



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

Unaudited interim financial results for the six months ended 30 September 2014

Commencement of clinker and cement production at the Aganang integrated plant marks the end of Sephaku Cement's construction phase and Métier increases its plant complement to eleven.

Sephaku Holdings Limited ("SepHold" or "the Company") hereby announces the group's financial results for the six months ended 30 September 2014. SepHold, Métier Mixed Concrete Proprietary Limited ("Métier" or "the subsidiary") and Sephaku Cement Proprietary Limited ("SepCem" or "the associate") are collectively referred to as the group. The results roadshow presentation can be downloaded from the Company website www.sephakuholdings.com on 4 November 2014.

Highlights

Métier

- Revenue increased by 34% from R301,6 million to R404,2 million
- Earnings before interest, taxation, depreciation and amortisation (EBITDA) increased by 41% from R55,1 million to R77,5 million
- Operating profit increased by 43% from R43,7 million to R62,6 million
- Métier added another plant with a capacity of 70m³/hour in Gauteng

SepCem

- Delmas milling plant reached 80% annualised capacity utilisation
- Aganang integrated plant commenced clinker and cement production

Group

- Normalised headline earnings of 9,69 cents per share (calculated excluding the Metier contingent consideration loss of R22.2 million)
- Operating profit increased by 57% from R33,8 million to R53,1 million

Financial review

The group achieved revenue of R404,2 million compared to R301,6 million for the 2013 interim period essentially due to Métier's plant expansion in the Gauteng province since 2011. The subsidiary has also managed to sustain its historical gross profit margin as it successfully gains market share. The resultant group operating profit increased to R53,1 million (2013: R33,8 million) with Métier's contribution increasing by 43% to R62,6 million. The difference between the subsidiary profit and the group is due to SepHold's total overheads. Profit before tax decreased from R16,3 million to R10,5 million mainly because of a once off non-cash contingent consideration loss of R22,2 million (included under current liabilities) for the outstanding Métier acquisition share-based payment of R100 million. The group taxation was R14,3 million payable essentially on the Métier income that reduced the profit before tax to a loss of R3,7 million. The headline loss per share was 2,0 cents and normalised headline earnings per share (which is calculated after excluding the once-off contingent consideration on the Metier acquisition of R22.2 million from headline earnings) was 9.69 cents.

During SepCem's interim reporting period, January 2014 to June 2014, the associate successfully commenced and continued to ramp up production at the Delmas milling plant. SepCem also completed commissioning of the Aganang integrated plant enabling it to start production of both clinker and cement in the third quarter. The combination of revenue from purchased clinker and pre-production expenditure at Aganang resulted in SepCem recording a loss of R25.9 million. SepHold's 36% equity-accounted loss for SepCem's six months ended June 2014 was therefore R9,3 million. In SepCem's third quarter which is not accounted for by SepHold in the current interim reporting period, the associate reached an annualised capacity utilisation of 80% at Delmas and increased its market penetration as indicated by its reported revenues for the nine months ended September 2014. SepCem achieved revenue of R206 million for the interim period ended 30 June 2014 and R309 million for the three months ending September 2014, an increase of over 100% quarter on quarter. The total revenue achieved to the end of September 2014 was R515 million essentially from the Delmas production output.

Métier purchase consideration and contingent consideration

The total nominal purchase consideration payable for Métier was R365 million and consisted of a combination of cash payments and the issue of fully paid SepHold shares.

A final payment is due on 1 December 2014 and includes:

- (i) a final cash payment of R125 million, which will be funded through acquisition finance; and
- (ii) to the extent that the 11 111 111 shares issued, based on a 60-day volume-weighted average share price ("VWAP") on 1 December 2014, are less than R100 million, SepHold shall issue additional consideration shares, to be calculated by dividing the shortfall by the future 60-day VWAP.

