing a monitoring programme to measure its progress over time for each of these projects.

Community skills development

Sephaku Cement offered skills development opportunities in line with the social and labour plan.

Initiative	Progress to date
Graduate training programme	• Seven graduates completed the Sephaku Cement sponsored Mining Qualifications Authority (MQA) graduate development programme in 2017. Sephaku Cement employed three engineering graduates as interns since July 2015 and recruited them on a permanent basis in October 2017. • Sixteen new graduates started a two-year internship training programme in 2017 to be completed in December 2019. – The training programme is supported through a partnership with the MQA. The MQA provides financial resources for the trainees while Sephaku Cement provides a practical and structured mentorship programme.
Apprentice training and learnerships	• The artisan training programme progressed well during the year: – Two of the six trainees who qualified as artisans in 2016 and 2017 were promoted to the positions of millwright and electrician at Aganang. – One employee at Aganang qualified to be a mechanical fitter and tuner artisan in July 2017. – Three learners, two at Delmas and one at Aganang, are expected to write and complete the trade test during 2018.
Bursaries and internships	• The objective is to build a pool for artisans for Sephaku Cement. • Eleven of the 20 youth from local communities that were awarded bursaries to study engineering and business management at the Taletso TVET College in 2017 will complete their studies in 2018. • Two of the youths were recruited for permanent employment in the public sector and are financing their own part-time studies. • Seven of the youths were withdrawn from the programme for not attending and will be replaced by new students in July 2018.
Educational support	• Funding for extra curriculum mathematics and science classes at Tswelelopele High School was withdrawn during the year due to the lack of performance reports from the school officials. The reports were essential to enable Sephaku Cement to assess the impact of the support against the objectives determined at the beginning of the intervention period. • Numerous requests for the specific reports were unsuccessful, and Sephaku Cement compromised by participating in the broader Department of Education support interventions for the 2018 academic year.
Leadership skills training	• Sephaku Cement continues to empower community leadership structures at Springbokpan and Verdwaal through workshops on various topics related to mining legislation, code of conduct and general transformation.

Key community challenges

Key challenge	Response
Contestation regarding the legitimate community leaders has resulted in the ongoing absence of leadership structures. This has frustrated achieving conclusive decisions on key matters, including: • electing directors to the empowerment structure Torosesha; • SLP engagement; and • land utilisation options. This leadership vacuum limited engagements, and communities often protested due to lack of information.	Although Sephaku Cement made progress on this challenge during the year (pages 54 – 55), the steering committee's ultimate success will be ascertained in December 2018. Sephaku Cement continues to engage the local and provincial authorities; Department of Rural Development and Land Reform as well as the Department of Culture, Arts and Traditional Affairs regarding the need to formalise the leadership structures of the communities affected by the mining and cement manufacturing operations.
Deterioration of the Aganang access road.	Upgrades to the main access road to the Aganang plant began in 2017. However, the road construction company appointed by the North West Department of Public Works and Roads terminated the contract due to violent community protests. Sephaku Cement is engaging the department on how to approach the outstanding upgrade during 2018.

NATURAL CAPITAL OVERVIEW

Sephaku Cement continually minimises its operations' environmental impacts through decisions that serve the interest of the business and society.

Sephaku Cement is committed to a high standard of environmental performance and to sound principles of sustainable development. We believe that robust environmental management systems and a proactive approach to addressing the challenges and harnessing opportunities of climate change, are fundamental to operational success.

ENVIRONMENTAL MANAGEMENT STRATEGY AND COMPLIANCE

Sephaku Cement complies with all legislation and has the necessary environmental licences and permits. Our environmental management programme identifies and manages socio-environmental impacts, risks and liabilities during the environmental impact assessments. Our environmental management strategy minimises water consumption, improves energy efficiency and mitigates against point and non-point source emissions. The Aganang and Delmas plants were designed to have limited environmental impact, and we further reduce our impacts with mitigatory measures for any dust and/or noise pollution.

We need to thoroughly understand and manage increasing environmental legislation for mining and processing operations to comply and avoid unwarranted costs. We kept our focus on important stakeholder groups such as regulators, communities and internal stakeholder. The stakeholders requested additional information on the water quality. The concern was particularly from the local communities who wanted to know if the mining activities do not contaminate the ground water which could impact their boreholes. The management team presented the water analysis results which confirmed that the controls implemented are effective. The environmental manager collaborated with the stakeholder engagement team to engage the local farmers on Sephaku Cement's environmental initiatives, emissions and water management matters. The DMR performed three routine audits at the Aganang operation, and the Department of Environmental Affairs (DEA) performed one audit. Delmas was not audited because the operations are not measured according to the mining standards. These routine audits were mainly for waste management by DEA whilst the DMR were checking the health and safety standards.

OPERATING LICENCES

We have monitoring programmes to guarantee that the Aganang and Delmas plants comply with all permits.

Atmospheric emission licence

The Aganang provisional atmospheric emission licence which stipulates emission limits for nitrogen oxide, sulphur dioxide and particulate matter, was converted into a full licence in 2016.

HIGHLIGHTS

Clean water consumption of

54 litres

per tonne of clinker produced

Dust emissions of

3 mg/Nm³ – 16 mg/Nm³

against the permit standard of 30 mg/Nm³

Point source emissions

The continuous emissions monitors for the kiln and cooler stack at Aganang enable regular monitoring of pollutants such as nitrogen dioxide, sulphur dioxide, hydrogen chloride and hydrogen fluoride as required by the AEL. The average emissions recorded for the year were between 3 mg/Nm³ to 16mg/Nm³ for dust and less than 1,000mg/Nm³ for nitrogen dioxide.

Fugitive dust emissions

We managed fugitive dust emissions from process sources that include materials handling and raw milling, according to plans approved by the regulators. Weekly internal audits monitored fugitive dust emissions. Excessive emissions were recorded during preparations for plant maintenance shutdown during which the clinker silo has full capacity and any extra clinker is stored in the open.

Integrated water use licence

The plants have integrated water use licences (IWULs) from the Department of Water Affairs that Sephaku Cement complied with through monitoring water balance, managing storm water and conducting internal audits. The operations have water balances in place to manage and optimise water use and run closed circuit water systems to maximise recycling and minimise discharge into the environment.

Sephaku Cement monitored water use and quality each month to assess the potential impact of discharging the process water into the evaporation dam. We sampled ground and surface water at numerous boreholes. The surface monitoring points were measured against the water use licence parameters and have surface monitoring points against the water use licence parameters. The goal was to reduce fresh water consumption by using process water efficiently and minimising contamination of ground and surface water.

To that effect, Aganang consumed 54 litres of borehole water per tonne of clinker (2016: 56 litres). In addition, we carried out quarterly bio-monitoring tests on the surrounding aquatic environments. We measured more than 10 elements, and 90% of them complied with the regulatory quality specifications. We have developed a plan to improve the quality to achieve a full score.

Waste management licence

The Aganang plant has a waste licence awarded by the Department of Environmental Affairs to use energy-intensive materials, such as by-products from the steel manufacturing, energy and other industries. This can reduce Sephaku Cement's energy consumption and carbon footprint.

