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BUILDING BLOCKS FOR GROWTH

INTEGRATED
ANNUAL
REPORT



SEPHAKU
HOLDINGS LTD

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SEPHOLD AT A GLANCE

OUR INVESTMENT PROPOSITION

Sephaku Holdings Limited (SepHold or the company) 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 100% subsidiary, Métier Mixed Concrete Proprietary Limited (Métier or the subsidiary), and a 36% associate, Dangote Cement South Africa Proprietary Limited (Sephaku Cement or SepCem or the associate), which are collectively referred to as the group.

The South African cement and mixed concrete manufacturing sector presents promising growth opportunities because it is vital to infrastructure development. The group invests in modern, efficient capacity and is well positioned to generate growth and create value for shareholders over the long term. The group strives for sustainable returns through strategically focusing on the building and construction materials sector and its potential earnings and growth opportunities. The group utilises state-of-the-art production plants with cost efficiencies that enhance competitiveness. The operational management has deep industry skills, extensive experience and the ability to successfully execute the strategic objectives.

SNAPSHOT OF OUR PERFORMANCE

Group for the financial year ended 31 March 2020

EBITDA	Operating profit	SepCem equity-accounted earnings
R19,2 million (2019: R76,6 million)	-R4,6 million (2019: R14,7 million)	R0,5 million (2019: R46,3 million)
NPAT	Basic loss per share	Headline loss per share
-R17,4 million (2019: R44,0 million)	-8.12 cents (2019: 21.21 cents)	-7.97 cents (2019: 21.08 cents)
Cash generated from operations	Net cash from operations	Net asset value per share
R34,6 million (2019: R66,6 million)	R18,4 million (2019: R49,1 million)	432.54 cents (2019: 521.25 cents)

Métier for the financial year ended 31 March 2020

Sales revenue	EBITDA margin	EBIT margin
R727 million (2019: R 835,8 million)	4.8% (2019: 6.2%)	1.7% (2019: 4.7%)
Fatalities at all plants	Lost-time injury frequency rate	Acquisition debt principal
ZERO (2019: Zero fatalities)	1.71 (2019: 3.11)	reduced to R2 million with final instalment repaid on 15 April 2020 (2019: 49% reduction to R41 million)

SepCem* for the financial year ended 31 December 2019

Sales revenue	EBITDA margin	EBIT margin
R2,18 billion (2018: R2,29 billion)	16.4% (2018: 20.2%)	8.2% (2018: 12.2%)
Fatalities at all plants	Lost-time injury frequency rates	
ZERO (2018: Zero fatalities)	Aganang	Delmas
	0.37 (2018: 0.37)	0 (2018: 1.36)
Project debt principal		
reduced by 17% to R1,37 billion (2018: reduced by 10% to R1,65 billion)		

* 2018 figures are for the year ended 31 December 2018.

ABOUT OUR REPORT

Scope and boundary

This integrated annual report is for the period 1 April 2019 to 31 March 2020 and there are no major restatements. 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 2019 to 31 December 2019.

How we report

The 2020 integrated annual report is a single volume that incorporates the annual review and the annual financial statements (AFS). The report provides an overview of the group and its governance practices, strategic matters and performance reviews. It complies with the Companies Act and the JSE Listings Requirements. The AFS contain the statutory financial results that comply with the International Financial Reporting Standards (IFRS) and the Companies Act, 71 of 2008, as amended (Companies Act). The group applied the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)¹.

 The report and supplementary information are available at www.sephakuholdings.com/investor-centre/results-and-reports. Supplementary information includes the notice of annual general meeting, proxy form, AGM electronic participation form and King IV application register.

Assurance

The group executive committee determines what information is material to disclose. Assurance is through management attestation, internal controls, internal audits and independent BBBEE. SepHold's financial statements were independently assured by external auditors, BDO South Africa Inc. A South African National Accredited System agency, 5-Star Compliance Solutions, verified the Broad-Based Black Economic Empowerment performance for Sephaku Cement, Métier and SepHold.

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.

Approval of the integrated annual report

The board applied its collective mind to the preparation and presentation of this integrated annual report to ensure its integrity and completeness in accordance with the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework. The board approved the 2020 integrated annual report on 31 July 2020.

On behalf of the board:



Brent Williams
Chairperson



Neil Crafford-Lazarus
Chief executive officer

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GROUP REVIEW – STRATEGY AND RISK MANAGEMENT

WHO WE ARE

The group's five value creation pillars are based on its founding principles and core values. The values of respect, integrity, accountability, transparency and honesty are reflected in the codes of ethics and conduct to obligate the board, executive management and employees to act ethically. The directors and employees are required to conduct business with stakeholders in line with these codes. The group entities consolidated their respective codes of ethics and or conduct into a single comprehensive group code of ethics and conduct that was approved by the board during the year. The code is available at www.sephakuholdings.com/corporate-governance/governance-documents/.

OUR INVESTMENTS

Sephaku Cement

SepCem manufactures and sells high-quality cement of various strengths to a broad range of users. Bagged cement, which constitutes approximately 80% of sales volumes, is distributed through all major hardware retailers and second-tier distributors. The associate primarily supplies the Gauteng, Limpopo, Mpumalanga, North West and northern KwaZulu-Natal markets. SepCem manufacturing operations comprise Aganang integrated plant (North West) and Delmas grinding plant (Mpumalanga). Sixty-four percent of SepCem is owned by DCP, a Nigerian Stock Exchange-listed company with cement operations in Nigeria and nine other African countries. Refer to www.dangcem.com for further information.

Métier Mixed Concrete

Métier manufactures ready-mix concrete products for South Africa's industrial, commercial and residential markets. The subsidiary aims to be the building and construction materials brand of choice in South Africa. Métier has 15 plants, including a mobile plant located in KwaZulu-Natal and Gauteng provinces. This geographic spread reduces market concentration risk.

Seven plants located in Gauteng:

- OR Tambo plant
- Sandton plant
- Midrand plant
- Chloorkop plant
- Denver plant
- Centurion plant
- Rosslyn plant
- Midrand administration office

Seven plants in the greater Durban and Pietermaritzburg areas of KwaZulu-Natal:

- Head office
- Phoenix plant
- Canelands plant
- Mkondeni plant
- Umhlali plant
- Taylors Halt plant
- Mobeni plant
- Midmar plant

HOW WE CREATE VALUE

The operations utilise the cash they generate, equity from our shareholders and borrowings from lenders to source inputs and services to manufacture building materials. Métier and SepCem have ongoing and planned initiatives to mitigate their negative environmental impact and to uplift communities surrounding their operations.

Sephaku Cement

Aganang and Delmas have a combined cement capacity of 2,8 million tonnes per annum (mtpa). The Aganang operation constitutes a limestone opencast quarry with a proven life of over 30 years, and an integrated clinker and cement manufacturing plant. SepCem extracts limestone from the mine adjacent to the plant, then processes it to clinker. The clinker is ground and blended with other inputs to produce bagged and bulk cement in different strengths. The bagged cement is then distributed through retail channels to cement end-users. Bulk users such as mixed concrete manufacturers purchase the cement directly from SepCem for various construction activities.

SepCem has limestone exploration projects at various stages of development in Dwaalboom and Groblersdal that provide a pipeline for growth. There are four prospecting rights for the Groblersdal deposit and the associate is in the process of applying for a mining licence.

To better steward limited water resources, SepCem manages and monitors several environmental management parameters, including water balance. This, together with the closed-circuit water system at the plants, minimises discharge into the environment. The associate regularly engages with different government authorities and independent experts to ensure compliance with licence conditions.

SepCem employs people from adjacent communities at the Aganang and Delmas plants. Furthermore, the enterprise and supplier development programme (EDP) has improved the local economies of the North West and Mpumalanga provinces through mentorship of entrepreneurs to build sustainable businesses.

Métier

Métier utilises the cement manufactured by, among others, SepCem to manufacture mixed concrete, thereby harnessing downstream value for the group. It has a large complement of technical personnel in concrete technology.

Métier sells its ready-mix concrete, through its sales representatives, to various customers who include building contractors, civil contractors, residential developers and government organisations.

Métier regularly engages independent experts on how to develop effective environmental programmes that mitigate any negative impact.

The group's competitive advantages are derived from its value creation pillars on which earnings and growth are based.

Value creation pillar	Métier	SepCem
Service excellence driven by our high-performance culture distinguishes us from our competitors and improves our value proposition.	Inputs: • The Métier Way Impacts: • R13 million in operating profit • R727 million in revenue	Inputs: • High-performance culture Impacts: • R179 million in operating profit • R2,18 billion in revenue
Technical skills and industry experience are critical to the group's ability to achieve its strategic objectives and to understanding the building materials market dynamics to maximise profitability.	Inputs: • 243 employees • Over 85 years of combined management experience in mixed concrete manufacturing, mining and technology • Approximately R1 million spent on employee training and development Impacts: • Technically robust products for unique customer requirements • 84 employees trained	Inputs: • 464 employees and contractors • Over 250 years of combined management experience in cement manufacturing, project management, sales and distribution • R3,6 million spent on employee training and development, representing 2% of payroll Impacts: • Production of high-quality cement strengths • Enhanced skills in local communities
Leading technologies produce high-quality cement and mixed concrete.	Inputs: • Automated manufacturing anchored on modern information systems • Integrated digital platforms for precise quality control Impacts: • Expedient troubleshooting and efficient manufacturing of consistently high-quality products	Inputs: • Integrated plant with vertical mills and a four-stage preheater • Automated manufacturing anchored on robust information management systems Impacts: • Enhanced energy efficiency
Strategic relationships and deal-making abilities position the group as a major South African manufacturer of building and construction materials.	Inputs: • Consistent value proposition to customers • Mutually beneficial relations with mid-tier contractors Impacts: • Partnerships in large and or long-term building projects	Inputs: • Robust relations with the retail distribution channel through an attentive sales team Impacts: • Approximately 80% of sales volumes sold in bags through major building and construction materials retailers • Enables the implementation of the strategic market segmentation plan for optimal value
Sustainability emphasises responsible mining and manufacturing by continually seeking ways to minimise our negative environmental impacts.	Inputs: • Valid environmental licences in dust, water and waste management Impacts: • Emissions below the standard of 1 200 mg/m² per day	Inputs: • Valid environmental licences for the utilisation of alternative fuels and management of emissions, water and waste Impacts: • CO₂ emissions between 820 tCO₂e to 830 tCO₂e per tonne of clinker

Strategy implementation

The group's strategic objectives focus on financial sustainability, product quality and operational efficiency. The operations' performance against objectives is summarised below:

Strategic objectives	Initiatives towards objectives	Measures of success	Métier		SepCem*	
			2020	2019	2020	2019
Maintain sustainable sales volumes	Targeted sales at an appropriate balance of volumes and margins	Sales revenue	R727 million	R836 million	R2,2 billion	R2,3 billion
	Production of consistently high-quality products	Sales volume growth/ (decrease)	(14%)	1%	(9.4%)	(6.4%)
Maximise margins	Initiatives focused on:	EBITDA margin	4.8%	6.2%	16.4%	20.1%
	• Competitively priced inputs • Reduction of expenses • Distribution rationalisation					
Increase free cash flow	Focus on debtor management and cement pricing appreciation	Average annual price increase/(decrease) per tonne or per m ³	(1.2%)	Flat	5.2%	4.6%
		Cash generated from operations	R35 million	R73 million	R454 million	R483 million
Strengthen balance sheets	Reduction of debt	Net debt: equity ratio	0.6x	0.4x	0.9x	1.0x

* Refers to SepCem figures for the period ended 31 December of the previous year.

HOW WE ENGAGE OUR STAKEHOLDERS

Our engagement ethos

Key stakeholder matters are effectively managed by experienced group management, who regularly report on these matters to the respective executive committees and boards of directors. The matters are considered in the group's determination and assessment of material matters and risks.

Key stakeholder engagement themes

Stakeholder	Key matters of engagement	Context	Our response
Customers <i>Ad-hoc engagement</i>	Métier and SepCem Customers require: • Consistency of product quality • Punctual delivery and accessible after-sales service, particularly for concrete • Competitive pricing • Innovative credit solutions	Métier Mixed concrete customers have high negotiation power due to the pervasive low demand. They require consistently high-quality concrete at competitive pricing. Punctual deliveries eliminate costly downtime and enable customers to meet their construction budgets. SepCem SepCem mainly supplies bagged cement to the end-user through building material suppliers. Cement importers and blenders are the main competitors for the bagged cement. Bulk users such as concrete manufacturers and building contractors purchase cement directly from the manufacturers. The high competition for the declining bulk market has resulted in low prices that enable blenders to thrive.	Métier • Strong technical ability and knowledge in terms of product quality • Efficient manufacturing and effective communication remain a priority • Regular engagement is essential to ensure customers make informed purchasing decisions to eliminate stall at particular price points SepCem • SepCem has a robust sales strategy that includes after-sales interactions with customers to better understand their evolving needs • The combination of the field sales team and call centre agents ensures ease of communication for customers • Sales and logistics departments work closely together to ensure the timely delivery of cement • The product quality assurance process is managed by highly experienced senior executives to ensure consistency • Introduction of Falcon, the competitively priced fighter brand has increased the reach to price-sensitive retail markets

Stakeholder	Key matters of engagement	Context	Our response
Employees and unions <i>Regular engagement</i>	Métier Employees require assurance on employment security SepCem Employees require: • Reassurance on employment security • Career development opportunities • Training and development opportunities • Unions demand: • Fair remuneration • A safe working environment	Métier The continued decline in the demand of mixed concrete has resulted in employee anxiety on job security. This anxiety was exacerbated during the year by the introduction of an electronic sign-in system, which employees erroneously believed would unfairly impact their remuneration. 13% of Métier employees are unionised with no organisational rights. The subsidiary has a cordial relationship with union leaders. SepCem Employees' main concern has been job security, due to the continued severe downturn in the construction industry over the past three years. SepCem's relationship with the labour union is guided by a charter enabling a cordial relationship with the union leaders.	Métier • Provides its employees with fair and equal opportunities within the confinements of the law • Has provided in-house and external training opportunities • Facilitates regular engagement through various platforms SepCem • There is a retention scheme for high-performing employees, particularly those with critical skills • Engagement platforms enable employees to express their concerns to management on a regular basis • The Tokafatso project introduced in January 2019 at Aganang invigorates the flagship operation and is rebuilding a foundation for long-term sustainability. Management will monitor its effectiveness through selected financial and non-financial metrics • Training requirements aligned to business needs were identified during performance reviews and implemented • The charter continues to create a mutually beneficial framework for engagement. At the time of writing the report, negotiations with the unions on how to deal with the impacts of COVID-19 on employee remuneration were on-going.
Lenders <i>Ad hoc engagement</i>	Métier and SepCem • Lenders regularly assess the sustainability of Métier's and SepCem's business models • Lenders require assurance over our ability to comply with debt repayment terms	Métier and SepCem The banks that have issued Métier and SepCem debt require regular updates on the general operating environment. They are cognisant of the diminishing demand as private and public infrastructure investment declines. Negotiations to adapt the terms to the prevailing trading conditions have been the hallmark of engagement during the year.	Métier • Métier continues to engage with lenders on an ongoing basis • Negotiations with lenders post-period resulted in capital repayment relief as discussed in the CEO's report on pages 14 to 17 • COVID-19 has had a negative impact on the operations due to the lockdown SepCem • By the end of December, SepCem had made significant progress in the negotiations to restructure the debt to better align to the prevailing trading conditions • COVID-19 has had a negative impact on the operations due to the lockdown
Suppliers <i>Regular engagement</i>	Métier and SepCem Suppliers expect: • To charge inputs at a profitable level against diminishing demand • Operations to establish mutually beneficial strategic partnerships, such as the mining contractors for SepCem and property developers for Métier • Métier to comply with payment terms	Métier Suppliers are under the same volume and price pressures as Métier in an oversupplied marketplace. SepCem Local suppliers of coal, electricity and transport have yielded a strong negotiation position which has limited SepCem's ability to attain below inflation price increases. Furthermore, the transporters have been relentless in increasing haulage rates, particularly on the outbound loads.	Métier • Competitive and fair rates are negotiated with suppliers • Payment to all suppliers remains a priority SepCem • Established in-house transport to reduce outsourced suppliers from 100% with a target to improve customer reach • Established an alternative coal supplier • Made good progress in increasing alternative fuels substitution for coal • Purchased a burner for the plant capable of processing the low-quality coals and alternative fuels to provide flexibility

Stakeholder	Key matters of engagement	Context	Our response
Neighbouring communities <i>Ad hoc engagement</i>	SepCem neighbouring communities expect: - Increased community support through SepCem's EDP initiatives - SepCem to exclusively employ and train members of local communities	SepCem Both the Delmas and the Aganang communities experience high unemployment rates and a depressed provincial economic environment. These tough conditions increase the incidence of protests and demand for opportunities in excess to what is feasible for SepCem.	SepCem - The EDP and the new venture creation programme (NVCP) are SepCem's interventions to create viable small to medium locally borne enterprises - Torosesha is a BBBEE vehicle to benefit the communities most impacted by SepCem's operations through dividends paid out from the mining subsidiary for projects that uplift the socio-economic conditions of these communities
Government and legislative authorities <i>Ad hoc engagement</i>	Métier - Compliance with requisite laws on both a national and local level remains a priority - BBBEE accreditation SepCem - Compliance with requisite laws on both a national and local level remains a priority - BBBEE accreditation	Métier The northern region was in negotiations with the Johannesburg municipality for water effluent rebates during the year. The subsidiary requires BBBEE accreditation to supply government projects. SepCem The mining operations and plants are governed by several acts related to managing the impact on the environment and creating a safe working environment. The social and labour plan substantiates SepCem's social licence to operate. SepCem's compliance with mining and environmental legislation and licensing conditions is pertinent. BBBEE accreditation and improvement of the score are important for securing government supply contracts.	Métier - Complies with requisite laws - Made significant progress with regards to credits being passed by the City of Johannesburg - Improved Métier's BBBEE accreditation to level 4 over the past 18 months SepCem - Complies with all the requisite laws - Collaborated with provincial and municipal officials on community engagement efforts
Industry association <i>Ad hoc engagement</i>	SepCem - The importance of collaboration to improve negotiation power with regulators - To improve monitoring of anti-competitive and value destructive behaviour by incumbents	SepCem SepCem is a member of the Association of Cementitious Material Producers. The association has been essential in lobbying for tariffs against imports, engaging with the standards association on intensifying inspections on the cement supplied to the market by blenders in terms of quality and weight. The association was intensively involved in negotiations with the government on the applicable carbon tax regime for the industry.	SepCem - SepCem actively participates in all industry association structures - The associate also contributes to the success of the association through its subscriptions and expertise as and when requested

For more on engagements with stakeholders as a result of COVID-19, refer to the Chairperson's report.

HOW WE MANAGE RISK

SepHold is fully or partially exposed to the risks of its investments. Therefore, the company actively monitors the risk management processes at Sephaku Cement and Métier. No undue or unusual risks were undertaken outside of risk tolerance levels.

Operations key risks

SepCem and Métier executive management identify, measure, mitigate, monitor all material risks to which they are exposed and regularly report on them to the board audit and risk committee, which reviews the effectiveness of risk management and reports thereon to the board. Below are the risk management activities that have promoted business continuity and enhanced IT management at both Métier and SepCem.

Métier

Métier's exposure to market-related risks increased as a result of the continued downturn in the pro-cyclical construction sector. The subsidiary contracted external consultants to do an extensive risk assessment on its IT processes. The outcomes of the assessment indicated a critical requirement to enhance security protocols and infrastructure. The need for upgrades on the operating systems and standardisation of protocols were identified as essential. Several tasks were identified to enhance business continuity, data protection and risk management, as detailed below.

Actions achieved in FY 2020

Métier established an IT governance committee to guide and monitor the implementation of the recommended actions to improve IT management. To establish a conducive culture, employees who use the IT systems were trained on cybersecurity user awareness to mitigate attacks on the business through phishing. The subsidiary then installed various software for data encryption, protection on remote access and off-site back-up. Métier also implemented several protocols in line with best practices, including a patch management system and regular security updates for all users.

Métier updated the IT policy to include security and a provision for a designated officer. The subsidiary established a formal change and incident management process to stipulate how to resolve incidents or implement remediation to prevent reoccurrence.

Actions in progress by the end of FY 2020

To enhance security, Métier established a multi-factor authentication system that ensures adequate identity and access management for e-mail and SharePoint. The system was being tested by the end of the year. Additionally, Métier, through consultation with experts, developed an IT strategy – yet to be approved by management – that supports the business goals. The strategy will be reviewed in line with the group's strategic intent.

Focus areas for FY 2021

Several recommendations considered important although not critical were suspended due to the adverse impact of COVID-19. Métier will reassess emerging business requirements due to COVID-19 and implement the critical elements during the year. The balance of the recommendations will be considered in the FY 2022 budget. Suspended activities include upgrades to the servers, firewalls and increased power management. The latter entails the installation of additional uninterruptible power supply (UPS) and related software to monitor the electricity to the servers. The UPS would provide back-up in the event of generators failing with the added advantage of securely shutting down the servers in the event of widespread power shortages.

SepCem

SepCem has an adequately resourced enterprise risk division which ensures that the board-approved risk framework is effectively implemented at all levels of the business.

Enhancing disaster and continuity capabilities

SepCem performed a detailed review of its business resilience programme, which comprises risk management, emergency response, crisis communication and business continuity and disaster recovery plans. The business resilience programme was benchmarked against best practice standards by independent external consultants.

SepCem's resilience programme was further strengthened to ensure that the business continuity plans can withstand emerging risks such as the potential electricity supply challenges from the national grid.

Risk culture improvement

There has been a noticeable improvement in proactive risk management by employees at all levels following the rollout of initiatives aimed at improving the business's risk culture, such as the weekly campaigns on safety, compliance, sustainability and ethics training. Employees are significantly more engaged in the identification and management of risks they encounter. SepCem management recognises that improving the risk culture is gradual and continues its effort to educate every employee on risk management best practices.

Technology and information (IT) management

Following the launch of the IT three-year strategy to create an infrastructure environment, SepCem completed the final planned goals in the plan:

i. The decentralisation of the ERP access, internet access sales system and support

The main objective of decentralisation is to enable remote connectivity, even when the operational site(s) are disconnected. The decentralisation has enabled a new wide area network (WAN) infrastructure design, an additional layer for disaster recovery and business continuity. Although the sales system was not fully decentralised in 2019, its completion will enable orders to continue being collected in the event of SAP sales module failure.

The increased bandwidth and rollout of standards across SepCem has enhanced technical support in terms of infrastructure maintenance, automated support and resolution of help desk calls. The most significant investment was in the redesign of the WAN infrastructure in place of the previous leased third-party option. The infrastructure has increased the available bandwidth while reducing costs by 48% to be fully realised in 2021.

ii. *Enhancing data security*

External experts were contracted to partner with our information security team to review the existing cybersecurity strategy; cyber-risk programme; and cyber-capability following the observed increase in sophisticated cyber-attacks globally. The cybersecurity programme was independently assessed by external experts and found to be mature and resilient. This assessment is supported by internal statistics that indicate that to date, SepCem's security systems have not been compromised. SepCem introduced additional cybersecurity preventative measures to strengthen the existing systems further.

It must be noted that SepCem continues to monitor the daily developments in the sophistication of cyber-attacks and maintains a zero-tolerance attitude for breach of customer and supplier data. The security management system will continue to evolve to remain ahead of new threats.

Focus areas for FY 2021

1. To improve security and mitigate the possibility of infecting SepCem's systems with malware and ransomware.
2. To decentralise the sales system to enable offline ordering to ensure business continuity.
3. To implement monitoring tools for managing and auditing the infrastructure.
4. To enhance disaster recovery management by implementing additional redundant servers to ensure availability of information and business continuity.
5. To decentralise the telephony PABX System to enable remote access and management of service.

MATERIAL MATTERS

Low demand and pricing competition

Worsened for both Métier and SepCem

Context

Métier

Métier experienced fierce competition that negatively impacted margins and sales volumes. The mixed concrete pricing competition continued to intensify mainly due to vertically integrated manufacturers offering extremely low prices as channels for the cement and aggregates volumes.

Sephaku Cement

Contestation between cement manufacturers, blenders and importers ensued during the year. Cement demand was largely constrained, with a significant decline observed in the rural consumer markets.

Our response

Métier

- Sourced inputs strategically
- Retained customers to defend geographical positioning
- Targeted new customers across all market segments

Sephaku Cement

- Continued applying differentiated pricing to maximise margins
- Introduced the fighter brand Falcon as defence against imported and blended cement

Our FY 2021 focus areas

Métier

- To continue minimising input costs to mitigate the impact of stagnant selling prices on margins

Sephaku Cement

- To recover the volume lost due to competitor activity by strengthening existing customer relationships
- To continue implementing the pricing model based on market segmentation and product classification
- To implement the defence strategy created for KwaZulu-Natal against imports

Affected strategic objectives

- Maintain sustainable sales volumes
- Maximise margins
- Increase free cash flow
- Strengthen balance sheets

Stakeholders concerned

- Investors
- Lenders
- Employees
- Organised labour
- Communities

Concentrated SepHold investment portfolio

No change

Context

The group's investments are concentrated in South Africa's building and construction materials industry through Métier and SepCem. The group is therefore exposed to both industry and country-specific risks such as cyclicalities and economic downturn, respectively.

Our response

Due to the constrained industry trading environment, declining macro-economic performance, and based on the group resources, the main focus has been to strengthen the current operational balance sheets by servicing debt.

Our FY 2021 focus area

SepHold will continue to explore upstream and downstream opportunities that have the potential to enhance shareholder value. The company will continue investigating mergers and acquisitions in building materials that will appropriately diversify risk and enhance returns.

Affected strategic objectives

- Maintain sustainable sales volumes
- Maximise margins
- Strengthen balance sheets

Stakeholders concerned

- Investors
- Employees
- Organised labour
- Industry association

SEPCEM-SPECIFIC MATERIAL MATTERS

Managing local communities' expectations

Marginally improved

Context

North West province

The communities located close to Aganang operations lack formalised leadership structures, which, since 2017, has severely limited engagement on matters such as alternative long-term grazing land and the approval of a new social and labour plan. The communities demand employment and enterprise development opportunities by protesting or disrupting engagement processes. To date, SepCem has supported numerous small to medium-sized enterprises in the North West and Mpumalanga provinces through the EDP and NVCP. Furthermore, approximately 76% of the employee complement at the plants are from the local community.

