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

Abridged financial results for the year ended 31 March 2014, notice of annual general meeting and change to the board of directors

Commencement of cement production at the Delmas milling plant establishes Sephaku as the only new producer into the local cement industry in 80 years

Commentary on the financial results for the year ended 31 March 2014

Sephaku Holdings Limited (SepHold or the company) is pleased to present the group's financial results for the year ended 31 March 2014. SepHold, Métier Mixed Concrete (Pty) Ltd (Métier or the subsidiary) and Sephaku Cement (Pty) Ltd (SepCem or the associate) are collectively referred to as the group and the full annual financial statements and integrated annual review can be downloaded from the company's website on http://www.sephakuholdings.co.za.

Highlights

The group achieved a profit before tax of R13,4 million

SepHold overhead cash costs were contained at R13,4 million

Métier

- Revenue increased by 38% from R414,3 million to 571,5 million
- EBITDA increased by 22% from R81,6million to R100,0 million
- Operating profit increased by 18% from R63,8 million to R75,5 million

Métier added another plant with a capacity of 70m³/hour in Gauteng

The comparative figures included above refer to Métier's full year's audited results for the period March 2012 to February 2013 and not for the one month consolidated in the 2013 financial year results for the group.

SepCem

- Delmas milling plant commenced production of cement in January 2014
- Commissioning of Aganang integrated plant commenced in February 2014

Commenting on the results, chief executive officer, Dr Lelau Mohuba said, *"The year was very successful as we completed the construction of the SepCem production facilities and increased our mixed concrete plant footprint in Gauteng. We are pleased by the market acceptance for our cement brands in both the bag and bulk markets to date. The experienced sales team at SepCem continues to increase floor space presence in most distribution networks. Métier was awarded several major construction contracts nationally including the supply of 15 000m³ for the Atterbury office development at Waterfall Estate in Gauteng."*

Financial review

The 2013 reporting period was for nine months and included Métier's figures for one month because the subsidiary was acquired at the end of the financial year. The current year's results are for a full 12-month period for both SepHold and Métier. The 2013 financial year figures are therefore not accurately comparable to the current year figures. In addition, as a result of the purchase price allocation for the Métier acquisition being completed in the current financial year, certain comparative figures have been restated as permitted by IFRS 3.

The group earned revenue of R571,5 million and EBITDA of R66,5 million for the year. SepHold incurred an operating loss of R18,7 million ,at a company level, of which R5,4 million relates to the IFRS 2 non-cash expenditure on the vesting of share options. Group finance charges amounted to R25,7 million, including a non-cash present value adjustment by SepHold of R6,9 million on the R125 million Métier purchase price payable on 1 December 2014. The balance of finance charges were incurred on the Métier acquisition debt and asset finance. Interest income for the group amounted to R2,7 million for the financial year.

Métier's revenue increased to R571,5 million and profit before interest and taxation to R75,5 million. This includes a once-off transaction cost amounting to R4 million, paid by Métier. This increase was mainly due to the addition of the third plant in Gauteng that enhanced production capacity. Métier has been successful in penetrating the Gauteng market through substantive supply contracts and repeat orders. Métier's EBITDA and operating profit both increased by 22% and 18% respectively as the subsidiary expanded its footprint in Gauteng and pursued the specialised high-value concrete market. The subsidiary was determined to sustain the gross profit margin to the 2013 level while gaining market share.

As anticipated, SepCem incurred a loss of R40,9 million for their year ended 31 December 2013 due to the non-capital-related expenditure incurred in preparation for market entry and preparation to become a significant competitor in the wholesale and retail cement trade. SepHold's 36% equity-accounted loss amounted to R14,7 million. During SepCem's financial year plant assets to the value of R1,5 billion were capitalised, bringing the investment in the project to R3 billion. The Delmas plant that commenced production in January 2014 was completed at a cost of R823 million and at year-end the investment in the Aganang project amounted to R1,97 billion, with production targeted for July 2014.

The operating profit from Métier was reduced by the SepHold operating loss of R18,7 million (at a company level), the group net financing cost of R23 million, a R14,7 million loss attributable to SepCem and amortisation for the year of R5,6 million, resulting in a profit before taxation for the group of R13,4 million. Taxation for the group of R16,2 million including Métier's R17,8 million and the reversal of deferred taxation on the amortisation of intangible assets of R1,6 million, resulted in a total group loss for the 2014 financial year of R2,8 million.

The total group profit for the year before the non-cash IFRS adjustments for the expense on the vesting of the share options of R5,4 million, the amortisation of intangible assets net of deferred taxation of R4 million and finance charges on the present value adjustments of acquisition debt of R6,9 million is R13,5 million.