We improved our waste management by accurately separating general or non-process waste into different streams such as domestic waste, mixed recyclables, wood, steel and rubber. The plant management collaborated with independent experts in recycling and disposing of domestic waste. We recycled process hazardous waste, such as used oil, through other specialist service providers and delivered oil-contaminated material and used filters to registered waste-disposal facilities.

Carbon tax bill

Sephaku Cement supports the government's drive towards a low-carbon economy. We continue to engage with industry bodies and policymakers to ensure that the proposed regulatory mechanisms achieve this goal while keeping local industry competitive. We actively participated in consultations that established the appropriate tax regime with the government. Below are subordinate laws and regulations to the carbon tax bill that Sephaku Cement has to comply with.

Carbon budget

The regulation has been postponed in the past few years due to the complexity of establishing the appropriate frameworks for various industries. As part of its voluntary reporting commitments under the Association for Cement Manufacturing Producers' Sustainability Initiative, Sephaku Cement submitted the first proposed carbon budget to the Department of Environmental Affairs for review in 2016. Following feedback from the authorities, Sephaku Cement re-submitted the budget in January 2018 and is awaiting approval from the relevant authorities.

Greenhouse gas reporting regulations

Sephaku Cement, as part of the industry lobby group, actively participated in the consultations to determine the appropriate reporting framework. Companies are required to report annually on their greenhouse gas (GHG) emissions for carbon dioxide, methane and nitrous oxide. Sephaku Cement submitted its initial report on 30 March 2018.

USE OF ALTERNATIVE FUELS AND RAW MATERIALS

Alternative fuels and raw materials (AFRs) from waste reduce fossil fuel consumption and costs. AFRs conserve natural resources, reduce carbon dioxide emissions and improve waste management. Sephaku Cement continued investigating projects to improve the carbon dioxide emissions to benefit from these allowances, and we applied for authorisation to use alternative fuels to substitute 5% of coal consumption with waste tyres and 10% of coal consumption in the kiln combustion with waste-derived fuels. We will continue exploring feasible alternative fuels and energy-efficient processes to address combustion-related emissions. Sephaku Cement anticipates the response from the DEA in November 2018 on the application based on the stated environmental impact assessment timelines.

Sephaku Cement proactively measures its carbon footprint in terms of specific carbon dioxide (CO_2) emissions and recorded between 800 tCO_2 to 900 tCO_2 per tonne of clinker produced in 2017.

KEY NATURAL CAPITAL CHALLENGES

The original Aganang AWUL was issued in 2016 with inconsistent compliance conditions, which were acknowledged by the Department of Water Affairs. The listed licence conditions are not applicable to the site activities. Management will engage with the DWA regional office to request urgent attention and rectification of this matter. The Delmas IWUL inconsistencies were rectified in 2017.

MINE REHABILITATION

Sephaku Cement complied with the National Environmental Management Act to provide adequately for various levels of rehabilitation. Independent specialists assess the cost of rehabilitation and closure annually in alignment with the requirements of relevant legislation, environmental management programme closure commitments, and applicable good practice.

5 CORPORATE GOVERNANCE OVERVIEW

CORPORATE GOVERNANCE OVERVIEW

The board recognises that good corporate governance emanates from effective, responsible leadership, which is characterised by responsibility, accountability, fairness and transparency.

GOVERNANCE FRAMEWORK

BOARD

The SepHold board of directors leads ethically and is committed to good governance practices that add value to the business.

AUDIT AND RISK COMMITTEE	SOCIAL AND ETHICS COMMITTEE	REMUNERATION AND NOMINATION COMMITTEE
The committee is an independent statutory committee appointed by the shareholders. It advises and makes submissions on financial reporting and oversees risk management and internal financial controls. The committee advises on the external audit function and statutory and regulatory compliance of SepHold and Métier. It advises on the internal audit functions of the subsidiary and associate.	The committee assists the board in compliance related matters pertaining to environmental; health and safety; stakeholder management; good corporate citizenship; ethics; labour; and transformation. The committee oversees and evaluates management's performance against the board targets on each of these matters.	The committee decides on remuneration and incentives for the executive directors. The committee makes recommendations on long-term incentives and submits all policy amendments to the board for approval. The committee deals with the nomination and appointment of directors, the appropriateness of the composition of the board, and succession planning.

The board committees enhance governance by discharging their responsibilities according to clear terms of reference and upholding SepHold's ethics code. The board is responsible for a group-wide culture of ethical conduct and integrity. The codes of conduct and ethics guide all employees to act with uncompromising honesty and integrity in their daily work and in their relationships with stakeholders. There is ongoing training in this respect and the extent of the training as well as employee attendance is reported to the board. These reports form part of the assessment the board considers in ensuring effective compliance in this respect. The group gauges its performance by how frequently management detects unethical behaviour and the frequency of reported unethical behaviour through the outsourced, anonymous whistle-blowing toll-free hotline.

SepHold recognises that good corporate governance and transparent business practices are essential to stakeholders' interests, sustainable performance and preserving shareholder value.

The board delegates authority to the executive directors to manage SepHold's business. The audit and risk committee reviews the delegation of authority and presents its findings to the board annually. The board monitors and reviews the delegated authorities to align with best practice and considers the recommendations set out in King IV. The board is satisfied that the group delegation of framework contributes to role clarity, effective exercise of authority and responsibilities at SepHold and Métier.

COMPANY SECRETARY

The group company secretary, Acorim, guides directors in discharging their duties and responsibilities regarding legislation, regulatory requirements and governance procedures. The board is aware of the responsibilities and duties of the company secretary, and is committed to supporting Acorim in performing its duties. The company secretarial services by Acorim were assessed by the board and determined to have been satisfactory. The board believes its arrangements for accessing Acorim's services and providing them with unfettered access are effective.

The board is satisfied that Acorim, represented by Amy Parker, has the required knowledge, skill and discipline to perform the functions and duties of the group company secretary. Acorim maintains an arms-length relationship with the Company and its board. None of the Acorim employees are directors of any group entity, nor do they have any interests or relations that may affect independence. In its assessment, the board considered the independence of Acorim directors, shareholders, employees, collective qualifications and track record.

THE SEPHOLD BOARD

The board reviews and approves the group strategy and policies. It provides overall strategic direction within a framework of incentives and controls. This maintains an appropriate balance between long-term sustainable growth and short-term performance. The board-approved strategy is robust and targets areas for growth, while maintaining sound controls and a strong focus on risk management. In approving the strategy, the board considered future economic trends and assumptions, opportunities and risks that could impact the group's growth ambitions. Refer to page 12 for information on the strategy.

THE BOARD CHARTER

The board has an approved charter to regulate conduct in line with the principles of sound corporate governance. The board charter is aligned to King IV's recommended principles detailing the powers of the board and stipulates that the board has ultimate accountability and responsibility for the group's performance and affairs. The charter summarises corporate governance practices, defines the separate roles for the chairman and the chief executive officer and elaborates on the board's expectations of the committee chairmen and directors. The board is satisfied that it has fulfilled its responsibilities in accordance with the charter.

