SEPHAKU HOLDINGS LTD

(Incorporated in the Republic of South Africa)
(Registration number: 2005/003306/06)
Share code: SEP
ISIN: ZAE000138459

Summarised provisional audited annual financial results

for the year ended

31 March 2021

Sephaku Holdings Limited ("SepHold" or "the company") hereby reports on the group's summarised provisional audited financial results for the year ended 31 March 2021. SepHold, Métier Mixed Concrete Proprietary Limited ("Métier" or "the subsidiary") and Dangote Cement SA (Pty) Ltd ("SepCem" or "the associate") are collectively referred to as the group.

The board of directors ("board") takes full responsibility for the preparation of the summarised provisional financial information and that it has been correctly extracted from the underlying annual financial statements. The summarised financial information included in this announcement is extracted from audited information but is not itself audited. The full annual financial statements are available on the company's website, www.sephakuholdings.com.

Any forward-looking information is the responsibility of the board and has not been reviewed or reported on by the company's external auditors.

The underlying annual financial statements have been audited by the group's external auditors, BDO South Africa Incorporated who has issued an unqualified audit opinion. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the annual financial statements from the company's registered office. Alternatively, an electronic copy can be requested on info@sephold.co.za.

SALIENT POINTS

SepHold

- **Group consolidated revenue:** **R634 million**
  (FY 2020: R727 million)
- **Group net profit after tax:** **R20 million**
  (FY 2020 net loss after tax: R17 million)
- **Basic earnings per share:** **7.83 cents**
  (FY 2020 basic loss per share: 8.12 cents)
- **Headline earnings per share:** **6.09 cents**
  (FY 2020 headline loss per share: 7.97 cents)

Métier

- **Sales revenue:** **R634 million**
  (FY 2020: R727 million)
- **EBITDA:** **R55 million**
  (FY 2020: R35 million)
- **EBITDA margin:** **8.7%**
  (FY 2020: 4.8%)
- **Net profit after tax:** **R17 million**
  (FY 2020 net loss after tax: R0,6 million)

SepCem[1]

- **Sales revenue:** **R2,4 billion**
  (FY 2020: R2,2 billion)
- **EBITDA:** **R382 million**
  (FY 2020: R359 million)
- **EBITDA margin:** **15.9%**
  (FY 2020: 16.4%)
- **Net profit after tax:** **R44 million**
  (FY 2020: R1,3 million)

[1] *SepCem has a December year-end as a subsidiary of Dangote Cement PLC. The FY 2021 figures are for the 12 months ended December 2020, and FY 2020 figures are for the 12 months ended 31 December 2019.*

SUMMARISED PROVISIONAL AUDITED FINANCIAL RESULTS

for the year ended 31 March 2021

Remarking on the results, chief executive officer ("CEO"), Neil Crafford-Lazarus said,

"The 2021 financial year has been a contrast of what I can term the pandemic hard lockdown and the post-hard lockdown phase. The Level 5 restrictions during the hard lockdown halted all our operations with limited administrative and maintenance activity throughout the group. The uncertainty of this initial phase led us to negotiate with the lenders on amending the debt repayment terms to accommodate the lack of activity. I am pleased to confirm that we successfully provided the prerequisite capital injections for both Métier and SepCem to enable the lenders to suspend capital repayments for nine months and five months of FY2021, respectively.

By the time the pandemic hit our shores in March 2020, the board had decided to re-appoint Kenneth Capes on 1 April 2020 as CEO of Métier following a three-year hiatus, with the mandate to restructure the subsidiary's business model to better align with the prevailing trading environment. The severe macroeconomic impact of the pandemic accelerated the implementation of the restructuring process to ensure that Métier emerged a lean and profitable business by the end of the financial year. The improved comparative results bear proof of quick action by Kenneth and the success of restructuring.

Unfortunately, the ready-mixed concrete sector continues to experience low demand and high competition as a result of the significantly lower cost base of the independent manufacturers and forward integration by the aggregates producers. Nonetheless, we are confident that the restructured Métier is well positioned to be profitable and competitive in new markets such as the Western Cape, where a plant is being constructed with production targeted to commence during FY 2022.

On the cement front, we were pleasantly surprised by the surge in bagged cement demand in the post-hard lockdown phase, largely assumed to be an unexpected result of additional consumer discretionary income. The increase in cement demand appears to be linked to the increased home renovations as numerous people worked remotely during the year. The increase in the sales of other home improvement materials as reported by the major building materials merchants confirmed this possible trend. As detailed below, SepCem had a revenue increase of approximately 10% year-on-year ("y-o-y"), mainly due to increased sales volumes. The unit price increase was unfortunately muted due to competition from other cement producers, blenders and imports. In the first quarter of the 2021 calendar year to 31 March 2021, SepCem's revenue was 16% higher y-o-y due to the combined effect of higher price increases and a 6% increase in sales volumes. We remain cautiously optimistic about the bagged cement uptrend but acknowledge that a longer-term trajectory will require impetus from civil infrastructure.

Sadly, we lost our SepCem CEO, Pieter Fourie, in May 2021 due to complications related to a stroke. Pieter was part of the SepHold founding management which dared to disrupt the long-standing cement industry oligopoly. He became CEO of SepCem in May 2007, following the company revising its initial minerals exploration model to one focused on selected downstream industries, including cement manufacturing to create long-term shareholder value. Pieter had successfully established SepCem as a formidable cement brand in South Africa at his passing. He will be sorely missed and will remain an indelible part of the company story of success. Duan Claassen, the operations executive who has been part of the executive team since inception, has been appointed the acting CEO. He is highly capable and experienced to lead SepCem to achieve its strategic objectives in the interim.

As we enter FY 2022, we continue to operate within the COVID-19 protocols that include rotational office attendance and remote working where appropriate throughout the group to mitigate workplace infections. We will retain the cautious approach by implementing stipulated guidance from government, own governance processes and progress in the national vaccination programme."

ANALYST RESULTS PRESENTATION

The results conference call will be hosted on Friday, 25 June 2021, at 10:00. All participants are required to pre-register at Sephaku FY 2021 YE Conference Call to receive unique access details. The results presentation will be available on the company's website 15 minutes before the event for downloading via the link: http://sephakuholdings.com/investor-centre/presentations/.

COMMENTARY

SEPHOLD

Cost management

The company head office expenses were 24% lower y-o-y at R12,6 million from R16,6 million, mainly due to a 60% reduction in non-cash costs related to the vesting expenses and full depreciation of an intangible asset. The balance was due to a reduction and suspension of salary increases as well as bonuses to mitigate the impact of the COVID-19 pandemic on the group profitability. The real expenses are anticipated to remain at this level for the medium term as the group continues with austerity measures to support profitability.

Update on the dual executive role

SepHold successfully applied for a further extension on the special dispensation from the JSE to allow Neil Crafford-Lazarus, to hold the dual CEO and financial director roles. The extension was granted for an additional period of 24 months until 31 December 2022. The extension is subject to the board audit and risk committee providing an assessment report on the prevailing economic conditions by 4 January 2022, motivating if it warrants the continuation of the dual role for a further year.

MÉTIER

Sales volumes

The total sales volumes decreased by 15% y-o-y mainly due to the Level 5 lockdown restrictions. Sales volumes post the Level 4 lockdown had recovered to 2019 levels by December 2020 as customers accelerated delayed projects.