Mpumalanga province

Engagement with communities located around the Delmas milling plant has been successful due to oversight from the new mayor and councillors in the Victor Khanye municipality. The municipality has developed broad engagement structures and platforms between the communities and businesses in the area. This has enabled a cordial relationship between SepCem and the communities

Our response

- SepCem consulted with provincial and national legislative structures, including the Ditsobotla administrator and the Department of Mineral Resources (DMR) on how to engage with the Lichtenburg communities successfully
- The DMR and the Department of Land Affairs have intermittently intervened during the past two years in an attempt to conclude the outstanding matters in the North West province

Our FY 2021 focus area

To resolve the outstanding matters, with the top priority being attaining the approval of the social and labour plan. SepCem aims to establish trust with all stakeholders for enduring and mutually beneficial relationships.

Affected strategic objectives

- Improve cost efficiencies
- Maximise margins

Stakeholders Concerned

- Communities
- Government
- Investors

Shortage of technical skills and industry knowledge

No change

Context

The technical skills to operate the manufacturing plants, produce consistent quality and effectively manage sales are limited. The cement industry is highly concentrated, with six producers competing for the best skills.

Our response

- SepCem has a long-term retention scheme to attract and retain key employees
- The associate implemented training programmes for key positions to transfer knowledge and establish protocols for technical and scientific methodologies
- Developmental opportunities were identified and planned for the following financial year

Our FY 2021 focus area

Complete the planned internal interventions on comprehensive and focused training.

Affected strategic objectives

- Maintain sustainable sales volumes
- Improve cost efficiencies

Stakeholders concerned

- Investors
- Employees
- Organised labour
- Industry association

Poor quality raw materials

Resolved

Context

The local market has been supplied with low-quality coal at high prices. The poor coal quality has caused enormous technical challenges on the production process.

Our response

- An alternative source of coal was secured on favourable terms
- SepCem purchased an additional plant burner with the capacity to heat poor quality coal and alternative fuels
- Management completed the alternative fuels project plan

Our FY 2021 focus area

To conclude the alternative fuels project.

Affected strategic objectives

- Maintain sales volumes
- Maximise margins
- Increase free cash flow

Stakeholders concerned

- Investors
- Customers

MÉTIER-SPECIFIC MATERIAL MATTER

Customer credit default risk

No change

Context

Several construction projects were suspended as investor confidence waned and funding was suspended. The challenging operating environment continued to place pressure on Métier's customer base.

Our response

- Métier continued to implement a rigorous debtors' management process, and the executive management team closely monitored the risk
- To mitigate the risk of financial loss from defaults, the subsidiary only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate
- Customer credit limits are in place and are regularly reviewed. Furthermore, exposure to credit risk and creditworthiness of customers is continuously monitored
- The subsidiary acquired credit risk cover against potential liquidations

Our FY 2021 focus areas

The construction sector is expected to continue being fraught with customer liquidity challenges and bad debt. As such, debtor management will remain a focus area and, where viable, insurance will be purchased. Debtors with credit balances will be reviewed regularly with a goal to match the inflow and outflow cash flows.

Affected strategic objectives

- Improve cost efficiencies
- Maximise margins

Stakeholders Concerned

- Communities
- Government
- Investors

LEADERSHIP REVIEWS



Brent Williams
Chairperson

“We are convinced that our strategy will result in exceptional returns for shareholders in the long term and remain fully committed to being a renowned manufacturer of high-quality building materials.”

CHAIRPERSON’S REPORT

Dear stakeholders,

The trading environment remained constrained for both Métier and SepCem during FY 2020. The cement industry sales volumes figures released at the beginning of 2020 confirmed that the local producers collectively experienced a 7%¹ contraction in volumes. Details on the operational performance can be found on pages 18 to 27.

The decline in the building materials demand remains a concern for the board in the short to medium term; however, our focus on the sector is informed by our executives’ extensive knowledge and expertise in the construction value-chain. We are convinced that our strategy will result in exceptional returns for shareholders in the long term and remain fully committed to being a renowned manufacturer of high-quality building materials. Furthermore, the SepHold executive team continually seeks value-accretive expansion opportunities that tend to present themselves in challenging circumstances such as are being currently experienced by the building materials industry.

COVID-19 impact and group response

In this unprecedented time of COVID-19 it has become imperative for management teams to be agile and adaptive in implementing business processes sustainably. The welfare of employees as key stakeholders in any organisation is critical to business continuity. To that effect I am pleased to state that the operations have demonstrated the ability to respond quickly to create a safe workplace for all group employees. Numerous measures to mitigate against workplace exposure to the virus are in place and regularly assessed for efficacy.

SepCem’s rigorous business continuity and disaster management reviews in 2019, guided by external experts as part of their proactive risk management, positioned the associate well to respond to the pandemic. SepCem’s ongoing response to COVID-19 is coordinated by a designated task team that drives the implementation of the associate’s response plan and monitors developments in regulations and best practice to ensure a fit-for-purpose response to the pandemic. SepCem’s plan is both risk-based and site-specific to aid effective response in each site.

Métier has introduced extensive protocols to continually guide their operations on how to mitigate workplace spread of the virus. Overall, the group remains committed to its core safety values and has introduced additional measures to safeguard employees from the spread of COVID-19 while ensuring that there is a continuation of the day-to-day operations.

¹ Levitt Kirson Business Services Proprietary Limited.

COVID-19 marginally impacted the group's performance for the period under review because the national lockdown was effective from 27 March 2020 in the final week of the company's financial year. Nonetheless, the impact of the lockdown on the operations was effectively from the date the President announced the lockdown on 23 March 2020. During the alert level 5 lockdown from 27 March to 30 April 2020, our group entities complied fully with the government directive and closed all operations to safeguard the health of all our employees. Only executive management and critical administrative employees worked from home during this level. Métier and SepCem resumed operations at 50% capacity during alert level 4 in May and full operations at alert level 3 from 1 June 2020. The pandemic will, however, have a much more significant impact on the group performance in the year ending March 2021.

Admittedly, the pandemic could not have come at a worse time for the building and construction materials industry in South Africa, which continues to experience deteriorating trading conditions. The Department of National Treasury's forecast of a 7.2%² GDP contraction as a result of the lockdown signals that FY 2021/22 will be an extremely challenging period for our group. As the national fiscus becomes more indebted and several experts project reduced demand for housing due to rising debt levels, we can expect much lower levels of infrastructure investment. The impact of the pandemic on our operations will include lower sales volumes, revenues and profits. Fortunately, the successful negotiations with the lenders resulting in the capital repayment holiday, as detailed in the chief executive officer's (CEO) report, will provide us with the opportunity to stabilise the business.

I would like to take this opportunity to commend the president on his decisiveness and government's efforts to flatten the curve.

SepHold management changes

SepHold's CEO, Dr Lelau Mohuba (Lelau), retired effective 31 December 2019. Lelau was subsequently appointed as a non-executive director in January 2020. SepHold successfully applied to the JSE for a special dispensation to combine the CEO and financial director (FD) roles to be held by Mr Neil Crafford-Lazarus. The company's application was premised on the persistent industry downturn, which has severely limited investment opportunities. This prevailing operating environment has resulted in reduced activity at SepHold, not warranting more than one executive director. The JSE granted a dispensation for Mr. Crafford-Lazarus to assume both roles initially until 30 June 2020. SepHold subsequently applied for an extension and was granted until 31 December 2020.

“The welfare of employees as key stakeholders in any organisation is critical to business continuity. To that effect I am pleased to state that the operations have demonstrated the ability to respond quickly to create a safe workplace for all group employees. Numerous measures to mitigate against workplace exposure to the virus are in place and regularly assessed for efficacy.”

Appreciation

On behalf of the board, I hereby thank the management and all employees who have remained diligent in executing their tasks in this difficult environment. I also thank our customers and suppliers who have supported the group through-out the year for mutually-beneficial outcomes. Although our relationship with the communities in which we operate has been contentious, we thank them for their continued patience as we make all effort to meet our responsibilities. The provincial officials, government departments and municipalities who have been extremely supportive in resolving challenging matters related to our community engagement efforts, we thank you.

Finally, to the providers of capital, our shareholders and bankers, we thank you for your continued support and faith in our efforts to achieve our strategic objectives in a highly constrained operating environment.

Brent Williams
Chairperson

² Department of National Treasury Supplementary Review, 24 June 2020.



Neil Crafford-Lazarus
Chief executive officer

“The cement industry’s application for a safeguard tariff from the International Trade Administration Commission of South Africa has progressed well. If successful, this will result in the imposition of a non-country-specific flat tariff on all imported cement.”

FROM THE EXECUTIVE DESK

SepHold corporate matters

Head office expenses reduction

The initiative to reduce head office expenses introduced in September 2018, resulted in a 28% decrease in expenses year-on-year (y-o-y) to R16,6 million (2019: R22,9 million). This was due to reductions in the CEO’s salary, headcount and various non-cash expenses.

Rights issue

Informed by the constrained trading conditions that resulted in reduced profitability, the SepHold board of directors approved the implementation of a partially underwritten, renounceable rights offer to raise approximately R37,5 million to improve Métier’s net debt position through an increase in the cash balance. The reduced net debt was necessary to ensure the subsidiary’s compliance with debt covenants imposed by the lenders. The rights offer was not conditional upon any minimum subscription being obtained.

In terms of the rights offer, 46 270 261 new ordinary SepHold shares were offered to shareholders for 81 cents per share, in the ratio of 1 rights offer share for every 4,5 SepHold ordinary shares. The price was at a 10.4% discount to the prevailing 30-day volume-weighted average SepHold share price on the JSE as at Tuesday, 14 January 2020. The rights offer shares were issued *pari passu* with the existing SepHold shares, and excess applications for rights offer shares were permitted.

SepHold received a commitment from three shareholders to the value of R11 million for approximately 13,6 million rights offer shares. The company’s major BBBEE shareholder, Safika Resources Proprietary Limited (Safika) was the rights offer underwriter for a maximum of 30 864 198 rights offer shares, for a subscription amount of R25 million. In the same agreement, Safika offered the company a bridge loan of R25 million to be automatically set-off against the subscription amount on the settlement date.

The rights offer closed on 14 February 2020 with 47% (21,9 million) rights offer shares subscribed for an approximate value of R17,8 million. The balance of 24,3 million rights offer shares were allocated to Safika according to the underwriting agreement. Following the issue of the rights offer, the number of Sephaku shares in issue are 254 486 436.

Impairment considerations

Goodwill and investment in Métier

The decline in profitability at Métier over the last two to three years focused the attention on the goodwill assessment. The recoverable amount was determined on a value-in-use calculation, using cash flow projections which cover a three-year period and a terminal value calculation. Furthermore, the subsidiary has carried out a cost-cutting and restructuring process across the operations to ensure that the company is best positioned to face the challenges during and post COVID-19. The results of the test performed indicated that no impairment is required for the period under review. Further details on the impairment assessment are on pages 74 to 75.

The concrete sector performance is closely linked to the highly cyclical construction industry. The longer the period of the business cycle contraction, the more the infrastructure investment declines.

Métier performance

The concrete sector performance is closely linked to the highly cyclical construction industry. The longer the period of the business cycle contraction, the more the infrastructure investment declines.

By March, South Africa had experienced over 70 months of a downturn in the business cycle, the longest on record. As a leading indicator, the contraction in the value of total building plans approved for the private sector in the quarter ending March 2019 was 2% following a 15.2% decrease in Q4 2018. This negative growth trend was a strong indication of the challenging year ahead due to the continued decrease in construction investment.

This prevailing trading environment resulted in intense competition, in both the Gauteng and KwaZulu-Natal (KZN) markets. The annual sales volumes decreased by 14%, with the KZN region recording the highest decline due to the suspension of large projects such as the Oceans Mhlanga and Clairwood Logistic Park.

The relatively lower volume decrease in Gauteng was supported by the ramp-up volumes from the plants that commenced production in the past 24 months. Métier's plant footprint expansion has been implemented to not only sustain the current sales volumes but to also improve its advantage in these new markets for at least three years. The subsidiary strives to achieve a balance between market reach and increased costs in the selection of these new sites. Details on Métier's performance is in the business review on pages 18 to 21.

Management of customer credit risk

Métier continuously monitors exposure to credit risk and the creditworthiness of customers. In order to mitigate the risk of financial loss from defaults, the subsidiary only dealt with reputable customers with consistent payment history. Sufficient collateral or guarantees were also obtained where appropriate. To analyse customers, the business used statistical credit scoring models that utilise information submitted by customers, and external data sources where available. Insurance of debtors was obtained from Credit Guarantee Insurance Corporation (CGIC) during the financial year and contributed favourably in the assessment of credit risk exposure. As at 31 March 2020, the loss allowance for trade and other receivables was R2 863 871 (FY 2019: R1 679 260) constituting a R3 224 362 provision for impairment and a R2 039 751 debtors' write-off. Further details on the debtor's analysis can be read on pages 81 to 82.

Debt management

Métier continued to service its bank debt according to the repayment terms for most of the period. However, the reduced profitability levels resulted in severe pressure on the debt to EBITDA covenant by December 2019.

Métier's term loan principal was reduced to R2 million (FY 2019: R41 million) in line with the payment profile in the period under review. The revolving credit facility payable on 15 April 2020 was refinanced. The R100 million revolving credit facility balance was R92 million as at 31 March 2020 (FY 2019: R81 million). This loan was converted after year-end to a R90 million amortising facility and bears interest at the three-month JIBAR rate plus a margin of 5.25%, which is currently 9.16% and is repayable in varying instalments with the final payment being made 31 March 2023.

The lenders have agreed to suspend the repayment of capital on the loan until December 2020 except for a R15 million bullet payment in August to lower the facility to R75 million. Interest payment will be serviced from 1 April 2020 through to December 2020. From January 2021 both capital and interest will be paid on a monthly basis.

The subsidiary strives to achieve a balance between market reach and increased costs in the selection of these new sites.

Sephaku Cement performance¹

Cement demand was largely constrained with a decline observed in the rural consumer markets that have been a driving force for bagged cement demand since 2018. Increased competition from blenders and importers in a low demand environment negatively impacted the cement industry volumes, including SepCem, during the year.

The cement industry's application for a safeguard tariff from the International Trade Administration Commission of South Africa has progressed well. If successful, it will result in the imposition of a non-country-specific flat tariff on all imported cement. The industry's motivation for the tariffs is the higher cost of doing business in South Africa due to stringent legislative requirements and high regulatory standards compared to importing countries.

Debt management

By 31 December 2019, SepCem had repaid more than R1 billion over 5 years. The total debt service in the financial year was R453 million, including interest payments of R178 million.

The May 2020 bank loan repayment was funded from the debt service reserve account due to the impact of the COVID-19 lockdown. SepCem's cash balance at the beginning of the previous financial year was R500 million. The associate was concluding negotiations with the lenders to make a prepayment of R200 million on its bank debt to achieve R25 million relief per payment on the subsequent eight scheduled instalments. However, the government enforced a lockdown due to the COVID-19 pandemic before SepCem had made the lump sum payment. These excess funds were then utilised to cover the overhead costs during the lockdown. The COVID-19 lockdown will reduce EBITDA levels thereby impacting SepCem's ability to service debt for the current year.

The associate engaged the lenders to waive capital payments for the balance of 2020. The lenders have agreed to the proposal subject to SepCem's shareholders contributing R125 million. DCP made the payment and agreed for it to be treated as a shareholder loan.

The concept of quality sales tonnes defined as profitable volumes has been the vanguard of SepCem's sales strategy from inception.

We are pleased to state that there has been strong sales volume recovery for May and June with double-digit average monthly increases compared to 2019.

Post-period update²

Sephaku Cement

SepCem selectively implemented price increases of between 5% and 9% in January and February 2020 for bulk and bagged cement, respectively. Most competitors opted to either delay or not increase pricing in the quest to maintain or improve sales volumes. The associate has adopted a more strategic approach to price increases based on the combination of its competitive advantage and demand levels per market. The concept of quality sales tonnes defined as profitable volumes has been the vanguard of SepCem's sales strategy from inception. Following the DCP results announcement for the six months ended 30 June 2020 released on 24 July 2020, SepCem recorded an 8.5% y-o-y sales volumes contraction mainly due to the COVID-19 lockdown restrictions that resulted in a loss in 23 of the 124 working days during the period. We are pleased to state that there has been strong sales volume recovery from May with double digit average monthly increases compared to 2019.

Métier

The Métier managing director Jurgens du Toit, resigned on 8 June 2020 to pursue other career opportunities. The managing director role will not be filled going forward due to the re-appointment of Kenneth Capes as Métier chief executive officer on 1 April 2020. Kenneth has extensive experience that spans from quarrying to ready-mixed concrete manufacturing.

Although Métier's sales volumes during lockdown were zero, in June the volumes had increased to 80% of expectations.

OUTLOOK

Potential impact of COVID-19 on FY 2021.

Métier

Métier's CEO is of the view that the true impact of COVID-19 can only be accurately assessed in December 2020. At the time of writing this report, the impact on the South African economy due to the lockdown has been severe for the concrete sector because it has exacerbated the declining demand.

¹ SepCem as a subsidiary of DCP has a December year-end. The period for the associate's performance is January 2019 – December 2019 for this report.

² Post-period for SepCem is January 2020 – June 2020 and for Métier is April 2020 – June 2020.

To ensure long-term sustainability, the subsidiary has had to retrench 12% of its employees as well as improve reporting lines to boost sales management in Métier's two operating regions. The objective of these actions is to develop a lean structure that is focused on improving the EBITDA while tightly managing costs.

In the next 18 to 24 months there are no plans to expand the footprint and focus will be on aligning the current operations to the constrained market. Undoubtedly, there is likely to be excess capacity in the short-term resulting in intensified price competition. We are therefore prudently preparing for a sluggish construction market in the short term.

SepCem

The SepCem CEO confirms that scenario analysis and a business resilience framework are the risk management tools that have enabled the associate to effectively assess the likelihood of potential business risks such as the occurrence of another pandemic.

The COVID-19 pandemic is expected to affect SepCem as follows:

Financial strength of the business

Management expects a negative trend on most financial metrics, including revenue and profitability. The decrease in the repo rate by SARB will benefit SepCem in reducing the interest costs related to its debt.

Workforce and suppliers

SepCem has considered a scenario where COVID-19 affects staff availability and has placed measures to minimise disruption if any of key staff being unavailable in short term. The SepCem executive team also considered key supplier unavailability and have developed contingency plans to ensure that the operations can continue without disruption.

Debtors

SepCem expects added pressure on some of its customers in the short term due to COVID-19. The associate has always applied risk-based models when granting customer credit, which have resulted in high quality debtors at credit origination point. The credit insurance will serve as an additional layer of protection should customers default.

Overall, building materials demand will remain subdued, as reflected by the 12.7% y-o-y decline in the 2019 from Statistics SA (a pre-COVID-19 estimation). This data projects a constrained building materials demand environment for the next 12 – 18 months. SepCem and Métier will continue to focus on managing costs and reducing debt.

Neil Crafford-Lazarus

Chief executive officer

BUSINESS REVIEW – MÉTIER MIXED CONCRETE



Jürgens du Toit
Managing director

“In spite of these daunting challenges, we have developed counter-strategies to ensure the successful implementation of Métier’s strategic objectives going forward.”

MANAGING DIRECTOR’S REPORT

How would you describe the operating environment during the year?

The low barriers to entry and low operating costs provided an impetus to the opportunistic independent mixed concrete manufacturers to use aggressive pricing tactics to secure supply contracts. Furthermore, some vertically integrated building materials manufacturers appeared to utilise their subsidiaries as a conduit for cement sales volumes by selling concrete at irrationally low prices. The aggregates producers intensified competition by forward integrating to supply concrete. In spite of these daunting challenges, we have developed counter-strategies to ensure the successful implementation of Métier’s strategic objectives going forward.

How did Métier perform compared to the previous financial year?

We did not achieve our targeted performance primarily due to the continued decline in concrete demand. The KwaZulu-Natal region recorded the highest decline at 18% and the decrease in the Gauteng region was at 11% y-o-y, mainly due to the ramp-up volumes from the Centurion plant and additional volumes from the Rosslyn plant that commenced production in October 2019.

Métier’s revenue decreased by 13% to R727 million (FY 2019: R836 million) mainly due to the combined effect of lower volumes and a 1.2% decrease in the unit price. The EBITDA margin decreased to 4.8% (FY 2019: 6.2%) and operating margin to 1.7% (FY 2019: 4.7%). The bottom line was a net loss of R0,6 million (FY 2019: R22 million net profit), mainly due to the combination of the decline in volumes, flat pricing and inflationary costs.

What were the key operational challenges and how did Métier mitigate their impact?

The balancing of plant and delivery truck capacity to an optimal level was a challenge due to the unpredictable customer demand trend. We placed a great deal of effort on improving the balance between on-time delivery and available resources at any particular time. To ensure that the balance is viably achieved in an environment with stagnant selling prices, we prioritised controlling input costs. We optimised the cost mix related to the technical (design) and operational (execution) teams without compromising on our customer offering.

What were the key operational opportunities and how did Métier harness them?

We successfully utilised a combination of our skills and those of strategic service providers to commission two ready-mix plants and a mobile ready-mix plant in record time. We were focused on assembling and commissioning these plants at the lowest cost and with minimal delays in order to service our customers with no business interruption. This achievement reflects Métier’s agility in opening new markets from evaluation of opportunities to being fully operational.

In addition, at Métier we consider relationships with customers as strategic and pivotal to our success. To that effect our sales teams regularly report back on customer purchasing trends, concerns and market activity. We utilised this information to implement our sales plan effectively and to protect our market share. This approach to sales has enabled Métier to develop stable and strong relationships with its core customers.

How did Métier ensure a safe working environment for its workforce?

Métier complies with the Occupational Health and Safety Act and recorded zero fatalities this year (FY 2019: zero). I am pleased that the recorded lost-time injury frequency rate decreased to 1.71 (FY 2019: 3.11), and the total number of lost hours decreased from 623 to 351 during the year.

Although the five-year trend below illustrates the continued challenge in achieving a low injury rate, we achieved our lowest level yet during the year.

Lost-time injury frequency rate				
2016	2017	2018	2019	2020
2.30	1.83	3.06	3.11	1.71

The national operations manager in conjunction with the regional managers developed and implemented the health and safety programmes. Collectively they engaged with the different employee functions through the monthly toolbox discussions, health and safety committee meetings and safety refresher workshops. The highest frequency of engagement was with employees fulfilling functions that have the greatest propensity for incidents, such as drivers and payload operator operators.

We are committed to creating a safe environment for employees and inculcating a culture of zero tolerance to non-compliance to safety protocols. A healthy and productive workforce is essential for the efficiency with which we do business and for achieving our strategic goals.

How did Métier fare against the focus areas stated in FY 2019's integrated annual report, and what will the focus areas for FY 2021 be?

The progress in FY 2020 was as follows:

1. **To reduce debt:** The acquisition loan was fully repaid with the final instalment of R2 million settled in April 2020. Further details on the status of the loan can be read in the group CEO's report on pages 14 to 17.
2. **To evaluate potential supply opportunities:** Métier successfully commissioned two plants and both plants are well positioned to extend the geographical market reach of the business.
3. **To enhance customer focus to accurately understand their needs and deliver an enduring experience:** By strategically utilising the sales, operational and technical teams, Métier was able to retain its existing customers. Métier continued to offer its customers high levels of service, product quality and reliability.
4. **To improve technical innovation by leveraging on the deep technical expertise:** Métier has used several projects to showcase its technical expertise and continues to engage clients on current and future projects.

The focus areas for FY 2021 will remain the same.

Jürgens du Toit
Managing director

HUMAN CAPITAL

Executive committee

Jürgens du Toit (46)

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 26 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 and resigned on 8 June 2020 with immediate effect to pursue other opportunities¹.

Stacey Venter (38)

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.

Gregg Hollins (49)

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 (49)

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.

Ceri Rayne (39)

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.

Doug Thring (52)

National maintenance manager

BSc (Hons) (Environmental Management) (University of KwaZulu-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.

¹ Kenneth Capes, the recently appointed chief executive officer and founding director of Métier will take over from Jürgens. He has extensive experience that spans from quarrying to ready-mixed concrete manufacturing.

Employment ethos

Ethics and integrity

To ensure employees align with a common value system, Métier has codes of ethics and good conduct that clearly articulate the requisite standards. Elements of the code of good conduct are explicitly included in the employees' performance management process to emphasise their importance.

Fairness and transparency

Métier strives to be an employer with fair, transparent and non-discriminatory practices. Employees are rewarded per the value of their work, competence and performance. Importantly, management is guided by the board-approved remuneration framework to ensure non-discrimination.

Honesty

To promote a culture of honesty, Métier has an externally managed whistle-blowing line to report unethical and unfair practices. The service provides stakeholders with a channel to report fraud and any form of unethical behaviour by employees and management. Internally, the subsidiary has a stipulated grievance procedure that enables employees to report unethical behaviour in the workplace to either their direct line manager, the human resources department or the managing director.

Employee profile

Métier's employee turnover rate was 15.8% (FY 2019: 12.1%). The subsidiary exceeded its target for African males at senior management level and all promotions were ACI (African, Coloured or Indian) employees. In line with its non-discriminatory approach to recruitment, Métier has four employees with disabilities and six learners with disabilities in the learnership programme.

Employee complement	2020			2019		
	Male	Female	Total	Male	Female	Total
White	43	12	55	44	12	56
African	179	15	194	169	15	184
Coloured	1	0	1	2	0	2
Indian	20	5	25	26	5	31
Total	243	32	275	241	32	273

Training and development

The subsidiary's investment in training was slightly above R1 million (2019: R0,9 million) for 84 trainees across 100 interventions, of which 56 were HDSAs (historically disadvantaged South Africans). Six employees, including four HDSAs, were granted tertiary study bursaries in Internal Auditing, Accounting Sciences, Marketing Management and Economic Science.

Métier has a dedicated trainer responsible for assessing and, if necessary, training all employees operating heavy rigid vehicles and the drivers. The subsidiary obtained the certification to train its drivers on the Transport Education Training Authority-accredited material and by year-end had trained 36 drivers. Another internal training programme is the advanced driver training for delivery truck drivers and front-end loader drivers.

Broad-Based Black Economic Empowerment

Métier and SepHold were collectively awarded level 3 BBBEE certification, an improvement from level 4 in 2019. The main area of improvement was in the categories of enterprise and supplier development as well as skills and socio-economic development.

ENVIRONMENTAL CAPITAL

To minimise the environmental impact on the surrounding areas, 56 audits (FY 2019: 53) were conducted. This level of auditing for the 15 plants demonstrates Métier's focus on sustainability through environmental custodianship. These audits identified the disposal of polybeads to the water recycling pond as an area for improvement. This was immediately rectified in line with management's commitment to creating a safe environment for employees with a culture of zero tolerance of non-compliance with environmental and safety protocols.