BOARD APPOINTMENTS

The board, assisted by the remuneration and nomination committee ("REMCO" or "committee"), appoints directors through a formal, fair and transparent process. The committee consists of a majority of independent directors and is chaired by the board chairman in all matters relating to nominations.

The REMCO is responsible for evaluating, promoting and ensuring diversity. In identifying suitable candidates for appointment, candidates are considered on merit against objective criteria and with due regard for gender and race diversity. The board believes that diversity improves business functions, and that a plethora of factors contribute to the consequent strength of the group. These factors need to be balanced for the optimal board composition. To efficiently and effectively discharge its duties, the board annually evaluates its composition with a particular emphasis on diversity. The board appointment process includes an assessment of candidates' other interests.

The board is committed to upskilling capable women into leadership positions, and endeavours to groom strong candidates for board positions over three to five years. The board will consider women for all vacant board positions. The board maintained the targeted 30% female-representation by 31 March 2018 despite Ms. B Maluleke resigning. The board is committed to increasing the number of female members. The SepHold gender policy can be accessed on our website – www.sephakuholdings.com/corporate-governance.

Changes to the board

Ms B Maluleke, an independent non-executive director, took on additional executive responsibilities at African Bank and resigned from our board on 30 October 2017. She was appointed to the board on 9 November 2016 and served on the audit and risk as well as the social and ethics committees. Ms B Bulo was appointed as an independent non-executive director and a member of the audit and risk committee, with effect from 26 March 2018. Ms Bulo's abbreviated curriculum vitae appears on page 67.

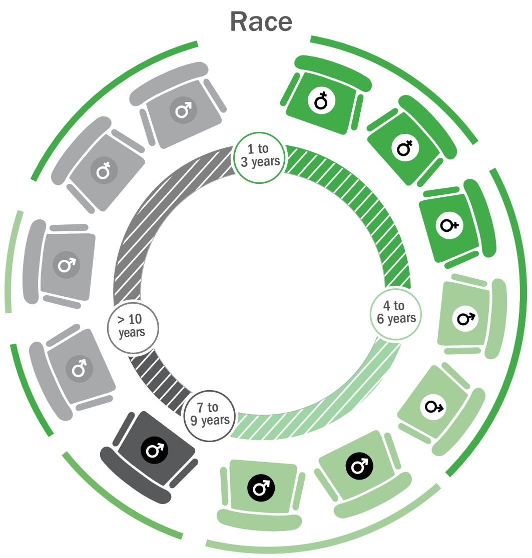
Induction and further training

Directors are inducted through formal processes whereby new appointees meet with the executive committee and the company secretary and representative of the JSE sponsor to understand the group's operations, business environment and sustainability matters. The induction includes a briefing on their fiduciary and statutory responsibilities, including the JSE Listings Requirements.

Training includes ongoing support and resources that are included in committee meeting documentation. Directors receive professional development and training through regular updates on changes and proposed changes to laws and regulations affecting the group. The principles and application of King IV was the main focus for training in 2018.

BOARD COMPOSITION

The board comprises 10 directors: three executive, two non-executive and five independent non-executive directors. The board is satisfied that it has the requisite balance of skills, knowledge, experience and diversity to be effective. It continuously reviews its diversity and succession requirements.



White

African, Coloured and Indian.

EXPERIENCE AND SKILLS

- Asset management
- Building and construction materials manufacturing; ready-mixed concrete, cement and aggregates
- Business development
- Corporate: finance (mergers and acquisitions), governance and commercial law
- Economics and international politics
- Internal audit
- Investment analysis and research
- Management consulting
- Medicine and healthcare
- Mining
- Retail management
- Risk management
- Social development and upliftment
- Taxation

Legend

♀ Women

♂ Men

ATTENDANCE

Director	Designation	BOARD	Audit and risk committee	Remuneration and nomination committee	Social and ethics committee	Director up for rotation
B Williams	Independent non-executive director	3/4		1/3[1]	1/2*	2020
RR Matjiu	Non-executive director	3/4			1/2	2018
KJ Capes	Executive director	4/4	#		0/2	–*
PF Fourie	Non-executive director	4/4	3/3#		2/2	2020
MJ Janse van Rensburg	Independent non-executive director	4/4	3/3*	3/3		2019
PM Makwana	Independent non-executive director	4/4	3/3	3/3		2018
MM Ngoasheng	Independent non-executive director	3/4		3/3*		2019
J Pitt	Alternate to Mr. MM Ngoasheng	2/4				–
B Maluleke[2]	Independent non-executive director	1/4				N/A
B Bulo[3]	Independent non-executive director					2021
Dr L Mohuba	Chief executive officer	4/4	3/3†	3/3†	2/2#	–
NR Crafford-Lazarus	Financial director	4/4	3/3†	3/3	2/2#	–

[1] *Chairs the portion of the meeting dealing with nominations.*
[2] *Resigned on 30 November 2017.*
[3] *Appointed on 26 March 2018.*
* *Chairman.*
\# *Invitee.*
† *Ex officio member.*

INDIVIDUAL DIRECTORS

Brent Williams (54)

Chairman and independent non-executive director

BA (University of Cape Town), BProc (University of Western Cape), LLM (Harvard University Law School)

Brent was appointed as director and chairman of SepHold on 3 March 2012. He was admitted as an attorney in 1992 and has held a number of key positions. He is currently the chief executive officer of Cliffe Dekker Hofmeyr.

Martie Jacoba Janse van Rensburg (62)

Independent non-executive director

BCompt (University of the Free State), BCompt Hons (University of South Africa), CA(SA), Executive Programme in Strategy and Organisation (Stanford University Business School), TCTA Leadership Development Programme (Gordon Institute of Business Science), AltX Director Programme (JSE & WBS)

Martie was appointed as a director of SepHold on 22 September 2016. Between 1994 and 2008, she was the CFO (five years) and then CEO (10 years) of the Trans Caledon Tunnel Authority. She has served as non-executive director and member or chairman of audit committees for Bond Exchange of SA, Airports Company South Africa, Johannesburg Water SOC and Denel SOC. She is a non-executive director of the Development Bank of Southern Africa, the Independent Regulatory board of auditors and a non-executive member of the FirstRand Wholesale Credit Committee (International and Specialised Finance) and Ashburton Credit Committee.

Paul Mpho Makwana (47)

Independent non-executive director

BAdmin (University of Zululand), BAdmin (Hons) (University of Pretoria), PGDip: Retailing Management (University of Stirling Institute of Retail Studies), Kellogg's Executive Development Programme

Mpho was appointed a director of SepHold on 11 January 2013. He is the chairman of ArcelorMittal, and an independent non-executive director at Adcock Ingram Holdings Limited, Nedbank Group Limited and Nedbank Limited, among others. He also serves on a number of unlisted companies and trustee boards.

Moses Modidima Ngoasheng (60)

Independent non-executive director

BA (Economics and International Politics) (University of South Africa), BSocSci (Hons) (University of Natal), MPhil (University of Sussex)

Moses was appointed a director of SepHold on 1 February 2008. He was instrumental in the industrial policy of the African National Congress and was economic advisor to President Thabo Mbeki from 1995 to 2000. He serves on a number of boards, including AB InBev SA Breweries and Dimension Data.