As required by IFRS 3 and based on management's assessment, SepHold has accounted for a contingent consideration loss of R22,2 million as a provision for this final share allocation. Management will further adjust for the fair value of the contingent consideration based on the VWAP on 1 December 2014 and report on the final share issuance accordingly.

Operational review

Métier

The subsidiary continued its plant capacity expansion through the construction of another plant with a capacity of 70m³/hour added to its Gauteng footprint in September 2014. Métier has continued to focus on the specialised high-value concretes. Métier has a solid order book with new contracts worth over R250 million recently secured.

SepCem

SepCem is supplying its brand to all the major retail (bag) market distributors and has managed to grow its revenues exponentially since production started in January 2014. The success of the sales and marketing strategy is largely due to the highly experienced sales team headed by seasoned industry executives.

The Aganang integrated plant commenced clinker and cement production in August and October 2014 respectively. The internally produced clinker completely replaced the purchased clinker within the initial weeks of production. Delmas has been milling the internally produced clinker only since early September 2014. The internally produced clinker is expected to reduce input costs and further strengthen SepCem's competitiveness.

Outlook

SepCem is targeting to reach steady state production at both plants during the first half of the 2015 calendar year. SepCem will focus on attaining the earnings and capacity utilisation targets in line with market demand. The associate will also continue to ensure that it produces the highest quality and most consistent cement products whilst offering excellent service to the market.

Métier will continue to maintain operational efficiency and improve its financial performance to increase earnings.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

for the six months ended 30 September 2014

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2014 Unaudited R'000	30 September 2013 Unaudited R'000	31 March 2014 Audited R'000
Assets			
Non-current assets	983 827	996 316	990 253
Current assets	166 358	125 132	116 559
Total assets	1 150 185	1 121 448	1 106 812
Equity and liabilities			
Equity attributable to equity holders of the parent	747 818	752 605	747 724
Non-current liabilities	169 374	208 685	159 350
Current liabilities	232 993	160 158	199 738
Total liabilities	402 367	368 843	359 088
Total equity and liabilities	1 150 185	1 121 448	1 106 812
Net asset value per share (cents)	392,60	398,21	393,80
Tangible net asset value per share (cents)	270,53	272,21	270,70
Ordinary shares in issue	190 479 645	188 998 646	189 872 979

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 September 2014 Unaudited R'000	6 months ended 30 September 2013 Unaudited R'000	12 months ended 31 March 2014 Audited R'000
Revenue	404 157	301 569	571 545
Cost of sales	(225 941)	(167 744)	(319 156)
Gross profit	178 216	133 825	252 389
Other income	5 027	6 511	13 945
Operating expenses	(130 171)	(106 575)	(215 181)
Operating profit	53 072	33 761	51 153
Investment income	1 366	855	2 693
Loss on contingent consideration	(22 222)	-	-
Loss from equity accounted investments	(9 318)	(5 703)	(14 746)
Finance costs	(12 356)	(12 589)	(25 676)
Profit before taxation	10 542	16 324	13 425
Taxation	(14 278)	(10 061)	(16 242)
(Loss)/profit for the period	(3 736)	6 263	(2 818)

Total comprehensive (loss)/income attributable to:			
Equity holders of the parent	(3 736)	6 263	(2 818)
Basic (loss)/earnings per share (cents)	(1,96)	3,32	(1,49)
Diluted (loss)/earnings per share (cents)	(1,82)	3,16	(1,39)
Headline (loss)/earnings per share (cents)	(2,00)	2,78	(2,36)
Diluted headline (loss)/earnings per share (cents)	(1,85)	2,64	(2,20)
Reconciliation of basic (loss)/earnings to diluted (loss)/earnings and headline (loss)/earnings:			
Basic (loss)/earnings and diluted (loss)/earnings from total operations attributable to equity holders of the parent	(3 736)	6 263	(2 818)
Profit on sale of non-current assets	(91)	(1 031)	(1 077)
Profit on disposal of other financial assets held for sale	-	-	(860)
Total taxation effect of adjustments	25	-	302
Headline (loss)/earnings attributable to equity holders of the parent	(3 802)	5 232	(4 453)
Reconciliation of weighted average number of shares:			
Basic weighted average number of shares	190 145 200	188 456 030	188 987 697
Diluted effect of share options	10 073 076	9 589 283	9 556 129
Contingent issuable shares*	5 555 556		3 747 730
Diluted weighted average number of shares	205 773 832	198 045 313	202 291 556