Revenue and profitability

Consequently, Métier's revenue decreased by 13% to R634 million (FY 2020: R727 million) mainly due to the combined effect of lower volumes and below inflation price increases. The subsidiary's timely turnaround programme supported profitability, as evidenced by the earnings before interest, taxation, depreciation and amortisation ("EBITDA") margin increasing from 4.8% to 8.7% and operating margin from 1.7% to 5.2%. Métier's net profit after tax was R16,6 million compared to the net loss of R0,6 million for the 12 months ended 31 March 2020. The improved profitability resulted from the combination of lower costs and the income from the disposal of under-utilised assets as part of the restructuring process.

Management of customer credit risk

The exposure to credit risk and the creditworthiness of customers are continuously monitored at Métier. The COVID-19 pandemic resulted in a marginally higher application for credit and/or payment by customers. To mitigate the risk of financial loss from defaults, the subsidiary was selective in transacting with customers with consistent payment history and ceased supply for late payment where appropriate. Métier terminated the CGIC insurance contract because the cover for construction value chain companies was significantly reduced. The subsidiary subsequently purchased insurance to partially hedge against potential bad debts. As at 31 March 2021, the loss allowance for trade and other receivables was reduced to R1,9 million (FY 2020: R2,9 million) mainly due to a R1 million provision reversal on settled trade receivables.

Bank debt management

Due to the COVID-19 impact on profitability, the lender agreed for Métier to pay the interest portion of the monthly instalments from April 2020 until December 2020, subject to a R15 million lump-sum payment to reduce the facility capital balance to R75 million in August 2020. The subsidiary resumed monthly repayments of both capital and interest in January 2021. The total interest payments for the 12 months ended 31 March 2021 were approximately R7,2 million.

The amortising facility balance was R71 million on 31 March 2021 (FY 2020: R92 million). The facility bears an interest rate of 3-month JIBAR plus 5%, which was 8.51% at year-end. The facility is repayable in varying instalments, with the final payment on 31 March 2023.

SEPCEM[1]

Sales volume

The sales volumes for the 12 months ended 31 December 2020 were 9% higher y-o-y. In the six months to June 2020, the volume was 8.5% lower due to the persistently weak demand during SepCem's first quarter ("Q1") ended 31 March 2020 and the impact of the COVID-19 related national lockdown restrictions in Q2. SepCem implemented price increases of between 5% and 9% in January 2020 and February 2020 for bulk and bagged cement, respectively. Although increases in bulk cement prices held, the price increases on bagged cement were discounted due to intense competition. The weighted average price per tonne for the second half ("H2") of 2020 was approximately 5% higher than for H1 2020.

[1] *SepCem has a December year-end as a subsidiary of Dangote Cement PLC. The FY 2021 figures are for the 12 months ended December 2020, and FY 2020 figures are for the 12 months ended 31 December 2019.*

The significant increase in the H2 sales volumes was mainly due to the Q3 performance during which SepCem recorded its highest quarterly volume to date. As a result, the H2 sales contributed 62% to the associate's total annual volumes. After Level 5 lockdown, the increase in bagged cement demand can be attributed to several factors, including increased home improvement projects by individuals with additional discretionary income that would normally be used for other expenditures such as holidays and entertainment. SepCem's ability to ramp up its operations in response to increasing demand is credited for the exceptional performance during the second half of the year. Furthermore, some incumbents experienced technical plant challenges that limited their ability to supply the market, while blender activity was severely hampered by the shortage of extenders.

For the 12 months ended 31 December 2020, imported cement volumes decreased by 5% y-o-y to approximately 990 Kt due to the restrictive global lockdown conditions to limit the spread of COVID-19. The cement industry's application for a safeguard tariff from the International Trade Administration Commission of South Africa progressed well, but the COVID-19 pandemic seems to have delayed the decision timeline. If approved, the application will result in a non-country-specific flat tariff on all imported cement. In 2020 approximately 81% of the imported cement entered the country via the Durban port into KwaZulu-Natal , implying that SepCem is well positioned to benefit from the tariff application because KwaZulu-Natal is one of its key markets.

Revenue and profitability

SepCem's after-tax profit for the 12 months ended 31 December 2020 was R44,4 million compared to R1,3 million in 2019. The revenue increased by 9.8% to R2,40 billion (FY 2020: R2,18 billion) due to the relative increase in sales volumes. EBITDA increased to R381,4 million compared to R359,0 million in FY 2020, but the margin was relatively flat at 15.9% due to the weak H1 performance mainly as a result of COVID-19 compared to the 21% margin achieved in H2 2020. SepCem implemented various cost saving initiatives to mitigate the negative impact of lockdown restrictions and achieved savings of approximately 10%.

Debt management

In August 2020, Dangote Cement PLC ("DCP") contributed R125 million capital into SepCem's debt service reserve account ("DSRA"), increasing the balance to approximately R152 million. The funds in the DSRA were then applied as pre-payment to reduce the six capital instalments as of February 2021 on a straight-line basis. The capital contribution is currently defined as a deposit for equity to be converted into a shareholders' loan on the same terms as the existing DCP loan. Consequently, the capital repayments due in August and November 2020 were deferred to the final loan instalment in November 2022. The debt service cover and debt to EBITDA ratios were revised to align with the prevailing trading environment.

By 31 December 2020, the bank loan capital balance was R1,03 billion following the total repayment of R450 million. The interest rate on the loan is the preceding 3-month JIBAR plus 4.5%, equating to 7.8% by 31 December 2020 which is lower than the 11.3% in 2019 due to the lower interest rate regime. The DCP quasi-equity loan at an interest rate of JIBAR plus 4% had a balance of R581 million, interest accrued and capitalised by 31 December 2020. SepCem bank debt repayments are current, and the associate is in full compliance with the loan covenants.

POST–PERIOD

SEPCEM[1]

Q1 2021 performance

Following the DCP results announced on 30 April 2021 for Q1 ended 31 March 2021, SepCem's revenue increased to R541 million (Q1 2020: R466 million). The quarterly sales volumes were 6% higher y-o-y attributed to the continued trend in home renovations. All cement manufacturers implemented price increases between January and February 2021, with SepCem price increases between 6% to 8% in the same period.

Interim management changes

SepCem's CEO, Pieter Fourie, was admitted to hospital on 9 May 2021 after suffering a stroke and sadly passed away on 19 May 2021. Pieter became CEO of SepCem in May 2007, and he was subsequently appointed a board director of SepHold on 20 November 2009 following the JSE listing. Pieter brought extensive experience in cement manufacturing defined by longevity and success throughout his career. His experience and deep industry knowledge spanned several decades and continents.

The operations executive, Duan Claassen, was appointed the acting CEO to lead the experienced SepCem executive team. Duan has been a member of the executive management in charge of operations since the inception of SepCem. He holds a Bachelor's degree in Metallurgical Engineering from the University of Pretoria. Duan completed his graduate engineer training at De Beers before joining Blue Circle Cement in 1997, where he was involved in Blue Circle Cement's integration into Lafarge in 1998. He subsequently worked for PPC before being appointed to SepCem on 1 January 2008.

[1] *SepCem has a December year-end as a subsidiary of Dangote Cement PLC. The FY 2021 figures are for the 12 months ended December 2020, and FY 2020 figures are for the 12 months ended 31 December 2019.*

OUTLOOK

MARKET EXPECTATIONS

Industry experts project that residential building will likely remain the sub-sector of growth through calendar year 2021, spurred by significant interest rate cuts. Eventually, however, the immediate pent-up demand ‘stimulus’ effect of cheaper mortgages is expected to subside in the absence of improved actual production levels, which are needed to grow the economy and generate wealth.