Neil Robus Crafford-Lazarus (58)

Financial director and executive director

BCompt (University of the Free State), BCompt (Hons) (University of South Africa), CA(SA)

Neil was appointed a director and CEO of SepHold on 1 June 2007 and became financial director on 28 March 2012. He started his career in mining finance in 1988. Since then, he has held various senior positions in taxation, business development and corporate finance with companies such as Anglo-American PLC, Gencor Industries Inc and BHP Billiton. He also served as financial director of Xstrata SA Proprietary Limited between 1998 and 2005.

INDIVIDUAL DIRECTORS (continued)

Dr Lelau Mohuba (61)

Chief executive officer and executive director

MBChB (Nelson Mandela School of Medicine, former University of Natal)

Lelau is a founding director of SepHold. He became the original chairman on 3 February 2005 and became CEO on 28 March 2012. He retired as a medical practitioner in 2001 after a 22-year career. His commercial career began in 2002 and since then he has served in various capacities in several entrepreneurial endeavours.

Kenneth John Capes (49)

Executive director and business development director

Kenneth was appointed a director of SepHold on 29 July 2013.

Kenneth has extensive experience in the ready-mixed concrete and aggregates industry. Kenneth spent 20 years in a building and construction materials entity, holding various management positions. He was directly involved in developing the ready-mixed concrete and quarrying business as a general manager. Kenneth's extensive knowledge, expertise and passion for concrete manufacture led him to be a co-founder of Métier.

Pieter Frederick Fourie (62)

Non-executive director, chief executive officer (Sephaku Cement)

BCom (Accounting) (University, Executive Development Programme (PRISM) for Global Leaders (IMD, Switzerland)

Pieter was appointed a director of SepHold on 20 November 2009. He has extensive experience in the cement industry and became chief executive officer of Sephaku Cement in May 2007.

Rose Raisibe Matjiu (57)

Non-executive director

BA (Hons) (Social Work) (University of the North), MA (Medical Social Work) (University of Pretoria), Certification in Mining and Minerals (University of the Witwatersrand)

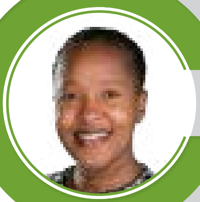
Rose was appointed a director of SepHold on 23 August 2005. She has extensive experience as a professional community and social worker in government and the private sector. She has served in a number of directorate positions and is a member of South African Women in Mining and the Business Women's Association.

Basani Maluleke (40)

Independent non-executive director

BCom (Accounting) and LLB degrees (University of Cape Town), MBA Kellogg School of Management at North-West University), Fellow of the African Leadership Initiative and the Aspen Global Leadership Network

Basani was appointed as a director of SepHold on 9 November 2016 and resigned on 30 October 2017. She has over 10 years of financial services experience in corporate finance, private banking and private equity. Basani was a director of Transcend Capital Proprietary Limited, a boutique corporate finance firm specialising in BBBEE ownership advisory for multinationals. She was admitted as an attorney of the High Court after serving articles at Edward Nathan and Friedland (now Edward Nathan Sonnenbergs).



Bukelwa Bulo (40)

Independent non-executive director

BBusSc (Finance) and PGDip in Accounting (University of Cape Town), CFA, Leadership Development Program at Harvard Business School

Bukelwa was appointed a director of SepHold on 26 October 2018. She has over 10 years' experience in private equity with exposure to a wide spectrum of sectors including industrial services and retail.

Bukelwa has expertise in investment and divestment evaluation, deal structuring, strategic and stakeholder management. She is a co-founder of Jade Capital Partnership Proprietary Limited, an investment holding company focused primarily on the property, industrial, construction and building and construction materials sectors. Her current directorships include non-executive directorships on the boards of directors of Franki Geotechnical Proprietary Limited, Capital Appreciation Limited and Netcare Limited.

Justin Pitt (48)

Alternate director to Moses Modidima Ngoasheng

BCom (Accounting) (University of the Witwatersrand), CA(SA), CFA, Member of South African Institute of Chartered Accountants and Association for Investment Management and Research

Justin was appointed as an alternate director of SepHold on 21 August 2014. He co-founded Safika Resources and QuestCo in 2002 and is currently the managing director of Safika Resources.

SEPHOLD'S BOARD SUBCOMMITTEES

The board delegates specific functions to various committees in which independent non-executive, executive and non-executive directors participate. The committees fulfil their obligations as contained in the Companies Act, the requirements contained in King IV and in SepHold's memorandum of incorporation. In discharging its duties, the board delegates authority to committees and individuals through clearly defined terms of reference, which it reviews regularly. The board maintains effective control through the well-developed governance framework. The chairmen of these committees, in conjunction with the board, are elected by the members of each committee.

The board believes that the group will remain a going concern in the 12-month period ahead. Their main statement in this regard is contained in the directors' approval to the financial statements.

AUDIT AND RISK COMMITTEE

The committee has specific statutory duties to shareholders. The committee chairman holds office for no longer than five consecutive years unless the REMCO, through the board, has a solid reason to determine otherwise.

Statutory duties

The committee executed the following statutory responsibilities in 2018:

- Nominated a registered, independent auditor for appointment by shareholders, and determined their fees and terms of engagement
- Oversaw the external audit processes and prepared a report for the annual financial statements that describes how the committee carried out its functions and whether it is satisfied of the auditors' independence
  - Refer to pages 1 to 3 of the annual financial statements for the committee's report
- Reported to the board on any matters related to SepHold and Métier's accounting practices, the content or auditing of annual financial statements and internal financial controls; and
- Performed other functions determined by the board, including: developing and implementing a policy plan for a systematic, disciplined approach to evaluate and improve risk management; internal control and governance processes and information technology management

The statement from the audit and risk committee as per the JSE Listings Requirements in accordance with paragraph 22 can be read in the annual financial statements as part of the audit and risk committee point number 4. The annual financial statements can be accessed at at www.sephakuholdings.com/investor-centre/results-and-reports.

Financial director

The committee considered and satisfied itself of the appropriateness of the expertise and experience of the financial director, Mr. N Crafford-Lazarus, whose curriculum vitae appears on page 65. The committee also considered and satisfied itself of the appropriateness of the expertise, adequacy of the resources of SepHold's financial function and the experience of the responsible senior members of management.

Feedback on 2018 focus areas

- Assessed and helped improve internal controls at Métier and Sephaku Cement;
- Sephaku Cement debt covenants management: successfully negotiated for the reshaping by the lenders;
- Risk and safety management: began aligning Métier's risk management methodology to Sephaku Cement's; and
- Facilitated workshops on amendments to reporting standards, emerging industry practices in the concrete industry, plant site visits and carbon tax

FY 2019 key focus areas:

- Application of new accounting IFRS Standards 9 and 15
- Development of a group information technology framework
- Risk management

SOCIAL AND ETHICS COMMITTEE

The committee comprises four members of the board including four standing invitees.

