

20  
18

**BUILDING BLOCKS  
FOR GROWTH**

ANNUAL  
FINANCIAL  
STATEMENTS



**SEPHAKU**  
HOLDINGS LTD

# 20 18

## ANNUAL FINANCIAL STATEMENTS

---

Audit and risk committee report	1 - 3
Independent auditor's report	4 - 7
Directors' responsibilities and approval	8
Certificate by company secretary	8
Directors' report	9 - 13
Statements of financial position	14
Statements of comprehensive income	15
Statements of changes in equity	16 - 17
Statements of cash flows	18
Accounting policies	19 - 25
Notes to the annual financial statements	26 - 63
Shareholders' analysis	64
Corporate information	IBC

The annual financial statements have been audited by Grant Thornton Johannesburg Partnership in compliance with the applicable requirements of the Companies Act, 71 of 2008 (the Companies Act) and have been prepared under the supervision of NR Crafford-Lazarus, CA(SA).

**Issued**

27 June 2018

# AUDIT AND RISK COMMITTEE REPORT

The information below constitutes the report of the audit and risk committee (the committee) for the 2018 financial year of Sephaku Holdings Limited (SepHold) and its subsidiaries. This report is in compliance with the Companies Act and the King IV Report on Corporate Governance for South Africa, 2016 (King IV) recommendations.

## 1. MANDATE AND TERMS OF REFERENCE

The committee acts according to a formal mandate and terms of reference that have been approved by the board of directors of SepHold. The committee has executed its duties during the past financial year according to this mandate and terms of reference, and has discharged its responsibilities contained therein. The terms of reference are reviewed each year.

## 2. COMPOSITION AND ATTENDANCE AT MEETINGS

For the financial year the committee comprised MJ Janse van Rensburg (chairperson), PM Makwana and B Maluleke, each of whom are independent non-executive directors. Due to added executive responsibilities at African Bank, B Maluleke resigned on 30 October 2017 from the audit and risk committee and the board. B Bulu was appointed to the board and the audit and risk committee at the board meeting held on 26 March 2018. In addition, the chief executive officer and financial director are permanent invitees to meetings. The committee meets at least three times per annum and special committee meetings are convened as required.

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

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

## 3. STATUTORY DUTIES

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

The committee has performed the following statutory duties:

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

## 4. EXTERNAL AUDITOR

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

The committee agreed to the engagement letter, terms, audit plan and budgeted audit fees for the financial year ended 31 March 2018. This was done after consultation with executive management.

The external auditor is invited to and attends all audit and risk committee meetings. Findings by the external auditor arising from his annual statutory audit is tabled and presented at a committee meeting following the audit. The external auditor has expressed an unqualified opinion on the annual financial statements for the year ended 31 March 2018. This will be presented at the annual general meeting.

# AUDIT AND RISK COMMITTEE REPORT (continued)

## 4. EXTERNAL AUDITOR (continued)

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

## 5. INTERNAL FINANCIAL CONTROLS

The committee has reviewed:

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

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

## 6. ANNUAL FINANCIAL STATEMENTS

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

## 7. GOING CONCERN

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

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

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

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

## 9. DUTIES ASSIGNED BY THE BOARD

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

The committee is satisfied that it has complied in all material respects, with its legal, regulatory and other responsibilities during the year, which includes consideration of the JSE findings contained in the 2017 proactive monitoring report when preparing the annual financial statements for the year under review.

## 10. INTERNAL AUDIT

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

**11. RISK MANAGEMENT**

The committee is responsible for the following:

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

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

The audit and risk committee met with Grant Thornton Johannesburg Partnership prior to the commencement of the audit to discuss the potential key audit matters.

The independent auditor's report on pages 4 to 7 details the following key audit matters:

- Goodwill impairment and fair value of trade receivables (group)
- Investment in subsidiary (company)

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

The committee held a meeting on 18 June 2018 at which time they reviewed and recommended the annual financial statements for approval by the board of directors.