Métier purchase consideration and contingent liability

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 further 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 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 volume-weighted average share price.

Although the final date of payment has not yet been reached and the shortfall (if any) is unknown, IFRS requires that a contingency be disclosed for the potential liability. It is furthermore required to express the fully diluted earnings per share based on the number of shares that would be issued based on the share price at year-end to compute the potential shortfall. These calculations are reflected in the financial statements and indicate a potential dilution on the total amount of shares in issue of 1,9%.

Effect of Métier acquisition purchase - goodwill allocation and retrospective adjustment

Métier was acquired at the beginning of the last month of the 2013 financial year. In accordance with IFRS 3 requirements, SepHold had a maximum period of 12 months from date of acquisition to complete the accounting of Métier.

As a result, the previously recorded goodwill of R238,1 million has been retrospectively adjusted for the allocation of the purchase consideration to the identifiable intangible assets of R20,4 million and the consequential deferred taxation liability of R5,7 million. The remaining goodwill balance of R223,4 million relates to synergistic benefits including Métier's future revenue base, their management's expertise obtained and the vertical integration possibilities between Métier and SepCem. The statement of comprehensive income has been retrospectively adjusted at group level for amortisation net of deferred taxation of R377 330 for the one month since acquisition.

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. Métier commenced supplies to Gauteng customers from its new Chloorkop concrete mixing plant on time and within budget in April 2013. This expansion necessitated the requisite increase of the concrete mixer fleet size by 18% to transport additional volumes as well as the acquisition of an additional concrete boom pump. A growing number of higher-margin projects and repeat orders contributed to growth in the Gauteng market. The specialised high-value concretes and Gauteng accounted for 29% and 40% of total sales respectively.

Métier's success was anchored by several major construction contracts the subsidiary was awarded nationally. These are the supply of 15 000m³ for the Atterbury office development at Waterfall Estate in Gauteng, supply of 20 000m³ for the new regional FNB head office in Ridgeside and the supply of 50 000m³ of concrete for the Watercrest shopping mall in Waterfall, the latter two being in KwaZulu-Natal.

The acquisition of Métier in 2013 marked the beginning of the income and growth phases of SepHold's strategy. As a producer of quality ready-mixed concrete products for the residential, commercial and industrial markets in South Africa, Métier is a valuable complementary asset, offering a range of synergistic benefits, not least of which are a broader revenue base, earlier cash flows and the consequent generation of shareholder value.

Métier also offers regional diversification in Gauteng and KwaZulu-Natal, and vertical integration as a consumer of cement and fly ash. In return, SepHold offers critical mass and capital to fund Métier's geographic expansion into Gauteng. Métier still operates as an independent, separately-branded business, thereby ensuring that it maintains the competitive edge that motivated SepHold's decision to acquire it. Nonetheless, it benefits from the company-wide operating systems with which SepHold endows its businesses, including health, safety and environmental management. It also receives the significant benefit of the group's access to experienced industry leaders.

SepCem

The 2014 financial year marked the successful completion, commissioning and entrance of the Delmas milling plant into the domestic cement market. The Aganang clinker plant has been successfully commissioned with production of clinker targeted for July. The SepCem strategy is to stabilise and optimise its production capacity to ensure the low-cost advantage offered by new plants with advanced technology. SepCem intends to continue to penetrate the domestic cement market in a responsible manner that enables it to fulfil its promises of high product quality, exceptional service and first-class technical support to customers and sustainable growth in profitability. SepCem is targeting a 20 – 25% inland market share which translates to a 13 – 17% national share.

During the financial year, SepCem focused on completing the construction phase of the two plants during the reporting period and this was achieved on schedule and within budget. Critical elements in the construction phase included the factory acceptance testing, delivery and installation of imported mechanical equipment, and the installation and connection of electricity supply from the national grid. Throughout the construction phase, a dedicated operational preparedness team has ensured that SepCem meets its targets for completion and market readiness.

Standard Bank and Nedbank have jointly funded the debt requirements of SepCem through a 10-year deal which was signed in October 2012 with a capital portion of R1,95 billion. The facility allows for a payment holiday of three years and a resultant rolled-up interest during this period into a total facility of R2,4 billion. At the end of SepCem's financial year the utilised amount was R1,96 billion, with the initial payment to be made in the first quarter of the 2016 calendar year. The shareholder loan from Dangote of R265 million was drawn down to R147 million at the SepCem year-end.