The board members are constituted of two independent non-executive, one non-executive and one executive director.

The standing invitees are:

- Sephaku Cement
  - Operation manager
  - Performance manager
  - Head of risk
- Métier
  - Managing director

Statutory duties

The committee focused on the operating companies in the following matters:

- Sephaku Cement's community relations and the related outstanding issue;
- Monitoring the Sephaku Cement EDP;
- Employment equity and employee retention; and
- Corporate citizenship custodianship
  - The review of group conduct and ethics codes
  - The maintenance of good relations with customers
  - Monitoring the implementation of Métier and Sephaku Cement with regulatory requirements, particularly the approval of the Sephaku Cement SLP
  - Impact of the mining charter on Aganang

Feedback on 2018 focus areas

- Drafted and signed a memorandum of understanding with the communities located near the Aganang plant. This will enable the resolution of several outstanding matters including:
  - acquisition of grazing land for the surrounding communities;
  - approval of the social and labour plan; and
  - operationalisation of the BBBEE structure, Torosesha;
- Métier BBBEE status: the level 6 achieved was significantly better than anticipated
- Employee retention plan at Sephaku Cement: review of plan indicated a success rate of approximately 75%
- Unionisation at Sephaku Cement: the associate successfully concluded a relationship charter with AMCU and a 12-month wage agreement

FY 2019 key focus areas:

- Conclude the engagement process for the Sephaku Cement SLP approval
- Pursue the appointment of community elected board members into the Torosesha

BOARD EVALUATION AND INDEPENDENCE

SepHold annually evaluates the effectiveness and performance of the board, its committees and individual directors. During the year, Acorim, as group company secretary, internally assessed the performance and effectiveness of the board, its committees and members. The assessment monitored the board's effectiveness as a collective; the effectiveness of committees in discharging their duties as stated in the respective terms of reference; and the performance of individual members.

None of the directors raised major concerns in respect of the functioning of the board or any of its committees. The board assisted by the REMCO specifically considers the independence of directors and their commitments on the date of appointment and annually thereafter. This evaluation determines whether a director has sufficient time to discharge his or her duties effectively and is not constrained by conflicts that cannot be managed satisfactorily. The board is satisfied that the evaluation process has improved its performance and effectiveness. An externally facilitated review of the board's performance and effectiveness has been scheduled for the 2019 financial year.

SPECIFIC INDEPENDENCE CONSIDERATION

Mr. MM Ngoasheng has been a member of the board for 10 years. Mr. Ngoasheng has extensive knowledge in deal structuring and the building and construction materials sector which is valuable to the group's strategic intent. The recent appointment of independent non-executive directors balances his familiarity. The board values the depth of his experience and believes that his continued participation in the board will enhance its effectiveness. Mr. Ngoasheng's independence was scrutinised by the board with the assistance of the REMCO. The assessment considered Mr. Ngoasheng's tenure and his indirect ownership in SepHold through Safika Resources Proprietary Limited. REMCO concluded that Mr. Ngoasheng's familiarity due to his tenure is sufficiently balanced by the recent appointment of independent non-executive directors. The committee also concluded that his ownership constitutes a fairly small proportion of his wealth and is therefore unlikely to influence his independence. The board accepts that Mr. Ngoasheng's character and judgement are not compromised by the 10 years of service in the SepHold board.

INSIDER TRADING AND CONFLICT OF INTEREST

In addition to the regulatory requirements, the board charter:

- sets out the approval process relating to dealing in SepHold securities;
- sets out the required notification process of share transactions in terms of the JSE Listings Requirements; and
- prohibits director dealings in SepHold shares when in possession of non-public, material (price-sensitive) information.

Board members are required to continually confirm their trading in SepHold shares and compliance with the regulatory requirements with the board chairman or chief executive officer. Declaration of interests is a standing agenda item at all board meetings. Directors are required to formally update their directorships and other relevant interests at least annually.

Directors who have an interest in specific matters discussed at board or committee meetings are recused during the relevant discussion and/or decisions. Executive managers are reminded, at least biannually, and during financial results closed periods, that trading in Company shares is prohibited when in possession of price-sensitive information.

RISK MANAGEMENT

The board considers risk management as an appropriate balance between realising opportunities and minimising adverse impacts. The board is satisfied that no member of management has exceeded their authority or acted contrary to the board's risk appetite nor, in so doing, exposed the group to unnecessary risk during the financial year and up to the date of this report. The operational companies identify, measure, monitor, manage and report on all material risks to which they are exposed. Sephaku Cement's and Métier's executive committees implemented and monitored their risks monthly, in line with the board-defined risk tolerance targets. The operational assessment took a systematic, disciplined approach to evaluate and improve the effectiveness of risk management.

The audit and risk committee reviews the group's risks, progress on their management, and the effectiveness of the management activities. The board is satisfied that Sephaku Cement and Métier maintain effective ongoing risk assessments and adequately measure the likelihood and impact of risks. The outputs of the assessments are presented to the board for a realistic perspective of material risks.

INFORMATION TECHNOLOGY

The group entities have information technology management strategies and processes specific to their requirements.

SEPHAKU CEMENT

Sephaku Cement supplements general information management with SAP® in its operations and has automated plant systems that need to be managed meticulously. The associate developed a detailed three-year strategy during the year with 16 objectives including enhancing the business process management platform, establishing fully automated interfaces and decentralising the business continuity management systems. This strategic plan creates an infrastructure environment that leverages current and emerging information technology solutions towards the business's goals. The current and planned architecture is geared towards supporting operational functions through a unified information management and automation hub with a single set of standards across the company. This optimises the available resources at Sephaku Cement for effective and efficient support as well as project rollouts. Through an emphasis on information technology service excellence, the plan facilitates the roll-out of new platforms to ensure the availability of information, improved system resilience and improved support.

SEPHOLD

SepHold has basic information technology and management systems that support its administrative processes. The necessity to develop a group policy on information technology has been identified and the board has included the development of a framework in its 2019 financial year plan.

MÉTIER

Métier uses proprietary software in the mixed concrete manufacturing process. The manufacturing software enables the subsidiary to automate the production process which shortens the timelines. The software records and stores a digital log of the raw material inputs used in every batch produced. This enhances the ability to control output quality and to archive the information for future reference. Métier is determined to continue applying best practice processes such as the production software and to this effect is awaiting the release of the new version expected in 2019. Métier's plans to focus on disaster recovery and cloud-based systems in the next 12 months with a broader goal of further aligning information technology management to prevailing governance requirements.

INTERNAL CONTROLS

The board evaluates the adequacy and effectiveness of the internal controls as well as the combined assurance processes of group entities at every meeting.

Risk management and financial reporting are essential to internal control. The subsidiary and associate provide internal audit reports to the audit and risk committee for due consideration. The committee is responsible for ensuring that reported information is reliable and that the group adheres to all requisite rules and regulations.