* Diluted loss per share has been adjusted for 5 555 556 (March 2014: 3 747 730) contingent issuable shares to the sellers of Métier to provide for the contingency that the SepHold share price, based on a 60-day volume-weighted average price, is below R9 and above R4 at 1 December 2014. The contingent issuable shares were calculated based on the SepHold share price at period-end of R6 (March 2014: R6,73) as required by IAS 33.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended 30 September 2014 Unaudited R'000	6 months ended 30 September 2013 Unaudited R'000	12 months ended 31 March 2014 Audited R'000
Cash flows from operating activities	34 846	17 667	40 835
Cash flows from investing activities	(21 543)	(15 815)	(27 253)
Cash flows from financing activities	(3 094)	11 948	(9 919)
Total cash movement for the period	10 209	13 800	3 663
Cash at beginning of period	26 001	22 338	22 338
Cash at end of period	36 210	36 138	26 001

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total share capital R'000	Total Reserves R'000	Retained earnings R'000	Total equity R'000
Balance at 31 March 2013 - Audited	580 591	13 569	145 988	740 148
Total comprehensive income for the period	-	-	6 263	6 263
Issue of shares	2 742	-	-	2 742
Employees' share option scheme	-	2 487	965	3 452
Balance at 30 September 2013 - Unaudited	583 333	16 056	153 216	752 605
Total comprehensive loss for the period	-	-	(9 081)	(9 081)
Issue of shares	2 240	-	-	2 240
Employees' share option scheme	-	1 569	391	1 960
Balance at 31 March 2014 - Audited	585 573	17 625	144 526	747 724
Total comprehensive loss for the period	-	-	(3 736)	(3 736)
Issue of shares	1 561	-	-	1 561
Employees' share option scheme	-	1 690	579	2 269
Balance at 30 September 2014 - Unaudited	587 134	19 315	141 369	747 818

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

Segment information

	Ready-mixed concrete	Head office and consolidation	Group totals
	R'000	R'000	R'000
for the 6 months ended 30 September 2014 - Unaudited			
Segment revenue - external revenue	404 157	-	404 157
Segment cost of sales	(225 941)	-	(225 941)
Segment operating expenses	(120 657)	(9 514)	(130 171)
Loss on contingent consideration	-	(22 222)	(22 222)
Loss from equity-accounted investment	-	(9 318)	(9 318)
Segment profit/(loss) after taxation	40 426	(44 162)	(3 736)
Taxation	(14 760)	482	(14 278)
Interest received	1 343	23	1 366
Interest paid	(8 743)	(3 613)	(12 356)
Depreciation and amortisation	(14 953)	(1 723)	(16 676)
Segment assets	290 660	859 525	1 150 185
Investment in associate included in the above total segment assets	-	607 071	607 071
Capital expenditure included in segment assets	23 333	19	23 352
Segment liabilities	(261 810)	(140 557)	(402 367)
for the 6 months ended 30 September 2013 - Unaudited			
Segment revenue - external revenue	301 569	-	301 569
Segment cost of sales	(167 744)	-	(167 744)
Segment operating expenses	(97 250)	(9 325)	(106 575)
Loss from equity-accounted investment	-	(5 703)	(5 703)
Segment profit/(loss) after taxation	24 483	(18 220)	6 263
Taxation	(10 061)	-	(10 061)
Interest received	655	200	855
Interest paid	(9 198)	(3 391)	(12 589)
Depreciation	(11 383)	-	(11 383)
Segment assets	233 090	888 358	1 121 448
Investment in associate included in the above total segment assets	-	625 431	625 431
Capital expenditure included in segment assets	26 571	-	26 571
Segment liabilities	(259 483)	(109 360)	(368 843)

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 as disclosed in the interim financial results. SepCem is an associate of SepHold. No segment report has been presented for cement as the amounts attributable to cement have been included in the "head office segment".