On behalf of the audit and risk committee



**MJ Janse van Rensburg**

Chairman

18 June 2018

# INDEPENDENT AUDITOR'S REPORT

to the shareholders of Sephaku Holdings Limited

## REPORT ON THE FINANCIAL STATEMENTS

### Opinion

We have audited the consolidated and separate financial statements of Sephaku Holdings Limited (the group) set out on pages 14 to 63, which comprise the consolidated and separate statements of financial position as at 31 March 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 31 March 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Parts A and B)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

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

The following key audit matters relate to the consolidated financial statements and separate financial statements as indicated.

Key audit matter	How our audit addressed the key audit matter
<p><b>Consolidated financial statements:</b> <b>Assessment of Goodwill for impairment</b></p> <p>At 31 March 2018, the Group has goodwill with a carrying value of R223 421 981 recognised on the acquisition of the subsidiary in previous periods. In terms of IAS 36 – Impairment of Assets, management are required to perform an impairment test on goodwill at least annually, and are furthermore required to perform an impairment test if indicators of impairment are identified.</p> <p>As disclosed in note 1.2 and note 6 to the financial statements, goodwill is assessed using discounted cash flow models which include a number of key judgements and estimates. The most significant being the growth rates and discount rates.</p> <p>We have determined this to be a key audit matter due to the judgement required by management in preparing a 'value-in-use' calculation to perform the impairment test. Forecasting future cash flows and applying an appropriate discount rate, inherently involves a high degree of estimation and judgement by management.</p>	<p>In considering the appropriateness of management's judgement used in the testing of goodwill for impairment, we performed the following audit procedures with the assistance of our internal valuation specialists:</p> <ul style="list-style-type: none"><li>● Reviewed the model for compliance with ISA 36 Impairment of Assets.</li><li>● Verified the mathematical accuracy and methodology appropriateness of the underlying model and calculations.</li><li>● Checked the accuracy and relevance of the input data provided by management based on our knowledge of the business and industry.</li><li>● Evaluated the cash flow projections and the process by which they were developed, compared the cash flows to the latest Board approved budgets, and assessed the historical accuracy and reasonableness of the budgeting process.</li><li>● Assessed the key growth rate assumptions by comparing them to historical results, economic and industry forecasts, and assessing the discount rate by reference to the cost of capital of the group.</li><li>● Performed a sensitivity analysis of the key assumptions in the model, considered the potential impact of reasonably possible downside changes in these key assumptions.</li><li>● Considered the adequacy of the Group's disclosures in note 1.2 and note 6 about those assumptions to which the outcome of the impairment test is most sensitive to the determination of the recoverable amount.</li></ul>



Key audit matter	How our audit addressed the key audit matter
<p><b>Fair value assessment of trade receivables</b></p> <p>Trade receivables comprise a significant portion of liquid assets of the Group and serve as security for a majority of the Group's external debt. As indicated in note 18 to the consolidated financial statements, a significant portion of the trade receivables are past due but not impaired.</p> <p>The receivables allowance has increased relative to the prior period. The most significant portion of the trade receivables over 180 days comprise large customers for which personal sureties are held by the Group.</p> <p>Accordingly the estimation of the allowance for trade receivables is a significant judgement area and is therefore considered a key audit matter.</p>	<p>The assessment of the appropriateness of the allowance for trade receivables comprise a variety of audit procedures including:</p> <ul style="list-style-type: none"> <li>● Challenging the appropriateness and reasonableness of the assumptions applied in the directors' assessment of the receivable allowance;</li> <li>● Considered the creditworthiness of significant trade receivables over term using external evidence wherever possible;</li> <li>● Considered the agreed payment terms;</li> <li>● Verification of receipts from trade receivables subsequent to year end;</li> <li>● Considered the completeness and accuracy of the disclosures.</li> </ul>
<p><b>Separate financial statements:</b></p> <p><i>Investment in subsidiary (note 8 and note 1.2)</i></p> <p>At 31 March 2018, the Company has an investment in a subsidiary. The cost of the investment amounts to R299 378 028.</p> <p>In accordance with IFRS – IAS 36 – Impairments of assets, the Company shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indicator exists the entity shall assess the recoverable amount.</p> <p>We have determined this to be a key audit matter due to the judgement required by management in preparing a 'value-in-use' calculation to perform the impairment test. Forecasting future cash flows and applying an appropriate discount rate, inherently involves a high degree of estimation and judgement by management.</p>	<p>In considering the appropriateness of management's judgement used in the testing of the investment of subsidiary for impairment, we performed the following audit procedures with the assistance of internal valuation specialists:</p> <ul style="list-style-type: none"> <li>● Reviewed the model for compliance with ISA 36 Impairment of Assets.</li> <li>● Verified the mathematical accuracy and methodology appropriateness of the underlying model and calculations.</li> <li>● Checked the accuracy and relevance of the input data provided by management based on our knowledge of the business and industry.</li> <li>● Evaluated the cash flow projections and the process by which they were developed, compared the cash flows to the latest Board approved budgets, and assessed the historical accuracy and reasonableness of the budgeting process.</li> <li>● Assessed the key growth rate assumptions by comparing them to historical results, economic and industry forecasts, and assessing the discount rate by reference to the cost of capital of the group.</li> <li>● Performed a sensitivity analysis of the key assumptions in the model, considered the potential impact of reasonably possible downside changes in these key assumptions.</li> <li>● Considered the adequacy of the Group's disclosures in note 8 and note 1.2 about those assumptions to which the outcome of the impairment test is most sensitive to the determination of the recoverable amount.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT (continued)