An area of optimism for the industry is the current commodity cycle, which stands to have a significant benefit on an economy that is still a beneficiary of the global demand for raw materials such as South Africa. An external demand improvement factor such as this tends to flow through to improved private and public construction demand if it is sustained.

MÉTIER’S PLANT FOOTPRINT EXPANSION

Métier will be expanding into the Western Cape market during FY 2022 as part of its strategy to diversify its market reach. Métier will require minimum capital expenditure for the initial phase of expansion because under-utilised assets from the current operational sites will be deployed to the first Western Cape operation site.

GROUP FOCUS

The group will focus on cost management to ensure that the gains from the numerous initiatives during FY 2021 are sustained. The mitigation measures instituted by the group to reduce the spread of COVID-19 in the workplace will be maintained until such a period that the risk has been eliminated through vaccination.

SepCem and Métier will continue to focus on strengthening their balance sheets by reducing debt while seeking diversification opportunities within the construction value chain.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2021

		Group	
	Notes	**2021** **R**	2020 R
Revenue		**634 252 530**	727 040 453
Cost of sales		**(390 567 079)**	(448 827 639)
Gross profit		**243 685 451**	278 212 814
Operating income	4	**10 336 510**	994 265
Operating gains (losses)	5	**611 995**	–
Operating expenses		**(234 169 475)**	(283 773 403)
Operating profit/(loss)	6	**20 464 481**	(4 566 324)
Investment income		**1 516 826**	882 879
Finance costs	21	**(13 817 663)**	(18 712 646)
Income from equity-accounted investments	7	**15 970 201**	476 798
Profit/(loss) before taxation		**24 133 845**	(21 919 293)
Taxation	23	**(4 211 933)**	4 546 657
Profit/(loss) for the year		**19 921 912**	(17 372 636)
Other comprehensive income		**–**	–
Total comprehensive income/(loss) for the year		**19 921 912**	(17 372 636)
Basic earnings/(loss) per share (cents)	8	**7.83**	(8.12)
Diluted earnings/(loss) per share (cents)	8	**7.83**	(8.12)

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2021

		Group	
	Notes	**2021 R**	2020 R
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	**102 748 478**	124 271 483
Right-of-use assets	11	**55 480 134**	42 138 008
Goodwill	22	**223 421 981**	223 421 981
Intangible assets	16	**–**	–
Investment in joint ventures	25	**120 552**	120 552
Investments in associates	7	**828 648 873**	812 678 672
Loans receivable		**4 619 849**	–
Other financial assets		**10 761 835**	10 761 735
Other investments		**2 000 000**	2 000 000
		1 227 801 702	1 215 392 431
Current Assets			
Inventories		**17 036 206**	16 763 507
Loans receivable		**3 378 272**	–
Trade and other receivables	13	**90 294 047**	79 070 855
Current tax receivable		**–**	1 643 331
Cash and cash equivalents	15	**32 752 474**	6 381 459
		143 460 999	103 859 152
Non-current assets held for sale	12	**–**	18 503 897
Total Assets		**1 371 262 701**	1 337 755 480
EQUITY AND LIABILITIES			
Equity			
Stated capital	28	**682 965 910**	682 782 720
Reserves		**11 052 071**	10 643 889
Retained income		**427 666 953**	407 339 227
		1 121 684 934	1 100 765 836
Liabilities			
Non-Current Liabilities			
Other financial liabilities	19	**58 006 387**	71 846 168
Lease obligation	20	**56 046 957**	45 497 397
Deferred income		**–**	199 670
Deferred taxation		**18 028 323**	15 848 539
		132 081 667	133 391 774
Current Liabilities			
Trade and other payables	14	**91 426 002**	71 672 558
Other financial liabilities	19	**13 311 072**	21 640 732
Lease obligation	20	**11 360 944**	7 974 561
Deferred income		**316 677**	677 887
Current taxation payable		**1 081 405**	–
Bank overdraft	15	**–**	1 632 132
		117 496 100	103 597 870
Total Liabilities		**249 577 767**	236 989 644
Total Equity and Liabilities		**1 371 262 701**	1 337 755 480
Net asset value per share (cents)	8	**440.74**	432.54
Tangible net asset value per share (cents)	8	**352.95**	344.75

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2021

Group	Stated capital R	Equity-based share option reserve R	Retained income R	Total equity R
Balance at 31 March 2019	648 003 095	14 351 157	419 428 025	1 081 782 277
Loss for the year	–	–	(17 372 636)	(17 372 636)
Total comprehensive income for the year	–	–	(17 372 636)	(17 372 636)
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
Total contributions by and distributions to owners of company recognised directly in equity	34 779 625	(3 707 268)	5 283 838	36 356 195
Balance at 31 March 2020	682 782 720	10 643 889	407 339 227	1 100 765 836
Profit for the year	**–**	**–**	**19 921 912**	**19 921 912**
Other comprehensive income for the year	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**19 921 912**	**19 921 912**
Rights issue expenses refunded	**183 190**	**–**	**–**	**183 190**
Employees' share option scheme	**–**	**408 182**	**405 814**	**813 996**
Total contributions by and distributions to owners of company recognised directly in equity	**183 190**	**408 182**	**405 814**	**997 186**
Balance at 31 March 2021	**682 965 910**	**11 052 071**	**427 666 953**	**1 121 684 934**
Notes	28			

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2021

	Notes	Group 2021 R	2020 R
Cash flows from operating activities			
Cash generated from/(used in) operations	3	**47 336 451**	34 647 822
Interest income		**957 476**	882 879
Finance costs	21	**(7 173 455)**	(10 831 740)
Taxation paid/(received)	24	**692 588**	(467 600)
Net cash from/(used in) operating activities		**41 813 060**	24 231 361
Cash flows from investing activities			
Purchase of property, plant and equipment	10	**(2 746 725)**	(12 373 063)
Sale of property, plant and equipment	10	**8 771 346**	2 459 119
Sale of non-current assets held for sale	12	**18 500 000**	–
Loans (advance)/repaid		**(100)**	156 645
Net cash from/(used in) investing activities		**24 524 521**	(9 757 299)
Cash flows from financing activities			
Proceeds on share issue	28	**–**	34 779 624
Rights issue expenses refunded	28	**119 561**	–
Repayment of other financial liabilities	19	**(22 405 161)**	(30 286 588)
Payments of principal on leases	20	**(9 270 664)**	(6 468 123)
Payments of interest on leases	20	**(6 778 170)**	(5 843 084)
Net cash (used in)/from financing activities		**(38 334 434)**	(7 818 171)
Total cash and cash equivalents movement for the year		**28 003 147**	6 655 891
Cash and cash equivalents at the beginning of the year		**4 749 327**	(1 906 564)
Total cash and cash equivalents at end of the year	15	**32 752 474**	4 749 327

ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The summarised consolidated financial results for the year ended 31 March 2021 (annual reporting period) have been prepared in accordance with the Companies Act, the JSE Listings Requirements, the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards (IFRS), the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council as required by International Accounting Standard 34 *Interim Financial Reporting*. 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 consolidated annual financial statements incorporate the annual financial statements of the company and all 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 subsidiaries are included in the consolidated annual financial statements 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 inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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. Refer to note 13 Trade receivables for more details.