Basis of preparation

The condensed consolidated interim financial results for the six months ended 30 September 2014 ("interim reporting period") have been prepared in accordance with IAS 34: Interim Financial Reporting, the disclosure requirements of the JSE Limited Listings Requirements, the Companies Act No 71 of 2008, the SAICA financial reporting guides as issued by the Accounting Practices Board and the Financial Pronouncements as issued by the Financial Reporting Standards Council and conform to International Financial Reporting Standards ("IFRS").

The results have been prepared on a historical cost basis, except for the measurement of land at revalued amounts.

The accounting policies for the interim reporting period are consistent with those applied in the annual financial statements for the group for the year ended 31 March 2014.

The preparation of the interim financial results has been supervised by NR Crafford-Lazarus CA (SA).

The financial information on which these interim period results are based has not been reviewed or reported on by the group's auditors.

Statement of going concern

The interim financial results 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.

Stated capital

606 666 ordinary shares were issued during the reporting period, resulting in the total number of ordinary shares issued at period end of 190 479 645 and total stated capital of R587 134 300.

Change in estimate

The Metier agreement stipulates that SepHold shall issue additional consideration shares if the 11 111 111 shares issued, based on a 60-day VWAP on 1 December 2014, are less than R100 million. At time of closing, 28 February 2013, management assessed the possibility to issue additional shares to be small and therefore no liability was recognised.

As required by IFRS 3 and based on management's assessment during the current interim reporting period, SepHold has accounted for a contingent consideration loss of R22,2 million as a provision for this final share allocation.

The effect on future periods is impracticable to estimate as the fair value of the contingent consideration is based on a 60-day VWAP on 1 December 2014. SepHold will report on the final share issuance accordingly.

Events after the interim reporting period

The directors are not aware of any material fact or circumstance arising between the end of the interim reporting period and the date of this report that would require adjustments to or disclosure in the interim financial results.

Changes to the board

Name	Position	Change
CRDW de Bruin	Non-executive director	Resigned 21 April 2014
Dr D Twist	Non-executive director	Resigned 21 August 2014
J Pitt	Alternate director to MM Ngoasheng	Appointed 21 August 2014

Company information

Directors

B Williams° (chairman)
MG Mahlare°
PM Makwana°
MM Ngoasheng°
J Pitt° ~
Dr L Mohuba* (chief executive officer)
NR Crafford-Lazarus* (financial director)
RR Matjiu*
KJ Capes*
PF Fourie

**Executive °Independent ~Alternate*

Company secretary

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Transfer secretaries

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South Africa
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JSE sponsor

QuestCo Proprietary Limited

Claudia Adamson, Telephone: +27 11 011 9209

On behalf of the board

Pretoria

Chief executive officer

Dr. Lelau Mohuba

3 November 2014

Financial director

Neil Crafford Lazarus

Enquiries contact: Sakhile Ndlovu Sephaku Holdings Investor Relations 012 612 0210

Sponsor to Sephaku Holdings: Questco (Pty) Ltd

About Sephaku Holdings Limited

Sephaku Holdings Limited ("SepHold") 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 Sephaku Cement (Pty) Ltd ("SepCem") and 100% in Métier Mixed Concrete (Pty) Ltd ("Métier"). The strategy of SepHold is to generate growth and realise value for shareholders through the production of cement and ready mixed concrete in Southern Africa.

www.sephakuholdings.com