

Unaudited interim financial results for the six months ended 30 September 2017

Cement performance comparatively weaker for the first six months but strong recovery in post period.

Métier revenue flat with increased cost attributable to twelfth plant.

Sephaku Holdings Limited (“SepHold” or “the Company”) hereby announces the group’s unaudited financial results for the six months ended 30 September 2017. SepHold, Métier Mixed Concrete Proprietary Limited (“Métier” or “the subsidiary”) and Dangote Cement South Africa Proprietary Limited (“CEMENT” or “the associate”) are collectively referred to as the group.

SALIENT POINTS

- Group net profit decreased by R10,45 million from R25,25 million to R14,80 million
- Basic earnings per share decreased by 5,20 cents from 12,49 cents to 7,29 cents
- Net asset value increased by 25,45 cents per share from 463,04 cents to 488,49 cents
- Métier earnings decreased by R5,86 million from R37,55 million to R31,69 million
- For the six months ended 30 June 2017, CEMENT’s¹ equity accounted earnings reduced by R6,76 million from the prior year profit of R0,97 million to a loss of R5,79 million
- However, as reported by Dangote Cement PLC, in the subsequent quarter, ending 30 September 2017, CEMENT¹ recorded a profit of R32 million.

COMMENTARY

Commenting on the results, Chief Executive Officer, Dr Lelau Mohuba said, *“In the first six months of the calendar year CEMENT had a weak performance recording a loss of R16 million due to a 5% decrease in sales volumes, partially caused by the heavy rainfalls in February. However, I am pleased to report that there was recovery in the cement sales volumes during the third quarter as well as increased prices. This, coupled with improved cost control, saw CEMENT achieving a profit of R32 million for the third quarter, of which SepHold’s equity earnings were approximately R12 million.*

On the Métier side, turnover remained flat at R447 million for the 12 plants compared to 11 plants in the previous year, thereby marginally increasing the overhead costs and decreasing the earnings. The twelfth plant has enabled the subsidiary to access additional markets in Gauteng.”

¹ CEMENT, as a subsidiary of Dangote Cement PLC, has a December year-end.

FINANCIAL REVIEW

Group

The group revenue was R447,82 million compared to R447,95 million for the previous interim period ("FY 2017"). Although Métier was able to implement a marginal increase of 1.9% in the unit price of mixed concrete, the volumes were slightly lower resulting in the flat revenue. The group earnings before interest and tax ("EBIT") was R33,90 million (FY 2017: R48,63 million) with SepHold operational expenses at R10,83 million (FY 2017: R13,25 million). The group's net profit for the period was R14,80 million compared to the R25,25 million recorded in the comparative period.

Métier

Métier's gross profit was R184,87 million compared to R190,04 million due to the challenging trading conditions in which the subsidiary continued to experience intense price competition for supply contracts resulting in limited ability to improve prices. Métier's earnings before interest, tax, depreciation and amortisation ("EBITDA") margin decreased to 13.01% (FY 2017: 16.4%) and EBIT from R60,85 million (13.6%) to R50,53 million (11.3%) mainly due to the lower volumes and marginal increase in overhead expenses from the twelfth plant that commenced production in March 2017. Therefore, Métier's net profit decreased from R37,55 million to R31,69 million.

CEMENT¹

CEMENT's average price per tonne was 1.4% higher, however volumes decreased by 4.9% year on year resulting in the revenue decreasing by 3.6% to R1,104 billion (FY 2016: R1,145 billion) for the six months ended 30 June 2017. The associate was successful in increasing prices for both bagged and bulk cement in all markets in February 2017. The reduction in sales volumes was mainly due to the heavy rainfalls in February and the initial market response to the price increases due to competitors delaying their increases. Consequently, the EBITDA margin decreased to 17.8% (FY 2016: 19.3%) and the associate recorded a net loss of R16,09 million (FY 2016: R2,68 million profit) of which a loss of R5,79 million was equity accounted for by SepHold.

POST - PERIOD

Revised CEMENT debt payment profile

On 18 September 2017, CEMENT's lenders consortium collectively agreed to change the repayment profile of the remaining R1,8 billion on the project loan to increasing capital amounts. The review was subject to a capital injection of R95 million by the two shareholders, which was settled in full by Dangote Cement PLC ("DCP") on 2 October 2017, in line with the terms of the shareholder relationship agreement between SepHold and DCP. SepHold has an option to pay DCP its 36% portion of R34,2 million at a future date still to be determined.