Condensed consolidated financial results for the year ended 31 March 2014

Statement of comprehensive income

	GROUP	
	12 months ended 31 March 2014 audited R	**9 months ended 31 March 2013 (restated) audited R**
Revenue	571 544 796	37 195 338
Cost of sales	(319 156 121)	(21 574 848)
Gross profit	252 388 675	15 620 490
Other income	13 945 386	356 081
Operating expenses	(215 181 485)	(36 349 368)
Operating profit/(loss)	**51 152 576**	**(20 372 797)**
Investment income	2 693 264	820 287
(Loss)/profit from equity-accounted investment	(14 745 655)	6 191 410
Finance costs	(25 675 522)	(1 949 268)
Profit/(loss) before taxation	13 424 663	(15 310 368)
Taxation	(16 242 442)	(994 461)
Loss for the year/period	**(2 817 779)**	**(16 304 829)**
Items that will not be reclassified to profit or loss:		
Share of other comprehensive loss of associate	–	(1 207 663)
Other comprehensive loss for the period net of taxation	–	(1 207 663)

Total comprehensive loss for the year/period	**(2 817 779)**	**(17 512 492)**
Basic loss per share (cents)	(1,49)	(9,39)
Diluted loss per share (cents)	(1,39)	(8,93)
Headline loss per share (cents	(2,36)	(9,42)
Diluted headline loss per share (cents)	(2,20)	(8,96)
Reconciliation of basic earnings to diluted earnings and headline earnings:		
Basic loss and diluted loss attributable to equity holders of the parent	(2 817 779)	(16 304 829)
Profit on sale of non-current assets	(1 076 760)	(50 029)
Profit on disposal of other financial assets held for sale	(860 000)	–
Total taxation effect of adjustments	301 493	–
Headline loss and diluted headline loss attributable to equity holders of parent	(4 453 046)	(16 354 858)
Reconciliation of weighted average number of shares:		
Basic weighted average number of shares	188 987 697	173 613 522
Dilutive effect of share options	9 556 129	4 646 656
Contingent issuable shares	3 747 730	4 297 210
Diluted weighted average number of shares	202 291 556	182 557 388

Statement of financial position

	GROUP	
	2014 audited R	**2013 (restated) audited R**
Assets		
Non-current assets		
Property, plant and equipment	129 180 045	116 878 108
Goodwill	223 421 981	223 421 981
Intangible asset	14 337 752	19 914 643
Investment in associate	616 388 706	631 134 362

Other financial assets	6 924 311	9 805 298
	990 252 795	**1 001 154 392**
Current assets		
Inventories	7 973 118	6 730 225
Loans to group companies	–	337 058
Other financial assets	6 648 582	8 588 729
Trade and other receivables	75 936 662	60 600 275
Cash and cash equivalents	26 001 268	22 337 824
	116 559 630	**98 594 111**
Total assets	**1 106 812 425**	**1 099 748 503**
Equity and liabilities		
Equity		
Stated capital	585 573 235	580 590 616
Reserves	17 624 536	13 568 918
Retained income	144 525 951	145 987 793
	747 723 722	**740 147 327**
Liabilities		
Non-current liabilities		
Other financial liabilities	142 576 783	249 390 922
Operating lease liability	1 640 263	–
Deferred income	1 577 232	1 102 738
Deferred taxation	13 555 933	15 461 556
	159 350 211	**265 955 216**
Current liabilities		
Other financial liabilities	140 907 240	39 583 332
Current taxation payable	1 192 809	11 402 043

Operating lease liability	336 348	–
Trade and other payables	56 994 212	42 471 544
Deferred income	307 883	189 041
	199 738 492	**93 645 960**
Total liabilities	**359 088 703**	**359 601 176**
Total equity and liabilities	1 106 812 425	1 099 748 503
Net asset value per share (cents)	393,80	393,90
Tangible net asset value per share (cents)	270,70	267,37
Ordinary shares in issue	189 872 979	187 901 843

Statement of cash flows

	GROUP	
	12 months ended 31 March 2014 audited R	**9 months ended 31 March 2013 audited R**
Cash flows from operating activities		
Cash generated from/(utilised in) operations	84 437 984	(21 570 600)
Interest income	2 693 264	820 287
Finance costs	(17 939 091)	(1 394 506)
Taxation (paid)/received	(28 357 299)	55 518
Net cash from operating activities	40 834 858	(22 089 301)
Cash flows from investing activities		
Purchase of property, plant and equipment	(40 706 776)	(5 145 027)
Sale of property, plant and equipment	4 929 319	87 719
Acquisition of shares in wholly owned subsidiary	–	(89 200 006)
Acquisition costs	–	(4 110 902)
Proceeds on disposal of other financial assets	5 760 244	–
Net loans advanced	1 932 773	1 396 508
Government grant received	831 895	–
Net cash from investing activities	(27 252 545)	(96 971 708)
Cash flows from financing activities		