to the shareholders of Sephaku Holdings Limited

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Grant Thornton Johannesburg has been the auditor of Sephaku Holdings Limited for 11 years.

*Grant Thornton*

#### GRANT THORNTON

Registered Auditors  
Practice Number: 903485E

#### R Huiskamp

Partner  
Registered Auditor  
Chartered Accountant (SA)  
27 June 2018

@Grant Thornton  
Wanderers Office Park  
52 Corlett Drive  
Illovo, 2196

## DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

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

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

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

The directors have reviewed the group's and company's cash flow forecast for the year to 31 March 2019 and, in light of this review and the current financial position, they are satisfied that the group has access to adequate resources to continue in operational existence for the foreseeable future.

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

The external auditor is responsible for independently auditing and reporting on the group's and company's financial statements. The financial statements have been examined by the group's external auditor and their report is presented on pages 4 to 7.

The annual financial statements set out on pages 14 to 63, were approved by the board on 27 June 2018 and were signed on their behalf by:



**NR Crafford-Lazarus**  
*Financial director*

Centurion, South Africa  
27 June 2018



**Dr L Mohuba**  
*Chief executive officer*

## CERTIFICATE BY COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act of South Africa, 71 of 2008, as amended (the Companies Act), I declare that, to the best of my knowledge, for the year ended 31 March 2018, Sephaku Holdings Limited has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act and that such returns are true, correct and up to date.

**Acorim**  
**Acorim Proprietary Limited**  
*Company secretary*

Centurion, South Africa  
27 June 2018

# DIRECTORS' REPORT

The directors submit their report for the year ended 31 March 2018.

## 1. REVIEW OF ACTIVITIES

### Main business and operations

The group is engaged as a construction materials company and operates principally in South Africa.

The operating environment remained challenging for a significant portion of the year resulting in weaker performance from Métier and a marginal improvement in Sephaku Cement's results. Group net profit was R44,2 million (2017: R68,1 million) at a revenue of R830,7 million. The basic earnings per share were 21,60 cents per share compared to 33,63 cents in the 2017 financial year.

### Métier Mixed Concrete

Métier implemented marginal price increase of 1,8% per cubic metre but had a 1,1% decrease in revenue to R830,7 million (2017: R839,9 million) due to a 3% decline in sales volumes. The twelfth plant that commenced production in March 2017 contributed 7% to the sales volumes with commensurate increase in production cost of 8,5%. The increases in costs on lower volumes resulted in comparatively lower EBITDA and EBIT margins of 10,9% (R91,2 million) and 9,6% (R79,6 million) respectively. To support margins, the subsidiary focused on improving the sourcing of raw materials to minimise the cost increases without compromising the quality of the concrete. Métier's net profit was R48,0 million against R67,4 million achieved in the previous year.

An influx of independent producers migrating from low-demand provinces to markets with relatively high construction activity, such as Gauteng, exacerbated the price competition. The majority of these producers are primarily suppliers of other construction materials such as aggregates, who utilise mixed concrete as a penetration product. The vertically integrated concrete manufacturers continued to be a distribution channel for their related cement producers and utilised pricing to secure volumes.