Financial results for third quarter to 30 September 2017

Following the DCP results released on 19 October 2017 for the nine months ended 30 September 2017, CEMENT increased its quarterly revenue by 14.2% to R656,59 million (FY 2016: R574,89 million) for the three months ending September 2017. The increase in revenue was as a result of a 9.6% increase in quarterly volumes and the average price increase per tonne of 2% - 3% implemented in August that has sustained in most markets. The EBITDA achieved was 22.7% at R149 million and these CEMENT quarterly results will be equity accounted in the SepHold audited financial results for the twelve months ending 31 March 2018.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS
for the six months ended 30 September 2017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2017 Unaudited R'000	30 September 2016 Unaudited R'000	31 March 2017 Audited R'000
Assets			
Non-current assets			
Property, plant and equipment	141 632	135 254	142 798
Goodwill	223 422	223 422	223 422
Investment in associate	738 048	720 005	743 843
Other non-current assets	18 682	5 735	17 800
Total non-current assets	1 121 784	1 084 416	1 127 863
Current assets			
Inventories	16 289	11 683	16 972
Trade and other receivables	132 987	113 257	121 614
Cash and cash equivalents	26 490	38 301	44 757
Other current assets	864	13 726	-
Total current assets	176 630	176 967	183 343
Total assets	1 298 414	1 261 383	1 311 206
Equity and liabilities			
Equity attributable to equity holders of the parent	1 003 699	939 822	983 880
Non-current liabilities			
Other financial liabilities	180 660	214 116	180 133
Deferred income	1 895	-	2 233
Deferred taxation	21 255	19 620	19 697
Total non-current liabilities	203 710	233 736	202 063
Current liabilities			
Other financial liabilities	18 386	6 625	35 803
Trade and other payables	67 842	75 875	84 272
Other current liabilities	4 777	5 325	5 188
Total current liabilities	91 005	87 825	125 263
Total liabilities	294 715	321 561	327 326
Total equity and liabilities	1 298 414	1 261 383	1 311 206
Net asset value per share (cents)	488,49	463,04	484,74
Tangible net asset value per share (cents)	378,35	350,92	372,83
Ordinary shares in issue	205 469 487	202 969 487	202 969 487

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 September 2017 Unaudited R'000	6 months ended 30 September 2016 Unaudited R'000	12 months ended 31 March 2017 Audited R'000
Revenue	447 822	447 945	839 985
Cost of sales	(262 950)	(257 903)	(483 668)
Gross profit	184 872	190 042	356 317
Other income	1 740	1 195	2 429
Operating expenses	(146 912)	(143 573)	(273 996)
Operating profit	39 700	47 664	84 750
Investment income	2 191	3 445	7 172
Profit / (loss) from equity accounted investments	(5 795)	966	24 804
Finance costs	(11 646)	(14 126)	(26 695)
Profit before taxation	24 450	37 949	90 031
Taxation	(9 645)	(12 701)	(21 892)
Profit for the period	14 805	25 248	68 138
Total comprehensive income for the period	14 805	25 248	68 138
 Basic earnings per share (cents)	 7,29	 12,49	 33,63
Diluted earnings per share (cents)	7,25	12,41	33,36

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended 30 September 2017 Unaudited R'000	6 months ended 30 September 2016 Unaudited R'000	12 months ended 31 March 2017 Audited R'000
Cash flows from operating activities			
Cash generated from operations	22 653	56 299	96 979
Interest income	2 191	4 057	7 172
Finance costs	(11 009)	(14 315)	(24 320)
Taxation paid	(9 459)	(11 728)	(19 049)
Net cash from operating activities	4 376	34 313	60 782
Cash flows from investing activities			
Purchase of property, plant and equipment	(7 021)	(14 191)	(28 535)
Sale of property, plant and equipment	957	1 070	1 852
Loans repaid	949	1 158	349
Investment increase in associate	-	(48 572)	(48 572)
Government grant received	-	556	1 153
Net cash (utilised in) investing activities	(5 115)	(59 979)	(73 753)
Cash flows from financing activities			
Proceeds on share issue	-	2 453	2 453
Facility raising fee paid	-	-	(761)
Repayment of other financial liabilities	(17 538)	(29 200)	(35 195)
Increase in loans with group companies	-	(517)	-
Net cash (utilised in) financing activities	(17 528)	(27 264)	(33 503)
Total cash movement for the period	(18 267)	(52 930)	(46 474)
Cash at beginning of period	44 757	91 231	91 231
Cash at end of period	26 490	38 301	44 757