Proceeds on share issue	2 970 737	–
Proceeds from other financial liabilities	123 848 444	116 178 705
Repayment of other financial liabilities	(137 075 108)	–
Decrease in loans with group companies	337 058	590 992
Net cash from financing activities	(9 918 869)	116 769 697
Total cash and cash equivalents movement for the year/period	**3 663 444**	**(2 291 312)**
Cash and cash equivalents at the beginning of the year/period	22 337 824	24 629 136
Total cash and cash equivalents at the end of the year/period	**26 001 268**	**22 337 824**

Notes to the condensed consolidated financial statements

Accounting policies

Basis of preparation

The abridged consolidated financial statements are prepared in accordance with the JSE Limited Listings Requirements (Listings Requirements) for abridged reports and the requirements of the Companies Act, 2008. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts, the measurement and recognition requirements of International financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and must also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements, from which the abridged consolidated financial statements were derived, are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements.

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

Segment information

	Ready-mixed concrete R	**Head office R**	**Group totals R**
2014			
Segment revenue – external revenue	571 544 796	–	571 544 796
Segment expenses	(190 867 146)	(24 314 339)	(215 181 485)
Loss from equity-accounted investment	–	(14 745 655)	(14 745 655)
Profit on sale of property, plant and equipment	1 076 760	–	1 076 760
Profit on disposal of other financial assets	860 000	–	860 000
Segment profit/(loss) after taxation	41 299 405	(44 117 184)	(2 817 779)
Taxation	(17 803 973)	1 561 531	(16 242 442)
Interest received	2 429 956	263 308	2 693 264

Interest paid	(18 784 598)	(6 890 924)	(25 675 522)
Depreciation and amortisation	(24 552 280)	(5 576 891)	(30 129 171)
Segment assets	231 791 330	875 021 095	1 106 812 425
Investment in associate included in the above total segment assets	–	616 388 706	616 388 706
Capital expenditure included in segment assets	36 655 641	4 051 135	40 706 776
Segment liabilities	(241 367 871)	(117 720 832)	(359 088 703)

The only commodity actively managed by Métier Mixed Concrete Proprietary Limited (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 annual financial statements.

Sephaku Cement Proprietary Limited (SepCem) is an associate of Sephaku Holdings Limited (SepHold). No segment report has been presented for Cement as the amounts attributable to Cement have been included in the "head office segment".

Acquisition of subsidiary

Goodwill

On 28 February 2013, the group acquired 100% of the issued share capital of Métier.

In terms of IFRS, goodwill acquired in a business combination should be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. This allocation of goodwill should be performed at acquisition date.

If the initial allocation cannot be completed before the end of the annual period in which the business combination is effected, that initial allocation should be completed before the end of the first annual period beginning after acquisition date.

The purchase price allocation was not completed during the prior financial year, which resulted in goodwill amounting to R238 137 854 as on 31 March 2013 based on the net asset value of Métier on 28 February 2013. The initial allocation has been completed during the current financial period and an amount of R20 438 713 has been allocated from goodwill to intangible assets retrospectively based on the fair value determined for the Vulindlela Development Association customer contract as on acquisition date. Deferred tax on the customer contract of R5 722 840 has also been adjusted retrospectively against the goodwill balance. Amortisation has been provided on the intangible asset balance retrospectively from the date of acquisition. The fair value of the Vulindlela Development Association customer contract was determined based on estimated future cash flows over the contract period as on acquisition date.

The remainder of the goodwill balance of R223 421 981 cannot be allocated to a specific asset as this relates to synergistic benefits such as the future revenue base Métier will provide, Métier management's expertise obtained and the possible vertical integration between Métier and SepCem. The remaining goodwill balance is tested annually for impairment.

Comparative figures

The 2013 reporting period is for nine months with the inclusion of Métier for one month. The comparative amounts are therefore not comparable to the current balances.

Certain comparative figures have been restated as a result of the purchase price allocation for the Métier acquisition being completed in the current financial year as permitted by IFRS 3.