Options granted

Management used the Black-Scholes model and the Binomial valuation model to determine the fair value of the options at issue date. 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.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing of goodwill and investment in subsidiaries (continued)

The following assumptions have been applied when reviewing goodwill impairment in calculating the terminal value, as specific budget numbers were used for the three-year forecast. This consisted of a slight improvement over FY 2022 compared to FY 2021 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% (2020: 5.24%) was applied and cash flows were discounted at a pre-tax rate of 16.89% (2020: 16.50%), which is the estimated cost of capital as it relates to Métier. The rate is lower than last year due to an improvement in the SA risk free rate over the year while borrowing rates remained low since dropping 175 basis points from the beginning of the financial year. 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 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.

The model is most sensitive to changes in the terminal growth rate and discount rate.

- If all assumptions remained unchanged, a 0.5% decrease in the terminal growth rate results in a decrease of R16.7 million in the recoverable amount and no impairment needed, as the recoverable amount is still higher than the carrying amount;
- If all assumptions remained unchanged, a 0.5% increase in discount rate results in a decrease of R17.1 million in the recoverable amount and no impairment needed, as the recoverable amount is still higher than the carrying amount.

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 accounting policy 1.3 Property, plant and equipment).

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of plant and machinery, motor vehicles, furniture and fixtures and computer equipment are determined based on company replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. The useful life of manufacturing equipment is assessed annually based on factors including wear and tear, technological obsolescence and usage requirements. When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

1.3 Property, plant and equipment

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

The initial estimate of the costs of dismantling and removing an item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the group 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 is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Subsequent to initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses, except for land and buildings which are stated at revalued amounts. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using the straight-line method. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

1.3 Property, plant and equipment (continued)

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 – 8 years
Motor vehicles	5 – 10 years
Office equipment	5 years
Computer equipment	2 – 6 years

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

Right-of-use assets in respect of land and buildings are depreciated over the lease term with an average useful life of 6 and 8 years respectively.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

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

1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

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 every period-end.

Due to the Métier Mixed Concrete Proprietary Limited 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 prior year the contract came to an end.

1.5 Financial instruments

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

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)
- 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.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

1.5 Financial instruments (continued)

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.

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.

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 13 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.

Impairment of financial assets

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. 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.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

1.5 Financial instruments (continued)

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 overdrafts and other financial liabilities

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

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.

1.6 Taxation

Current taxation assets and liabilities

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

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

Deferred taxation assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax 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 (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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

Taxation expenses

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

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

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

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

1.7 Leases

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 assesses 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 have 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.

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
- 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 recognise the lease payments associated with these leases as an expense on a straight-line basis over the 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.

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
• Definition of a business – Amendments to IFRS 3	1 January 2020
• IAS 1 *Presentation of Financial Statements*: Disclosure initiative	1 January 2020
• IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*: Disclosure initiative	1 January 2020
• IFRS 16 *Leases* Covid-19-Related Rent Concessions	1 June 2020

Effects of changes in accounting policies

IFRS 3 Business Combinations (Amendment – Definition of Business)

As a result of the post-implementation review of IFRS 3, these amendments modify the definition of a business. These changes will result in fewer acquisitions being accounted for as a business combination within the scope of IFRS 3. The amendments also introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is a business.

These amendments in IFRS 3 did not have any impact on the amounts recognised in the group's current and prior periods.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative

Definition of material: The amendments clarify and align the definition of material and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS standards.

The impact of this amendment was not material on the group.

IFRS 16 Leases Covid-19-Related Rent Concessions

In response to the COVID-19 pandemic, in May 2020 the IASB issued amendments to IFRS 16, which permits lessees not to assess whether a rent concession received meets the definition of a lease modification, if certain criteria are satisfied. Instead, lessees apply other applicable IFRS standards, which will often result in a rent concession being recorded as a negative variable payment (eg DR lease liability, CR profit or loss).

The amendments were adopted during the financial year under review. This resulted in other operating gains of R553 438 that was recorded in the statement of profit and loss and other comprehensive income in the current period. Refer notes 5 and 11 for further details.

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 April 2021 or later periods:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (Amendment: Onerous contracts – cost of fulfilling a contract)	1 January 2022	Low impact/no impact
IAS 16 *Property, Plant and Equipment* (Amendment: Proceeds before intended use)	1 January 2022	Unlikely there will be a material impact
IAS 1 *Presentation of Financial Statements* (Amendment: Classification of liabilities as current or non-current)	1 January 2023	Possible additional disclosure
Conceptual framework for financial reporting (Amendments to IFRS 3)	1 January 2022	No impact
IFRS 16 *Leases* (Amendment: Extension of practical expedient)	1 April 2021	Unlikely there will be a material impact

	Group 2021 R	Group 2020 R
3. CASH GENERATED FROM/(USED IN) OPERATIONS		
Profit/(loss) before taxation	**24 133 845**	(21 919 293)
Adjustments for:		
Depreciation and amortisation	**22 044 851**	23 239 883
(Gains)/losses on disposals and remeasurement of assets	**(611 995)**	442 032
Profit from equity-accounted investments	**(15 970 201)**	(476 798)
Interest income	**(1 516 826)**	(882 879)
Finance costs	**13 817 663**	18 712 646
Movements in operating lease assets and accruals	**–**	(111 748)
(Profit)/loss on sale of property, plant and equipment	**(6 131 547)**	–
Loss on disposal of asset held for sale	**–**	–
Deferred income	**(560 880)**	(677 887)
Share options recorded against salary expense	**813 995**	1 576 571
Changes in working capital:		
Inventories	**(272 699)**	1 625 045
Trade and other receivables	**(11 223 194)**	21 701 344
Trade and other payables	**19 891 412**	(8 581 094)
Other financial assets	**2 922 027**	–
	47 336 451	34 647 822

	Group 2021 R	Group 2020 R
4. OTHER OPERATING INCOME		
Bad debts recovered	**216 992**	188 226
Other sundry income	**497 190**	196 586
Discount received	**2 543 622**	7 650
Rent received	**386 279**	365 948
Profit/(loss) on sale of assets	**6 131 547**	(442 032)
Government grants	**560 880**	677 887
	10 336 510	994 265

	Group 2021 R	Group 2020 R
5. OTHER OPERATING GAINS/(LOSSES)		
Gains/(losses) on disposals, scrapings and settlements		
Non-current asset held for sale	**70 443**	–
Right-of-use assets (Note 11)	**541 552**	–
	611 995	–

6. OPERATING PROFIT/(LOSS)

Operating profit/(loss) for the year is stated after charging (crediting) the following, amongst others:

	Group	
	2021 R	2020 R
Auditor's remuneration – external		
Audit fees	**937 000**	1 377 850
Other consultation services	**(33 500)**	38 500
Tax and secretarial services	**–**	(20 000)
	903 500	1 396 350
Remuneration, other than to employees		
Administrative and managerial services	**56 540**	32 446
Consulting and professional services	**1 868 772**	2 278 587
Secretarial services	**199 724**	263 798
	2 125 036	2 574 831
Employee costs		
Salaries, wages, bonuses and other benefits	**67 635 078**	91 398 884
Retirement benefit plans: defined contribution expense	**184**	2 213
Share-based compensation expense	**813 995**	1 576 571
Total employee costs	**68 449 257**	92 977 668
Leases		
Lease expenses on short-term and low-value leases		
Premises	**336 033**	312 945
Equipment	**49 320**	49 320
	385 353	362 265
Depreciation and amortisation		
Depreciation of property, plant and equipment	**11 269 134**	13 756 319
Depreciation of right-of-use assets	**10 775 717**	8 910 054
Amortisation of intangible assets	**–**	573 510
Total depreciation and amortisation	**22 044 851**	23 239 883

7. INVESTMENT IN ASSOCIATES

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.