Dust emissions

Métier proactively monitors dust emissions at its plants and utilises mist sprayers and sprinklers to suppress dust emitted from aggregates stockpiles and during the loading of mixer trucks. All silos are fitted with dust filters to minimise emissions during the refilling process. The level of dust emissions was within the regulatory limit of 1 200 mg/m² per day.

BUSINESS REVIEW – SEPHAKU CEMENT



Pieter Fourie
Chief executive officer

“Our location advantage at Delmas enabled us to successfully introduce the Falcon brand to ward off imported cement from entering the inland market and to compete with the blenders in targeted markets.”

CHIEF EXECUTIVE OFFICER’S REPORT

How would you describe the operating environment during the year?

The contest between cement manufacturers, blenders and importers ensued during the year. The building plans completed, as approved by the large municipalities, recorded unexpected y-o-y quarterly growth as large construction projects such as the Fourways Mall and The Leonardo were being completed. Blenders are estimated to have supplied 1,5 million to 2 million tonnes in 2019¹. Import volumes increased by 12% at approximately 1 million tonnes², mainly from Vietnam. The tariff application against imports is awaiting Ministerial approval.

The increased competition resulting from declining demand led to intense price competition in highly contested markets such as Gauteng and Limpopo. Most of the incumbents, including SepCem, introduced fighter brands to target specific markets. Our Falcon brand was introduced to compete with imported cement in northern KwaZulu-Natal, which forms part of our natural market from the Delmas plant in Mpumalanga.

Encouragingly, in the second half of the year, Sanral issued a tender for extensive upgrades to the N2 – N3 road network in KwaZulu-Natal, providing a glimmer of hope to the construction industry. Other green shoots were the commencement of the Lesotho water project and upgrades to O.R. Tambo and Cape Town airports.

How did Sephaku Cement perform compared to the previous financial year?

Our sales volumes were 9.4% lower y-o-y, supported by the growth in the fourth quarter, during which we achieved an increase of 10.4%. We increased prices by between 8% and 10% per tonne in January 2019 for bulk and February 2019 for bagged cement. An additional price increase ranging between 1.5% and 2.5% was implemented in July 2019 for carbon tax recovery. The combined impact of the price increases and the introduction of competitively priced Falcon was an effective annual increase in revenue per tonne of 5.2%.

The revenue decreased to R2,18 billion (FY 2018³: R2,29 billion) due to the volume decline. The EBITDA margin was 16% (R359,0 million) compared to 20% (R461,5 million) in FY 2018. The EBITDA margin in the second half of FY 2019 was 17.5% compared to 15.2% in the first half and 18.3% in the second half of FY 2018. The profit margins were further impacted by above-inflation cost increases on coal, electricity and fuel. To improve profitability, we established an alternative source of competitively priced coal. Profit after tax was R1,3 million compared to R128,7 million in FY 2018. Profit after tax in the prior period contains an R81,7 million tax credit related to the FY 2017 tax period. On a like-for-like basis excluding the tax credit, the profit after tax for FY 2018 was R46,9 million.

¹ Internal research

² SARS

³ SepCem has a December financial year-end as a subsidiary of DCP. Therefore all 2018 figures refer to the 12 months from January 2018 to December 2018 which represents the requisite period for SepHold's FY 2019 reporting.

What were the key operational challenges and how did Sephaku Cement mitigate their impact?

Voluntary liquidation of the mining contractor

Our mining contractor, Diesel Power Opencast Mining Proprietary Limited (DPSA) whose contract was expiring in November 2019, applied for voluntary liquidation in October 2019 with immediate cessation of mining activities. At the time of the notice, we were well advanced in our new tender process with sufficient levels of product stock to cater for any cement demand requirements. Therefore, we were not materially impacted by this event.

The community leadership vacuum at Aganang

This challenge has been ongoing for several years and has limited our ability to conclude various community empowerment initiatives. The lack of leadership structures recognised by all community groups has prohibited the finalisation of a surface lease agreement, implementation of the social and labour plan projects and finalisation of the long-term grazing plan.

We provided alternative grazing land as an interim measure, and bales of cattle feed. Additionally, we drilled boreholes equipped with solar pumps to supply the livestock with water.

Community agitation for employment opportunities

Communities at both Delmas and Aganang continued to agitate for additional employment, training and development opportunities. In Victor Khanye Municipality, under which Delmas operates, a new executive mayor was elected, creating stability in the municipal area. The municipality instituted that all community grievances be raised through the mayor's office, which provided structure in engaging with the communities and reduced the level of protest.

Enterprise and supplier development programme (EDP) challenges

Our EDP develops entrepreneurship by providing small businesses with training, mentorship and coaching on business administration. In FY 2019, we spent R80 million (FY 2018: R87 million) through procurement from EDP beneficiaries for services ranging from transportation to plant cleaning services. The beneficiaries collectively employed 182 individuals from the local communities, of which 48 (26%) were female, and 105 (58%) youth below the age of 35.

In recognition of the challenge to empower the local businesses through the EDP as well as to improve our ability to achieve the objective of sustainable empowerment, we introduced a small business development learnership qualification called the new venture creation programme (NVCP). The NVCP awards an accredited qualification that provides new and existing entrepreneurs with the appropriate skills to start and grow sustainable businesses that ultimately form part of the mainstream economy. Fifteen candidates are participating in the programme and are expected to complete in the third quarter of 2020. The successful NVCP participants will then be invited to be beneficiaries of the EDP procurement opportunities as they become available.

Despite these numerous challenges, our efforts to engage the different communities at both Aganang and Delmas have yielded positive results as illustrated by the 47% decrease in the number of unlawful protestations compared to FY 2018. We resolved 90% of grievances, even though some community members were not fully satisfied with our solutions to issues relating to employment and training opportunities.

What were the key operational opportunities and how did Sephaku Cement harness them?

Alternative coal source

We successfully replaced the locally sourced coal through an alternative regional source at better commercial terms. In addition, the coal from the new supplier is of higher quality than what local miners had been supplying.

Launch of Falcon

Our location advantage at Delmas enabled us to successfully introduce the Falcon brand to ward off imported cement from entering the inland market and to compete with the blenders in targeted markets.

Alternative fuels

We completed a multi-stage strategic plan to sustainably introduce alternative fuels into our manufacturing processes. Although the implementation of the plan has been limited by the COVID-19 lockdown, we foresee that it will improve our cost savings and reduce our carbon tax obligation once implemented.

Torosesha non-profit company

Our greatest success in community engagement has been Torosesha, the non-profit company we established in 2013 as an empowerment vehicle for the benefit of the Verdwaal and Springbokpan communities in the North West province. These are the closest communities to the Aganang mining operations.

The entity has 15% shareholding in Sephaku Development Proprietary Limited (SepDev), a subsidiary of SepCem that conducts mining operations at Aganang. The community elected directors and alternate directors into its board in 2018 through a fair and transparent process adjudicated by the Independent Elections Facilitators of South Africa. The directors of Torosesha are responsible for identifying how the income inflow from SepDev is utilised in line with the memorandum of incorporation for the benefit of Verdwaal and Springbokpan communities.

In November 2019, Torosesha received approximately R6,1 million in dividends from SepDev, representing the income for five years from 2014 to 2018. On 20 November 2019, Torosesha held its first board meeting in Lichtenburg where the directors resolved to actively engage the Springbokpan and Verdwaal communities through a household survey to identify priority projects to implement in 2020.

How does Sephaku Cement ensure a safe working environment for its workforce?

There were no fatalities at our operations (FY 2018: 0). The lost-time injury frequency rates were 0.37 at Aganang (FY 2018: 0.37) and 0 at Delmas (FY 2018: 1.36). The improved trend at Delmas recorded in the previous year was due to interventions implemented to improve the safety culture.

How did Sephaku Cement fare against the focus areas stated in FY 2019's integrated annual report and what will the focus areas for FY 2021 be?

The progress in FY 2020 was as follows:

1. **To further reduce debt:** By 31 December 2019, we had repaid more than R1 billion of the project loan capital resulting in a balance of R1,372 billion and a net bank debt of R873 million.
2. **To be vigilant on cost control:** We improved plant efficiencies resulting in a 6.2% electricity consumption saving on cement milling and improved coal efficiency by 15.6%. These efficiency

improvements assisted in containing above inflation price increases on electricity, locally sourced coal and fuel. Fixed costs were flat y-o-y against an inflation of 4.6% in the same period.

3. **To attain the social and labour plan approval:** This focus area is outstanding due to the leadership vacuum in the Aganang community. In FY 2021 we intend to secure a resolution from the Ditsobotla Local Municipality or a letter of support for the identified community projects to enable the DMR to approve the social and labour plan.
4. **To conclude on alternative fuels:** We completed a multi-stage plan on the introduction of alternative fuels, and implementation is targeted for FY 2021 – 22.

These remain the focus areas for FY 2021.

Pieter Fourie
Chief executive officer

HUMAN CAPITAL

Executive committee

Pieter Frederick Fourie (64)

Chief executive officer

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

Pieter has extensive experience in the cement industry, coupled with more than 24 years leading various companies in the construction sector. He was appointed the chief executive officer on 1 May 2007.

Suleiman Oladapo Olarinde (57)

Financial director

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

Suleiman started his career with Price Waterhouse and has over 35 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 an executive director (finance). He was appointed FD on a fixed-term contract on 21 August 2014.

Gay de Witt (51)

Chief financial officer

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

Gay has experience in several fields, including finance, operations and risk management. She was working for Clover Danone before being appointed on 1 July 2009.

Duan Claassen (52)

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 in 1997. He was involved with Blue Circle Cement's integration into Lafarge in 1998. He subsequently worked for PPC before being appointed on 1 January 2008.

Heinrich de Beer (53)

Executive manager projects

BEng (Mechanical) (North West University), MDP (North West University), LDP (Gordon Institute of Business Science)

Heinrich started his career as a project engineer and maintenance manager at Mittal SA before joining Indian Ocean Fertilizers. He later worked at Lafarge, where he held various positions in maintenance, project management, logistics and procurement. Heinrich was appointed on 1 June 2008.

Khumo Mphake (40)

Executive manager organisational performance

BA (Industrial Psychology) (University of Cape Town), BA (Hons) (Industrial Psychology) (University of South Africa), PGDip (Management and Business Administration) (Witwatersrand Business School), MDP (BBBEE) (University of South Africa – School of Business Leadership)

Khumo has comprehensive experience in human resources management that spans 14 years. She started her career in the banking sector and after that, joined Lafarge in 2006. She subsequently worked for Sentula Mining Limited and Tongaat Hulett Starch. She was appointed on 9 March 2020.

Robert Mathye (44)

Executive manager sustainable development

MPhil (Rand Afrikaans University), BA (Hons) (Geography and Environmental Sciences), BAED (University of Venda)

Robert is a social scientist with a career that spans 17 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 his current position on 1 April 2018.

Jennifer Bennette (57)**Company secretary**

Jennifer has over 37 years' experience in paralegal and company secretarial work. She previously fulfilled the company secretary roles at Platmin Limited and Sephaku Holdings Limited. She was appointed on 1 February 2008.

Permanent invitees to the executive committee**Mziwakhe Matola (38)****Head of risk management**

BCom (Economics) (University of Pretoria), Bachelor of Christian Entrepreneurship (Team Impact Christian University: USA), PGCert (Risk Management) (University of South Africa)

Mziwakhe has over 15 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 risk management roles in the energy, chemicals, banking and insurance industries within African countries, including South Africa, Namibia, Zambia and Botswana. Mziwakhe was appointed on 15 March 2016.

Alfred Radebe (38)**Head of internal audit**

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

Alfred completed his SAICA 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 was appointed on 1 January 2015.

Employee profile

The total employee complement as of 31 December 2019 was 464 (FY 2018: 452). Included in this total are 454 permanent employees, nine fixed-term employees and one apprentice.

Occupational levels	Male				Female				Foreign nationals		Total	Target	Actual
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female		HDSA %	HDSA %
Top Management	1	0	0	3	1	0	0	2	1	0	8	42	50
Senior management	5	1	0	10	1	0	0	2	1	0	20	45	45
Professionally qualified	10	1	3	12	4	0	3	7	1	0	41	75	68
Skilled technical	61	3	2	18	29	2	4	8	1	0	128	85	85
Semi-skilled	104	1	0	1	24	1	1	2	0	0	134	100	99
Unskilled	100	0	1	0	31	1	0	0	0	0	133	100	100
TOTAL	281	6	6	44	90	4	8	21	4	0	464		
GRAND TOTAL	281	6	6	44	90	4	8	21	4	0	464		

Employment equity

The five-year employment equity (EE) plan for the period 2018 to 2023 is in line with the provisions of the EE Act. The EE committee members met quarterly to measure progress against the annual targets of the plan and to discuss ways of addressing the identified barriers to affirmative action. SepCem is making notable progress towards achieving its EE target but gender representation, particularly of black females, remains a challenge at management levels. The EE focus in FY 2020 will be to strive for a workforce which is more representative of the economically active population of the country.

To aid the transformation agenda, a Women in Mining (WiM) initiative was launched at Aganang in August 2019. This initiative is championed and steered by female employees to create a platform where they can raise gender-sensitive issues affecting them in the workplace. Focus areas include sexual harassment, appropriate personal protective equipment, safety, and empowerment. Such initiatives, coupled with other measures relating to recruitment and training opportunities, will assist with driving equitable representation of HDSAs in the organisation.

Employees with disabilities

In line with non-discriminatory practices, SepCem promotes the employment of people with disabilities into suitable roles. In 2019, 1.3% of the associate's workforce comprised of employees with disabilities, compared to 1.8% in FY 2018. Although this is a decline, SepCem remains committed to recruitment efforts aimed at people with disabilities. The EE committee is also monitoring the possible barriers that prohibit reasonable accommodation for people with disabilities.

Labour relations

A relationship charter was agreed to between SepCem management and AMCU officials and serves to provide a framework for effective engagement between the parties. The effectiveness of the charter was demonstrated in the 2019 wage negotiations, during which the parties successfully settled on a three-year agreement.

Training and development

SepCem invested R3,61 million (FY 2018: R3,15 million) towards training, which represents 2% of the 2019 payroll. The training needs were informed by the outcomes of quarterly performance reviews and individual development plans.

- SepCem conducted ethics workshops in which the importance of ethical conduct and adhering to corporate governance principles was reinforced.
- Behavioural safety and legal liability training were also rolled out, equipping employees with information on relevant legislation, processes and procedures relating to safety in the workplace.
- To motivate employees, Aganang initiated the Starlight Achiever Awards, aimed at recognising employees who have made a significant contribution in the workplace. Short-term financial incentives were paid out quarterly to reward top performance.

ENVIRONMENTAL CAPITAL

Emissions presented the main environmental challenge, with the main pollutions being cement dust, greenhouse gas emissions and nitrogen oxide (NO₂) emissions. To mitigate the cement dust, the associate used the bag filter house to minimise the mass load emitted from the stacks.

Operating licences

Carbon emissions

SepCem proactively measures its carbon footprint in terms of CO₂ emissions and recorded between 820 tCO₂e to 830 tCO₂e per tonne of clinker produced (FY 2018: 840 tCO₂e to 850 tCO₂e). Emissions data is reported internally, discussed at the quarterly operational meetings and assessed in terms of the risk it poses to the business.

Carbon tax bill

The initial carbon tax period was from 1 June 2019 to 31 December 2019 with subsequent periods to align to the calendar year format. The tax is R120 per tonne of carbon dioxide equivalent (tCO₂e) emissions, based on fuel combustion, process and fugitive emission sources. Annual payment of the tax, treated as an environmental levy, is due in July of the following year administered through the Customs and Excise Act. The tax regime is still being finalised by the authorities.

Water consumption

The annual volume of water extracted from five boreholes was 117 390 m³. SepCem utilised 85 litres of freshwater per tonne of clinker (FY 2018: 72 litres) and recycled 116,412 m³ (FY 2018: 132,341 m³). The increase in freshwater consumption was due to the improved measuring methodology.

Waste management

Process waste, which consists mainly of raw materials, is not disposed but recycled back into the manufacturing process. SepCem's disposal of waste and recyclables fully complied with the conditions of its waste management licence.

Environmental audits

Two environmental audits were done during the year for legal compliance. The main findings from the audits identified nominal non-compliance in the management of stormwater and NO_x emissions. The stormwater channels required rehabilitation and NO_x emissions slightly exceeded the 1200 mg/Nm³ requisite level for approximately three months of the year. SepCem rectified the issue resulting in NO_x emissions at 20% below the requisite limit for the rest of the year. SepCem regularly cleaned out the channels and removed all plant material stockpiled in the trenches to address the stormwater channels issue.

CORPORATE GOVERNANCE OVERVIEW

GOVERNANCE FRAMEWORK

SepHold recognises that good corporate governance and transparent business practices are essential for sustainable performance and preserving shareholder value. A robust governance framework is characterised by effective, accountable, fair, transparent and responsible leadership. The board of directors is the vanguard of the group's corporate governance practices and delegates the responsibility of inculcation of ethical practices and integrity to the executive management. The board committees enhance governance by discharging their statutory responsibilities according to clear terms of reference and a charter. The board charter regulates the members' conduct in line with King IV principles and recommended practices. The charter defines the board's authority parameters and stipulates its role as the governance structure with ultimate accountability and responsibility for the group's performance and affairs.

The board approves the group strategy and governance policies, and provides overall strategic direction within a framework of incentives and controls. This approach maintains an appropriate balance between long-term sustainable growth and short-term performance. The board delegates authority to the executive directors to manage the group's operations by the approved strategy and governance policies. The board is satisfied that it has fulfilled its responsibilities per the charter.

SEPHOLD 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 (ARC)

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.

Social and Ethics Committee (SEC)

The committee assists the board in compliance-related matters regarding 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.

Remuneration and Nomination Committee (REMCO)

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.

Métier Board

Members include the SepHold CEO, SepCem CEO, SepCem executive manager organisation performance and the Métier managing director.

SepCem Board

Chaired by DCP's CEO. Members include the SepHold CEO and the SepCem CEO.

King IV focus areas

The ARC is responsible for biannually monitoring and reviewing the delegated authorities against the recommendations in King IV.

Focus area	Progress made
Develop and implement an overarching group governance framework	A group governance framework has been drafted and provided to management for consideration before being presented to the board for further consideration and approval.
Develop and implement a group stakeholder engagement policy	The group community engagement, corporate social investment and communication and social media policies that collectively encompass the group stakeholder engagement were approved.
Implement a group information and technology governance policy at all levels	Assessment report by consultants on the status of Métier's information and technology governance completed.
Enhance the remuneration policy	The remuneration committee reviewed and approved the existing policy. The policy has been revised and enhanced gradually over the past two years. These improvements were considered sufficient in short to medium term.
Enhance the board evaluation process	Acorim, the group company secretary, conducted a comprehensive board evaluation assessment. The report and recommendations made in the board evaluation were considered, and the board is satisfied with its performance. The board will conduct an external board evaluation for FY 2021.

For details on the group's application of King IV, refer to the application register on the company website – www.sephakuholdings.com/corporate-governance/governancedocuments/.

Board composition

The board comprised seven directors: one executive, two non-executive and four independent non-executive directors. The board has adopted a policy on the promotion of broader diversity on the board, focusing not only on gender and race but also on the promotion of other diversity attributes such as culture, age, field of knowledge, skills and experience. Under the approved board diversity policy, the board has emphasised its commitment to increasing the number of female members and will consider female applicants for all vacant board positions.

On 31 March 2020, the female representation was 29% and the ACI representation was 57%, in line with the SepHold diversity policy. The policy can be accessed on our website – www.sephakuholdings.com/corporate-governance/governance-documents/.

Mr. Kenneth Capes, a co-founder of Métier, was re-appointed to the board as an executive director and chief executive officer of Métier with effect from 1 April 2020. Given Mr. Capes' extensive knowledge and passion for concrete manufacturing, his prowess and entrepreneurial flair, the board believes that he will add great value to SepHold's long term growth strategy and assist in navigating Métier through the turbulent economic climate.

Dr Lelau Mohuba retired as chief executive officer and executive director on 31 December 2019, and he remains on the board as a non-executive director.

Induction and further training

All new directors are inducted through formal processes aimed at deepening their understanding of the group as well as the business environment and markets in which the group operates. The company secretary and SepHold executive(s) conduct inductions for all new directors to enhance their understanding of the group's operations, business environment and sustainability matters. The induction includes a briefing on the directors and employees and 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 board engages with external facilitators on areas where they have identified a need for additional training and development.



DIRECTOR PROFILES



Brent Williams (56)

Chairperson 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 chairperson of SepHold on 3 March 2012. He was admitted as an attorney in 1992 and has held several key positions. He is currently the chief executive officer of Cliffe Dekker Hofmeyr.



Martie Jacoba Janse van Rensburg (63)

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. Martie has served as a non-executive director and member or chairperson 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.



Moses Modidima Ngoasheng (62)

Independent non-executive director

BA (Economics and International Politics) (University of South Africa), BSocSci (Hons) (University of KwaZulu-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 an economic advisor to President Thabo Mbeki from 1995 to 2000. He serves on several boards, including AB InBev, SA Breweries and Dimension Data.



Bukelwa Bulu (42)

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 15 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, and 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.



Pieter Frederick Fourie (64)

Non-executive director, CEO (Sephaku Cement)

BCom (Accounting) (University of Pretoria), 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 CEO of Sephaku Cement in May 2007.

**Dr Lelau Mohuba (63)***Non-executive director**MBChB (Nelson Mandela School of Medicine, former University of Natal)*

Lelau is a founding director of SepHold. He became the original chairperson 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.

**Neil Robus Crafford-Lazarus (59)***CEO, FD 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 FD on 28 March 2012. He started his career in mining finance in 1988. Since then, Neil 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 FD of Xstrata SA Proprietary Limited between 1998 and 2005.

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	5/5 ¹	2/3	3/3	1/2 ¹	2020
PF Fourie	Non-executive director	5/5	2/3	–	2/2	2020
MJ Janse van Rensburg	Independent non-executive director	4/5	3/3 ¹	3/3	–	
MM Ngoasheng	Independent non-executive director	2/5	–	2/3 ¹	–	²
B Bulo	Independent non-executive director	5/5	3/3	–	–	
Dr L Mohuba	Non-executive director	5/5	2/3	2/3	Invitee	²
NR Crafford-Lazarus	CEO, FD	4/5	3/3	3/3	2/2	²

¹ Chairperson.² Not applicable.

BOARD EVALUATION AND INDEPENDENCE

SepHold evaluates the effectiveness and performance of the board, its committees and individual directors annually. During the year, a formal, comprehensive board evaluation was conducted by Acorim. The board is satisfied that the evaluation process has improved its performance and effectiveness.

Specific independence consideration

In evaluating the directors' independence, the assessment considered the provisions contained in the Companies Act, King IV and the JSE Listings Requirements. From the assessment, the board was satisfied that those directors who are serving more than nine years on the board remain fully independent and maintain a relationship with management which does not exceed accepted comfort limits.

Company secretary

SepHold's company secretary, Acorim, represented by Nikita Hunter, advises the directors on regulatory requirements, governance procedures and on how to discharge their duties and responsibilities. The board believes its arrangements on accessing Acorim's services and enabling them unfettered access has been effective. Acorim maintains an arm's-length relationship with the company and its board. In its assessment, the board considered the independence of Acorim and their collective qualifications and track record. The company secretarial services were assessed, and the board is satisfied that Acorim's representative has the required knowledge, skill and discipline to perform the functions and duties of the group company secretary.

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 confirm their trading in SepHold shares and compliance with the regulatory requirements with the board chairperson or CEO. Directors are required to formally update their directorships and other relevant interests at least annually.

Directors are immediately notified when the company enters into a closed financial period, and they are reminded thereof on a per meeting basis. 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.

COMPLIANCE

Statement of compliance

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 infringements of, or non-compliance with, statutory obligations imposed on group entities, board members, executive directors or prescribed officers. This includes penalties, fines and sanctions concerning environmental laws.

Compliance arrangements

The operational entities report on compliance with all applicable laws at all audit and risk committee meetings as part of the main agenda. The board committees are tasked with monitoring the requisite regulations for their area of focus – for instance, the remuneration and nomination committee and social and ethics committee monitor matters related to labour regulations, and the audit and risk committee monitors compliance with financial regulations. The JSE sponsor provides a critical oversight service to ensure that SepHold complies with the Listings Requirements. At the same time, the company secretary has a fundamental role in ensuring that compliance is broadly prioritised by the board. Non-compliance with any group policies, standards, procedures, or the like, could result in disciplinary action and possible dismissal.

SepCem's compliance is monitored through selected SepHold directors participating in the DCP board of directors. Furthermore, the associate reports directly to all SepHold committees, which enables the monitoring of compliance management.

Combined assurance

SepHold subscribes to a combined assurance model which identifies the components of combined assurance as per King IV. These components of combined assurance are to integrate, coordinate and align risk management and assurance processes.

There are several corporate governance assurance functions at SepHold that provide different types of assurance or four lines of defence. The key differentiating factor between the four lines of defence is their levels of independence from the group's operational activities and to the entity itself.

The four lines of defence governance model distinguishes between:

- Functions owning and managing risks as part of their day-to-day activities (first line of defence)
- Functions relating to internal assurance and specialist assurance providers who are tasked with overseeing risks and providing a robust challenge to the management teams (second line of defence)
- Functions providing independent assurance (third line of defence)
- The board and its sub-committees fulfilled a broad oversight function

BOARD COMMITTEES

Audit and risk committee

The committee fulfilled its obligations as contained in the Companies Act, the board charter, committee terms of reference and company memorandum of incorporation. The committee chairperson is elected by the members of the committee. The committee members reviewed their performance in terms of the committee mandate and believe that they performed their obligations adequately.

The committee has specific statutory duties to shareholders, and the chairperson's tenure should not be longer than five consecutive years unless the remuneration and nomination committee determines otherwise. The committee is constituted as a statutory committee of SepHold in respect of its duties as an audit committee and as a committee of the board. Per the terms of reference, statutory provisions and King IV, the committee is comprised of three independent non-executive directors.

Although King IV recommends against the appointment of the board chairperson to the audit committee, the decision to re-appoint B Williams to the audit committee was due to the limited number of independent, non-executive directors on the board and their availability. Consideration was also made of the SepHold cost reduction programme in deciding not to appoint a new board member to fill the position vacated by P Makwana, who resigned in October 2018. Therefore, the remuneration and nomination committee decided that B Williams is best qualified to fulfil the position without the appointment of an additional independent, non-executive director to comply with the requisites of the composition of the committee.