Métier's lines of defence	
First	Internal controls
Second	Management control
Third	Risk management
Fourth	External audit
Fifth	Métier board

Sephaku Cement's lines of defence	
First	Internal controls
Second	Management control
Third	Risk management
Fourth	Internal and external audit
Fifth	Sephaku Cement board

The audit and risk committee recommended the independent external auditor, Grant Thornton, which was then appointed by the shareholders. The external auditor reports on whether the annual financial statements are fairly presented in compliance with International Financial Reporting Standards (IFRS) and the Companies Act. The preparation of the annual financial statements remains the responsibility of the board.

INTERNAL AUDIT

SepHold's financial director fulfils Métier's internal audit function. The committee believes that new appointments should strengthen the Métier accounting function and improve control by dividing duties. As such, this is better suited to the subsidiary's needs than an internal audit function would be. Due to the nature and size of SepHold, the accounting function is appropriately structured to effectively deal with all current requirements and, as such, the audit and risk committee does not believe that an internal audit function is necessary at this stage.

Sephaku Cement has an internal audit department that reports to its board audit committee chairman, on which SepHold is represented.

COMPLIANCE

STATEMENT OF COMPLIANCE

The board is responsible for the group's compliance with applicable laws, rules, codes and standards as reported throughout the integrated annual review. Compliance is integral to the group's culture, and key to its strategy. SepHold, as the listed entity, complies with various codes and regulations, including the Companies Act, the JSE Listings Requirements and King IV.

There were no material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with statutory obligations imposed on the group entities, board members, executive directors or prescribed officers.

KING IV APPLICATION

The group applied the King IV code to the furthest possible extent. To better apply the principles in the 2019 financial year, the board commissioned a gap analysis from the company secretary. The board engaged management to determine where additional alignment with King IV's recommended practices would be appropriate. The gap analysis identified the following focus areas for FY 2019:

- Incorporate the codes of ethics into the group's third-party supplier agreements
- Develop and implement an overarching group governance framework
- Develop and implement a group stakeholder engagement policy
- Implement a group information and technology governance policy at all levels
- Enhance the board evaluation process
- Enhance the remuneration policy

King IV is not prescriptive on which governance structure should assume responsibility for any particular principle or recommended practice. Therefore, although certain principles will primarily involve the board or a particular committee, the combined result of the activities of the various governance structures will be assessed holistically when considering which practices to apply to support the principles.

All committee work plans, charters and agendas are being updated in respect of King IV. Refer to the King IV application register at www.sephakuholdings.com/corporate-governance.

REMUNERATION

The remuneration and nomination committee (REMCO) is chaired by Mr. M Ngoasheng with the board chairman, Mr. B Williams, chairing the meeting portion dealing with nominations. The group chief executive and the financial director were invited to meetings to assist the committee in executing its mandate.

Statutory duties

To contribute to the group's implementation of the strategic objectives the committee achieved:

- The development of the board succession plan;
- Group succession plans for executive positions;
- The approval of the SepHold and Métier short term incentive;
- The approval of the King IV aligned remuneration policy;
- The nomination of Ms Bulo as non-executive director; and
- Review of the committee charter to align with King IV.

On the focus areas stated in the previous integrated report the REMCO is pleased to provide the following update:

- **Group succession:** Developed succession plans for all key positions
- **Board gender and skills diversity:** Reviewed the board gender diversity policy
- **Enhancement of key performance areas to align to strategic objectives:** Updated the performance indicators for the SepHold executive management

The REMCO considered and applied King IV's guidance of fairness, responsibility and transparency stipulated in principle 14 to enhance the group remuneration policy. The group's remuneration policy excluding Sephaku Cement is described in the report below. The group participates in the determination of the appropriate remuneration strategy and policy at Sephaku Cement through the representation of three directors.

REMUNERATION REPORT

Background statement

The group's remuneration management is market related. We conduct market surveys and benchmarking to ensure competitiveness. Competitive remuneration is critical in attracting and retaining high-performing individuals due to the shortage of technical skills in the building and construction materials manufacturing industry. Competitive remuneration motivates employees and improves their performance in line with the group's strategic objectives.

The board through REMCO is responsible for making decisions regarding the remuneration of executive directors, FD and the CEO. The CEO and FD are subsequently responsible for determining the appropriate total guaranteed remuneration and incentives of the rest of the group employees. The CEO is on a permanent contract and there will be no unusual obligation for the group at retirement which is set at 65 years. The CEO and FD's employment contracts have a provision for a minimum payment equivalent to annual remuneration on termination of employment due to change of control. The share incentive scheme also provides for an early vesting of options in case of change of control.

The CEO is a member of eight boards including SepHold, Métier and Sephaku Cement which require his active participation regularly. The succession plan for the CEO was finalised during the year and the REMCO is confident that the group is sufficiently prepared for all eventualities as it relates to the CEO's tenure.

The REMCO recommends and advises the board on remuneration practices and long-term employee incentives, and it submits policy amendments to the board for approval.

To ensure market related remuneration, consultants are contracted from time to time to provide an independent opinion on prevailing remuneration trends and to ensure that the group remains competitive. PricewaterhouseCoopers prepared a benchmark report in FY 2017 to inform the executive management remuneration packages. The report was considered objective and independent by the committee and recommended for adoption by SepHold. The report's recommendations were implemented in the 2017 financial year but reviewed in the reporting period following feedback from shareholders and to align to King IV. The amendments in the policy mainly related to the compilation of the short-term incentives (STI) scorecard and development of a long-term incentives (LTI) to replace the share option scheme that was concluded during the current financial year. In applying King IV, REMCO considered the magnitude of the group to ensure that the implementation of the recommended practices is not a mindless application process but transformative to enhance the group governance framework. The board is committed to continuous improvement in the remuneration framework and will seek further ways to improve the policy.

At the AGM held on 21 September 2017, the resolutions on the remuneration policy and non-executive directors' remuneration were approved by 94,3% and 99,9% respectively. Executive management engaged shareholders who expressed concerns on the structure of the key performance indicators. These were mainly related to the compilation of the STI scorecard and development of a LTI to replace the share option scheme.

The remuneration policy

The group adopts a total cost to company approach in remunerating all its employees. This ensures that employees are appropriately rewarded and are aware of the terms and conditions under which they are employed.

The remuneration framework ensures that the group companies:

- align remuneration practices with the business strategy, objectives, values and long-term interests of the company;
- appropriately compensate employees for services provided;
- ensure equitable and fair remuneration to facilitate the deployment of people throughout the business;
- ensure variable remuneration is aligned to company performance, at both a divisional and individual level;
- implement a flexible and competitive remuneration structure that:
  - is referenced to appropriate benchmarks;
  - reflects market and industry practices; and
  - is tailored to the specific circumstances of the group
- comply with all relevant legal requirements.

Positioning of the total guaranteed package is based on an employee's level of demonstrated competency, qualifications, experience and performance. The total guaranteed package of employees new to the position are normally at the low end of the salary range. As the employee demonstrates increased experience, learning and performance, the package is adjusted based on the objective outcome of performance reviews.

The following summarises the performance measurement criteria:

- **Entry point:** New to the job or building the skill
- **Needs improvement:** The skill needs enhancing to improve performance
- **Effective:** Meets expectations
- **Excellent:** Exceeds expectations
- **World-class:** Expert and fully competent

The table below summarises the main components of the reward package for group employees. Sephaku Cement applies a different reward framework as a subsidiary of DCP.