Group

Summary of group's interest in associate	Carrying amount 2021 R	Carrying amount 2020 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	**127 781 850**	127 305 052
Equity-accounted earnings – current year	**15 970 201**	476 798
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	**828 648 873**	812 678 672

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 pre-payment 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 was 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 were 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 in August 2020 and shareholders have agreed to treat this as a shareholders' loan.

Impairment testing

In 2020 SepCem was affected by the COVID-19 lockdown during Level 5. For the last six months of the year SepCem benefited from demand for bags of cement and achieved good volumes for the period under review. Overall there was an increase in turnover and profit over the previous year and with reduction in debt levels no impairment would be required.

The net asset value of the associate is R1 787 647 578 (2020: R1 619 823 998) as indicated below.

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

	2021* R	2020* R
Non-current assets	**2 975 354 023**	3 137 728 002
Current assets	**975 153 973**	985 419 948
Total assets	**3 950 507 996**	4 123 147 950
Total equity	**1 787 647 578**	1 619 823 998
Non-current liabilities	**(1 355 774 834)**	(1 544 718 955)
Current liabilities	**(807 085 584)**	(958 604 997)
Total liabilities	**(2 162 860 418)**	(2 503 323 952)
Revenue for the period	**2 400 546 294**	2 184 713 377
Cost of sales	**(2 018 365 098)**	(1 838 460 514)
Gross profit	**382 181 196**	346 252 863
Operating profit	**219 412 872**	346 252 863
Investment income	**13 322 396**	26 641 729
Finance costs	**(163 770 554)**	(234 675 157)
Profit/(loss) before taxation	**68 964 714**	(29 352 670)
Taxation (expense)/income	**(24 602 045)**	30 677 092
Profit after taxation for the period	**44 362 669**	1 324 422
Total comprehensive income for the period	**44 362 669**	1 324 422

* *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 2020 have been included in these financial statements.*

8. NET ASSET VALUE PER SHARE AND EARNINGS PER SHARE

	Group 2021 R	Group 2020 R
Net asset value and tangible net asset value per share		
Total assets	**1 371 262 701**	1 337 755 480
Total liabilities	**(249 577 767)**	(236 989 644)
Net asset value attributable to equity holders of parent	**1 121 684 934**	1 100 765 836
Goodwill	**(223 421 981)**	(223 421 981)
Tangible net asset value	**898 262 953**	877 343 855
Shares in issue	**254 486 436**	254 486 436
Net asset value per share (cents)	**440.76**	432.54
Tangible net asset value per share (cents)	**352.97**	344.75

	Group 2021 Gross R	Group 2021 Net R	Group 2020 Gross R	Group 2020 Net R
Earnings, diluted earnings and headline earnings per share				
Reconciliation of basic earnings/(loss) to diluted earnings/(loss) and headline earnings/(loss):				
Profit attributable to ordinary equity holders of the parent entity		**19 921 912**		(17 372 636)
Less undeclared cumulative preference share dividend and related taxation		**–**		–
IAS 33 earnings		**19 921 912**		(17 372 636)
Less IAS 16 gains on the disposal of plant and equipment	**(6 131 547)**	**(4 414 714)**	442 042	318 273
Headline earnings/(loss) and diluted headline earnings attributable to equity holders of parent		**15 507 198**		(17 054 373)
Basic weighted average number of shares		**254 486 436**		214 047 496
Diluted weighted average number of shares		**254 486 436**		214 047 496
Basic earnings/(loss) per share (cents)		**7.83**		(8.12)
Diluted earnings/(loss) per share (cents)		**7.83**		(8.12)
Headline earnings/(loss) per share (cents)		**6.09**		(7.97)
Diluted headline (loss)/earnings per share (cents)		**6.09**		(7.97)

9. SEGMENT INFORMATION

	Ready-mixed concrete R	Head office R	Group totals R
2021			
Segment revenue – external revenue	**634 252 530**	**–**	**634 252 530**
Segment cost of sales	**(390 567 079)**	**–**	**(390 567 079)**
Segment expenses	**(221 532 189)**	**(12 637 288)**	**(234 169 477)**
Profit from equity-accounted investment	**–**	**15 970 201**	**15 970 201**
Profit on sale of property, plant and equipment	**6 131 547**	**–**	**6 131 547**
Segment profit after taxation	**16 588 212**	**3 333 700**	**19 921 912**
Taxation	**(4 211 933)**	**–**	**(4 211 933)**
Interest received	**1 516 012**	**814**	**1 516 826**
Interest paid	**(13 817 635)**	**(27)**	**(13 817 662)**
Depreciation and amortisation	**(22 017 484)**	**(27 366)**	**(22 044 850)**
Segment assets	**299 388 479**	**1 071 874 222**	**1 371 262 701**
Investment in associate included in the above total segment assets	**–**	**828 648 873**	**828 648 873**
Capital expenditure included in segment assets	**3 038 118**	**–**	**3 038 118**
Segment liabilities	**(248 465 612)**	**(1 112 155)**	**(249 577 767)**
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 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)

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.

10. PROPERTY, PLANT AND EQUIPMENT

	2021			2020		
Group	**Cost or revaluation R**	**Accumulated depreciation R**	**Carrying value R**	Cost or revaluation R	Accumulated depreciation R	Carrying value R
Land	**2 666 309**	**–**	**2 666 309**	2 666 309	–	2 666 309
Plant and machinery	**106 040 845**	**(51 694 564)**	**54 346 281**	106 040 845	(46 872 987)	59 167 858
Furniture and fixtures	**996 137**	**(844 008)**	**152 129**	1 004 537	(788 416)	216 121
Motor vehicles	**113 171 251**	**(68 184 613)**	**44 986 638**	160 629 860	(99 137 250)	61 492 610
Office equipment	**24 966**	**(24 963)**	**3**	24 966	(22 872)	2 094
Computer equipment	**3 885 970**	**(3 288 852)**	**597 118**	4 140 123	(3 413 632)	726 491
Total	**226 785 478**	**(124 037 000)**	**102 748 478**	274 506 640	(150 235 157)	124 271 483

Reconciliation of property, plant and equipment

Group	**Opening balance R**	**Additions R**	**Disposals R**	**Classified as held for sale R**	**Depreciation R**	**Total R**
2021						
Land	**2 666 309**	**–**	**–**	**–**	**–**	**2 666 309**
Plant and machinery	**59 167 858**	**–**	**–**	**–**	**(4 821 577)**	**54 346 281**
Furniture and fixtures	**216 121**	**–**	**–**	**–**	**(63 992)**	**152 129**
Motor vehicles	**61 492 610**	**2 968 794**	**(13 283 223)**	**–**	**(6 191 543)**	**44 986 638**
Office equipment	**2 094**	**–**	**–**	**–**	**(2 091)**	**3**
Computer equipment	**726 491**	**69 324**	**(8 766)**	**–**	**(189 931)**	**597 118**
	124 271 483	**3 038 118**	**(13 291 989)**	**–**	**(11 269 134)**	**102 748 478**
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	258 530	(14 535)	–	(513 727)	726 491
	147 059 791	12 373 058	(2 901 150)	(18 503 897)	(13 756 319)	124 271 483

Details of land

	Group	
	2021 R	2020 R
Portion 0 of Erf 233, Phoenix Industrial Park		
Terms and conditions		
– Purchase price: 12 June 2009	**2 400 000**	2 400 000
– Capitalised expenditure	**266 309**	266 309
	2 666 309	2 666 309

Pledged as security

All movable assets are pledged as security for other financial liabilities as per note 19.