### Dangote Cement South Africa

Sephaku Cement achieved a 3,7% increase in revenue to R2,4 billion (2016: R2,3 billion) for the 12 months ended 31 December 2017. The price increases implemented in February and August 2017 were sustained in most markets, resulting in an effective annual increase of 5%. The associate's first six months performance was weak, recording a loss of R16,1 million due to excessive rainfall and low demand for the interim period. In the second half of the year, the associate's recovery, due to increased demand, higher pricing and improvements in operational efficiencies, resulted in a R73,9 million interim net profit; an increase of R90 million compared to the first six months.

The quarterly earnings before interest, tax, depreciation and amortisation (EBITDA) margins recorded for the second half were 23% in Q3 of the financial year and 25% in Q4 of the financial year. The annual EBITDA margin at 21,3% (R504,2 million) and net profit of R57,8 million were lower than the figures recorded in 2016 of 23,1% (R527,0 million) and R68,9 million, respectively. This was mainly due to the fact that the previous year's EBITDA and net profit included once-off income from the closure agreement with Sinoma on the final handover of the plants of R138 million. The equity-accounted income to be translated to the SepHold income statement is R20,8 million (2016: R24,8 million).

Refer to note 10 to the annual financial statements for more details regarding Dangote Cement South Africa Proprietary Limited's financial results for the year ended 31 December 2017.

The operating results and state of affairs of the company are fully set out in the annual financial statements and do not, in our opinion, require any further comment other than those expressed in other parts of the integrated annual review.

## 2. GOING CONCERN

The 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.

## 3. EVENTS AFTER THE 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 annual financial statements.

# DIRECTORS' REPORT (continued)

## 4. AUTHORISED AND ISSUED STATED CAPITAL

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

3 373 334 shares were issued during the year.

All the authorised and issued shares have no par value.

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

## 5. BORROWING LIMITATIONS

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

## 6. SHARE INCENTIVE SCHEME

Refer to note 21 to the annual financial statements for details about share-based payments during the financial year.

## 7. NON-CURRENT ASSETS

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

Additions to property, plant and equipment of the group amounted to R14 915 358 (2017: R28 535 100). Refer to note 5 to the annual financial statements for further details.

## 8. DIVIDENDS

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

## 9. DIRECTORS

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

Name	Position	Changes
B Williams	Chairman – independent Non-executive director	
PM Makwana	Independent non-executive director	
MM Ngoasheng	Independent non-executive director	
MJ Janse van Rensburg	Independent non-executive director	
B Maluleke	Independent non-executive director	Resigned 30 October 2017
B Bulu	Independent non-executive director	Appointed 26 March 2018
Dr L Mohuba	Chief executive officer	
NR Crafford-Lazarus	Financial director	
RR Matjiu	Non-executive director	
KJ Capes	Executive director	
PF Fourie	Non-executive director	
J Pitt	Alternate director to MM Ngoasheng	

## 10. SECRETARY

The secretary of the company is Acorim Proprietary Limited of:

### Business address

2nd Floor, North Block, Hyde Park Office Towers  
Hyde Park Corner Mall  
Corner 6th Road and Jan Smuts Avenue  
Hyde Park, Johannesburg, 2024

### Postal address

PO Box 41480  
Craighall  
2024

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

**10. SECRETARY (continued)**

The company secretary acts as secretary to board-appointed committees. The board is satisfied that Acorim, represented by Amy Parker, has the required knowledge, skill and discipline to perform the functions and duties of the company secretary. The board has concluded that Acorim maintains an arm's-length relationship with the company and its board.

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

**11. SUBSIDIARIES**

Name of subsidiary	Net income after tax 2018 R	Net income after tax 2017 R
Métier Mixed Concrete Proprietary Limited	<b>36 874 542</b>	57 441 647
Sephaku Investment Holdings Proprietary Limited	<b>(100)</b>	(6 000)

Details of the company's investment in subsidiaries are set out in note 8 to the annual financial statements.