	Objective and practice	Award size and performance period
Guaranteed pay	• Remunerate above the market and industry average for key positions • Remunerate market-related salaries for all other positions • Review total guaranteed pay annually on 1 March	• The level of skill and experience, scope of responsibility and the total remuneration package are taken into account when rewarding employees • Appropriate market percentiles based on skills, experience and competitiveness
Short-term incentive	• To motivate employees and incentivise delivery of performance over the financial year • The appropriateness of measures and weightings are reviewed annually to ensure ongoing support of the strategy • The exco annual bonus is paid in cash in July each year for performance over the previous financial year	• Performance over the financial year is measured against targets set in the balanced scorecards • Target bonus (30%, 50% and 70%) of the total guaranteed pay aligned with the level achieved as defined in the performance management policy
Long-term incentive	• To motivate and incentivise delivery over the long term • Awards relating to total shareholder return and against a framework for determining vesting to ensure continued support of the company strategy	• Performance over three financial years is measured against targets for the performance period with vesting ranging between 0%, 50%, 100% and 200% of the total guaranteed pay. The award will consist of a share award bought in the open market.

SepHold executive management performance criteria

The board-approved performance indicators to measure executive management's performance are reviewed annually. The indicators are broadly categorised into financial (75%) and non-financial measures (25%).

Contrary to the remuneration policy which states that key employees should be remunerated at the upper percentile rate, the executive management has deemed it prudent to receive guaranteed annual packages aligned to the JSE mean for directors of listed companies one year in arrears, since FY 2014 because of the construction industry downturn. Furthermore, the executive directors have decided not to increase their basic remuneration in the 2019 financial year. This demonstrates the REMCO's consideration of responsible and fair remuneration.

Following consultations with shareholders, the STI and LTI score card was revised to the one indicated in the table below. The short-term assessment criteria will be applied to the FY 2019 performance to be paid in FY 2020 and the long-term criteria will be applied from the 2021 financial year.

Short-term incentives scorecard

Performance indicator	Weighting (%)	Performance condition detail	Minimum (30%)	Target (50%)	Stretch (70%)
Financial measures					
Real* growth in headline earnings per share (HEPS)	30	HEPS growth over the previous year in excess of inflation	Real HEPS growth of more than 0%	Real HEPS growth of 4% per annum	Real HEPS growth of 8% per annum or more
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	25	The achievement of SepHold's EBITDA against budget. The EBITDA should reflect the proportionately consolidated EBITDA of the underlying subsidiaries less corporate costs.	80% of budget achieved	100% of budget achieved	120% or more of budget achieved
Gearing/covenants	20	Reduction in the ratio of total debt to EBITDA and improvement in debt service coverage ratio.	2.5 and 1.3	2.25 and 1.4	2.0 and 1.5
Non-financial measures					
Safety, environment and transformation	15	The achievement of safety, environmental and transformation targets as determined by the Company, will be measured against a portfolio of evidence.			
Achievement of job specific personal goals	10	The achievement of job specific personal goals as determined by the Company will be measured against a portfolio of evidence.			

The revised LTI scheme replaces the option scheme that ended in FY 2018. To limit dilution of shareholders' interests through the option scheme , the new long term incentives are awarded in cash after a three year vesting period during which the executive's performance is assessed against the key performance indicators. The cash awarded is used to purchase shares in the market to align the executives to shareholder interest . The executives are mandated to hold the shares for a period of two years during which they may benefit from capital appreciation and any dividends paid.

Long-term incentives scorecard

Performance indicator	Weighting (%)	Performance condition detail	Minimum (30%)	Target (50%)	Stretch (70%)
Total shareholder return (TSR)	75	TSR is measured against a comparable set of 10 companies.	Sixth or seventh position	Fourth or fifth position	First to third position
Achievement of strategic goals	25	The achievement of Sephaku strategic goals as determined by the Company, will be measured against a portfolio of evidence.			

* *As measured against CPI.*

REMUNERATION (continued)

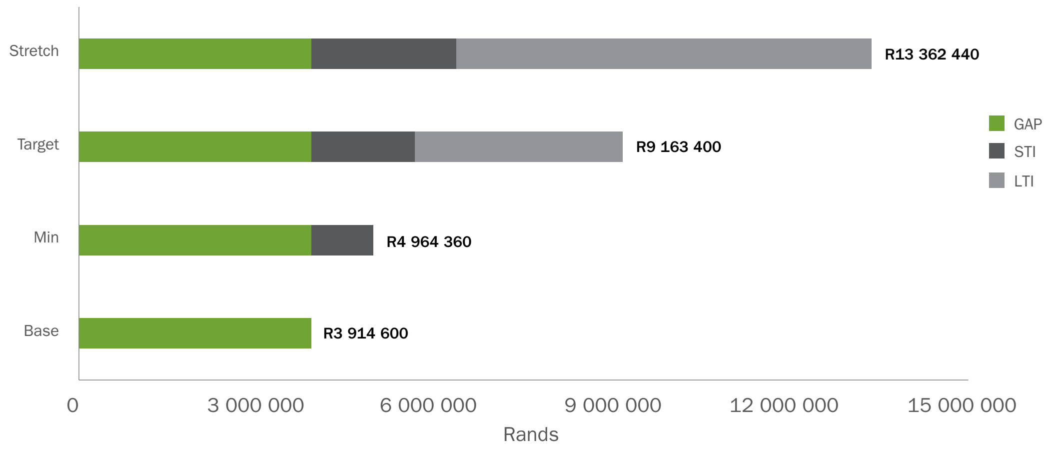
The table below summarises the assumption of the delivery of the minimum, target and stretch performance achievement on total remuneration of the CEO and FD in a single total figure based on the revised remuneration policy. The figures below apply to the CEO and FD because their remuneration is identical for each measure.

Summary of single total remuneration figure for minimum, target and stretch performance

	CEO and FD			
2019	**Base R**	**STI R**	**LTI R**	**Total R**
Base[1]	3 914 600			3 914 600
Min	3 914 600	1 049 760		4 964 360
Target	3 914 600	1 749 600	3 499 200	9 163 400
Stretch	3 914 600	2 449 440	6 998 400	13 362 440

[1] *Base includes travel allowance where applicable.*

Illustration of the single figure remuneration



Non-executive directors' remuneration

Elements and purpose

The group aims to attract and retain suitably skilled and experienced non-executive directors. An appropriate level of competitive remuneration is necessary to reward them for their time and expertise. The group non-executive directors are remunerated by way of an annual fee paid in recognition of membership of the board and its committees. The non-executive directors, including the group chairperson, do not receive any other employment benefits, performance-related remuneration, or any form of compensation for loss of office. The fee structure is reviewed and benchmarked annually to ensure that the proposed fees are aligned to market levels and supports the attraction and retention of high-quality individuals.

Service contracts

None of the directors have written service contracts with the company. Directors are employed by the board and rotate in terms of the memorandum of incorporation.