Having reviewed the composition of the audit and risk committee, the qualifications, experience, expertise and independence of each of the members of the audit and risk committee, the remuneration and nomination committee satisfied itself that the members of the audit and risk committee continue to meet the requirements of the Companies Act.

Accordingly, the remuneration and nomination committee unanimously recommends and supports the election of MJ Janse van Rensburg, B Williams and B Bulo to the audit and risk committee. They are appointed by shareholders annually at the SepHold annual general meeting.

The group CEO and FD are standing invitees at all committee meetings and participate in executing the committee's mandate.

Statutory duties

The committee executed its statutory responsibilities, including the nomination of a registered, independent external auditor for appointment by shareholders, and determined their fees and terms of engagement. The audit and risk committee recommended the independent external auditor, BDO South Africa Inc, which was then appointed by shareholders.

The committee prepared the requisite report for the AFS on how it executed its functions. The report provides details on internal controls, internal audit, statutory duties and external auditor, and can be read on pages 44 to 46. The external auditor's report on the compliance of the AFS with IFRS and the Companies Act can be read on pages 47 to 49. The preparation of the AFS remains the responsibility of the board.

External reporting

The committee ensured the integrity of all external reports, including the integrated annual report, and approved management's determination of the reporting frameworks (including reporting standards) to be used, taking into consideration legal requirements and the intended audience and purpose of each report.

Feedback on 2020 focus areas

- To approve the group technology and information management framework:
 - Assessment report on the status of Métier's information and technology completed
- To monitor the effective application of the group governance framework as per the IoDSA's Group Governance Practice Note:
 - Framework was developed awaiting final approval

Focus areas going forward

- To approve the Métier technology and information management strategic framework
- To approve and continue to monitor the effective application of the group governance framework as per the IoDSA's Group Governance Practice Notes
- To approve and monitor the effective application of the combined assurance policy framework

Social and ethics committee

The committee comprises seven members of SepHold and DCP boards and four standing invitees from Métier and SepCem. The purpose of the committee is to assist the board in complying with legislative requirements on corporate citizenry, including environmental management, health and safety, stakeholder engagement, labour practices and ethics.

Statutory duties

The committee focused on aligning the group code of ethics and conduct. The framework of a comprehensive code was authorised for all group entities to adopt by the end of FY 2020. The committee reviewed and approved its charter with minor amendments. The management was tasked with developing a group communication plan that should be adopted by FY 2021.

Feedback on 2020 focus areas

- To approve the revised group stakeholder engagement framework:
 - Completed through various policies – Refer to King IV focus areas on page 28
- To ensure the approval of the SepCem social and labour plan:
 - To be concluded in FY 2021

Focus areas going forward

- To ensure the approval of the SepCem social and labour plan



Moses Modidima Ngoasheng

Chairperson: remuneration and nomination committee

REMUNERATION REPORT

Chairperson's statement

Introduction

I am pleased to report that over the past three years of consultation with our shareholders, we have enhanced the remuneration policy to better measure and motivate executives in achieving long-term shareholder return. At the annual general meeting held on 12 September 2019, the shareholders approved, by 82.68%, the non-binding advisory resolutions on the SepHold remuneration policy and implementation report.

We believe the support for the resolutions was due to the group's implementation of the feedback from a corporate governance roadshow held in July. The key improvements over the past few years have primarily been on the executive directors' scorecard to include a free cash flow metric, a detailed description on non-financial measures and the inclusion of total shareholder return as a long-term performance measure.

Response to COVID-19

The management and administration of the business continued to function well during the lockdown, with some employees working remotely. To reduce costs in line with significantly reduced activity, all Métier and SepHold employees and management agreed to temporary salary reductions from April to June, ranging from 50% for executives to 15% for middle management. SepCem, as a subsidiary of DCP, adopted a "no-work-no-pay" principle for the same period. The SepHold executives decided to forgo their performance bonuses for FY 2021, as detailed in the implementation plan below. I would like to thank the management and employees for their sacrifice and understanding in these unprecedented times.

JSE special dispensation for dual CEO and FD role

I am pleased to report that in the year under review, we resolved the appointment of the chief executive officer following the retirement of Dr L Mohuba.

As the remuneration and nomination committee, we were tasked with determining the optimal management structure for the group that reflects the prevailing challenging operating environment. To that effect, we explored several possible structures that would not adversely impact SepHold's costs. We determined that the persistent industry downturn has severely limited investment opportunities and this has resulted in reduced activity at SepHold not warranting more than one executive director.

We applied to the JSE and were granted special dispensation for SepHold's FD, Neil Crafford-Lazarus to hold the dual role until 30 June 2020. In June 2020 we re-assessed the situation and recognised that the tough trading circumstances had been exacerbated by the COVID-19 pandemic, necessitating the application for an extension of the special dispensation. The JSE granted the extension until 31 December 2020 after which we will re-evaluate the need for the dual role.

As a committee, we recognised that the FD has not only forgone a salary increment for the past three years but will have additional responsibilities in the coming financial period. This warranted a review of his remuneration package as detailed in the policy below. We primarily used the 2019 PwC directors' remuneration report to guide the decision on the reasonable and appropriate level of remuneration. The 2019 report was particularly useful because it appropriately categorised the listed entities in line with the JSE and further divided the companies into different capitalisation sizes.

Feedback on statutory duties

The remuneration and nomination committee is constituted of myself as chairperson, B Williams, and MJ Janse van Rensburg. The committee fulfils its obligations as contained in the Companies Act, the board charter and memorandum of incorporation, and committee terms of reference. The committee chairperson is elected by the members of the committee.

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

- Approved the group succession plans for executive positions
- Approved the SepHold and Métier short-term incentive plans
- Approved the King IV-aligned remuneration policy
- Reviewed the committee charter to align with King IV

In the fourth quarter of the financial year, we focused on the appropriate remuneration for Kenneth Capes as the Métier CEO (executive director). Kenneth was re-appointed to the position on 1 April 2020 after a brief hiatus. Competitive remuneration is critical in attracting and retaining high-performing individuals due to the shortage of technical skills in the building and construction materials industry. The board is therefore committed to continuous improvement in the remuneration framework and believes that the policy stated below is appropriate for the current level of trading. The policy will, therefore, be maintained until there is a material change in business activities to warrant a review of the scorecard. In our view, the remuneration policy has achieved its stated objective.

Moses Modidima Ngoasheng

Chairperson: remuneration and nomination committee

Remuneration policy

The group applies a total-cost-to-company approach in remunerating all its employees, and the main objectives of the remuneration framework are to:

- Appropriately reward employees for services provided
- Ensure equitable and fair remuneration
- Ensure that variable remuneration is aligned to performance
- Implement a competitive remuneration structure that:
 - Is tailored to the specific circumstances of the group
 - Is referenced to appropriate benchmarks
 - Reflects the market and industry practices
- Comply with all relevant legal requirements

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 a position is 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. SepCem applies a different framework as a subsidiary of Dangote Cement PLC.

Objective		Practice
Total guaranteed package	• 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, the scope of responsibility and the total remuneration package are considered when rewarding employees. • Appropriate market percentiles based on skills, experience and competitiveness are applied.
Short-term incentive (STI)	• To motivate employees and incentivise the delivery of performance over the financial year. • The appropriateness of measures and weightings are reviewed annually to ensure ongoing support of the strategy.	• 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. • The executive committee annual bonus is paid in cash in July each year for performance over the previous financial year.
Long-term incentive (LTI)	• To motivate and incentivise delivery over the long term. • Continued support of the company strategy is through awards relating to total shareholder return. The vesting of these awards is against a pre-determined framework.	• 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.
Termination benefits	• To retain executive management.	• The CEO role 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's 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 early vesting of options in case of change of control.

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%).

STI SCORECARD

Financial measures (75%)

Performance indicator	Weighting %	Performance condition detail	Minimum (30%)	Target (50%)	Stretch (70%)
Real* growth in headline earnings per share (HEPS)	37.5	HEPS growth over the previous year above inflation	Real HEPS growth of more than 0%	Real HEPS growth greater than 4% per annum	Real HEPS growth greater than 8% per annum
Gearing, debt covenants and free cash flow	37.5	Measuring 1. Total debt to equity 2. Debt service coverage ratio 3. Free cash flow	Company-specific	Company-specific	Company-specific

Non-financial measures (25%)

Performance indicator	Weighting %	Performance criteria	Executive(s) responsible
Implementation of corporate governance best practices.	15	Level of group compliance and standards achieved • JSE compliance • Application of King IV principles • Attainment of BBBEE rating • Achievement of safety and environment targets as determined by the company will be measured against a portfolio of evidence	CEO, FD and MD
Achievement of job-specific personal goals. The achievement of job-specific personal goals as determined by the company will be measured against a portfolio of evidence.	10	Stakeholder engagement and relationship management • Satisfactory resolution of main stakeholder issues	CEO
		Optimisation of group funding structures to enable sustainability during negative cycle and value accretive expansion during positive cycle Investigating and mitigating risk on alternative funding sources for deals • Achieve targeted debt:equity ratio • Compliance with all debt loan covenants • Increase free cash flow	FD
		Operational executives to demonstrate the ability to: • Utilise and maintain core competencies • Develop human capital and sustain an effective high-performance organisational culture • Promote ethical practices • Establish robust organisational controls	Métier MD

* Real relative to CPI.

LTI SCORECARD					
Performance indicator	Weighting %	Performance condition detail	Minimum (50%)	Target (100%)	Stretch (200%)
Total shareholder return (TSR)	100	TSR is measured against the median of six comparable companies.	Median	Median +15%	Median +40%

The LTI scheme is applicable from FY 2021 to replace the option scheme that ended in FY 2018 that will vest until July 2022. To eliminate dilution of shareholders' interests through the option scheme, the new LTIs 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 then utilised to purchase shares in the market to align the executives to shareholder interest. The executives are required to hold the shares for two years, during which they will benefit from capital appreciation and any dividends paid.

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

Due to the prolonged downturn in the construction sector, the executive directors' basic remuneration has not been adjusted upwards for the past three years. The table below summarises the assumption of the delivery of the minimum, target and stretch performance achievement on total remuneration of the SepHold and Métier CEOs in a single total figure.

SepHold CEO/FD

	TGP R	Base normalised excl. COVID-19 salary deductions ¹ R	STI	LTI	Total R
2021					
Base	4 395 000	4 550 000	Executives will	The LTIs	4 395 000
Min (30%)	4 395 000	4 550 000	not be receiving	will only be	4 395 000
Target (50%)	4 395 000	4 550 000	a performance	measurable	4 395 000
Stretch (70%)	4 395 000	4 550 000	bonus for	from FY 2021	4 395 000
			the year		

¹ The remuneration and nomination committee increased the FD's TGP to R350 000 for FY 2021 as from 1 April 2020.

Métier CEO

	TGP R	Base normalised excl. COVID-19 salary deductions ¹ R	STI	LTI	Total R
2021					
Base	2 745 000	2 925 000	Executives will	The LTIs	2 745 000
Min (30%)	2 745 000	2 925 000	not be receiving	will only be	2 745 000
Target (50%)	2 745 000	2 925 000	a performance	measurable	2 745 000
Stretch (70%)	2 745 000	2 925 000	bonus for	from FY 2021	2 745 000
			the year		

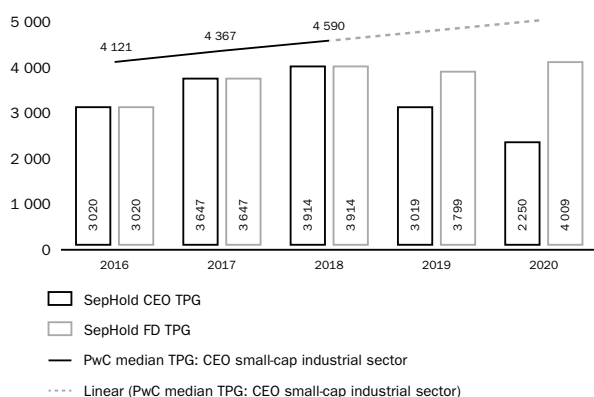
¹ The Métier CEO was appointed on 1 April 2020 on a TGP of R225 000 per month.

Determination of the guaranteed executive base salary

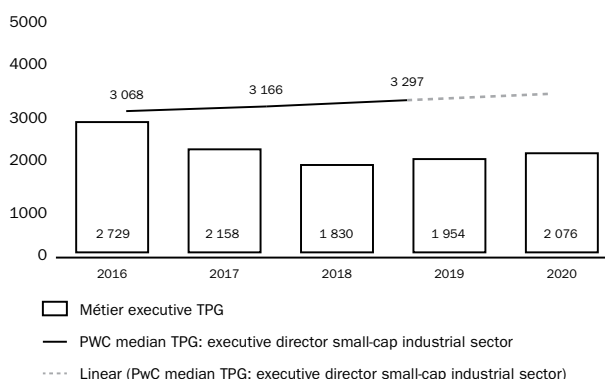
The board, through the remuneration and nomination committee, researched the guaranteed base salary benchmark extensively and used the PwC's 2019 executive directors' remuneration and practices report. The report reveals that for 2018 the JSE industrial sector small cap chief executive officers' total guaranteed package (TGP)¹ increased by a median 3.8% from the upper (R5 990 000) to the lower quartile (R3 486 000) resulting in an average of R4 590 000. The executive directors' TGP in the same category increased at the same level as the CEO's, resulting in an average increase of R3 297 000 for a range of R2 331 000 to R4 210 000. No remuneration consultants were engaged during the period.

¹ TGP refers to all components of remuneration that are guaranteed, including the base salary and benefits that typically accrue monthly such as retirement (pension), medical and travel allowances.

Comparison of SepHold executive remuneration to JSE median for industrial small cap sector (R000)



Comparison of Métier executive remuneration to JSE median for industrial small cap sector (R000)



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 commitment. The 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's 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 support the attraction and retention of high-quality individuals.

Service contracts

None of the directors has a written service contract with the group and all of the directors rotate in terms of the memorandum of incorporation.

Non-binding shareholder advisory vote

In terms of the JSE Listings Requirements 3.84(kj), the remuneration policy must record the measures that the board of directors commits to take in the event these non-binding resolutions are voted against by 25% or more of the voting rights exercised. The company will, as recommended by King IV and required by the JSE, provide for the following:

- an invitation to dissenting shareholders (those who voted against the policy and/or implementation report) to engage with the group; and
- the manner and timing of such engagement.

After that, the remuneration and nomination committee will engage with the shareholders to address the matters of concern.

Implementation report

There were no deviations in the implementation of the policy as set out. The total FY 2020 STI bonuses were R718 000 in line with the FY 2019 performance against target measures. The 13th cheques suspended in FY 2019 have been allocated to the appropriate year although they were paid out in FY 2020 which accurately reflects the award in the appropriate year.

Executive directors remuneration

Executive	Base salary R	Prior year STI R	Travel allowances R	Pension fund R	IFRS staff cost relating to share- based payments vesting expense (non-cash) R	Total remuneration R
2020						
Dr L Mohuba ¹	1 907 148	300 000	–	92 852	298 112	2 598 112
NR Crafford-Lazarus	3 712 017	418 000	150 000	147 151	392 836	4 820 004
	5 619 165	718 000	150 000	240 003	690 948	7 418 116
2019						
L Mohuba	3 145 366	760 000	–	123 802	593 140	4 622 308
NR Crafford-Lazarus	3 649 200	760 000	150 000	123 802	581 136	5 264 138
K Capes	720 000	–	–	–	–	720 000
	7 514 566	1 520 000	150 000	247 604	1 174 276	10 606 446

¹ Apportioned for nine months following the retirement of the CEO on 31 December 2020.

Further details on the directors' interests in share options, refer to page 55 of the AFS.

Reconciliation of CEO and FD's FY 2019 bonus

Measure of performance	Weight %	Actual performance achieved	Metric %	Awarded %
Financial measures				
Real growth in HEPS	30	Flat	0	0
EBITDA	25	64% of budget	0	0
Gearing/covenants	20	Not achieved	0	0
Non-financial measures				
Safety, environment and transformation	15	Achieved 80% of the target	12	6
Personal goals				
– CEO	10	Achieved 70% of target	7	3.5
– FD	10	Achieved target	10	5
Total awarded %				
– CEO				9.5
– FD				11

Prescribed officer's remuneration

Executive	Base salary R	Prior year STI R	Travel allowances R	Pension fund R	IFRS staff cost relating to share- based payments vesting expense (non-cash) R	Total remuneration R
2020						
WJ du Toit	1 873 758	230 046	25 200	177 223	122 029	2 428 256
2019						
WJ du Toit	1 761 567	242 769	25 200	166 692	146 383	2 342 611

Non-executive directors' fees

	Fees R	Remuneration R	Performance bonus R	IFRS staff cost relating to share- based payments vesting expense (non-cash) R	Total R
2020					
B Williams	440 000	–	–	–	440 000
MM Ngoasheng	335 000	–	–	–	335 000
MJ Janse van Rensburg	335 000	–	–	–	335 000
B Bulo	335 000	–	–	–	335 000
L Mohuba ¹	83 750	–	–	99 371	183 121
PF Fourie ²	–	5 594 213	1 947 514	–	7 541 727
	1 528 750	5 594 213	1 947 514	99 371	9 169 848
2019					
B Williams	440 000	–	–	–	440 000
PM Makwana ³	167 500	–	–	–	167 500
MM Ngoasheng	335 000	–	–	–	335 000
MJ Janse van Rensburg	335 000	–	–	–	335 000
B Maluleke	335 000	–	–	–	335 000
RR Matjiu ⁴	–	–	–	111 910	111 910
PF Fourie	–	4 451 315	1 758 559	–	6 173 910
	1 612 500	4 451 315	1 758 559	111 910	7 898 320

¹ Non-executive director for Q4 pro rata fees. Dr L Mohuba stepped down as chief executive officer of the company on 31 December 2019 and was appointed as non-executive director in January 2020.

² PF Fourie is a non-executive director of SepHold and an executive director of the associate company, SepCem. All remuneration paid to him by SepCem has been disclosed above.

³ Resigned 1 October 2018; therefore, his director fees for services were paid pro rata for six months.

⁴ Resigned 12 November 2018.

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2020

The reports and statements set out below comprise the annual financial statements presented to the shareholders:

Audit and risk committee report	44
Independent auditor's report	47
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Certificate by company secretary	50
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Statements of comprehensive income	57
Statements of changes in equity	58
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Notes to the annual financial statements	69
Shareholders' analysis	99

The annual financial statements have been audited by BDO South Africa Inc in compliance with the applicable requirements of the Companies Act, 71 of 2008, as amended (Companies Act) and have been prepared under the supervision of NR Crafford-Lazarus, CA(SA).

Issued

31 July 2020

AUDIT AND RISK COMMITTEE REPORT

The information below constitutes the report of the audit and risk committee (the committee) for the 2020 financial year of Sephaku Holdings Limited (SepHold) and its subsidiaries. This report is in compliance with the Companies Act and the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)* recommendations.

1. MANDATE AND TERMS OF REFERENCE

The committee acts according to a formal mandate and terms of reference that have been approved by the board of directors of SepHold. The committee has executed its duties during the past financial year according to this mandate and terms of reference, and has discharged its responsibilities contained therein. The terms of reference are reviewed each year. The committee is satisfied that the members thereof have the required knowledge and experience as set out in section 94(5) of the Companies Act and Regulation 42 of the Companies Regulation, 2011.

2. COMPOSITION AND ATTENDANCE AT MEETINGS

For the financial year the committee comprised of MJ Janse van Rensburg (chairperson), B Bulu and B Williams, each of whom are independent non-executive directors. There was no change to the committee members during the year under review. In addition, the chief executive officer and financial director are permanent invitees to meetings. The committee performs the duties laid upon it by section 94(7) of the Companies Act by holding meetings at least three times per annum and special committee meetings are convened as required.

The external auditors attended and reported at all meetings of the committee. The external auditors have unrestricted access to the committee.

Full details of the attendance and dates of the meetings have been disclosed in the corporate governance section of the integrated annual report.

3. STATUTORY DUTIES

The committee's roles and responsibilities include its statutory duties as per the Companies Act and the responsibilities assigned to it by the board, which are reviewed annually.

The committee has performed the following statutory duties:

- nominated and recommended the appointment of BDO South Africa Inc as the external auditor of SepHold, with J Barradas as the lead engagement partner. BDO South Africa Inc is, in the opinion of the committee, independent of the company;
- reviewed and agreed to the fees to be paid to the external auditor and their terms of engagement in consultation with executive management;
- ensured that the appointment of the external auditor complies with the Companies Act and any other legislation relating to the appointment of auditor;
- determined the nature and extent of allowable non-audit services and pre-approved any proposed agreement with the external auditor for the provision of non-audit services to SepHold;
- received no complaints relating to the accounting practices, the auditing or content of annual financial statements, and the internal financial controls of SepHold;
- considered and, when appropriate, made recommendations to the board on internal financial controls, accounting policies, records and reporting;
- ensured, on an annual basis, that the financial director has the appropriate expertise and experience;
- ensured that the company has established appropriate financial reporting procedures and that those procedures are operating; and
- ensured suitability of the appointment of external auditors and the designated individual partner, specifically taking into account any information pursuant to paragraph 22.15(h) of the JSE Limited Listings Requirements (JSE Listings Requirements).

4. EXTERNAL AUDITOR

The committee has satisfied itself that the external auditor, BDO South Africa Inc, is independent of SepHold, as defined by the Companies Act and other relevant legislation. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence. Further, the approval of all non-audit-related services are governed by an appropriate approval framework.

The committee agreed to the engagement letter, terms, audit plan and budgeted audit fees for the financial year ended 31 March 2020. This was done after consultation with executive management taking into consideration such factors as the timing of the audit, the extent of work required and the scope.

The external auditor is invited to and attends all committee meetings. Findings by the external auditor arising from his annual statutory audit is tabled and presented at a committee meeting following the audit. The external auditor has expressed an unqualified opinion on the annual financial statements for the year ended 31 March 2020. This will be presented at the annual general meeting.

* Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

SepHold has satisfied itself that BDO South Africa Inc and J Barradas appear on the JSE's list of accredited auditors and their advisors. The committee also acted according to the section 22 requirements of the JSE listing requirements and the updated auditor approval process per paragraph 3.84(g) (iii) in requesting from the audit firm (and if necessary consulting with the audit firm on) the information detailed in paragraph 22.15(h) in their assessment of the suitability for appointment of their current or a prospective audit firm and designated individual partner both when they are appointed for the first time and thereafter annually for every re-appointment as well as for an applicant issuer prior to listing.

5. INTERNAL FINANCIAL CONTROLS

The committee has reviewed:

- the effectiveness of the risk management, controls and governance processes, including receiving assurance from management and external audit;
- significant issues raised by the external audit process; and
- policies and procedures for preventing and detecting fraud.

The committee believes that internal financial controls are effective and form a basis for the preparation of reliable annual financial statements. No findings have come to the attention of the committee to indicate that any material breakdown in internal financial controls has occurred during the financial year.

6. ANNUAL FINANCIAL STATEMENTS

The committee reviews the annual financial statements, preliminary results announcements, interim financial information and integrated annual report – this culminates in a recommendation to the board to approve them. The annual financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), the JSE Listings Requirements and the requirements of the Companies Act.

7. GOING CONCERN

The committee reviewed a documented assessment by management of the going concern premise of SepHold. Based on this assessment, the committee agrees with management's assessment that SepHold will be a going concern in the foreseeable future.

8. EXPERTISE AND EXPERIENCE OF FINANCIAL DIRECTOR AND THE FINANCE FUNCTION

The committee has satisfied itself that the financial director of SepHold, Mr. NR Crafford-Lazarus, has appropriate expertise and experience to meet his responsibilities in that position as required in terms of the JSE Listings Requirements.

The committee also satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function of the company.

9. DUTIES ASSIGNED BY THE BOARD

The duties and responsibilities of the members of the committee are set out in the committee's terms of reference which are approved by the board. The committee fulfils an oversight role regarding SepHold's integrated annual report and the reporting process, including the system of internal financial control.

The committee is satisfied that it has complied in all material respects, with its legal, regulatory and other responsibilities during the year, which includes consideration of the JSE's findings contained in the latest monitoring report when preparing the annual financial statements for the year under review.

10. INTERNAL AUDIT

Due to the nature and size of the head office, the accounting function is structured to accommodate current requirements and as such, the committee does not believe that an internal audit function is viable at this stage. The committee believes that new appointments should strengthen the accounting function and improve control through the division of duties. As such, this is better suited to the company's needs than the performance of an internal audit function. On an operational level, Dangote Cement South Africa Proprietary Limited (SepCem) has a functional internal audit department that reports to the SepCem audit committee on which SepHold is also represented. The internal audit function for Métier Mixed Concrete Proprietary Limited (Métier) is currently outsourced.

11. RISK MANAGEMENT

The committee is responsible for the following:

- Recommending to the board SepHold's risk appetite
- Monitoring the emerging risk profile of SepHold on a regular basis and reporting its findings to the board
- Receiving and reviewing reports that assess the nature and extent of the risks facing SepHold
- Ensuring steps are taken by executive management to embed risk management practices within the day-to-day operations of the business
- Monitoring the level of available capital and reporting to the board on the adequacy of the available capital relative to the emerging risk profile of SepHold
- Ensuring that risk and capital management policies, processes and practices are adopted in SepHold and reviewing the adequacy and effectiveness of the risk-type control frameworks and policies

12. RECOMMENDATION OF THE ANNUAL FINANCIAL STATEMENTS FOR APPROVAL BY THE BOARD

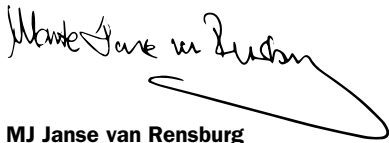
The committee met with BDO South Africa Inc prior to the commencement of the audit to discuss the potential key audit matters. The independent auditor's report on pages 47 to 49 details the following key audit matters:

- Goodwill impairment (group)
- Investment in subsidiary (company)

The committee is satisfied that the key audit matters were adequately and appropriately addressed in the content of the audit.

The committee held a meeting on 24 July 2020 at which time they reviewed and recommended the annual financial statements for approval by the board of directors.

On behalf of the audit and risk committee



MJ Janse van Rensburg
Chairperson

24 July 2020

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SEPHAKU HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of Sephaku Holdings Limited (the group and company), as set out on pages 56 to 98, which comprise the consolidated and separate statements of financial position as at 31 March 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sephaku Holdings Limited as at 31 March 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the group and company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board of Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Consolidated financial statements: Assessment of goodwill for impairment

At 31 March 2020, the group has goodwill with a carrying value of R223 421 981 recognised on the acquisition of the subsidiary, Métier Mixed Concrete Proprietary Limited, in previous periods.