11. RIGHT-OF-USE ASSETS

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.

Details pertaining to leasing arrangements where the group is lessee are presented below:

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are as follows:

	Group	
	2021 R	2020 R
Land	**27 244 550**	29 295 015
Buildings	**28 115 143**	12 495 035
Motor vehicles	**120 441**	347 958
	55 480 135	42 138 008

Additions to right-of-use assets

During the current year, the group entered into three new lease agreements. The average lease term for these new agreements is five years. The leases entered into do not provide flexibility in the form of termination options but there are options to renew the leases. There are no specific restrictions or covenants imposed by the leases, no variable lease payments and no residual value guarantees. There are no leases that have not yet commenced to which the group is committed.

	Group	
	2021 R	2020 R
Land	**5 626 969**	950 374
Buildings	**18 489 402**	–
Motor vehicles	**–**	678 641
	24 116 371	1 629 015

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 6), as well as depreciation which has been capitalised to the cost of other assets.

	Group	
	2021 R	2020 R
Land	**7 678 905**	6 307 547
Buildings	**2 869 294**	2 271 824
Motor vehicles	**227 518**	330 683
	10 775 717	8 910 054
Other disclosures		
Interest expense on lease liabilities	**6 408 486**	5 843 084

Lease obligation

Lease liabilities have been included in the borrowings line item on the statement of financial position. Refer to note 20 Lease obligation for more details.

The maturity analysis of lease liabilities is as follows:

	Group	
	2021 R	2020 R
Non-current liabilities	**56 046 957**	45 497 397
Current liabilities	**11 360 944**	7 974 561
	67 407 901	53 471 958

12. ASSETS HELD FOR SALE

SepHold entered into an agreement for the sale of the leasing property on 29 July 2019 with Ikarus Investments Proprietary Limited (Ikarus) which included the immovable property Erf 398 Randjespark Ext 121 for a purchase price of R18 500 000. The property is situated at 332 Roan Crescent, Randjespark, Midrand 1685 with a land extent measuring 4 870 square metres and the building extent measuring 1 138,59 square metres. It is sold as a going concern consisting of the property and the tenants in occupation in terms of a lease agreement and by virtue of the lease. The enterprise will be an income-earning activity on the date of transfer. This agreement was conditional and subject to the conclusion by the purchaser of a due diligence, investigation into the property, the physical condition and the leases and other contracts that may be relevant. After the successful completion of the due diligence Ikarus notified SepHold in writing, within the required 14 days, of its intention to proceed with the agreement. As such, the written lease between SepHold and Métier terminated and was replaced with the written lease between Ikarus and Métier which commenced on the date of transfer, 29 July 2020. The lease has a term of eight years with an option to extend for a further four years. In accounting for the lease, management has assumed that it is probable that the lease will be extended.

SepHold signed the lease as surety and co-principal debtor with Métier in favour of Ikarus on 19 March 2020. All guarantees and suretyships, 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, these were submitted at the opening of level 3 to the Deeds office. The purchaser was granted loan finance to be secured by a mortgage loan over the property. The transaction was registered on 29 July 2020 and finalised two days later.

This resulted in a profit on the sale of R70 443 at group level which was recorded during the current period. The main driver for the sale of the property was to improve and maintain cash flow requirements. In terms of the JSE Listings Requirements, the transaction was a Category 2 transaction at the time.

Assets and liabilities

	Group	
	2021 R	2020 R
Non-current assets held for sale		
Property, plant and equipment	**–**	18 503 897
Investment property	**–**	–
Operating lease asset	**–**	–
	–	18 503 897

	Group 2021 R	Group 2020 R
13. TRADE AND OTHER RECEIVABLES		
Financial instruments:		
Trade receivables	**87 950 201**	76 544 544
Deposits	**1 789 781**	1 720 904
Non-financial instruments:		
Value added taxation	**34 278**	167 808
Prepayments	**519 787**	637 599
Total trade and other receivables	**90 294 047**	79 070 855

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 R90 137 339 (2020: R78 550 664) were pledged as security for other financial liabilities as per note 19.

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.

Due to the impact of COVID-19, there have been significant changes in the credit risk management policies and processes since the prior reporting period. As a result, we have endeavoured to implement more stringent controls and policies with respect to our credit risk management. This still permitted our customers to initiate plans to remedy the cash flow issues. We are furthermore insistent on surety or security from our customers when transacting and have implemented stringent and stricter requirements when opening new accounts.

Insurance of debtors was obtained from Santam through a credit risk contingency policy (effective 1 March 2021) and from CGIC (from prior year until 31 August 2020 in the current year). The new insurance policy is a general cover of R1 380 000 that is available when any customer defaults on payment and is not limited to a specific customer or age bracket. This 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. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. 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.

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.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 2021 the lifetime expected loss provision for trade receivables is as follows:						
Gross carrying amount	**68 480 898**	**16 806 595**	**173 083**	**748 569**	**3 948 713**	**90 157 858**
Less: Insured debtors	**–**	**–**	**–**	**–**	**1 309 181**	**1 309 181**
Gross carrying value uninsured trade receivables	**68 480 898**	**16 806 595**	**173 083**	**748 569**	**2 639 532**	**88 848 677**
Less: Specific allowance	**6 693**	**10 997**	**23 694**	**416 064**	**88 574**	**546 022**
	68 474 205	**16 795 598**	**149 389**	**332 505**	**2 550 958**	**88 302 655**
Expected credit loss rate	**0.87%**	**3.41%**	**4.69%**	**4.97%**	**5.33%**	
Lifetime expected credit loss (excluding value added taxation)	**595 290**	**573 214**	**7 010**	**16 524**	**135 949**	**1 327 987**
Total expected credit loss (including specific allowance)						**1 874 009**
At 31 March 2020 the lifetime expected credit 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

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

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

	Group	
	2021 R	2020 R
Opening balance in accordance with IFRS 9	**2 863 871**	1 679 260
Provision raised on new trade receivables	**620 659**	–
Provisions reversed on settled trade receivables	**(1 038 448)**	–
Amounts written off as uncollectible	**(572 073)**	(2 039 751)
Provision for impairment	**–**	3 224 362
Closing balance	**1 874 009**	2 863 871

Fair value of trade and other receivables

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

	Group 2021 R	Group 2020 R

14. TRADE AND OTHER PAYABLES

	2021 R	2020 R
Financial instruments:		
Trade payables	**71 096 614**	56 282 955
Credit cards	**2 816**	5 218
Accrued expenses	**3 664 387**	2 041 792
Accrued audit fees	**455 000**	490 300
Sundry suppliers	**2 932 496**	2 637 636
Non-financial instruments:		
Accrual for salary-related expenses	**322 842**	279 677
Deposits received	**11 160 018**	8 951 054
Value added taxation	**1 791 829**	983 926
	91 426 002	71 672 558

Fair value of trade and other payables

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

15. CASH AND CASH EQUIVALENTS

	Group 2021 R	Group 2020 R
Cash and cash equivalents consist of:		
Cash on hand	**94 500**	120 500
Bank balances	**32 657 974**	6 260 959
Bank overdraft	**–**	(1 632 132)
	32 752 474	4 749 327

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 of R12 000 000 (2020: R20 357 868) in total.