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 2016 - Audited	632 950	18 911	258 731	910 592
Total comprehensive income for the period	-	-	25 248	25 248
Issue of shares	2 453	-	-	2 453
Employees' share option scheme	-	(189)	1 718	1 529
Balance at 30 September 2016 - Unaudited	635 403	18 722	285 697	939 822
Total comprehensive income for the period	-	-	42 890	42 890
Issue of shares	-	-	-	-
Employees' share option scheme	-	540	628	1 168
Balance at 31 March 2017 - Audited	635 403	19 262	329 215	983 880
Total comprehensive income for the period	-	-	14 805	14 805
Issue of shares	6 700	-	-	6 700
Employees' share option scheme	-	1 479	(3 165)	(1 686)
Balance at 30 September 2017 - Unaudited	642 103	20 741	340 855	1 003 699

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

Basis of preparation

The condensed consolidated interim financial results for the six months ended 30 September 2017 ("interim reporting period") have been prepared in accordance with IAS 34: Interim Financial Reporting, the requirements of the JSE Limited Listings Requirements, the Companies Act, 2008, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council. The interim financial results are prepared in accordance with 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 fair value and useful life of this asset will be assessed at the 2018 year-end. 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 2017.

The preparation of the interim financial results has been supervised by NR Crafford-Lazarus CA (SA). These interim results have not been reviewed or reported on by the group's auditors.

Net asset value per share and earnings per share

	6 months ended 30 September 2017 Unaudited R'000	6 months ended 30 September 2016 Unaudited R'000	12 months ended 31 March 2017 Audited R'000
Net asset value and tangible net asset value per share			
Total assets	1 298 414	1 261 383	1 311 206
Total liabilities	(294 715)	(321 561)	(327 326)
Net asset value attributable to equity holders of parent	1 003 699	939 822	983 880
Goodwill	(223 422)	(223 422)	(223 422)
Intangible assets	(4 015)	(5 735)	(5 162)
Deferred tax raised on intangible assets	1 124	1 605	1 445
Tangible net asset value	777 386	712 270	756 741
Shares in issue	205 469 487	202 969 487	202 969 487
Net asset value per share (cents)	488,49	463,04	484,74
Tangible net asset value per share (cents)	378,35	350,92	372,83

Reconciliation of basic earnings to diluted earnings and headline earnings:

Basic profit and diluted profit from total operations attributable to equity holders of the parent	14 805	25 248	68 138
(Profit)/loss on sale of non-current assets	(524)	(374)	(743)
Total taxation effect of adjustments	147	105	208
Headline earnings attributable to equity holders of the parent	14 428	24 979	67 603

Reconciliation of weighted average number of shares:

Basic weighted average number of shares	203 072 227	202 080 131	202 609 094
Diluted effect of share options	1 150 742	1 304 252	1 641 560
Diluted weighted average number of shares	204 222 969	203 384 383	204 250 654
Basic earnings per share (cents)	7,29	12,49	33,63
Diluted earnings per share (cents)	7,25	12,41	33,36
Headline earnings per share (cents)	7,10	12,36	33,37
Diluted headline earnings per share (cents)	7,06	12,28	33,10

Segment information

The segments identified are based on the operational and financial information reviewed by management for performance assessment and resource allocation. There has been no change in the basis of operational segmentation or in the basis of measurement of segment profit or loss since the 2017 annual financial statements.