In terms of IAS 36 *Impairment of Assets*, management is required to perform an impairment test on goodwill at least annually, and is furthermore required to perform an impairment test, if indicators of impairment are identified.

As disclosed in note 1.2 and note 5 to the financial statements, goodwill is assessed using discounted cash flow model which include a number of key judgements and estimates, the most significant being the growth rates and discount rates applied to forecasted cash flows.

This model is required to calculate recoverable amounts of cash-generating units that the goodwill relates to as well as forecasting future cash flows and applying an appropriate discount rate, inherently involves a high degree of estimation and judgement by management.

We have determined this to be a key audit matter due to the significance of the balance judgement required by management in preparing a "value-in-use" calculation to perform the impairment test.

How our audit addressed the key audit matter

In considering the appropriateness of management's judgement used in the testing of goodwill for impairment, we performed the following audit procedures with the assistance of internal valuation specialists:

- Reviewed the design and implementation of key controls around the assessment of goodwill for impairment.
- Assessed the model for compliance with IAS 36 *Impairment of Assets*.
- Verified the mathematical accuracy and methodology appropriateness of the underlying model and calculations.
- Verified the accuracy and relevance of the input data provided by management based on our knowledge of the business and industry.
- Evaluated the cash flow projections and the process by which they were developed, compared the cash flows to the latest board-approved budgets taking the impact of COVID-19 into account, and assessed the historical accuracy and reasonableness of the budgeting process.
- Challenged the key growth rate assumptions by comparing them to historical results taking the impact of COVID-19 into account, economic and industry forecasts, and assessing the discount rate by reference to the cost of capital of the group.
- Performed a sensitivity analysis of the key assumptions in the model, considered the potential impact of reasonably possible downside changes in these key assumptions.

As part of our audit we also considered the adequacy and completeness of the group's disclosures in note 1.2 and note 5 in terms of IFRS, about those assumptions to which the outcome of the impairment test is most sensitive to the determination of the recoverable amount.

Key audit matter

Separate financial statements:

Investment in subsidiary (notes 1.2 and 7)

At 31 March 2020, the company has an investment in a subsidiary. The cost of the investment amounts to R299 378 028.

In accordance with IFRS, IAS 36 *Impairment of Assets*, the company shall assess at the end of each reporting period whether there is any indication that an asset may be impaired.

If any such indicator exists the entity shall assess the recoverable amount. As disclosed in note 7 to the financial statements, reduced profitability and general economic downturn in the construction industry were identified as indicators of impairment in the current financial period. However, no impairment was necessary.

We have determined this is a key audit matter due to the significance of the balance and the judgement required by management in preparing a “value-in-use” calculation to perform the impairment test. Forecasting future cash flows and applying an appropriate discount rate, inherently involves a high degree of estimation and judgement by management.

How our audit addressed the key audit matter

In considering the appropriateness of management’s judgement used in the testing of the investment of subsidiary for impairment, we performed the following audit procedures with the assistance of internal valuation specialists:

- Assessed the indicators of impairment identified by management.
- Critically assessed the model for compliance with IAS 36 *Impairment of Assets*.
- Verified the mathematical accuracy and methodology appropriateness of the underlying model and calculations.
- Checked the accuracy and relevance of the input data provided by management based on our knowledge of the business and industry.
- Evaluated the cash flow projections and the process by which they were developed, compared the cash flows to the latest board approved budgets taking the impact of COVID-19 into account, and assessed the historical accuracy and reasonableness of the budgeting process.
- Assessed the key growth rate assumptions by comparing them to historical results, economic and industry forecasts, and assessing the discount rate by reference to the cost of capital of the group.
- Performed a sensitivity analyses of the key assumptions in the model, considered the potential impact of reasonably possible downside changes in these key assumptions.
- Assessed the adequacy of the disclosures in the financial statements in accordance with International Financial Reporting Standards.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the directors’ report, the audit and risk committee’s report and the company secretary’s certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the integrated annual report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor’s report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of Sephaku Holdings Limited for 2 years.

BDO South Africa Inc.

BDO South Africa Incorporated

Registered Auditors

J Barradas

Director

Registered Auditor

31 July 2020

Wanderers Office Park

52 Corlett Drive

Illovo, 2196

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required in terms of the Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the group and company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with IFRS. The external auditor is engaged to express an independent opinion on the financial statements.

The annual financial statements are prepared in accordance with IFRS and are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The directors have reviewed the group's and company's cash flow forecast for the year to 31 March 2021 and, in light of this review and the current financial position, they are satisfied that the group has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the corporation has adequate resources in place to continue in operation for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the group's and company's financial statements. The financial statements have been examined by the group's external auditor and their report is presented on pages 47 to 49.

The annual financial statements, set out on pages 56 to 98, were approved by the board on 31 July 2020 and were signed on their behalf by:



NR Crafford-Lazarus

Chief executive officer and financial director



B Williams

Chairperson – independent non-executive director

Centurion, South Africa

31 July 2020

CERTIFICATE BY COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I declare that to the best of my knowledge, for the year ended 31 March 2020, Sephaku Holdings Limited has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act and that such returns are true, correct and up to date.



Acorim Proprietary Limited

Company secretary

Centurion, South Africa

31 July 2020

DIRECTORS' REPORT

The directors submit their report for the year ended 31 March 2020.

1. REVIEW OF ACTIVITIES

Main business and operations

SepHold offers investors a portfolio of assets focused on the building and construction materials industry. SepHold's investment portfolio comprises a 100% subsidiary, Métier, and a 36% associate, SepCem, which are collectively referred to as the group.

As a subsidiary of Dangote Cement PLC (DCP), SepCem has a 31 December year-end. The equity-accounted profit included in this report relates to SepCem's results in the period 1 January 2019 to 31 December 2019.

Group

Head office expenses reduction

The initiative to reduce head office expenses introduced in September 2018, resulted in a 28% decrease in expenses year-on-year (y-o-y) to R16,6 million (2019: R22,9 million). This was due to the reduction in the CEO's salary, headcount and various non-cash expenses.

Rights issue

Shareholders are referred to the announcements on the rights offer on 13 December 2019, 17 to 23 January 2020 and 17 February 2020. Informed by the constrained trading conditions, resulting in, among other things, reduced profitability, the SepHold board of directors approved the implementation of a partially underwritten, renounceable rights offer (the rights offer) to raise approximately R37,5 million to decrease Métier's net debt levels, through an increase in the cash balance. The reduced net debt levels were necessary to ensure Métier's compliance with debt covenants imposed by the lenders.

The rights offer closed 14 February 2020 with a total of 47% (21,9 million) Rights Offer shares subscribed for an approximate value of R17,8 million. The balance of 24,3 million rights offer shares were allocated to Safika according to the underwriting agreement. Following the issue of the rights offer shares, the number of SepHold shares in issue are 254 486 436.

Métier Mixed Concrete (Métier)

Sales volumes

The concrete sector performance is closely linked to the highly cyclical construction industry. The longer the period of business cycle contraction, the more the infrastructure investment declines. By March, South Africa had experienced over 70 months of a downturn in the business cycle, the longest on record. This prevailing environment resulted in intense competition in both Gauteng and KwaZulu-Natal markets and profitability was under pressure. The annual sales volumes decreased by 14% with KwaZulu-Natal recording the highest decline. The annual decrease in the Gauteng region was lower mainly due to the ramp-up volumes from the plants that commenced production in the past 24 months.

Debt management

Métier continued to service its bank debt according to the repayment terms during the period. However, the reduced profitability levels resulted in severe pressure on the debt to EBITDA covenant by December 2019.

Métier's term loan principal was reduced to R2 million (FY 2019: R41 million) in line with the payment profile in the period under review. The R100 million revolving credit facility balance was R92 million on 31 March 2020 (FY 2019: R81 million) and was refinanced on 15 April 2020. This loan was converted to a R90 million amortising facility and bears interest at the three-month JIBAR rate plus a margin of 5.25% and is repayable in varying instalments with the final payment to be made 31 March 2023.

Lenders have agreed to suspend the repayment of capital on the loan until December 2020. Interest payment will be serviced from 1 March through to December 2020. From January 2021 both capital and interest will be paid on a monthly basis.

1. REVIEW OF ACTIVITIES (CONTINUED)

Dangote Cement South Africa (SepCem)

Sales volume

Cement demand was largely constrained with a significant decline observed in the rural consumer markets that have been a driving force for bagged cement demand since 2018. Increased competition from blenders and importers in a low demand environment negatively impacted the cement sector, including SepCem during the year.

The cement industry's application for a safeguard tariff from the International Trade Administration Commission of South Africa has progressed well and, if successful, will result in the imposition of a non-country-specific flat tariff on all imported cement. The industry's motivation for the tariffs is the higher cost of doing business in South Africa due to stringent legislative requirements and high regulatory standards compared to the importing countries.

Revenue and profitability

SepCem's revenue decreased to R2,18 billion (2018: R2,29 billion) due to the volume decline. The profit margins were impacted by lower volumes and above-inflation cost increases in inputs such as coal, electricity and fuel. To improve profitability, SepCem has made significant progress towards developing initiatives to mitigate against the escalating costs including establishing an alternative source for competitively priced coal.

The profit after tax was R1,3 million compared to R128,7 million in 2018 which was significantly higher due to an R81,7 million credit granted in terms of the section 12L tax incentive for energy savings during the 2017 tax period.

Debt management

By 31 December 2019 SepCem had repaid more than R1 billion of the project loan capital resulting in a balance of R1,37 billion and a net bank debt of R873 million. The total debt service in the financial year was R453 million, including interest payments of R178 million.

The debt facility is guaranteed by SepCem's major shareholder, DCP on an interest that is based on the preceding three-month JIBAR, plus a margin of 4.5% (2018: 4.5%) which equated to 11.29% (2018: 11.55%) per annum. The DCP quasi-equity loan was at R521 million by December 2019 at an interest of JIBAR plus 4%, which is accrued and capitalised against the loan.

The COVID-19 lockdown will reduce EBITDA levels thereby impacting SepCem's ability to service debt for the current year. The associate has engaged the lenders to waive capital payments for the balance of 2020 and receive interest only.

Outlook

Overall, building materials demand will remain subdued as indicated by the 12.7% y-o-y decline in building plans passed data for 2019 from Statistics SA exacerbated by the impact of COVID-19 on the economy.

2. GOING CONCERN

Various cost-saving initiatives have been identified by both operating companies and are in the process of being implemented. This range from reduction in fleet and employment cost across all the operating plants to negotiations with all suppliers of premises and raw materials. With the impact of COVID-19 on the cash resources of both operating companies where overheads were incurred during periods of total lockdown and operating at 50% during level 5 and 4 respectively, both companies concluded negotiations with the banks to service interest, but not capital for the second half of calendar 2020. These savings will assist the group companies to meet their bank debt commitments in the face of the expected reduction in volumes during the current year due to the impact of the government-enforced lockdown. The repayment profile agreed on the Métier outstanding debt is also substantially reduced from what was paid over the last five years.

3. EVENTS AFTER THE REPORTING PERIOD

COVID-19 marginally impacted group performance for the period under review because the national lockdown was implemented during the final week of the financial year from 27 March 2020. During the alert level 5 lockdown from 27 March to 30 April 2020, the group entities complied fully with the government directive and closed all operations to safeguard the health of all employees. The executive management and critical employees worked from home during alert level 5. Métier and SepCem resumed full operations at alert level 3 from 1 June 2020. The pandemic is expected to have a much more significant impact on group performance in the year ending 31 March 2021.

4. AUTHORISED AND ISSUED STATED CAPITAL

There were no changes in the authorised stated capital of the company during the year under review.

In total, 46 270 261 (2019: 1 873 354) shares were issued during the year.

All the authorised and issued shares have no par value.

Refer to note 20 to the annual financial statements for further details on authorised and issued stated capital.

5. BORROWING LIMITATIONS

In terms of the memorandum of incorporation of the company, the directors may exercise all the powers of the company to borrow money, as they consider appropriate. The memorandum of incorporation authorises unlimited borrowing powers.

6. SHARE INCENTIVE SCHEME

There were no share options issued during the year. Refer to note 21 to the annual financial statements for details about share-based payments.

7. NON-CURRENT ASSETS

Details of major changes in the nature of the non-current assets of the group during the year were as follows:

- Additions to property, plant and equipment of the group amounted to R12 373 059 (2019: R19 945 026),
- The land and building, Erf 398 Randjespark Ext 121, was classified to held-for-sale assets.

Refer to notes 4 and 19 of the annual financial statements for further details.

8. DIVIDENDS

No dividends were declared or paid to shareholders during the year.

9. DIRECTORS

The directors of the company during the year and to the date of this report are as follows:

Name	Position	Changes
B Williams	Chairperson – independent non-executive director	
MM Ngoasheng	Independent non-executive director	
MJ Janse van Rensburg	Independent non-executive director	
Dr L Mohuba	Non-executive director	Appointed 1 January 2020 as non-executive director, previously CEO
B Bulu	Independent non-executive director	
NR Crafford-Lazarus	Chief executive officer and financial director	
PF Fourie	Non-executive director	
J Pitt	Alternate director to MM Ngoasheng	Resigned 13 June 2019
KJ Capes	Executive director	Appointed 1 April 2020

10. SECRETARY

The secretary of the company is Acorim Proprietary Limited (Acorim) of:

Business address 13th Floor, Illovo Point
68 Melville Road
Illovo
Sandton
2196

Postal address PO Box 41480
Craighall
2024

The company secretary provides the board with guidance in respect of the discharge of directors' duties and their responsibilities, and regarding legislation, regulatory and governance procedures and requirements. The board has access to, and is aware of, the responsibilities and duties of the company secretary and has committed itself to ensure that the company secretary is afforded the support required to perform its duties.

The company secretary acts as secretary to board-appointed committees. 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 company secretary. The board has concluded that Acorim maintains an arms-length relationship with the company and its board.

No Acorim employees are directors of the company, nor do they have any other interests or relations that may affect independence. In making this assessment, the board considered the independence of Acorim directors, shareholders and employees, as well as Acorim's collective qualifications and track record.

11. SUBSIDIARIES

Name of subsidiary	Net loss after tax 2020	Net income after tax 2019
Métier Mixed Concrete Proprietary Limited	(11 223 299)	9 456 371
Sephaku Investment Holdings Proprietary Limited	(130)	–

Details of the company's investment in subsidiaries are set out in note 7 to the annual financial statements.

12. SPECIAL RESOLUTIONS

No special resolutions of material interest or of a substantive nature were passed by the company's subsidiaries during the reporting period.

13. SHAREHOLDERS' INFORMATION

An analysis of shareholders and the respective percentage shareholdings appear in the shareholders' analysis section on page 99.

Beneficial shareholdings of directors, directors' associates and prescribed officers:

Director/prescribed officer	2020			2019		
	Direct	Indirect	Associates	Direct	Indirect	Associates
Dr L Mohuba	87 202	8 363 767	40 000	87 202	8 363 767	40 000
NR Crafford-Lazarus	2 986 984	–	–	2 362 078	–	–
RR Matjiu*	–	–	–	1 615 923	–	–
K Capes**	10 600 000	–	–	5 598 056	–	–
PF Fourie***	–	5 203 059	–	–	5 203 059	–
	13 674 186	13 566 826	40 000	9 663 259	13 566 826	40 000

* Director resigned during the prior year.

** Re-appointed as executive director on 1 April 2020.

*** These shares are pledged as security.

There have been no changes in the beneficial interests of the directors, directors' associates and prescribed officers in the stated capital between the end of the financial year and the date of approval of these annual financial statements.

13. SHAREHOLDERS' INFORMATION (CONTINUED)**Directors' interest in share options:**

2020	Opening balance number of share options	Exercise price	Options expired	Date expired	Market price on exercise date	Options vested at year-end	Closing balance number of share options
Dr L Mohuba							
Granted 29/06/2012	750 000	R1.90	(750 000)	29/06/2019	–	–	–
Granted 10/12/2014	400 000	R6.80	–		–	400 000	400 000
Granted 31/03/2016	400 000	R4.40	–		–	266 667	400 000
Granted 01/07/2017	475 000	R3.00	–		–	157 333	475 000
NR Crafford-Lazarus							
Granted 29/06/2012	750 000	R1.90	(750 000)	29/06/2019	–	–	–
Granted 31/08/2012	750 000	R1.90	(750 000)	31/08/2019	–	–	–
Granted 10/12/2014	375 000	R6.80	–		–	375 000	375 000
Granted 31/03/2016	400 000	R4.40	–		–	266 667	400 000
Granted 01/07/2017	475 000	R3.00	–		–	157 333	475 000
	4 775 000		(2 250 000)			1 623 000	2 525 000
2019	Opening balance number of share options	Exercise price	Options expired	Date expired	Market price on exercise date	Options vested at year-end	Closing balance number of share options
Dr L Mohuba							
Granted 29/06/2012	750 000	R1.90	–		–	750 000	750 000
Granted 10/12/2014	400 000	R6.80	–		–	266 667	400 000
Granted 31/03/2016	400 000	R4.40	–		–	133 333	400 000
Granted 01/07/2017	475 000	R3.00	–		–	–	475 000
NR Crafford-Lazarus							
Granted 29/06/2012	750 000	R1.90	–		–	750 000	750 000
Granted 31/08/2012	750 000	R1.90	–		–	750 000	750 000
Granted 10/12/2014	375 000	R6.80	–		–	250 000	375 000
Granted 31/03/2016	400 000	R4.40	–		–	133 333	400 000
Granted 01/07/2017	475 000	R3.00	–		–	–	475 000
RR Matjiu*							
Granted 29/06/2012	300 000	R1.90	–		–	300 000	300 000
Granted 10/12/2014	125 000	R6.80	–		–	83 333	125 000
Granted 31/03/2016	100 000	R4.40	–		–	33 334	100 000
	5 300 000					3 450 000	5 300 000

* Director resigned during the prior year.

Refer to note 21 for more details on share options and the vesting conditions.

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2020

		Group		Company	
		2020 R	2019 R	2020 R	2019 R
Notes					
ASSETS					
Non-Current Assets					
Investment property	3	–	–	–	18 503 897
Property, plant and equipment	4	124 271 483	147 059 791	27 394	91 166
Goodwill	5	223 421 981	223 421 981	–	–
Intangible asset	6	–	573 510	–	–
Investments in subsidiaries	7	–	–	299 378 029	299 378 029
Investment in joint ventures	8	120 552	120 552	–	–
Investment in associate	9	812 678 672	812 201 874	683 689 159	683 689 159
Other financial assets	11	10 761 735	10 918 381	10 761 735	10 918 381
Right-of-use assets	14	42 138 008	–	–	–
Operating lease asset		–	–	–	1 469 511
Other investments	15	2 000 000	2 000 000	2 000 000	2 000 000
		1 215 392 431	1 196 296 089	995 856 317	1 016 050 143
Current Assets					
Inventories	16	16 763 507	18 154 356	–	–
Loans to group companies	10	–	–	10 379	10 249
Current tax receivable		1 643 331	1 175 731	–	–
Trade and other receivables	17	79 070 855	100 849 007	520 190	215 424
Cash and cash equivalents	18	6 381 459	2 823 868	4 380 684	–
		103 859 152	123 002 962	4 911 253	225 673
Non-current assets held for sale	19	18 503 897	–	20 205 192	–
Total Assets		1 337 755 480	1 319 299 051	1 020 972 762	1 016 275 816
EQUITY AND LIABILITIES					
Equity					
Stated capital	20	682 782 720	648 003 095	682 782 720	648 003 095
Reserves		10 643 889	14 351 157	10 643 889	14 351 157
Retained income		407 339 227	422 969 425	201 563 489	202 917 164
		1 100 765 836	1 085 323 677	894 990 098	865 271 416
Liabilities					
Non-Current Liabilities					
Loans from group companies	10	–	–	–	11 936 886
Other financial liabilities	22	71 846 168	81 014 556	–	–
Lease liabilities	23	45 497 397	–	–	–
Deferred income	24	199 670	877 557	–	–
Deferred taxation	13	15 848 539	21 772 407	–	–
		133 391 774	103 664 520	–	11 936 886
Current Liabilities					
Loans from group companies	10	–	–	124 041 874	130 891 608
Other financial liabilities	22	21 640 732	40 721 110	–	–
Lease liabilities	23	7 974 561	–	–	–
Operating lease liability		–	4 085 158	–	–
Trade and other payables	25	71 672 558	80 096 267	1 940 790	3 445 474
Deferred income	24	677 887	677 887	–	–
Bank overdraft	18	1 632 132	4 730 432	–	4 730 432
		103 597 870	130 310 854	125 982 664	139 067 514
Total Liabilities		236 989 644	233 975 374	125 982 664	151 004 400
Total Equity and Liabilities		1 337 755 480	1 319 299 051	1 020 972 762	1 016 275 816
Net asset value per share (cents)	43	432.54	521.25		
Tangible net asset value per share (cents)	43	344.75	413.75		

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2020

	Notes	Group		Company	
		2020 R	2019 R	2020 R	2019 R
Revenue	27	727 040 453	835 823 568	8 400 000	8 400 000
Rental income from investment property		–	–	3 673 869	3 673 869
Cost of sales	28	(448 827 639)	(515 275 407)	–	–
Gross profit		278 212 814	320 548 161	12 073 869	12 073 869
Other operating income	29	994 265	2 999 418	682 407	1 303 264
Operating expenses		(283 773 403)	(308 852 077)	(17 411 654)	(21 965 642)
Operating (loss)/profit	30	(4 566 324)	14 695 502	(4 655 378)	(8 588 509)
Investment income	31	882 879	2 532 411	1 502	1 459
Profit from equity-accounted investment	9	476 798	46 331 599	–	–
Finance costs	32	(18 712 646)	(16 489 095)	(1 983 637)	(1 508 606)
(Loss)/profit before taxation		(21 919 293)	47 070 417	(6 637 513)	(10 095 656)
Taxation	33	4 546 657	(3 029 811)	–	–
(Loss)/profit for the year		(17 372 636)	44 040 606	(6 637 513)	(10 095 656)
Total comprehensive (loss)/income for the year		(17 372 636)	44 040 606	(6 637 513)	(10 095 656)
Total comprehensive (loss)/income attributable to:					
Equity holders of the parent		(17 372 636)	44 040 606	(6 637 513)	(10 095 656)
		(17 372 636)	44 040 606	(6 637 513)	(10 095 656)
Basic (loss)/earnings per share (cents)	43	(8.12)	21.21		
Diluted (loss)/earnings per share (cents)	43	(8.12)	21.19		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2020

Group	Stated capital R	Equity-based share option reserve R	Retained income R	Total equity R
Balance at 31 March 2018	644 443 723	12 025 844	378 928 819	1 035 398 386
Profit for the year	–	–	44 040 606	44 040 606
Total comprehensive income for the year	–	–	44 040 606	44 040 606
Issue of shares	3 559 372	–	–	3 559 372
Employees' share option scheme	–	2 325 313	–	2 325 313
Balance at 31 March 2019	648 003 095	14 351 157	422 969 425	1 085 323 677
Impact of IFRS 16 adoption	–	–	(3 541 400)	(3 541 400)
Loss for the year	–	–	(17 372 636)	(17 372 636)
Other comprehensive income for the year	–	–	–	–
Total comprehensive income for the year	–	–	(20 914 036)	(20 914 036)
Issue of shares	37 478 911	–	–	37 478 911
Rights issue expenses capitalised	(2 699 286)	–	–	(2 699 286)
Employees' share option scheme	–	(3 707 268)	5 283 838	1 576 570
Balance at 31 March 2020	682 782 720	10 643 889	407 339 227	1 100 765 836
Notes	20	21	2.1	

Company	Stated capital R	Equity-based share option reserve R	Retained income R	Total equity R
Balance at 31 March 2018	644 443 723	12 025 844	213 012 820	869 482 387
Profit for the year	–	–	(10 095 656)	(10 095 656)
Total comprehensive profit for the year	–	–	(10 095 656)	(10 095 656)
Issue of shares	3 559 372	–	–	3 559 372
Employees' share option scheme	–	2 325 313	–	2 325 313
Balance at 31 March 2019	648 003 095	14 351 157	202 917 164	865 271 416
Loss for the year	–	–	(6 637 513)	(6 637 513)
Total comprehensive income for the year	–	–	–	–
Total comprehensive loss for the year	–	–	(6 637 513)	(6 637 513)
Issue of shares	34 779 625	–	–	34 779 625
Employees' share option scheme	–	(3 707 268)	5 283 838	1 576 570
Balance at 31 March 2020	682 782 720	10 643 889	201 563 489	894 990 098
Notes	20	21		

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2020

	Notes	Group		Company	
		2020 R	2019 R	2020 R	2019 R
Cash flows from operating activities					
Cash generated from/(used in) operations	34	34 647 822	66 574 487	(5 056 268)	(6 468 173)
Interest income		882 879	2 532 411	1 502	1 459
Finance costs	32	(10 831 740)	(16 200 978)	(1 983 637)	(185 506)
Taxation paid	35	(467 600)	(3 763 466)	–	–
Net cash from/(used in) operating activities		24 231 361	49 142 454	(7 038 403)	(6 652 220)
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(12 373 063)	(19 945 027)	–	(41 590)
Disposal of property, plant and equipment	4	2 459 119	3 668 768	–	–
Loans repaid		156 645	1 100 000	156 645	1 100 000
Net cash (used in)/from investing activities		(9 757 299)	(15 176 259)	156 645	1 058 410
Cash flows from financing activities					
Proceeds on share issue	20	34 779 624	–	34 779 624	–
Repayment of other financial liabilities	36	(30 286 588)	(39 687 472)	(18 786 750)	–
Payments of principal on leases	23	(6 468 123)	–	–	–
Payments of interest on leases	23	(5 843 084)	–	–	–
Advances of loans (to)/from group companies		–	–	–	525 394
Net cash (used in)/from financing activities		(7 818 171)	(39 687 472)	15 992 874	525 394
Total cash and cash equivalents movement for the year		6 655 891	(5 721 277)	9 111 116	(5 068 416)
Cash and cash equivalents at the beginning of the year		(1 906 564)	3 814 713	(4 730 432)	337 984
Total cash and cash equivalents at end of the year	18	4 749 327	(1 906 564)	4 380 684	(4 730 432)

ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with IFRS of the International Accounting Standards Board (IASB), the Companies Act, the JSE Listings Requirements and the South African Institute for Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African rand. Accounting policies that refer to “consolidated or group”, apply equally to the company financial statements where relevant.

As a result of the adoption of the new and amended standards and interpretations in issue that were effective for the first time in the current reporting period, a number of new policies were introduced. However, the adoption of certain of these new and amended standards and interpretations seem to have a material impact on the annual financial statements in the current period. Refer to note 2.1 for details of standards adopted and their impact on the current period.