	2021 R	2020 R
The total amount of undrawn overdraft and term loan facilities available for future operating activities and commitments	**12 000 000**	20 357 868

16. INTANGIBLE ASSETS

Group	**2021** Cost/valuation R	**2021** Accumulated amortisation R	**2021** Carrying value R	2020 Cost/valuation R	2020 Accumulated amortisation R	2020 Carrying value R
Customer contract	**20 438 713**	**(20 438 713)**	**–**	20 438 713	(20 438 713)	–

Reconciliation of intangible asset

Group	2020 Opening balance R	2020 Amortisation R	2020 Total R
Customer contract	573 510	(573 510)	–

The intangible asset was fully amortised during the prior year.

17. 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
2021				
Other financial assets	**10 761 835**	**–**	**–**	**10 761 835**
Trade and other receivables	**89 739 982**	**–**	**554 065**	**90 294 047**
Loans receivable	**7 998 121**	**–**	**–**	**7 998 121**
Cash and cash equivalents	**32 752 474**	**–**	**–**	**32 752 474**
Other investments	**–**	**2 000 000**	**–**	**2 000 000**
	141 252 412	**2 000 000**	**554 065**	**143 806 477**
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

* *Non-financial instruments of the group consist of pre-payments R519 787 (2020: R637 599) and value added taxation R34 278 (2020: R167 808).*

18. 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
2021			
Other financial liabilities	**71 317 459**	**–**	**71 317 459**
Trade and other payables	**78 151 313**	**13 274 689**	**91 426 002**
Lease obligation	**67 407 901**	**–**	**67 407 901**
	216 876 673	**13 274 689**	**230 151 362**
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 obligation	53 471 958	–	53 471 958
	210 048 892	10 214 657	220 263 549

* *Non-financial instruments for the group consists of value added taxation R1 791 829 (2020: R983 926), deposits received R11 160 018 (2020: R8 951 054) and accrual for salary-related expenses R322 842 (2020: R279 677).*

	Group	
	2021 R	2020 R

19. OTHER FINANCIAL LIABILITIES

	2021 R	2020 R
Held at amortised cost		
Standard Bank – Facility A	**–**	1 898 861
This loan was repaid during the year. (2020: 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	**71 317 459**	91 588 039
This loan bears interest at the three-month JIBAR plus a margin of 5% and was 8.508% on 31 March 2021. The loan is repayable in varying instalments with the final payment being made 31 March 2023. The lenders agreed to suspend the capital repayment until December 2020. Interest payments were serviced through to December 2020. From January 2021 both capital and interest were paid on a monthly basis. (2020: The loan was subject to interest at the variable JIBAR plus a margin of 4% at the end of FY 2020. The loan was subsequently converted to a R90 million amortising facility bearing interest at the three-month JIBAR plus a margin of 5.25% which was 9.16%.)		
	71 317 459	93 486 900
Split between non-current and current portions		
Non-current liabilities	**58 006 387**	71 846 168
Current liabilities	**13 311 072**	21 640 732
	71 317 459	93 486 900

Security

The Standard Bank loans and facilities are secured as follows:

- General notarial bond to be granted by Métier Mixed Concrete Proprietary Limited in favour of the debt guarantor over all its movable assets (including inventory).
- Pledge and cession by Sephaku Holdings Limited in favour of the debt guarantor, in which Sephaku Holdings Limited *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 Mixed Concrete Proprietary Limited in favour of the debt guarantor, in terms of which Métier Mixed Concrete Proprietary Limited 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 Mixed Concrete Proprietary Limited in favour of the debt guarantor, in terms of which Métier Mixed Concrete Proprietary Limited 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 to be granted by Métier Mixed Concrete Proprietary Limited 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 Mixed Concrete Proprietary Limited (as cedent) and the debt guarantor (as cessionary) and any notices or acknowledgements requested thereunder, in terms of which Métier Mixed Concrete Proprietary Limited cedes *in securitatem debiti* to the debt guarantor all of its right, title and interest in and to the domain name.

The fair values of the 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.

Exposure to liquidity risk

Refer to note 26 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Exposure to interest rate risk

Refer to note 26 Financial instruments and financial risk management for details of interest rate risk management for financial liabilities at fair value.

	Group 2021 R	Group 2020 R
20. LEASE OBLIGATION		
Leases maturity analysis		
– within one year	**17 080 604**	13 109 039
– in second to fifth year inclusive	**58 401 768**	57 003 207
– later than five years	**10 525 687**	1 165 500
	86 008 059	71 277 746
Less: Future finance costs	**(18 600 158)**	(17 805 788)
Present value of minimum lease payments	**67 407 901**	53 471 958

Reconciliation of lease liabilities	Opening balance R	New lease liabilities R	Finance costs R	IFRS 16 Modification/ remeasurement R	Repayments R	Closing balance R
2021						
Lease obligation	**53 471 958**	**24 116 371**	**6 408 486**	**541 552**	**(16 047 362)**	**67 407 901**
2020						
Lease obligation	58 309 595	1 630 486	5 843 084	–	(12 311 207)	53 471 958

	Group 2021 R	Group 2020 R
Non-current liabilities	**56 046 957**	45 497 397
Current liabilities	**11 360 944**	7 974 561
	67 407 901	53 471 958

It is group policy to lease certain assets, including land, buildings, motor vehicles and equipment.

The average lease term is seven years (2020: seven years).

The group's obligations under leases are secured by the lessor's charge over the leased assets. Refer note 11.

	Group 2021 R	Group 2020 R
21. FINANCE COSTS		
Shareholders	**–**	211 316
Leases	**6 408 486**	5 843 084
Bank	**27**	564 941
Current borrowings	**204 545**	–
Other financial liabilities	**7 000 060**	11 641 560
Capitalised transaction costs	**204 545**	451 745
Total finance costs	**13 817 663**	18 712 646

22. GOODWILL

Group	2021 Cost R	2021 Accumulated impairment R	2021 Carrying value R	2020 Cost R	2020 Accumulated impairment R	2020 Carrying value R
Goodwill on acquisition of subsidiary	**223 421 981**	**–**	**223 421 981**	223 421 981	–	223 421 981

Reconciliation of goodwill

Group	2021 Opening balance R	2021 Total R	2020 Opening balance R	2020 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 previous two to three years focused the attention on the goodwill assessment during the previous financial year. However, with the re-appointment of the previous CEO came a turnaround strategy with substantial cost cutting and restructuring across the operations and management believes that trading results are representative of the recovery to levels seen before. The results for the past financial year that includes two months of lockdown for Métier and the outlook for the next year together with the equity contribution from the rights offer at the end of the previous year to reduce debt levels provides comfort that the group assets and key employees are all well positioned to return to prior levels of turnover and profitability once the cycle recovers.

Based on 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.