IMPLEMENTATION REPORT

Below are the details of the implementation of the remuneration policy.

Executive directors' and prescribed officer's emoluments

Executive	Remuneration R	Prior year[1] performance bonuses R	Travel allowances R	Pension fund R	IFRS 2 staff cost relating to share-based payment vesting expenses (non-cash) R	Total R
2018						
Dr L Mohuba	**3 801 117**	**972 000**	**–**	**123 802**	**568 555**	**5 465 474**
NR Crafford-Lazarus	**3 649 620**	**972 000**	**151 497**	**123 802**	**870 533**	**5 767 452**
KJ Capes*	**1 080 000**	**–**	**–**	**–**	**–**	**1 080 000**
	8 530 737	**1 944 000**	**151 497**	**247 604**	**1 439 088**	**12 312 926**
2017						
Dr L Mohuba	3 531 600	1 500 000	–	115 395	614 597	5 761 592
NR Crafford-Lazarus	3 375 043	1 500 000	156 557	115 395	746 865	5 893 860
KJ Capes	2 158 117	2 379 947	–	–	–	4 538 064
	9 064 760	5 379 947	156 557	230 790	1 361 462	16 193 516

* *KJ Capes has been on a consultancy contract with the group as a business development expert to identify viable expansion opportunities since FY 2017. He is remunerated on a retainer based on agreed terms with the Company. KJ Capes, performance bonus is related to the transactions he successfully concludes during any particular year. To date, he has been working on the aggregates joint venture (Cato Ridge).*

[1] *The bonus paid in FY 2018 relates to the FY 2017 performance, and the bonus paid in FY 2017 was based on FY 2016 performance.*

The CEO and FD STI awarded for the FY 2018 performance to be paid in FY 2019 were based on the measures in the table below. The bonus to be paid will therefore be R 760 000 representing the 20% weighting score. The decrease of the bonus paid from R1,5 million in FY 2017 and R 972 000 in FY 2018 demonstrates the REMCO's and executives' prudent approach to remuneration that is informed by the prevailing challenging trading environment. The constrained economic environment has resulted in relatively weak financial performance as demonstrated in the table below.

Performance condition	Weighting	Actual performance	Metric %	Weighted %
Financial measures				
HEPS	35%	Down on prior year	0%	0,00%
EBITDA	25%	66% of Budget	0%	0,00%
Total shareholder return	15%	Min threshold	30%	4,5%
Non-financial measures				
Safety, environment & transformation	15%	Better than expected	70%	10,5%
Achievement of personal goals	10%	Met expectations	50%	5,00%
OVERALL %				20,00%

REMUNERATION (continued)

Other prescribed officer	Remune-ration R	Performance bonus R	Travel allowance R	Pension fund R	Total R
2018					
WJ du Toit	**1 648 350**	**242 769**	**25 200**	**156 081**	**2 072 400**
2017					
WJ du Toit	1 576 146	385 942	25 200	144 178	2 131 466

WJ du Toit is a prescribed officer of SepHold and an executive director of Métier. All remuneration paid to him by the subsidiary company has therefore also been disclosed.

Non-executive	Fees for services as director R	Remune-ration R	Performance bonus R	IFRS 2 Staff cost relating to share-based payments vesting expense (non-cash) R	Total R
2018					
B Williams	**410 000**	**–**	**–**	**–**	**410 000**
PM Makwana	**310 000**	**–**	**–**	**–**	**310 000**
MM Ngoasheng	**310 000**	**–**	**–**	**–**	**310 000**
MJ Janse van Rensburg	**310 000**	**–**	**–**	**–**	**310 000**
B Maluleke	**155 000**	**–**	**–**	**–**	**155 000**
RR Matjiu	**–**	**–**	**–**	**165 028**	**165 028**
PF Fourie	**–**	**3 914 256**	**805 837**	**–**	**4 720 093**
	1 495 000	**3 914 256**	**805 837**	**165 028**	**6 380 121**

Non-executive	Fees for services as director R	Remune-ration R	Performance bonus R	IFRS 2 Staff cost relating to share-based payments vesting expense (non-cash) R	Total R
2017					
B Williams	380 000	–	–	–	380 000
MG Mahlare	125 000	–	–	–	125 000
PM Makwana	250 000	–	–	–	250 000
MM Ngoasheng	250 000	–	–	–	250 000
MJ Janse van Rensburg	125 000	–	–	–	125 000
B Maluleke	62 500	–	–	–	62 500
RR Matjiu	–	–	–	121 426	121 426
PF Fourie	–	3 223 349	1 001 784	–	4 225 133
	1 192 500	3 223 349	1 001 784	121 426	5 539 059

Refer to shareholders information in the directors' report in the annual financial statements for directors' interests in share options.

PF Fourie is a non-executive director of SepHold and an executive director of Sephaku Cement. All remuneration paid to him by the associate company, Sephaku Cement, has therefore also been disclosed above.

CORPORATE INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	South Africa	
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Construction materials company	
DIRECTORS	B Williams	Chairman independent Non-executive director
	RR Matjiu	Non-executive director
	KJ Capes	Executive director
	PF Fourie	Non-executive director
	MJ Janse van Rensburg	Independent non-executive director
	PM Makwana	Independent non-executive director
	MM Ngoasheng	Independent non-executive director
	J Pitt	Alternate director
	B Bulo	Independent non-executive director
	Dr L Mohuba	Chief executive officer
	NR Crafford-Lazarus	Financial director
REGISTERED OFFICE	Southdowns Office Park First floor, Block A Cnr Karee and John Vorster Streets, Irene X54, 0062	
WEBSITE	www.sephakuholdings.com	
POSTAL ADDRESS	PO Box 7651, Centurion, 0046	
BANKERS	Nedbank	
AUDITORS	Grant Thornton Johannesburg Partnership Chartered Accountants (SA) Registered Auditors	
GROUP COMPANY SECRETARY	Acorim Proprietary Limited Telephone: +27 11 325 6363 Email: sephaku@acorim.co.za	
COMPANY REGISTRATION NUMBER	2005/003306/06	
TRANSFER SECRETARIES	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 PO Box 61051, Marshalltown, 2107, South Africa Telephone: +27 11 370 5000	
JSE SPONSOR	QuestCo Proprietary Limited Telephone: +27 11 011 9200	
INVESTOR RELATIONS OFFICER	Sakhile Ndlovu Email: info@sepman.co.za Telephone: +27 12 612 0210	
MÉTIER MIXED CONCRETE (WHOLLY OWNED SUBSIDIARY)	Physical address: Romead Business Park, 23 Malone Road, Maxmead, 3610 Postal address: Postnet Suite #546, Private Bag x4, Kloof, 3640 Telephone: +27 31 716 3600/0861 638437 Website: www.metiersa.co.za	
DANGOTE CEMENT SOUTH AFRICA (ASSOCIATE)	Physical address: Southdowns Office Park, Block A, Ground Floor Cnr Karee and John Vorster Streets, Irene X54, 0062 Postal address: PO Box 68149, Highveld, 0169 Telephone: +27 12 684 6300 Website: www.sephakucement.co.za	

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