The accounting policies are in terms of IFRS and are consistent with the previous year, except for the change in the new or revised accounting standards and interpretations of those standards that were adopted.

1.1 Consolidation

Basis of consolidation

The group consolidates its subsidiaries. The group's interest in its associate is accounted for using the equity method of accounting. Accounting policies are applied consistently in all group companies.

The results of the subsidiaries are included for the duration of the period in which the group exercised control over the subsidiaries.

Business combinations are accounted for using the acquisition method as the acquisition date – ie, when control is transferred to SepHold. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

All intra-group transactions, balances, income and expenses relating to subsidiaries are eliminated in full on consolidation.

Investment in associates and joint ventures

An investment in an associate/a joint venture is accounted for using the equity method. Under the equity method, investments in associates/joint ventures are carried in the consolidated statement of financial position at cost, adjusted for post-acquisition changes in the group's share of net assets of the associate/joint venture, less any impairment losses.

The group recognises its share of losses of the associate/joint ventures to the extent of the group's net investment in the associate/joint venture.

The group's share of unrealised intra-company gains are eliminated upon consolidation, and the group's share of intra-company losses is also eliminated provided they do not provide evidence that the asset transferred is impaired.

The group's share of post-acquisition profits or losses, other comprehensive income and movements in equity of the associate are included in the group's profit or loss, other comprehensive income and equity reserves respectively.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade and other receivables

The group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. During the current year, the majority of the group's trade debtors were insured which had an impact on the calculation of the expected credit loss.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

1.2 Significant judgements and sources of estimation uncertainty (continued)

Loans receivable

Definition of default

- The loans are considered to be in default when there is evidence that the borrower is in significant financial difficulty such that it will have insufficient funds to repay the loan on demand. This is assessed based on a number of factors including various liquidity and solvency ratios.

Significant increase in credit risk (SICR) assessment

- This assessment is performed qualitatively by reference to the borrower's cash flow and liquid asset position. The risk that the borrower will default on a demand loan depends on whether the borrower has sufficient cash or other liquid assets to repay the loan immediately (meaning that the risk of default is very low, possibly close to 0%) or it will not (meaning that the risk of default is very high, possibly close to 100%).

Credit impaired indicators

- The loans are considered to be credit impaired if they meet the definition of a defaulted loan.

Options granted

Management used the Black-Scholes model and the Binomial valuation model as specified in note 21 to determine the fair value of the options at issue date. Additional details regarding the estimates are included in note 21. No new options were granted during the current period.

Impairment testing of goodwill and investment in subsidiaries

The recoverable amount of the cash-generating unit (Métier) has been determined on a value-in-use calculation, using cash flow projections which cover a three-year period and a terminal value calculation. This was also tested against projected EBITDA multiples as a control.

The following assumptions have been applied when reviewing goodwill in calculating the terminal value, as specific budget numbers were used for the three-year forecast. This consisted of a best estimate for FY 2021 with a slight improvement for FY 2022 not expecting lockdown restrictions as experienced under level 4 or 5. FY 2023 will see a return to 2019 volume levels in the calculation:

- A growth rate of 5.24% (2019: 5.24%) was applied and cash flows were discounted at a pre-tax rate of 16.50% (2019: 17.93%), which is the estimated cost of capital as it relates to Métier. The discount rate is slightly higher than last year due to the increase in the SA risk-free rate during the period. This was off-set by the lowering of the SA borrowing costs on the other hand.
- Asset values were based on the carrying amounts for the financial period.
- Future profits were estimated using historical information and approved three year budgets.
- Sales growth/gross margins were based on historical achievement and estimated future prospects being extremely volatile in the recovery of a post-COVID-19 economy.
- Costs were assumed to grow in line with expansion and expected inflation.
- Cash flows have been extended into perpetuity at the growth rates noted above as management has no reason to believe the company will not continue past the budget period.

Management performed the impairment tests at both 31 March and 30 June 2020. Due to the announcement of the COVID-19 lockdown just before year-end as well as the ratings downgrade, South Africa's risk-free rate jumped by about 2% overnight and remained at that level for about two months. If the rates of that period were used, there would be indications that an impairment of about R25 million should be considered. However, by 30 June 2020 rates normalised and a review of the impairment indicates that some headroom of R25 million supported the decision not to impair at this point in time. This will be reviewed every six months under the current economic circumstances.

Estimation of useful lives and residual values

The estimation of the useful lives of assets is based on historic performance as well as expectations about future use, and therefore requires a significant degree of judgement to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes (refer to accounting policy 1.4 property, plant and equipment). Residual value assessments consider issues such as future market conditions, the remaining lives of the assets and projected disposal values.

The useful life of the intangible asset is assessed, at a minimum, on an annual basis, or when there are indicators present that there is a change from the previous estimate. Estimates of the useful life of the intangible asset are based on the remaining customer contractual period of nil months (2019: 3 months). The contract was completed during September 2019.

1.3 Investment property

Investment property is held at fair value.

The fair value of the investment property is assessed based on the value of similar properties in the area.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

1.4 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Property, plant and equipment are subsequently stated at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Depreciation of an asset commences when the asset is available for use as intended by management.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	*
Buildings	30 years
Plant and machinery	10 – 15 years
Furniture and fixtures	6 years
Motor vehicles	5 – 8 years
Office equipment	5 years
Computer equipment	3 – 6 years

* Land is not depreciated as it has an indefinite useful life.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period.

The depreciation charge for each period is recognised in profit or loss.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. This is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Intangible asset

Intangible assets acquired in a business combination are initially recognised at fair value.

The amortisation period and the amortisation method for intangible assets are reviewed at every year-end.

Due to the Métier acquisition during the 2013 period the Vulindlela Development Association customer contract was signed for a five-year period. This contract was extended on 31 December 2013 to a seven-year period. On 25 June 2016, the contract was further extended to an eight-year contract period, this resulted in a change in accounting estimate. Amortisation is provided to write down the Vulindlela Development Association customer contract classified as an intangible asset on a straight-line basis over the contractual period. Any amendments to the contract period are accounted for as a change in accounting estimate in line with IAS 8. The residual value for the contract is nil. During the current year the contract came to an end.

1.6 Investments in subsidiaries

Company annual financial statements

In the company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

1.7 Investment in joint ventures

Company annual financial statements

In the company's separate annual financial statements, an investment in a joint venture is carried at cost less any accumulated impairment.

1.8 Investment in associate

Company annual financial statements

In the company's separate financial statements, an investment in an associate is carried at cost less any accumulated impairment.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

1.9 Financial instruments

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9 *Financial Instruments*.

Broadly, the classification possibilities, which are adopted by the group, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the group are presented below:

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- Amortised cost;
- Fair value through profit or loss (FVTPL); and
- Fair value through other comprehensive income (FVOCI).

In the periods presented the group does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

1.9 Financial instruments (continued)

Fair value determination

If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

The impairment requirements use more forward-looking information to recognise expected credit losses – the expected credit loss (ECL) model.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1);
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2); and
- Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date. 12-month expected credit losses are recognised for the first category while lifetime expected credit losses are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are considered indicators of impairment.

Trade and other receivables

The group makes use of a simplified approach in accounting for trade and other receivables, as well as contract assets, and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the group uses its historical experience external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and they have been grouped based on the days past due. Refer to note 17 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

Classification and measurement of financial liabilities

The group's financial liabilities include borrowings and trade and other payables. Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges are included within finance costs or finance income.

Trade and other payables

Trade and other payables are classified as financial liabilities at amortised cost.

Cash and cash equivalents

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

Cash and cash equivalents are classified as financial instruments at carrying amount which is deemed to be fair value.

Bank overdraft and other financial liabilities

Any difference between the proceeds (net of transaction costs) and the settlement or redemption of other financial liabilities is recognised over the term of the other financial liabilities in accordance with the group's accounting policy for borrowing costs.

Other financial liabilities are classified as financial liabilities at amortised cost.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

1.10 Taxation

Current taxation assets and liabilities

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

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

Deferred taxation assets and liabilities

A deferred taxation liability is recognised for all taxable temporary differences, except to the extent that the deferred taxation liability arises from the initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting profit nor taxable profit or taxation loss.

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

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

Taxation expenses

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

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

Current taxation and deferred taxations are charged or credited in other comprehensive income if the taxation relates to items that are credited or charged, in the same or a different period, in other comprehensive income.

1.11 Leases

The group and company have applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated.

Lessee IFRS 16 current year

At inception of a contract, the group and company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive right, then the asset is not identified;
- the group and company have the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the group and company have the right to direct the use of the asset. The group and company have this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the group and company have the right to direct the use of the asset if either:
 - the group and company have the right to operate the asset; or
 - the group and company designed the asset in a way that predetermines how and for what purpose it will be used.

The group recognises right-of-use assets and lease liabilities at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-to-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the prime interest rate as published by the South African Reserve Bank on date of contract closure. Looking forward, if the group were to seek funding it is anticipated that it will be at a rate equal to the prime interest rate.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

1.11 Leases (continued)

Lessee IFRS 16 current year (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
 - the exercise price under a purchase option that the group and company are reasonably certain to exercise, lease payments in an optional renewal period if the group and company are reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the group and company are reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's and company's estimate of the amount expected to be payable under a residual value guarantee, or if the group or company change their assessment of whether it will exercise a purchase, extension or terminate option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The group and company have elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT and office equipment. The group and company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Impact on prior years

The group and company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019.

At transition, lease liabilities were measured at present value of the remaining lease payments, discounted at the incremental borrowing rate at the date of initial application. Right-of-use assets were measured at an amount equal to the lease liabilities at initial recognition or at the carrying value for the remainder of the lease period.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

Operating leases – lessor

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

Income for leases is disclosed under other income in profit or loss.

Operating leases – lessee IAS 17 prior year

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

1.12 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the group.

Slow-moving stock assessed to be impaired or obsolete is written down. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

1.13 Impairment of assets

The group assesses at the end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group annually tests goodwill acquired in a business combination for impairment.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

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

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

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

The group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.14 Share-based payments

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

When the services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

Since the fair values of the services received are employee services, their value and the corresponding increase in equity are measured, indirectly, by reference to the fair value of the equity instruments granted.

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

If the share-based payments vest immediately, the services received are recognised in full in profit or loss.

For all equity-settled share-based payment transactions, management assesses, at each reporting period, the number of options expected to vest until vesting. Changes in the estimated number of options expected to vest will be accounted for as part of the cost recognised in each period with the corresponding adjustment taken to equity.

For equity-settled share-based payment transactions, the fair values of the options are determined on grant date and are not subsequently adjusted.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

1.15 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave, sick leave, bonuses, and non-monetary benefits such as medical care) is recognised in the period in which the services are rendered and is not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.16 Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs, is recognised as income in the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income. These grants are recognised as deferred income, and released to operating profit over the average useful lives of the assets, which are seven years.

Grants related to income are separately presented as a credit in profit or loss.

1.17 Revenue from contracts with customers IFRS 15

Revenue arises mainly from the sale of a variety of standard and specialised high-value concrete products to the construction industry. To determine whether to recognise revenue, the group follows a five-step process:

- identifying the contract with a customer;
- identifying the performance obligations;
- determining the transaction price;
- allocating the transaction price to the performance obligations; and
- recognising revenue when the obligation performance is satisfied.

The group often enters into transactions involving a range of the group's products and services. The main source of revenue being the manufacture and supply of quality ready-mixed concrete products for the residential, commercial and industrial markets in South Africa. In all cases, the total transaction price for a contract is allocated among the various performance obligations based on their relative standalone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Sale of concrete products is recognised at a point in time and management services are recognised over time.

The group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the group satisfies a performance obligation before it receives the consideration, the group recognises either a contract asset or a receivable in its statement of financial position.

Service fees included in the price of the product are recognised as revenue over the period during which the service is rendered.

1.18 Borrowing costs

Borrowing costs of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use.

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

All other borrowing costs not directly attributable to the acquisition, construction or production of a qualifying asset are expensed.

1.19 Operating segments

Operating segments are reported on in a manner consistent with internal reporting provided to the chief operating decision maker.

Business segments for management purposes are determined based on the commodities regarded as key to the company's business model and which are actively managed by the company.

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the reportable operating segment, has been identified as the executive board members of the group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/interpretation:	Effective date: Years beginning on or after
• IFRS 16 <i>Leases</i>	1 January 2019
• Amendments to IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
• Amendments to IAS 28 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019

Effects of changes in accounting policies

IFRS 16 *Leases*

IFRS 16 is a new standard that replaces IAS 17 *Leases*, and introduces a single lessee accounting model. The main changes arising from the adoption of IFRS 16 which are likely to impact on the group are as follows:

Company as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short-term leases or leases where the underlying asset has a low value, which are expensed on a straight-line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any remeasurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and remeasured for re-assessments or modifications.
- Remeasurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is remeasured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is remeasured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee remeasures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee remeasures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from the other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 *Leases*.



2. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

2.1 Standards and interpretations effective and adopted in the current year (continued)

The new disclosure as a result of the adoption of IFRS 16 Leases are presented on note 14 Right-of-use assets and note 23 Lease liabilities. The table below shows the impact of IFRS 16 on the group on initial application 1 April 2019:

	31 March 2019 Closing balance R	IFRS 16 impact R	1 April 2019 Opening balance R
Assets			
Right-of-use assets	–	49 419 047	49 419 047
Equity			
Retained earnings	(422 969 425)	3 541 400	(419 428 025)
Liabilities			
Lease liabilities	–	(58 309 595)	(58 309 595)
Operating lease liability	(4 085 158)	3 971 938	(113 220)
Deferred taxation	(21 772 407)	1 377 210	(20 395 197)

Financial impact after the adoption of IFRS 16

	2020 R
Statement of Comprehensive Income	
Rental	12 422 956
Depreciation	(8 912 820)
Interest	(5 843 084)
Net effect on profit/(loss)	(2 332 948)
Statement of Financial Position	
Assets	
Opening balance	49 419 047
Right-of-use assets	1 629 015
Accumulated depreciation	(8 912 820)
	42 135 242
Liabilities	
Opening balance	(58 309 595)
Lease liabilities	(1 630 486)
Repayment	6 478 685
	(53 461 396)
Equity	
Retained earnings	(418 050 815)
Loss for the year IFRS 16 impact	2 332 948
	(415 717 867)

Amendments to IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

The amendments in IFRIC 23 did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The amendments are to be applied retrospectively for fiscal years beginning on or after 1 January 2019. The impact of this amendment was not material on the group's current and prior periods since the associate is equity accounted and the joint venture is not equity accounted as the company is dormant.

2. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the group's accounting periods beginning on or after 1 April 2020 or later periods but are not relevant to its operations:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
Amendments to references to the conceptual framework in IFRS standards	1 January 2020	Unlikely there will be a material impact
Amendments to IFRS 3 <i>Definition of Business</i>	1 January 2020	Unlikely there will be a material impact
Amendments to IAS 1 and IAS 8 <i>Definition of Material</i>	1 January 2020	Unlikely there will be a material impact

3. INVESTMENT PROPERTY

Company	2020			2019		
	Cost R	Accumulated fair value adjustment R	Fair value R	Cost R	Accumulated fair value adjustment R	Fair value R
Investment property	–	–	–	18 503 897	–	18 503 897

Reconciliation of investment property

Company	2020			2019		
	Opening balance R	Classified as held for sale R	Total R	Opening balance R	Additions R	Total R
Investment property	18 503 897	(18 503 897)	–	18 427 525	76 372	18 503 897

The investment property was transferred to assets held for sale during the year under review. SepHold entered into a sale agreement with Ikarus Investments Proprietary Limited at a similar value as the carrying value.

Pledged as security

The land was pledged as security during the prior year for the R2 million ABSA overdraft facility of SepHold (refer to note 22).

Other disclosures

During the prior financial year and up to the point when it met the held for sale criteria the investment property was leased out under an operating lease to Métier. The addendum to the initial operating lease contract commenced on 31 March 2016 and was for a period of 10 years which may be renewed for a further five-year period. The rentals payable were subject to an increase of 4% per annum as Métier is directly responsible for expenditure that is subject to inflation. Since the investment property is owner-occupied on group level, it has been reclassified to property, plant and equipment for consolidation purposes.

	Group		Company	
	2020 R	2019 R	2020 R	2019 R
Total straightlined rental income from investment property	–	–	–	3 673 869
Details of property				
Erf 398 Randjespark Ext 121				
– Purchase price: 10 December 2013	–	–	–	4 017 750
– Additions since purchase	–	–	–	76 372
– Capitalised expenditure	–	–	–	14 409 775
	–	–	–	18 503 897

4. PROPERTY, PLANT AND EQUIPMENT

Group	2020			2019		
	Cost/valuation R	Accumulated depreciation R	Carrying value R	Cost/valuation R	Accumulated depreciation R	Carrying value R
Land	2 666 309	–	2 666 309	6 736 296	–	6 736 296
Buildings	–	–	–	14 433 910	–	14 433 910
Plant and machinery	106 040 845	(46 872 987)	59 167 858	104 028 558	(42 816 497)	61 212 061
Furniture and fixtures	1 004 537	(788 416)	216 121	1 004 537	(698 840)	305 697
Motor vehicles	160 629 860	(99 137 250)	61 492 610	160 496 265	(97 126 349)	63 369 916
Office equipment	24 966	(22 872)	2 094	24 966	(19 278)	5 688
Computer equipment	4 140 123	(3 413 632)	726 491	4 077 141	(3 080 918)	996 223
Total	274 506 640	(150 235 157)	124 271 483	290 801 673	(143 741 882)	147 059 791

Company	2020			2019		
	Cost/valuation R	Accumulated depreciation R	Carrying value R	Cost/valuation R	Accumulated depreciation R	Carrying value R
Furniture and fixtures	143 177	(128 897)	14 280	143 177	(105 034)	38 143
Office equipment	24 966	(22 872)	2 094	24 966	(19 278)	5 688
Computer equipment	183 300	(172 280)	11 020	183 300	(135 965)	47 335
Total	351 443	(324 049)	27 394	351 443	(260 277)	91 166

Reconciliation of property, plant and equipment

Group	Opening balance R	Additions R	Disposals R	Classified as held for sale R	Depreciation R	Total R
2020						
Land	6 736 296	–	–	(4 069 987)	–	2 666 309
Buildings	14 433 910	–	–	(14 433 910)	–	–
Plant and machinery	61 212 061	3 644 778	(505 437)	–	(5 183 544)	59 167 858
Furniture and fixtures	305 697	–	–	–	(89 576)	216 121
Motor vehicles	63 369 916	8 469 750	(2 381 178)	–	(7 965 878)	61 492 610
Office equipment	5 688	–	–	–	(3 594)	2 094
Computer equipment	996 223	258 531	(14 535)	–	(513 728)	726 491
	147 059 791	12 373 059	(2 901 150)	(18 503 897)	(13 756 320)	124 271 483

Reconciliation of property, plant and equipment

Group	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
2019					
Land	6 736 296	–	–	–	6 736 296
Buildings	14 357 537	76 373	–	–	14 433 910
Plant and machinery	53 996 777	12 008 167	(66 532)	(4 726 351)	61 212 061
Furniture and fixtures	375 616	35 556	–	(105 475)	305 697
Motor vehicles	67 543 665	6 948 743	(3 210 854)	(7 911 638)	63 369 916
Office equipment	10 681	–	–	(4 993)	5 688
Computer equipment	644 538	876 187	(5 134)	(519 368)	996 223
	143 665 110	19 945 026	(3 282 520)	(13 267 825)	147 059 791

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**Reconciliation of property, plant and equipment**

Company	Opening balance R	Depreciation R	Total R
2020			
Furniture and fixtures	38 143	(23 863)	14 280
Office equipment	5 688	(3 594)	2 094
Computer equipment	47 335	(36 315)	11 020
	91 166	(63 772)	27 394

Company	Opening balance R	Additions R	Depreciation R	Total R
2019				
Furniture and fixtures	62 006	–	(23 863)	38 143
Office equipment	10 681	–	(4 993)	5 688
Computer equipment	30 411	41 590	(24 666)	47 335
	103 098	41 590	(53 522)	91 166

During the financial year land with a value of R4 069 987 and buildings of R14 433 910 transferred to held for sale assets. Construction of the building, was completed during FY 2017. There were additional expenditure during the prior year of R76 373. The residual value of the building is considered to be in excess of the cost thereof, as such no depreciation was recognised on the building prior to the classification to held for sale. Refer to note 19 for further details.

Pledged as security

All movable assets are pledged as security for other financial liabilities as per note 22.

	Group		Company	
	2020 R	2019 R	2020 R	2019 R
Details of land and buildings				
Portion 0 of Erf 233, Phoenix Industrial Park				
– Purchase price: 12 June 2009	2 400 000	2 400 000	–	–
– Capitalised expenditure	266 309	266 309	–	–
	2 666 309	2 666 309	–	–
Erf 398 Randjespark Ext 121				
– Purchase price: 10 December 2013	–	4 017 750	–	–
– Capitalised expenditure (land)	–	52 237	–	–
– Capitalised expenditure (building)	–	14 433 910	–	–
	–	18 503 897	–	–

5. GOODWILL

Group	2020			2019		
	Cost R	Accumulated impairment R	Carrying value R	Cost R	Accumulated impairment R	Carrying value R
Goodwill on acquisition of subsidiary	223 421 981	–	223 421 981	223 421 981	–	223 421 981

Reconciliation of goodwill

Group	2020		2019	
	Opening balance R	Total R	Opening balance R	Total R
Goodwill	223 421 981	223 421 981	223 421 981	223 421 981

Impairment testing

In accordance with IAS 36 *Impairment of Assets*, goodwill is reviewed annually for impairment, or more frequently if there is an indication that goodwill might be impaired. The decline in profitability of Métier over the last two to three years focused the attention on the goodwill assessment. Management believes that trading results are representative of the cycle in which construction and a number of other industries currently find themselves in. It is also envisaged that this might still continue for a period of up to 18 months. Based on this a three-year forward-looking model was used in assessing the current position. The company assets and key employees are all well positioned to return to prior levels of turnover and profitability once the cycle recovers. Substantial cost cutting and restructuring took place across the operations to ensure that the company is best positioned to face the challenges during and post COVID-19.

Based on the results of the impairment test performed, no impairment is required. Refer to accounting policy 1.2 *Impairment testing of goodwill and investments in subsidiaries* for inputs used for the impairment test.

6. INTANGIBLE ASSET

Group	2020			2019		
	Cost/valuation R	Accumulated amortisation R	Carrying value R	Cost/valuation R	Accumulated amortisation R	Carrying value R
Customer contract	20 438 713	(20 438 713)	–	20 438 713	(19 865 203)	573 510

Reconciliation of intangible asset

Group	2020			2019		
	Opening balance R	Amortisation R	Total R	Opening balance R	Amortisation R	Total R
Customer contract	573 510	(573 510)	–	2 867 551	(2 294 041)	573 510

Amortisation and change in accounting estimate

The intangible asset was fully amortised during the year under review.

7. INVESTMENTS IN SUBSIDIARIES**Company**

Name of company	% holding 2020	Cost R	Accumulated impairment R	Carrying amount 2020 R
Sephaku Investment Holdings Proprietary Limited	100.00	1	–	1
Métier Mixed Concrete Proprietary Limited	100.00	299 378 028	–	299 378 028
		299 378 029	–	299 378 029

Name of company	% holding 2019	Cost R	Accumulated impairment R	Carrying amount 2019 R
Sephaku Investment Holdings Proprietary Limited	100.00	1	–	1
Métier Mixed Concrete Proprietary Limited	100.00	299 378 028	–	299 378 028
		299 378 029	–	299 378 029

Subsidiaries are shown at carrying amounts, net of impairment. All the subsidiaries are registered and operate within South Africa. Reduced profitability and general economic downturn in the construction industry were identified as indicators of impairment. The same assumptions were applied as with the test for goodwill impairment in the performance of an impairment test on the investment. During the implementation of the government-enforced lockdown levels 5 and 4, Métier concluded a substantial restructuring of the business cutting costs on all levels, including employees and reducing fleet to improve transport utilisation. The post-level 4 structure supports management's view that this can quickly be turned around if infrastructure spend picks up and, also bearing in mind that debt is reducing by R36 million per year. Therefore, no impairment was necessary.

8. JOINT ARRANGEMENTS**Joint ventures**

The following table lists all of the joint ventures in the group:

Group

Name of company	% ownership interest 2020	% ownership interest 2019	Carrying amount 2020 R	Carrying amount 2019 R
Cato Ridge Quarry Proprietary Limited	50.00	50.00	120 552	120 552

SepHold, on behalf of the group, entered into a joint venture agreement during the prior year. Umhlali Quarry Proprietary Limited transferred 50% of their interest in Cato Ridge Quarry Proprietary Limited as per the signed quarry agreement. The percentage ownership interest is equal to the percentage voting rights in this case. There were no additional costs incurred during the year under review. There is no equity accounting since the company is dormant.

9. INVESTMENT IN ASSOCIATE

Sephaku Holdings Limited has a 36% ownership interest in Dangote Cement South Africa Proprietary Limited. The associate is unlisted and is registered and operates within South Africa.

Summary of group's interest in associate	2020 R	2019 R
Company level: Cost of investment in associate	635 117 284	635 117 284
Proportional increase in investment	48 571 875	48 571 875
Equity-accounted earnings – prior years	127 305 052	80 973 453
Equity-accounted earnings – current year	476 798	46 331 599
Revaluation reserve relating to land of associate – written back due to change in accounting policy	1 207 663	1 207 663
Group level: Carrying value of investment in associate	812 678 672	812 201 874

Due to the fact that the debt service ratio was 1.225 during the 2017 year instead of the required 1.3, negotiations were entered into with Nedbank to reshape the payment profile. This was successfully completed during the second half of 2017 and required a further R95 million contribution by shareholders. DCP made this contribution and in terms of the relationship agreement, SepHold will have to contribute 36% of this on demand or face dilution of approximately 1.2 percentage points. The shareholders are still in agreement with regards to the postponement of the timing of the repayment or dilution. SepHold has a potential liability of R34,2 million or a dilution in investment.

SepCem started the previous financial year with a cash balance of R500 million and was in the process of agreeing a prepayment of R200 million on its bank debt in order to get relief of R25 million per payment on the next eight scheduled payments. Just before the payment was made, the government-enforced lockdown due to COVID-19 commenced and the overhead costs during this period required all these excess funds. It is envisaged that the impact of COVID-19 on SepCem could be a reduction in EBITDA levels that would not be able to service debt for the current year. The lenders have been approached to waive capital payments for the balance of 2020 and receive interest only, but this was only to be considered if shareholders made a contribution of R125 million. DCP undertook to make this contribution and shareholders have agreed to treat this as a shareholders' loan.