	Ready-mixed concrete R'000	Head office and consolidation R'000	Group totals R'000
for the 6 months ended 30 September 2017 – Unaudited			
Segment revenue - external revenue	447 822	-	447 822
Segment cost of sales	(262 950)	-	(262 950)
Segment expenses	(136 086)	(10 826)	(146 912)
Profit from equity-accounted investment	-	(5 795)	(5 795)
Segment profit/(loss) after taxation	31 689	(16 884)	14 805
Taxation	(9 966)	321	(9 645)
Interest received	2 190	1	2 191
Interest paid	(11 643)	(3)	(11 646)
Depreciation and amortisation	(7 718)	(1 183)	(8 901)
Segment assets	439 952	858 462	1 298 414
Investment in associate included in the above total segment assets	-	738 048	738 048
Capital expenditure included in segment assets	6 998	23	7 021
Segment liabilities	(293 538)	(1 177)	(294 715)
for the 6 months ended 30 September 2016 – Unaudited			
Segment revenue - external revenue	447 945	-	447 945
Segment cost of sales	(257 903)	-	(257 903)
Segment expenses	(130 324)	(13 249)	(143 573)
Profit from equity-accounted investment	-	966	966
Segment profit/(loss) after taxation	37 545	(12 297)	25 248
Taxation	(13 183)	482	(12 701)
Interest received	3 388	57	3 445
Interest paid	(14 126)	-	(14 126)
Depreciation and amortisation	(12 392)	(1 755)	(14 147)
Segment assets	415 396	845 987	1 261 383
Investment in associate included in the above total segment assets	-	720 005	720 005
Capital expenditure included in segment assets	13 822	369	14 191
Segment liabilities	(318 404)	(3 157)	(321 561)

During 2017, the group streamlined the allocation of segment expenses between the different business segments. The effects of the reclassification on the comparative figures for the period ended 30 September 2016 are as follows:

	Segment expenses R'000	Segment profit/(loss) after taxation R'000
Decrease in Ready-mixed concrete segment	3 874	3 874
Increase in Head office segment	(3 874)	(3 874)

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. CEMENT 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".

Cost of sales

Discounts received from suppliers have been reclassified to cost of sales to allow for more accurate reporting. The effect of the reclassification on the comparative figures for the period ended 30 September 2016 are as follows:

Profit or Loss	GROUP	
	6 months ended 30 September 2017 unaudited R'000	6 months ended 30 September 2016 unaudited R'000
Decrease in cost of sales	-	9 442
Decrease in other income	-	(9 442)

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

Prior to 30 September 2017, the company issued 2 500 000 shares at a price of R2.68 per share for no cash consideration, in respect of options in terms of the Sephaku Share Incentive Scheme that were deemed to expire on 15 October 2017. Due to the company being in a closed period on date of expiry, the option holders are entitled to exercise their rights within 90 days thereafter, at which date the cash consideration of R2.68 per share will be received by the company.

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.

Change to the board of directors

In compliance with paragraph 3.59(b) of the Listings Requirements of the JSE Limited, the SepHold board of directors hereby advises shareholders that Ms. Basani Maluleke ("Ms. Maluleke"), an independent non-executive director, resigned from the board with immediate effect on 30 October 2017, as a result of taking on additional executive responsibilities at her current employer, African Bank. Ms. Maluleke was appointed to the board on 9 November 2016 and served as a member of the audit and risk committee as well as the social and ethics committee. Although Ms. Maluleke's tenure was short, she contributed immensely to the group. The board would like to thank Ms. Maluleke for her contribution to the company and wishes her well in her future endeavours.

Change to the Company Secretary

There were no changes to the Company Secretary during the interim reporting period under review.

Company information

Directors

B Williams° (chairman)

MJ Janse van Rensburg°

PM Makwana°

MM Ngoasheng°

B Maluleke°

J Pitt° ~

Dr L Mohuba* (chief executive officer)

NR Crafford-Lazarus* (financial director)

RR Matjiu^

KJ Capes*

PF Fourie^

*Executive °Independent ~Alternate ^Non-executive

Company secretary

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Transfer secretaries

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Telephone: +27 11 370 5000

JSE sponsor

Questco Corporate Advisory Proprietary Limited

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Analyst results presentation conference call

A presentation conference call for analysts will be held on 9 November 2017 at 1100hs CAT.

The results presentation can also be downloaded from the Company website:

www.sephakuholdings.com.

Registration is required to get access code to the call through the link below.

[SEPHAKU HOLDINGS FY 2018 INTERIM RESULTS PRESENTATION FOR THE PERIOD ENDED 30 SEPTEMBER 2017](#)

[HD Webphone](#)

South Africa toll free: 0 800 203 599

Conference Replay: 011 305 2030

Playback code: 18697

On behalf of the board

Pretoria

Chief executive officer

Dr. Lelau Mohuba

9 November 2017

Financial director

Neil Crafford Lazarus

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

Sponsor to Sephaku Holdings: Questco Corporate Advisory (Pty) Ltd

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 SA (Pty) Ltd and 100% in Métier Mixed Concrete (Pty) Ltd. 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**](http://www.sephakuholdings.com)