	2013 **R**
The effects of the restatement on the 2013 results are as follows:	
Statement of financial position	
Intangible assets	20 438 713
Goodwill	(14 715 873)
Deferred taxation liability	(5 576 100)
Accumulated amortisation of intangible assets	(524 070)
Net asset value per share as previously reported (cents)	394,10
Statement of comprehensive income	
Amortisation	524 070
Deferred taxation	(146 740)
Basic loss per share as previously reported (cents)	(9,17)
Diluted loss per share as previously reported (cents)	(8,93)
Headline loss per share as previously reported (cents)	(9,20)

Contingencies

SepHold has a possible obligation to issue additional shares to the sellers of Métier to settle the purchase consideration should the SepHold share price, based on a 60-day volume-weighted average price be below R9 at 1 December 2014. To the extent that the issue of 11 111 111 SepHold shares multiplied by the future share price be less than R100 million, SepHold shall issue to the sellers a number of additional consideration shares, to be calculated by dividing the shortfall by the future share price.

Statement on going concern

We draw attention to the fact that the net loss of the group was R2 817 779 (2013: R16 304 829) and that the group's current liabilities exceed its current assets by R83 178 862.

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.

Events after the annual reporting period

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

Auditors' report

The summarised financial information included in this announcement is extracted from audited information but is not itself audited. The directors take full responsibility for the preparation of the summarised financial information and that it has been correctly extracted from the underlying annual financial statements.

The underlying annual financial statements have been audited by the group's external auditors, Grant Thornton (Jhb) Inc. A copy of their unqualified report, as well as the annual financial statements, are available for inspection at the company's registered office.

Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the company's auditors.

The auditors' report does not necessarily cover 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 auditors' work, they should obtain a copy of that report together with the accompanying financial information from the registered office of the company.

Notice of annual general meeting

Notice is hereby given that the company's annual general meeting (AGM) of shareholders will be held at the Ovals room, Centurion Lake Hotel, 1001 Lenchen Avenue North, Centurion on 21 August 2014 at 11:00 to transact the business as stated in the notice of the AGM of the company, being posted by registered mail to the company's shareholders today, 23 June 2014.

The notice of the AGM has been sent to its shareholders who were recorded as such in the company's securities register on Friday, 20 June 2014, being the notice record date set by the board of the company determining which shareholders are entitled to receive notice of the AGM.

The board of directors has determined that the last day to trade to be eligible to participate in and vote at the AGM is Friday, 8 August 2014 and the record date for purposes of determining which shareholders of Sephaku Holdings are entitled to participate in and vote at the AGM is Friday, 15 August 2014. Only shareholders who are registered by Friday, 15 August 2014 will be entitled to participate in and vote at the AGM.

Changes to the board of directors

Name	**Position**	**Change**
KJ Capes	Executive director	Appointed 29 July 2013
David Twist	Non-executive director	To resign effective 20 August 2014
CRDW de Bruin	Non-executive director	Resigned 21 April 2014
J Bennette	Alternate director to RR Matjiu	Resigned as alternate director 21 August 2013
JW Wessels	Alternate director to CRDW de Bruin	Passed away 23 March 2014

In compliance with paragraph 3.59 of the JSE Limited Listings Requirements, shareholders are advised that Dr David Twist (David) will, in accordance with the King Code of Corporate Governance's rotation of non-executive director requirements and the SepHold memorandum of incorporation, retire at the AGM on 21 August and has indicated to the company that he will not make himself available for re-election. Accordingly, David will resign as a non-executive director with effect from 22 August 2014.

Commenting on the board changes, the chief executive officer, Dr Lelau Mohuba said, *"With the group's transition from being a developmental to being an income-generating entity, Rudolph and David have decided to commit themselves to the unbundled assets hence their decision to resign from the SepHold board. Having founded the group with Rudolph and David, I appreciate the anchor roles they have played in ensuring that we achieve all the milestones to being the group we are today. They were not only dependable but they demonstrated a high level of business acumen and resilience as we focused on completing the construction of the cement plants and Métier acquisition.*

Sadly the year was marred by the death of Johannes Wilhelm Wessels who was an alternate director to Rudolph. His contribution to the group during his seven-year period was vast, including but not limited to, providing oversight on all legal transactions."

Chairman Brent Williams said, *"The board and management of SepHold wish to thank Rudolph and David for their fundamental role in building the company and wish them the very best for the future. As we bid farewell to Rudolph and David, we are pleased to welcome Kenneth to the board and believe that his extensive experience and knowledge of construction materials will add immense value to board's decision processes."*

By order of the board

Chief executive officer
Dr. Lelau Mohuba
27 June 2014

Financial director
Neil Crafford Lazarus

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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 or the associate) and 100% in Métier Mixed Concrete (Pty) Ltd (Métier or the subsidiary). The strategy of SepHold is to generate income and realise value for shareholders through the production of cement and ready-mixed concrete in southern Africa. www.sephakuholdings.co.za