Impairment testing

During the COVID-19 lockdown SepCem generated four likely scenarios of the way forward. Results seen from level 3 indicate that scenario two is the most likely outcome of a post COVID-19 recovery. This scenario was used for impairment testing of the associate. No impairment would be required if this forecast is achieved. The net asset value of the associate is R1 619 823 998 (2019: R1 624 828 550) as indicated below.

Summarised financial information of Dangote Cement South Africa Proprietary Limited and its subsidiaries

	2020* R	2019* R
Non-current assets	3 137 728 002	3 277 241 222
Current assets	985 419 948	896 605 658
Total assets	4 123 147 950	4 173 846 880
Total equity	1 619 823 998	1 624 828 550
Non-current liabilities	(1 544 718 955)	(1 903 059 030)
Current liabilities	(958 604 997)	(645 959 300)
Total liabilities	(2 503 323 952)	(2 549 018 330)
Revenue for the period	2 184 713 377	2 292 157 090
Cost of sales	(1 838 460 514)	(1 852 356 625)
Gross profit	346 252 863	439 800 465
Operating profit	178 680 758	280 615 454
Investment income	26 641 729	26 492 846
Finance costs	(234 675 157)	(250 658 856)
(Loss)/profit before taxation	(29 352 670)	56 449 444
Taxation income	30 677 092	72 248 404
Profit after taxation for the period	1 324 422	128 697 848
Total comprehensive income for the period	1 324 422	128 697 848

* SepCem has a December year-end so as to agree with DCP's year-end. In line with the requirements of IAS 28, the year-end results of SepCem as at 31 December 2019 have been included in these financial statements.

	Group		Company	
	2020 R	2019 R	2020 R	2019 R
10. LOANS TO/(FROM) GROUP COMPANIES				
Subsidiary				
Métier Mixed Concrete Proprietary Limited	–	–	–	(17 303 100)
The loan was settled in full during the current year. During the prior year the loan was unsecured, with interest at a fixed rate of 8% effective 31 March 2016, and would have been repaid over ten years in equal monthly instalments.				
Métier Mixed Concrete Proprietary Limited	–	–	(124 041 874)	(125 000 000)
The loan is unsecured, interest free and is repayable on demand. SepHold plans to settle a variable amount on a monthly basis during the new financial year.				
Métier Mixed Concrete Proprietary Limited	–	–	–	(525 394)
The loan was repaid in full during the current year. During the prior year the loan was unsecured and interest free.				
Sephaku Investment Holdings Proprietary Limited	–	–	10 379	10 249
The loan is unsecured, interest free and is repayable on demand with a 12-month notice period. If there is an expected credit loss allowance it is assumed immaterial.				
	–	–	(124 031 495)	(142 818 245)
The fair values of the loans are substantially the same as the carrying amounts reflected on the statement of financial position.				
Current assets	–	–	10 379	10 249
Non-current liabilities	–	–	–	(11 936 886)
Current liabilities	–	–	(124 041 874)	(130 891 608)
Total	–	–	(124 031 495)	(142 818 245)

	Group		Company	
	2020 R	2019 R	2020 R	2019 R
11. OTHER FINANCIAL ASSETS				
Other long-term financial assets				
Union Atlantic Minerals Limited	1 073 054	1 073 054	1 073 054	1 073 054
Cross Company Management Proprietary Limited (CCM)	9 688 681	9 845 327	9 688 681	9 845 327
These loans are unsecured, bear no interest and are repayable on demand.				
The CCM loan is in default as there is not sufficient cash in the company to repay the loan on demand. However, the loan is supported by shares in companies that were funded through the application of funds made available. Management has assessed the value of these underlying shares and are satisfied that the loan would be recoverable in full in the foreseeable future.				
	10 761 735	10 918 381	10 761 735	10 918 381
Non-current assets				
At amortised cost	10 761 735	10 918 381	10 761 735	10 918 381

The maximum exposure to credit risk at the reporting date is the carrying value of each class of loan mentioned above.

12. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Group	Assets at amortised cost R	Assets at fair value R	Non-financial instruments* R	Total R
2020				
Other financial assets	10 761 735	–	–	10 761 735
Trade and other receivables	78 265 448	–	805 407	79 070 855
Cash and cash equivalents	6 381 459	–	–	6 381 459
Other investments	–	2 000 000	–	2 000 000
	95 408 642	2 000 000	805 407	98 214 049
2019				
Other financial assets	10 918 381	–	–	10 918 381
Trade and other receivables	100 266 577	–	582 430	100 849 007
Cash and cash equivalents	2 823 868	–	–	2 823 868
Other investments	–	2 000 000	–	2 000 000
	114 008 826	2 000 000	582 430	116 591 256

* Non-financial instruments of the group consist of pre-payments R637 599 (2019: R539 175) and value added taxation R167 808 (2019: R43 255).

Company	Assets at amortised cost R	Assets at fair value R	Non-financial instruments R	Total R
2020				
Loans to group companies	10 379	–	–	10 379
Other financial assets	10 761 735	–	–	10 761 735
Trade and other receivables	–	–	520 190	520 190
Cash and cash equivalents	4 380 684	–	–	4 380 684
Other investments	–	2 000 000	–	2 000 000
	15 152 798	2 000 000	520 190	17 672 988
2019				
Loans to group companies	10 249	–	–	10 249
Other financial assets	10 918 381	–	–	10 918 381
Trade and other receivables	–	–	215 424	215 424
Other investments	–	2 000 000	–	2 000 000
	10 928 630	2 000 000	215 424	13 144 054

13. DEFERRED TAXATION**Deferred taxation (liability)/asset**

	Group		Company	
	2020 R	2019 R	2020 R	2019 R
Property, plant and equipment	(26 797 978)	(25 405 780)	–	–
Income received in advance and section 24C allowances	959 098	1 104 649	–	–
Lease liabilities	14 534 609	–	–	–
Expected credit loss allowance	481 130	345 464	–	–
Accrual for leave pay	448 224	450 502	–	–
Right-of-use assets	(10 765 895)	–	–	–
Accrual for management bonus	–	338 034	–	–
Intangible assets	–	(160 583)	–	–
Operating lease accrual	–	1 555 307	–	–
Provision for voluntary severance package	62 806	–	–	–

Total deferred taxation liability	(21 078 006)	(21 772 407)	–	–
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Tax loss available for set-off against future expenses	5 229 467	–	–	–
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Total net deferred taxation liability	(15 848 539)	(21 772 407)	–	–
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Reconciliation of deferred taxation (liability)/asset

At beginning of the year	(21 772 407)	(21 022 839)	–	–
Originating temporary difference on property, plant and equipment	(1 392 199)	(1 162 151)	–	–
Originating temporary difference on income received in advance and section 24C allowance	(145 552)	518 574	–	–
Originating temporary difference on accrual for leave pay	(2 275)	26 705	–	–
Originating temporary difference on expected credit loss allowance	135 665	(914 536)	–	–
Right-of-use assets	2 500 875	–	–	–
Lease liability	(1 811 073)	–	–	–
Increase in tax loss available for set-off against future taxable income	5 229 467	–	–	–
Reversing temporary difference on accrual for management bonus	(338 034)	37 541	–	–
Originating temporary difference on intangible assets	160 583	642 331	–	–
Originating temporary difference on operating lease accrual	1 523 605	101 968	–	–
Provision for voluntary severance package	62 806	–	–	–
	(15 848 539)	(21 772 407)	–	–

Unrecognised deferred taxation asset

Relating to unrecognised taxation losses	122 276 564	116 546 728	122 276 564	116 546 728
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14. RIGHT-OF-USE ASSETS

Net carrying amounts of right-of-use assets

	Cost R	Accumulated depreciation R	Carrying value R
Land	35 602 562	(6 307 547)	29 295 015
Buildings	14 766 859	(2 271 824)	12 495 035
Motor vehicles	678 641	(330 683)	347 958
	51 048 062	(8 910 054)	42 138 008

	Opening balance R	Additions R	Depreciation R	Total R
Reconciliation of right-of-use assets – Group 2020				
Land	34 652 188	950 374	(6 307 547)	29 295 015
Buildings	14 766 859	–	(2 271 824)	12 495 035
Motor vehicles	–	678 641	(330 683)	347 958
	49 419 047	1 629 015	(8 910 054)	42 138 008

The group entered into leasing arrangements for certain of its assets, including land, buildings, motor vehicles and equipment.

The average lease terms are seven years and the average effective borrowing rate was 10.25% per annum.

The company adopted IFRS 16 for the first time in the current financial period. Comparative figures have been accounted for in accordance with IAS 17 and accordingly, any assets recognised under finance leases in accordance with IAS 17 for the comparative have been recognised as part of property, plant and equipment. The information presented in this note for right-of-use assets therefore only includes the current period.

Depreciation recognised on each class of right-of-use assets, are presented above. It includes depreciation which has been expensed in the total depreciation charge in operating loss or profit (note 30).

For the disclosure on interest expenses and the maturity analysis of the lease liabilities refer to note 23.

15. OTHER INVESTMENT

	Group		Company	
	2020 R	2019 R	2020 R	2019 R
Union Atlantic Minerals Limited	2 000 000	2 000 000	2 000 000	2 000 000

During the prior year Union Atlantic Minerals Limited issued 50 000 000 shares at R0.04 per share to CCM on behalf of SepHold. This was due to the delegation agreement on 28 April 2016 with African Nickel Holdings Proprietary Limited and Incubex Minerals Limited to settle the African Nickel Holdings Proprietary Limited debt of R2 000 000. SepHold uses the CCM stockbrokers' account as a nominee account for its shareholding.

The table below analyses assets carried at fair value. The different levels are defined as follows:

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 applies inputs which are not based on observable market data.

	Group		Company	
	2020 R	2019 R	2020 R	2019 R
Level 3				
Union Atlantic Minerals Limited	2 000 000	2 000 000	2 000 000	2 000 000

There is no available information regarding the share price of the shares in Union Atlantic Minerals Limited. The last price before suspension of trade on the stock exchange of R0.04 per share was used as the fair value. The company still owns prospecting rights on which prospecting was done and are in a position to extract value from these. Until the suspension is lifted, which is the focus of current management, it remains difficult to assess what value the market will place on these shares.

	Group		Company	
	2020 R	2019 R	2020 R	2019 R
16. INVENTORIES				
Raw materials, components	9 021 741	10 096 633	–	–
Diesel	2 330 735	2 654 126	–	–
Production supplies	182 886	153 693	–	–
Spare parts	5 228 145	5 249 904	–	–
	16 763 507	18 154 356	–	–

Inventory pledged as security

Inventory is pledged as security for other financial liabilities as per note 22.

	Group		Company	
	2020 R	2019 R	2020 R	2019 R
17. TRADE AND OTHER RECEIVABLES				
Financial instruments:				
Trade receivables	76 544 544	98 546 425	23 753	3 141
Deposits	1 720 904	1 720 152	46 538	46 538
Non-financial instruments:				
Pre-payments	637 599	539 175	282 091	122 490
Value added taxation	167 808	43 255	167 808	43 255
	79 070 855	100 849 007	520 190	215 424

All amounts are short term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Trade and other receivables pledged as security

Trade and other receivables of Métier of R78 550 664 (2019: R100 633 583) are pledged as security for other financial liabilities as per note 22.

Exposure to credit risk

Trade receivables inherently expose the group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the group only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers as well as external bureau data (where available). Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

There were no significant changes in the credit risk management policies and processes since the prior reporting period.

Insurance of debtors was obtained from Credit Guarantee Insurance Corporation (CGIC) during the current and prior financial year and contributed favourably in the assessment of credit risk exposure under IFRS 9.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 *Financial Instruments*, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. The expected credit loss was reached after taking into account the fact that the debtors are insured, thus it has resulted in a decrease in the expected credit loss percentage from the period past due of more than 60 days. These lifetime expected credit losses are estimated using a provision matrix, which is presented overleaf. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward-looking information and general economic conditions of the industry as at the reporting date.

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

Exposure to credit risk (continued)

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles.

The loss allowance provision is determined as follows:

	Current R	More than 30 days past due R	More than 60 days past due R	More than 90 days past due R	More than 120 days past due R	Total R
At 31 March 2020 the lifetime expected loss provision for trade receivables is as follows:						
Gross carrying amount	48 141 295	25 389 702	1 444 185	1 068 288	2 532 561	78 576 031
Less: Insured debtors	36 076 066	20 142 504	1 012 428	804 449	1 521 959	59 557 406
Gross carrying value uninsured trade receivables	12 065 229	5 247 198	431 757	263 839	1 010 603	19 018 656
Less: Specific allowance	714 083	862 047	314 789	195 625	548 222	2 634 766
	11 351 146	4 385 151	116 968	68 244	462 380	16 383 860
Expected credit loss rate	0.70%	2.83%	3.66%	3.91%	4.19%	
Lifetime expected credit loss (excluding value added taxation)	78 917	123 892	4 276	2 669	19 351	229 105
Total expected credit loss (including specific allowance)						2 863 871

At 31 March 2019 the lifetime expected credit loss provision for trade receivables is as follows:

Gross carrying amount	67 158 551	26 785 468	1 865 894	772 420	3 609 164	100 191 496
Less: Insured debtors	42 186 182	23 012 122	724 284	263 659	168 693	66 354 940
Gross carrying value uninsured trade receivables	24 972 369	3 773 346	1 141 609	508 761	3 440 471	33 836 556
Less: Specific allowance	–	–	–	–	1 189 051	1 189 051
	24 972 369	3 773 346	1 141 609	508 761	2 251 420	32 647 505
Expected credit loss rate	0.48%	0.89%	4.11%	9.38%	14.02%	
Lifetime expected credit loss (excluding value added taxation)	104 232	29 202	40 800	41 497	274 478	490 209
Total expected credit loss (including specific allowance)						1 679 260

Management assessed the recoverability of trade receivables after the end of June 2020 and concluded that the outstanding uninsured amount is substantially less than the expected credit loss allowance as at year-end.

Trade and other receivables – allowance for expected credit losses

As at 31 March 2020, trade and other receivables of R2 863 871 (2019: R1 679 260) were provided for.

	Group	
	2020 R	2019 R
Reconciliation of allowance for expected credit losses of trade and other receivables		
Opening balance	1 679 260	6 000 000
Amounts written off as uncollectible	(2 039 751)	(4 594 014)
Provision for impairment	3 224 362	273 274
Closing balance	2 863 871	1 679 260

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.

	Group		Company	
	2020 R	2019 R	2020 R	2019 R
18. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of:				
Cash on hand	120 500	114 000	–	–
Bank balances	6 260 959	2 709 868	4 380 684	–
Bank overdraft	(1 632 132)	(4 730 432)	–	(4 730 432)
	4 749 327	(1 906 564)	4 380 684	(4 730 432)
Current assets	6 381 459	2 823 868	4 380 684	–
Current liabilities	(1 632 132)	(4 730 432)	–	(4 730 432)
	4 749 327	(1 906 564)	4 380 684	(4 730 432)
The fair values of cash and cash equivalents are considered to be equal to the carrying value.				
Métier has an available Standard Bank overdraft facility and a general short-term banking facility of R21 990 000 in total.				
The total amount of undrawn overdraft and term loan facilities available for future operating activities and commitments	20 357 868	29 259 568	–	7 269 568

Credit facilities are secured as per note 22.

19. ASSETS HELD FOR SALE

SepHold entered into a sale agreement with Ikarus Investments Proprietary Limited for the property Erf 398 Randjespark Ext 121 for a sale value of R18 500 000. All guarantees and suretyship including the board resolution approving the sale were submitted to the transfer attorneys. Due to COVID-19 the lodging of the transfer documents was delayed. However, it was submitted at the opening of level 3 to the Deeds office and was registered on 29 July. The land and building were pledged as security for the R2 million ABSA overdraft facility of SepHold, but was settled before year-end.

The assets and liabilities of the disposal group are set out below:

	Group		Company	
	2020 R	2019 R	2020 R	2019 R
Non-current assets held for sale				
Property, plant and equipment	18 503 897	–	–	–
Investment property	–	–	18 503 897	–
Operating lease asset	–	–	1 701 295	–
	18 503 897	–	20 205 192	–

	Group		Company	
	2020 R	2019 R	2020 R	2019 R
20. STATED CAPITAL				
Authorised				
1 000 000 000 Ordinary shares with no par value				
Issued – Ordinary shares with no par value				
208 216 175 (2019: 206 342 821) shares at beginning of period	648 003 095	644 443 723	648 003 095	644 443 723
46 270 261 (2019: 1 873 354) shares issued during the period	37 478 911	3 559 372	37 478 911	3 559 372
Rights issue expenses capitalised	(2 699 286)	–	(2 699 286)	–
254 486 436 (2019: 208 216 175) shares at the end of the period	682 782 720	648 003 095	682 782 720	648 003 095

The total number of 46 270 261 shares for a value of R0,81 per share, issued during the current year related to the rights offer. The company distributed a circular to the company's shareholders dated 27 January 2020 relating to the partially underwritten, renounceable rights offer to raise funds. The rights offer closed on Friday, 14 February 2020 and the directors announced that 43% of the rights offer shares, as well as excess applications for 4%, were subscribed for. The remainder of the shares were allocated to the underwriter as per the underwriting agreement (53%). This resulted in an amount of R37 478 911 being raised and R2 699 287 worth of expenses incurred, which were capitalised.

The unissued ordinary shares are under the control of the directors.

	Number	Weighted exercise price R	Total value R
21. SHARE-BASED PAYMENTS			
Share options granted on 29 June 2012	3 500 000	1,90	6 650 000
Outstanding at 31 March 2019	2 623 354		
Expired in 2020	(2 623 354)		
Outstanding at 31 March 2020	–		
Share options granted on 31 August 2012	1 500 000	1,90	2 850 000
Outstanding at 31 March 2019	750 000		
Expired in 2020	(750 000)		
Outstanding at 31 March 2020	–		
Share options granted on 10 December 2014	1 565 000	6,80	10 642 000
Outstanding at 31 March 2019	1 465 000		
Exercised in 2020	–		
Outstanding at 31 March 2020	1 465 000		
Share options granted on 31 March 2016	1 630 000	4,40	7 172 000
Exercised in 2019	–		
Outstanding at 31 March 2019	1 630 000		
Outstanding at 31 March 2020	1 630 000		
Share options granted on 30 June 2017	1 905 000	3,00	5 715 000
Exercised in 2019	–		
Outstanding at 31 March 2019	1 905 000		
Outstanding at 31 March 2020	1 905 000		
Total share options outstanding at 31 March 2019	8 373 354		
Total share options outstanding at 31 March 2020	5 000 000		
Total share options exercisable at 31 March 2019	4 893 354		
Total share options exercisable at 31 March 2020	3 186 667		

21. SHARE-BASED PAYMENTS (CONTINUED)**Information on options granted on 29 June and 31 August 2012**

On 29 June and 31 August 2012, 3,5 million and 1,5 million American-style share options with an exercise price of R1,90 per share were granted, all of which expired during the year. These options vested over a five-year period on the anniversary of the grant of the third, fourth and fifth year and expired on 29 June and 31 August 2019. No option premium was paid on the date of the grant.

As the options have expired, an amount of R5 283 838 was transferred from the equity-based share option reserve to retained income in the current period.

Information on options granted on 10 December 2014

On 10 December 2014, 1 565 000 American-style share options with an exercise price of R6,80 per share were granted of which 1 465 000 are still outstanding at year-end. These options vest over a five-year period on the anniversary of the grant of the third, fourth and fifth year and expire on 10 December 2021. No option premium was paid on the date of the grant.

Information on options granted on 31 March 2016

On 31 March 2016, 1 630 000 American-style share options with an exercise price of R4,40 per share were granted all of which are still outstanding at year-end. These options vest over a five-year period on the anniversary of the grant of the third, fourth and fifth year and expire on 31 March 2023. No option premium was paid on the date of the grant.

Information on options granted on 1 July 2017

On 1 July 2017, 1 905 000 American-style share options with an exercise price of R3,00 per share were granted all of which are still outstanding at year-end. These options vest over a five-year period on the anniversary of the grant of the third, fourth and fifth year and expire on 1 July 2024. No option premium was paid on the date of the grant.

General share options information

At the start of the 2015 financial year, five million share options were available for distribution under the share option scheme. These share options were distributed as follows:

- 1 565 000 share options granted on 10 December 2014;
- 1 630 000 share options granted on 31 March 2016;
- (100 000) share options returned due to resignation during 2017; and
- 1 905 000 share options granted on 1 July 2017.

A total staff cost of R1 576 570 (2019: R2 325 313) related to equity-settled share-based payments transactions were recognised in 2020 of which R912 348 (2019: R1 432 470) relate to directors and key management personnel.

Refer to the directors' report for the directors' interest in share options.

	Group		Company	
	2020 R	2019 R	2020 R	2019 R
22. OTHER FINANCIAL LIABILITIES				
Held at amortised cost				
Standard Bank – Facility A	1 898 861	40 721 110	–	–
This loan bears interest at the variable JIBAR plus a margin of 3.49%, which is currently 10.475% and is repayable in variable instalments with the final payment made 15 April 2020. The instalments are repayable monthly over a period of three years and include payments of the interest and capital portions.				
Standard Bank – Facility B	91 588 039	81 466 301	–	–
As at year-end, the loan was subject to interest at the variable JIBAR plus a margin of 4%. The loan was subsequently converted after year-end to a R90 million amortising facility and bears interest at the three-month JIBAR plus a margin of 5.25%, which is currently 9.16% and is repayable in varying instalments with the final payment being made 31 March 2023. Lenders have agreed to suspend the repayment of capital on the loan until December 2020. Interest payment will be serviced from 1 March through to December 2020. From January 2021 both capital and interest will be paid on a monthly basis.				
Capitalised transaction costs	–	(451 745)	–	–
Transaction costs of the above loans are capitalised and released to operating expenses over the term of the loan.				
	93 486 900	121 735 666	–	–

The Standard Bank loans are secured as follows:

- General notarial bond granted by Métier in favour of the debt guarantor (a Finance SPV) over all its movable assets, including inventory
- Pledge and cession by SepHold in favour of the debt guarantor, in which SepHold *inter alia* pledges and cedes *in securitatem debiti* to the debt guarantor all its shares in and claims against the borrower
- Cession of insurances by Métier in favour of the debt guarantor, in terms of which Métier cedes *in securitatem debiti* to the debt guarantor all of its right, title and interest in and to all insurances over its assets
- Cession of debts by Métier in favour of the debt guarantor, in terms of which Métier cedes *in securitatem debiti* to the debt guarantor, all of its right, title and interest in and to all of its debtors
- Special notarial bond by Métier in favour of the debt guarantor over specified movable assets
- The deed of security over the domain name www.metiersa.co.za entered into between Métier (as cedent) and the debt guarantor (as cessionary) and any notices or acknowledgements required thereunder, in terms of which Métier cedes *in securitatem debiti* to the debt guarantor all of its right, title and interest in and to the domain name.

Total term lending facilities are R90 000 000 (2019: R120 721 110).

Non-current liabilities				
At amortised cost	71 846 168	81 014 556	–	–
Current liabilities				
At amortised cost	21 640 732	40 721 110	–	–
	93 486 900	121 735 666	–	–

The fair values of these financial liabilities are substantially the same as the carrying amounts reflected on the statement of financial position as they bear interest at market-related rates.

23. LEASE LIABILITIES**Minimum lease payments due**

– Within one year

– In second to fifth year inclusive

– Later than five years

Less: Future finance costs

Present value of minimum lease payments

	Group		Company	
	2020 R	2019 R	2020 R	2019 R
	13 109 039	–	–	–
	57 003 207	–	–	–
	1 165 500	–	–	–
	71 277 746	–	–	–
	(17 805 788)	–	–	–
	53 471 958	–	–	–

	Opening balance R	New lease liabilities R	Finance costs R	Repayments R	Closing balance R
Reconciliation of lease liabilities – 2020					
Lease liabilities	58 309 595	1 630 486	5 843 084	(12 311 207)	53 471 958

It is group policy to lease several assets, including buildings, land, plant and computer equipment under finance leases.

The average lease term is seven years.

The group adopted IFRS 16 for the first time in the current financial period. Comparative figures have been accounted for in accordance with IAS 17. Refer to note 37 for further details. Future finance charges on lease liabilities are presented above. The current year's finance costs of R5 843 084 have been included in the total finance costs as per note 32.

24. DEFERRED INCOME

No government grants relating to assets were received during 2020. These grants are recognised as deferred income, and released to operating profit over the average useful lives of the assets, which are seven years. The total recognised in operating profit for 2020 amounts to R677 887 (2019: R677 887).

	Group		Company	
	2020 R	2019 R	2020 R	2019 R
Movement for the period:				
Opening balance	1 555 444	2 233 331	–	–
Received during the year	–	–	–	–
Amortisation	(677 887)	(677 887)	–	–
Closing balance	877 557	1 555 444	–	–
Non-current liabilities	199 670	877 557	–	–
Current liabilities	677 887	677 887	–	–
	877 557	1 555 444	–	–

	Group		Company	
	2020 R	2019 R	2020 R	2019 R
25. TRADE AND OTHER PAYABLES				
Financial instruments:				
Trade payables	56 282 940	60 078 529	800 112	2 040 511
Credit cards	5 218	10 569	5 218	10 569
Other payables	–	1 468 327	–	–
Accrued expenses	2 041 792	3 870 580	365 484	178 358
Sundry suppliers	2 637 651	1 114 591	–	–
Accrued audit fees	490 300	445 000	490 299	445 000
Non-financial instruments:				
Accrual for salary-related expenses	279 677	196 103	279 677	196 103
Accrued bonus	–	1 782 196	–	574 933
Deposits received	8 951 054	10 559 161	–	–
Value added taxation	983 926	571 211	–	–
	71 672 558	80 096 267	1 940 790	3 445 474

Fair value of trade and other payables

The fair values of trade and other payables are substantially the same as the carrying amounts reflected on the statement of financial position, as the financial instruments are short term in nature.

26. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Group	Financial liabilities at amortised cost R	Non-financial instruments* R	Total R
2020			
Other financial liabilities	93 486 900	–	93 486 900
Trade and other payables	61 457 902	10 214 657	71 672 559
Bank overdraft	1 632 132	–	1 632 132
Lease liabilities	53 471 958	–	53 471 958
	210 048 892	10 214 657	220 263 549
2019			
Other financial liabilities	121 735 666	–	121 735 666
Trade and other payables	66 987 596	13 108 671	80 096 267
Bank overdraft	4 730 432	–	4 730 432
	193 453 694	13 108 671	206 562 365

* Non-financial instruments for the group consists of accrued bonus Rnil (2019: R1 782 196), value added taxation R983 926 (2019: R571 211), deposits received R8 589 256 (2019: R10 559 161) and accrual for salary-related expenses R279 677 (2019: R196 103).