	Group 2021 R	Group 2020 R
23. TAXATION		
Major components of the taxation expense		
Current		
Local income taxation – current period	**2 032 148**	–
Deferred		
Originating and reversing temporary differences	**2 179 785**	(4 546 657)
	4 211 933	(4 546 657)
Reconciliation of the taxation expense		
Reconciliation between accounting profit and tax expense:		
Profit/(loss) before taxation	**24 133 845**	(21 919 293)
Taxation at the applicable taxation rate of 28%	**6 757 477**	(6 137 402)
Taxation effect of adjustments on taxable income		
Deferred taxation – prior period	**(81 591)**	9 726
IFRS 16 movement	**595 207**	(183 743)
Deferred taxation not raised on assessed taxation loss	**1 315 453**	1 408 894
Interest and penalties in respect of taxes	**–**	8 206
Profit from equity-accounted investments	**(4 471 656)**	(133 502)
Fines	**3 303**	2 537
Donations	**7 514**	35 607
Government grant	**(157 046)**	(189 808)
Capitalised finance and transaction costs	**16 880**	126 488
Share options	**227 919**	441 440
Prior year lease accrual	**–**	64 900
Legal fees not deductible	**57 273**	–
Learnership allowance	**(58 800)**	–
	4 211 933	(4 546 657)

	Group 2021 R	Group 2020 R
24. TAXATION PAID		
Balance at the beginning of the year	**1 643 331**	1 175 731
Current taxation for the period recognised in profit or loss	**(2 032 148)**	–
Balance at end of the period	**1 081 405**	(1 643 331)
	692 588	(467 600)

25. JOINT ARRANGEMENTS

Joint ventures

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

Group

Name of company	% ownership interest 2021	% ownership interest 2020	Carrying amount 2021 R	Carrying amount 2020 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 2019. 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 interest since the company is dormant. There was no change by year-end.

26. FINANCIAL INSTRUMENTS AND 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 15, borrowings disclosed in note 19 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.

Financial risk management

The group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Market risk

The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. Market risk arises from the group's use of interest-bearing and tradable financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or other market factors (other price risk).

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
2021			
Other financial liabilities	**18 750 489**	**62 839 948**	**–**
Lease obligation	**17 080 604**	**14 619 367**	**54 308 087**
Trade and other payables	**78 151 313**	**–**	**–**
2020			
Other financial liabilities	21 640 732	19 068 259	62 522 178
Lease obligation	12 477 047	12 663 422	44 936 940
Trade and other payables	60 423 545	–	–
Bank overdraft	1 632 132	–	–

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Interest rate risk

The group is 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 2021, 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 R123 890 (2020: R91 532) higher/lower, mainly as a result of higher/lower interest income on funds invested on call. The resulting taxation effect would have been R34 689 (2020: R25 629).

At 31 March 2021, 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 417 768 (2020: R1 933 104) lower/higher, as a result of higher/lower interest expense on floating rate borrowings. The resulting taxation effect would have been R396 975 (2020: R541 269).

Cash flow interest rate risk

Financial instrument	Current interest rate %	Due in less than a year R	Due in one to five years R
Floating rate financial liabilities – Facility B	8.51	13 311 072	58 006 387

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 and loan commitments. The group 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 group 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 group 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 mainly in the construction industry. 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 general risk cover from Santam for non-specific customers.

26. FINANCIAL INSTRUMENTS AND 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 determines 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.

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.

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

	2021			**2020**		
	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	**89 739 982**	**(1 874 009)**	**87 865 973**	82 215 398	(2 863 871)	79 351 527
Cash and cash equivalents	**32 752 474**	**–**	**32 752 474**	6 381 459	–	6 381 459
	122 492 456	**(1 874 009)**	**120 618 447**	88 596 857	(2 863 871)	86 917 597

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

Financial assets exposed to credit risk are as follows:

		Group	
	ECL stages	**2021 R**	2020 R
Financial instrument			
Other financial assets	1	**10 761 835**	10 761 735
Trade and other receivables	1	**87 950 021**	76 544 544
Cash and cash equivalents	1	**32 752 474**	6 381 459
Loans receivable	1	**7 998 121**	–
Other investments	1	**2 000 000**	2 000 000

27. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Various cost-saving initiatives have been identified and implemented by both operating companies. This ranged from reduction in fleet and employment costs 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 when operating at 50% during alert Levels 5 and 4 respectively, both companies concluded negotiations with the banks to service interest, but not capital, for the second half of the 2020 calendar year. These savings enabled the group companies to fulfil their bank debt commitments and managed to build up sufficient cash reserves to cover the payments of the following years commitments. The repayment profile agreed for Métier's outstanding debt is substantially reduced from what was paid over the last five years and will be achieved with relative ease.

28. STATED CAPITAL

	Group	
	2021 R	2020 R
Authorised		
1 000 000 000 ordinary shares with no par value		
Issued – Ordinary shares with no par value		
254 486 436 (2020: 208 216 175) shares at beginning of period	**682 782 720**	648 003 095
nil (2020: 46 270 261) shares issued during the period	**–**	37 478 911
Rights issue expenses refunded/(capitalised)	**183 190**	(2 699 286)
254 486 436 (2020: 254 486 436) shares at the end of the period	**682 965 910**	682 782 720

The total number of 46 270 261 shares for a value of R0.81 per share, issued during the prior 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 were capitalised. During the current year R183 190 of the capitalised expenses were refunded.

The unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

29. CHANGES TO THE BOARD AND EVENTS AFTER THE REPORTING PERIOD

KJ Capes was re-appointed on 1 April 2020 as an executive director of SepHold and as the chief executive officer of Métier.

SepCem's chief executive officer, PF Fourie, was admitted to a hospital on 9 May 2021 after suffering a stroke and sadly passed away on 19 May 2021. He became CEO of SepCem in May 2007, and he was subsequently appointed a SepHold board director on 20 November 2009 following the JSE listing.

While operations are currently at normal levels of output, the COVID-19 pandemic had an impact on group performance for the year ended 31 March 2021 as reported and seen in Q2 of the calendar year. The group entities continue to comply fully with the government directives applicable to the level of lockdown. The directors are not aware of any material fact or circumstance arising between the end of the reporting period and the date of this report that would require adjustments to or disclosure in the financial results.

30. CHANGE TO THE COMPANY SECRETARY

There were no changes to the company secretary during the reporting period under review.

On behalf of the board

Pretoria

Chief executive officer **NR Crafford-Lazarus**	Chairperson **B Williams**

23 June 2021

Enquiries contact:

Sakhile Ndlovu

Sephaku Holdings

Investor Relations

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Sponsor to Sephaku Holdings:

Questco Corporate Advisory Proprietary Limited

CORPORATE INFORMATION

Directors	B Williams	Chairperson – independent non-executive director
	MM Ngoasheng	Independent non-executive director
	MJ Janse van Rensburg	Independent non-executive director
	B Bulo	Independent non-executive director
	Dr L Mohuba	Non-executive director
	NR Crafford-Lazarus	CEO and financial director
	KJ Capes	Executive director
Registered office	Southdowns Office Park First floor, Block A Cnr Karee and John Vorster Streets Irene, X54 0062	
Company secretary	Acorim Proprietary Limited Telephone: +27 11 325 6363 Email: sephaku@acorim.co.za	
Transfer secretaries	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg 2196 Private Bag X9000, Saxonwold 2132 Telephone: +27 11 370 5000	
JSE sponsor	QuestCo Corporate Advisory Proprietary Limited Telephone: +27 11 011 9200	

ABOUT SEPHAKU HOLDINGS LIMITED

Sephaku Holdings Limited is a building and construction materials company with a portfolio of investments in the cement sector in South Africa. The company's core investments are a 36% stake in Dangote Cement South Africa Proprietary Limited and 100% in Métier Mixed Concrete Proprietary Limited. SepHold's strategy is to generate growth and realise value for shareholders through the production of cement and ready-mixed concrete in southern Africa.

www.sephakuholdings.com

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