Company	Financial liabilities at amortised cost R	Non-financial instruments R	Total R
2020			
Loans from group companies	124 041 874	–	124 041 874
Trade and other payables	1 661 114	279 677	1 940 791
	125 702 988	279 677	125 982 665
2019			
Loans from group companies	142 828 494	–	142 828 494
Trade and other payables	2 674 438	771 036	3 445 474
Bank overdraft	4 730 432	–	4 730 432
	150 233 364	771 036	151 004 400

	2020 R	2019 R	2020 R	2019 R
27. REVENUE				
Goods transferred at a point in time	727 040 453	835 823 568	–	–
Services transferred over time	–	–	8 400 000	8 400 000
	727 040 453	835 823 568	8 400 000	8 400 000
28. COST OF SALES				
Raw materials consumed net of rebates	448 827 639	515 275 407	–	–
29. OTHER OPERATING INCOME				
Discount received	7 650	51 741	–	–
Recoveries from subsidiary	–	–	682 407	1 303 264
(Loss)/profit on sale of assets	(442 032)	386 248	–	–
Government grants	677 887	677 887	–	–
Other sundry income	750 760	1 883 542	–	–
	994 265	2 999 418	682 407	1 303 264
30. OPERATING (LOSS)/PROFIT				
Operating (loss)/profit for the period is stated after accounting for the following:				
Income from subsidiary				
Administration and management fees	–	–	8 400 000	8 400 000
Operating lease charges				
Lease rentals on operating lease	(1 260 799)	(15 795 329)	(231 785)	(364 173)
(Loss)/profit on sale of property, plant and equipment	(442 032)	386 248	–	–
Amortisation on intangible assets	(573 510)	(2 294 041)	–	–
Depreciation on property, plant and equipment	(13 756 320)	(13 267 825)	(63 772)	(53 522)
Depreciation on right-of-use assets	(8 910 054)	–	–	–
Employee costs	(92 977 668)	(96 481 118)	(13 400 488)	(16 319 067)
Auditors' remuneration	(1 477 850)	(867 931)	(469 650)	(457 931)
31. INVESTMENT REVENUE				
Interest revenue				
Bank	457 661	1 126 838	1 502	1 459
Interest on customer accounts	425 218	1 405 573	–	–
	882 879	2 532 411	1 502	1 459
32. FINANCE COSTS				
Group companies	–	–	1 207 380	1 323 100
Shareholders	211 316	–	211 316	–
Lease liabilities	5 843 084	–	–	–
Bank	564 941	177 807	564 941	177 807
Other financial liabilities	11 641 560	15 769 195	–	7 699
Capitalised transaction costs	451 745	542 093	–	–
	18 712 646	16 489 095	1 983 637	1 508 606



	Group		Company	
	2020 R	2019 R	2020 R	2019 R
33. TAXATION				
Major components of the taxation expense				
Current				
Local income taxation – current period	–	2 280 244	–	–
Deferred				
Originating and reversing temporary differences	(4 546 657)	749 567	–	–
	(4 546 657)	3 029 811	–	–
Reconciliation of the taxation expense				
Reconciliation between accounting profit and taxation expense				
(Loss)/profit before taxation	(21 919 293)	47 070 417	(6 637 513)	(10 095 656)
Taxation at the applicable taxation rate of 28%	(6 137 402)	13 179 717	(1 858 504)	(2 826 784)
Taxation effect of adjustments on taxable income				
Deferred taxation – prior period	9 726	–	–	–
IFRS 16 movement	(183 743)	–	–	–
Non-deductible items and exempt income	–	(34 456)	–	–
Taxable temporary difference not recognised as deferred tax liability	(309 364)	(195 496)	(309 364)	(195 496)
Deferred taxation not raised on assessed taxation loss	1 718 258	2 371 192	1 718 222	2 371 192
Interest and penalties in respect of taxes	8 206	–	8 206	–
Profit from equity-accounted investments	(133 502)	(12 972 849)	–	–
Fines	2 537	8 775	–	–
Donations	35 607	59 862	–	–
Government grant	(189 808)	(189 808)	–	–
Share options	441 440	651 088	441 440	651 088
Capitalised finance and transaction costs	126 488	151 786	–	–
Prior year lease accrual	64 900	–	–	–
	(4 546 657)	3 029 811	–	–
No provision has been made by the company for 2020 or 2019 taxation as the company has no taxable income. The estimated taxation loss available for set-off against future taxable income for the company is R123 381 434 (2019: R117 244 927).				
34. CASH GENERATED FROM/(USED IN) OPERATIONS				
(Loss)/profit for the year	(21 919 293)	47 070 417	(6 637 513)	(10 095 656)
Adjustments for:				
Depreciation and amortisation	23 239 883	15 561 866	63 772	53 522
Loss/(profit) on sale of non-current assets	442 032	(386 248)	–	–
Profit from equity-accounted investments	(476 798)	(46 331 599)	–	–
Interest received	(882 879)	(2 532 411)	(1 502)	(1 459)
Finance costs	12 869 562	16 489 095	1 983 637	1 508 606
Lease liabilities finance costs	5 843 084	–	–	–
Movements in operating lease assets and accruals	(111 748)	(5 684)	(231 785)	(369 857)
Deferred income	(677 887)	(677 887)	–	–
Share options recorded against salary expense	1 576 571	2 325 313	1 576 571	2 325 313
Changes in working capital:				
Inventories	1 625 045	(1 324 919)	–	–
Trade and other receivables	21 701 344	32 482 508	(306 982)	110 830
Trade and other payables	(8 581 094)	3 904 036	(1 502 466)	528
	34 647 822	66 574 487	(5 056 268)	(6 468 173)
35. TAXATION PAID				
Balance at the beginning of the year	1 175 731	(307 491)	–	–
Current taxation for the period recognised in profit or loss	–	(2 280 244)	–	–
Balance at end of the period	(1 643 331)	(1 175 731)	–	–
	(467 600)	(3 763 466)	–	–

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the group's liabilities arising from financing activities can be classified as follows:

Reconciliation of liabilities arising from financing activities	Opening balance R	Imputed and accrued interest R	Total non-cash movements R	Cash flows R	Closing balance R
2020					
Other financial liabilities measured at amortised cost	121 735 666	2 037 822	2 037 822	(30 286 588)	93 486 900
2019					
Other financial liabilities measured at amortised cost	161 135 021	288 117	288 117	(39 687 472)	121 735 666

	Group		Company	
	2020 R	2019 R	2020 R	2019 R

37. COMMITMENTS**Operating leases – as lessee (expense) (IAS 17)****Minimum lease payments due by Métier Mixed Concrete Proprietary Limited**

– Within one year	–	12 859 336	–	–
– In second to fifth year inclusive	–	39 152 404	–	–
– Later than five years	–	13 209 487	–	–
	–	65 221 227	–	–

During the prior year the operating lease payments represent rentals payable by Métier for certain of its plant sites. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years per lease. The average escalation rate per lease is 9% per annum. No contingent rent is payable. For the current year all leases are recognised as lease liabilities in accordance with IFRS 16 (refer to note 23).

Minimum lease payments due by Sephaku Holdings Limited to Dangote Cement South Africa Proprietary Limited

– Within one year	26 669	24 866	26 669	24 866
– In second to fifth year inclusive	–	–	–	–
	26 669	24 866	26 669	24 866

Operating lease payments represent rentals payable by SepHold for its offices. The lease expired on 31 July 2018 and was renewed on 1 August 2018 on a month-to-month basis, but no longer than 31 July 2021. The escalation rate for the current lease is 7.25% per annum. No contingent rent is payable.

Operating leases – as lessor (income) (IAS 17)**Minimum lease payments receivable**

– Within one year	–	–	(3 579 767)	(3 442 084)
– In second to fifth year inclusive	–	–	(15 809 407)	(15 201 353)
– Later than five years	–	–	(4 355 334)	(8 543 155)
	–	–	(23 744 508)	(27 186 592)

The investment property has been acquired by SepHold and is leased out under an operating lease to Métier. Since the property is owner-occupied on group level, it has been reclassified to property, plant and equipment for consolidation purposes in the prior year. The property is held for sale in the current year. The addendum to the initial operating lease contract commenced 31 March 2016 and is for a period of 10 years which may be renewed for a further five-year period. The rentals payable are subject to an increase of 4% per annum.

38. RELATED PARTIES

Relationships

Subsidiaries	Refer to note 7
Associate	Refer to note 9
Shareholder with significant influence	Dangote Industries Limited
Companies with common shareholders	Incubex Minerals Limited SepFluor Limited
Directors	B Williams MM Ngoasheng MJ Janse van Rensburg B Bulo Dr L Mohuba NR Crafford-Lazarus PF Fourie J Pitt (resigned 13 June 2019)
Prescribed officer (also executive director of Métier Mixed Concrete Proprietary Limited)	WJ du Toit
Key management personnel of the group	Refer to directors as listed above. Also includes one prescribed officer.
Companies with common directors	Cross Company Management Proprietary Limited African Nickel Limited Cato Ridge Quarry Proprietary Limited Union Atlantic Minerals Limited

	Group		Company	
	2020 R	2019 R	2020 R	2019 R
Related party balances				
Loan accounts – Owing by/(to) related parties				
Métier Mixed Concrete Proprietary Limited	–	–	(124 041 874)	(142 828 494)
Cross Company Management Proprietary Limited	9 688 681	9 845 327	9 688 681	9 845 327
Sephaku Investment Holdings Proprietary Limited	–	–	10 379	10 249
Union Atlantic Minerals Limited	1 073 054	1 073 054	1 073 054	1 073 054
Amounts included in trade receivables/(trade payables) regarding related parties				
Dangote Cement South Africa Proprietary Limited	(10 027 849)	(3 247 449)	25 966	–
Related party transactions				
Purchases from related parties				
Dangote Cement South Africa Proprietary Limited	74 966 979	86 018 809	–	–
Rent paid to/(received from) related parties				
Plazatique Corp 27 CC	–	1 156 696	–	–
WKR Properties Proprietary Limited	–	737 907	–	–
Métier Mixed Concrete Proprietary Limited	–	–	(3 442 084)	(3 309 696)
Dangote Cement South Africa Proprietary Limited	312 945	299 900	312 945	299 900
Fees paid to/(received from) related parties for management services, overheads and salaries				
Dangote Cement South Africa Proprietary Limited	–	–	(472 231)	–
Métier Mixed Concrete Proprietary Limited	–	–	(8 400 000)	(8 400 000)
Consulting fees paid to (received from) related parties				
Plazatique Corp 27 CC	–	200 000	–	–
Utilities paid to/(received from) related parties				
Plazatique Corp 27 CC	–	519 217	–	–
WKR Properties Proprietary Limited	–	788 419	–	–
Métier Mixed Concrete Proprietary Limited	–	–	(682 407)	(1 303 264)
Dangote Cement South Africa Proprietary Limited	–	–	(45 500)	–
Administration fees paid to/(received from) related parties				
WKR Properties Proprietary Limited	–	7 800	–	–
Interest paid to related parties				
Métier Mixed Concrete Proprietary Limited	–	–	1 207 380	1 323 100

39. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS**Executive**

	Remuneration R	Prior year performance bonuses* R	Travel allowances R	Pension fund R	IFRS 2 staff cost relating to share-based payments vesting expense (non-cash) R	Total R
2020						
Dr L Mohuba	2 157 148	300 000	–	92 852	298 112	2 848 112
NR Crafford-Lazarus	4 012 017	418 000	150 000	147 151	392 836	5 120 004
	6 169 165	718 000	150 000	240 003	690 948	7 968 116
2019						
Dr L Mohuba	2 895 366	760 000	–	123 802	593 140	4 372 308
NR Crafford-Lazarus	3 349 200	760 000	150 000	123 802	581 136	4 964 138
KJ Capes**	720 000	–	–	–	–	720 000
	6 964 566	1 520 000	150 000	247 604	1 174 276	10 056 446

* The bonus paid in FY 2020 relates to the FY 2019 performance and the bonus paid in FY 2019 was based on the FY 2018 performance.

** KJ Capes was re-appointed as an executive director of SepHold on 1 April 2020. He has been on a consultancy contract with the group as a business development expert to identify viable expansion opportunities. He received no remuneration during the period under review. To date he has been working on the aggregate joint venture (Cato Ridge).

Non-executive

	Fees for services as director R	Remuneration R	Performance bonus R	IFRS 2 staff cost relating to share-based payments vesting expense (non-cash) R	Total R
2020					
B Williams	440 000	–	–	–	440 000
MM Ngoasheng	335 000	–	–	–	335 000
MJ Janse van Rensburg	335 000	–	–	–	335 000
B Bulu	335 000	–	–	–	335 000
Dr L Mohuba*	83 750	–	–	99 371	183 121
PF Fourie	–	5 594 213	1 947 514	–	7 541 727
	1 528 750	5 594 213	1 947 514	99 371	9 169 848
2019					
B Williams	440 000	–	–	–	440 000
PM Makwana**	167 500	–	–	–	167 500
MM Ngoasheng	335 000	–	–	–	335 000
MJ Janse van Rensburg	335 000	–	–	–	335 000
B Bulu	335 000	–	–	–	335 000
RR Matjiu***	–	–	–	111 910	111 910
PF Fourie	–	4 415 351	1 758 559	–	6 173 910
	1 612 500	4 415 351	1 758 559	111 910	7 898 320

* Non-executive director for Q4 pro rata fees. Dr L Mohuba stepped down as chief executive officer of the company on 31 December 2019 and was appointed non-executive director in January 2020.

** Resigned 1 October 2018. His director fees for services were paid pro rata for six months.

*** Resigned 12 November 2018.

Refer to shareholders information in the directors' report for directors' interest in share options.

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

39. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS (CONTINUED)

Service contracts

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

Other prescribed officers

	Remuneration R	Performance bonus R	Travel allowance R	Pension fund R	IFRS 2 staff cost relating to share-based payments vesting expense (non-cash) R	Total R
2020						
WJ du Toit	1 873 758	230 046	25 200	177 223	122 029	2 428 256
2019						
WJ du Toit	1 761 567	242 769	25 200	166 692	146 383	2 342 611

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.

40. RISK MANAGEMENT

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure.

The capital structure of the group consists of cash and cash equivalents disclosed in note 18, borrowings disclosed in note 22 and equity as disclosed in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the group manages as capital, the strategy for capital maintenance, or externally imposed capital requirements from the previous year.

Liquidity risk

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The tables that follow analyse the group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R
2020			
Other financial liabilities	21 640 732	13 311 073	58 535 095
Trade and other payables	60 423 545	–	–
Bank overdraft	1 632 132	–	–
2019			
Other financial liabilities	50 327 445	81 834 460	–
Trade and other payables	66 987 596	–	–
Bank overdraft	4 730 432	–	–

40. RISK MANAGEMENT (CONTINUED)

Company	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
2020				
Loans from group company	124 041 874	–	–	–
Trade and other payables	1 940 791	–	–	–
2019				
Loans from group companies	130 891 608	1 350 553	4 762 216	5 824 117
Trade and other payables	2 528 653	–	–	–
Bank overdraft	4 730 432	–	–	–

Interest rate risk

The company and the group are exposed to interest rate risk through their variable rate cash balances, as well as their other financial liabilities. Surplus cash flows exposed to interest rate risk are placed with institutions and facilities which yield the highest rate of return.

An interest rate sensitivity analysis is set out below. The analysis indicates the financial assets and liabilities are sensitive to interest rate fluctuations and the profit or loss and taxation effects of possible changes in interest rates to which the financial assets are linked.

At 31 March 2020, if interest rates on cash and cash equivalents had been 1% higher/lower with all other variables held constant, pre-taxation profit of the group for the year would have been R91 532 (2019: R225 368) higher/lower, mainly as a result of higher/lower interest income on funds invested on call. The resulting taxation effect would have been R25 629 (2019: R63 103).

At 31 March 2020, if interest rates on cash and cash equivalents had been 1% higher/lower with all other variables held constant, pre-taxation profit of the company for the year would have been R300 (2019: R292) higher/lower, mainly as a result of higher/lower interest income on funds invested on call. The resulting taxation effect would have been Rnil.

At 31 March 2020, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, pre-taxation profit of the group would have been R1 933 104 (2019: R1 576 920) lower/higher, as a result of higher/lower interest expense on floating rate borrowings. The resulting taxation effect would have been R541 269 (2019: R441 537).

At 31 March 2020, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, pre-taxation profit of the company would have been R198 364 (2019: R150 860) lower/higher, as a result of higher/lower interest expense on floating rate borrowings. The resulting taxation effect would have been Rnil.

Cash flow interest rate risk

Financial instrument	Current interest rate %	Due in less than a year R	Due in one to five years R
Cash in current banking institutions	8.75	1 632 132	–
Floating rate financial liabilities – Facility A	10.48	1 898 861	–
Floating rate financial liabilities – Facility B	9.16	19 741 871	71 846 168

Credit risk

Credit risk is managed on a group basis. Credit risk consists of cash deposits, cash equivalents, other financial assets, trade and loans receivable, loan commitments and financial guarantees. The company only deposits cash with major banks with high-quality credit standing and limits exposure to any one counterparty.

The credit risk is managed on a group basis based on the group's credit risk management policies and procedures. Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk for exposures, other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The company only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Trade receivables consist of a large number of customers in various industries. Due to a number of hardships experienced in the construction industry over the past year, management increased its risk management efforts on trade receivables by obtaining risk cover from CGIC for insurable customers.

40. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss. Credit loss allowances are also recognised for loan commitments and financial guarantee contracts.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12-month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12-month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year-on-year.

Management applies the principle that if a financial asset's credit risk is low at year-end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12-month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management considers information such as payment history to date, industry in which the customer is employed, period for which the customer has been employed, external credit references etc.

In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account. Trade receivable and contract assets which do not contain a significant financing component are the exceptions and are discussed below.

For trade receivables and contract assets which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other trade receivables IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management has chosen as an accounting policy, to make use of lifetime expected credit losses. Therefore, management does not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables, contract assets or lease receivables.

The maximum exposure to credit risk is presented in the table below:

	2020			2019		
	Gross carrying amount R	Credit loss allowance R	Amortised cost /fair value R	Gross carrying amount R	Credit loss allowance R	Amortised cost /fair value R
Trade and other receivables	82 215 398	(2 863 871)	79 351 527	100 849 007	(1 679 260)	99 169 747
Cash and cash equivalents	6 381 459	–	6 381 459	2 823 868	–	2 823 868
	88 596 857	(2 863 871)	82 093 619	103 672 875	(1 679 260)	101 993 615

The carrying amount of financial assets represents the maximum exposure to credit risk.

Financial assets exposed to credit risk are as follows:

	Group		Company	
	2020 R	2019 R	2020 R	2019 R
Financial instrument				
Loans to group companies	–	–	10 379	10 249
Other financial assets	10 761 735	10 918 381	10 761 735	10 918 381
Trade and other receivables	76 544 544	98 546 425	–	–
Cash and cash equivalents	6 381 459	2 824 838	–	–
Long-term loans	2 000 000	2 000 000	–	–

41. GOING CONCERN

Various cost-saving initiatives have been identified by both operating companies and are in the process of being implemented. This range from reduction in fleet and employment cost across all the operating plants to negotiations with all suppliers of premises and raw materials. With the impact of COVID-19 on the cash resources of both operating companies where overheads were incurred during periods of total lockdown and operating at 50% during level 5 and 4 respectively, both companies concluded negotiations with the banks to service interest, but not capital for the second half of calendar 2020. These savings will assist the group companies to meet their bank debt commitments in the face of the expected reduction in volumes during the current year due to the impact of the government-enforced lockdown. The repayment profile agreed on the Métier outstanding debt is also substantially reduced from what was paid over the last five years.

42. EVENTS AFTER THE REPORTING PERIOD

COVID-19 marginally impacted group performance for the period under review because the national lockdown was implemented during the final week of the financial year from 27 March 2020. During the alert level 5 lockdown from 27 March to 30 April 2020, the group entities complied fully with the government directive and closed all operations to safeguard the health of all employees. The executive management and critical employees worked from home during alert level 5. Métier and SepCem resumed full operations at alert level 3 from 1 June 2020. The pandemic is expected to have a much more significant impact on group performance in the year ending 31 March 2021.

	Group	
	2020	2019
	R	R
43. NET ASSET VALUE PER SHARE AND EARNINGS PER SHARE		
Net asset value and tangible net asset value per share		
Total assets	1 337 755 480	1 319 299 051
Total liabilities	(236 989 644)	(233 975 374)
Net asset value attributable to equity holders of parent	1 100 765 836	1 085 323 677
Goodwill	(223 421 981)	(223 421 981)
Intangible assets	–	(573 510)
Deferred tax raised on intangible assets	–	160 583
Tangible net asset value	877 343 855	861 488 769
Shares in issue	254 486 436	208 216 175
Net asset value per share (cents)	432.54	521.25
Tangible net asset value per share (cents)	344.75	413.75
Earnings, diluted earnings and headline earnings per share		
Reconciliation of basic (loss)/earnings to diluted (loss)/earnings and headline (loss)/earnings:		
Basic (loss)/profit and diluted (loss)/profit from total operations attributable to equity holders of parent	(17 372 636)	44 040 606
Loss/(profit) on sale of property, plant and equipment	442 032	(386 248)
Total taxation effect of adjustments	(123 769)	108 150
Headline (loss)/earnings and diluted headline earnings attributable to equity holders of parent	(17 054 373)	43 762 508
Basic weighted average number of shares	214 047 496	207 610 543
Dilutive effect of share options	–	261 498
Diluted weighted average number of shares	214 047 496	207 872 041
Basic (loss)/earnings per share (cents)	(8.12)	21.21
Diluted (loss)/earnings per share (cents)	(8.12)	21.19
Headline (loss)/earnings per share (cents)	(7.97)	21.08
Diluted headline (loss)/earnings per share (cents)	(7.97)	21.05

44. SEGMENT INFORMATION

	Ready-mixed concrete R	Head office R	Group totals R
2020			
Segment revenue – external revenue	727 040 453	–	727 040 453
Segment cost of sales	(448 827 639)	–	(448 827 639)
Segment expenses	(267 152 926)	(16 620 477)	(283 773 403)
Profit from equity-accounted investment	–	476 798	476 798
(Loss) on sale of property, plant and equipment	(442 032)	–	(442 032)
Segment (loss) after taxation	(614 783)	(16 757 853)	(17 372 636)
Taxation	4 386 074	160 583	4 546 657
Interest received	881 377	1 502	882 879
Interest paid	(17 936 389)	(776 257)	(18 712 646)
Depreciation and amortisation	(22 602 601)	(673 282)	(23 239 883)
Segment assets	265 340 375	1 072 415 105	1 337 755 480
Investment in associate included in the above total segment assets	–	812 678 672	812 678 672
Capital expenditure included in segment assets	12 373 063	–	12 373 063
Segment liabilities	(235 048 871)	(1 940 773)	(236 989 644)
2019			
Segment revenue – external revenue	835 823 569	–	835 823 569
Segment cost of sales	(515 275 407)	–	(515 275 407)
Segment expenses	(285 895 661)	(22 956 416)	(308 852 077)
Profit from equity-accounted investment	–	46 331 599	46 331 599
Profit on sale of property, plant and equipment	386 248	–	386 248
Segment profit after taxation	21 530 240	22 510 366	44 040 606
Taxation	(3 672 142)	642 331	(3 029 811)
Interest received	2 530 952	1 459	2 532 411
Interest paid	(16 303 589)	(185 506)	(16 489 095)
Depreciation and amortisation	(13 214 303)	(2 347 562)	(15 561 865)
Segment assets	251 252 272	1 068 046 779	1 319 299 051
Investment in associate included in above total segment assets	–	812 201 874	812 201 874
Capital expenditure included in segment assets	19 827 063	117 963	19 945 026
Segment liabilities	(225 638 902)	(8 336 472)	(233 975 374)

The only commodity actively managed by Métier is ready-mixed concrete.

The group does not rely on any single external customer or group of entities under common control for 10% or more of the group's revenue.

SepCem is an associate of SepHold. No segment report has been presented for cement (the commodity) as the amounts attributable to cement (the commodity) have been included in the head office segment.

SHAREHOLDERS' ANALYSIS

SEPHAKU HOLDINGS LIMITED

Ordinary shares as at 31 March 2020

Number of ordinary shares issued during the financial year:

254 486 436

Total holders:

1 730

Issued capital

Type of shares	Number of shareholders	% of shareholders	Number of shares
Certificated shares	131	7.57	27 853 035
Dematerialised shares	1 599	92.43	226 633 401
Total issued capital	1 730	100.00	254 486 436

Shareholders holding greater than 5% of the issued share capital at year-end	Number of shares	%
Safika Resources Proprietary Limited (Dematerialised)	30 734 981	12.08
Citiclient Nominees No8 NY GW	27 061 078	10.63
Safika Resources Proprietary Limited (Certificated)	19 043 228	7.48

Range of shareholdings

Share range	Number of shareholders	% of shareholders	Number of shares
1 – 1 000	711	41.10	196 431
1 001 – 10 000	527	30.46	2 095 530
10 001 – 50 000	244	14.10	6 063 337
50 001 – 100 000	84	4.86	5 954 829
100 001 – 500 000	102	5.90	23 450 045
500 001 – 1 000 000	25	1.44	17 075 456
1 000 001 shares and over	37	2.14	199 650 898
Total	1 730	100.00	254 486 526

Breakdown by domicile

Domicile	Number of shareholders	% of shareholders	Number of shares
Resident shareholders	25	1.45	41 910 759
Non-resident shareholders	1 705	98.55	212 575 677
Total	1 730	100.00	254 486 436

Public and non-public shareholders	Shares held	%	Number of shareholders
Public	227 205 424	89.28	1 724
Non-public	27 281 012	10.72	6
– Directors' direct holdings	13 674 186	5.37	3
– Directors' indirect holdings	13 566 826	5.33	2
– Directors' associates	40 000	0.02	1
	254 486 436	100.00	1 730



CORPORATE INFORMATION

Country of incorporation and domicile	South Africa	
Nature of business and principal activities	Construction materials company	
Directors	B Williams MM Ngoasheng MJ Janse van Rensburg B Bulu Dr L Mohuba NR Crafford-Lazarus PF Fourie	Chairperson – independent non-executive director Independent non-executive director Independent non-executive director Independent non-executive director Non-executive director Chief executive officer and financial director Non-executive 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	BDO South Africa Inc Chartered Accountants (SA) Registered Auditors	
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 Telephone: +27 11 370 5000	
JSE sponsor	QuestCo Corporate Advisory 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	