**12. SPECIAL RESOLUTIONS**

No special resolutions of material interest or of a substantive nature were passed by the company's subsidiaries after the date of acquisition.

**13. SHAREHOLDERS INFORMATION**

An analysis of shareholders and the respective percentage shareholdings appear in the shareholders' analysis section on page 64.

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

Director/prescribed officer	2018			2017		
	Direct	Indirect	Associates	Direct	Indirect	Associates
MG Mahlare*	23 000	-	-	23 000	-	-
Dr L Mohuba	87 202	8 363 767	240 000	87 202	8 363 767	240 000
NR Crafford-Lazarus	2 342 078	-	-	2 287 728	-	-
RR Matjiu	1 615 923	-	-	1 615 923	-	-
KJ Capes	5 575 271	-	-	5 558 271	-	-
PF Fourie	-	5 433 559	-	-	5 433 559	-
	<b>9 643 474</b>	<b>13 797 326</b>	<b>240 000</b>	9 572 124	13 797 326	240 000

\* Non-executive director resigned on 22 September 2016.

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

## DIRECTORS' REPORT (continued)

### 13. SHAREHOLDERS INFORMATION (continued)

Directors' interest in share options:

	2018							
	Opening balance number of share options	Exercise price R	Options expired	Date expired	Market price on exercise date R	Options vested at year-end	Closing balance number of share options	Pre-taxation gain R
<b>Dr L Mohuba</b>								
Granted 15/10/2010	715 000	2,68	(715 000)	15/10/2017	-	-	-	-
Granted 29/06/2012	750 000	1,90	-		-	750 000	750 000	-
Granted 10/12/2014	400 000	6,80	-		-	133 333	400 000	-
Granted 31/03/2016	400 000	4,40	-		-	-	400 000	-
Granted 01/07/2017	475 000	3,00	-		-	-	475 000	-
<b>NR Crafford-Lazarus</b>								
Granted 15/10/2010	715 000	2,68	(715 000)	15/10/2017	-	-	-	-
Granted 29/06/2012	750 000	1,90	-		-	750 000	750 000	-
Granted 31/08/2012	750 000	1,90	-		-	750 000	750 000	-
Granted 10/12/2014	375 000	6,80	-		-	125 000	375 000	-
Granted 31/03/2016	400 000	4,40	-		-	-	400 000	-
Granted 01/07/2017	475 000	3,00	-		-	-	475 000	-
<b>RR Matjiu</b>								
Granted 15/10/2010	200 000	2,68	(200 000)	15/10/2017	-	-	-	-
Granted 29/06/2012	300 000	1,90	-		-	300 000	300 000	-
Granted 10/12/2014	125 000	6,80	-		-	41 667	125 000	-
Granted 31/03/2016	100 000	4,40	-		-	-	100 000	-
<b>PF Fourie</b>								
Granted 15/10/2010	550 527	2,68	(550 527)	15/10/2017	-	-	-	-
	7 480 527		(2 180 527)		-	2 850 000	5 300 000	-



## 13. SHAREHOLDERS INFORMATION (continued)

## Directors' interest in share options:

	2017							
	Opening balance number of share options	Exercise price R	Options exercised	Date exercised	Market price on exercise date R	Options vested at year-end	Closing balance number of share options	Pre-taxation gain R
<b>Dr L Mohuba</b>								
Granted 15/10/2010	715 000	2,68	-	-	-	715 000	715 000	-
Granted 29/06/2012	750 000	1,90	-	-	-	500 000	750 000	-
Granted 10/12/2014	400 000	6,80	-	-	-	-	400 000	-
Granted 31/03/2016	400 000	4,40	-	-	-	-	400 000	-
<b>NR Crafford-Lazarus</b>								
Granted 15/10/2010	715 000	2,68	-	-	-	715 000	715 000	-
Granted 29/06/2012	750 000	1,90	-	-	-	500 000	750 000	-
Granted 31/08/2012	750 000	1,90	-	-	-	500 000	750 000	-
Granted 10/12/2014	375 000	6,80	-	-	-	-	375 000	-
Granted 31/03/2016	400 000	4,40	-	-	-	-	400 000	-
<b>RR Matju</b>								
Granted 15/10/2010	200 000	2,68	-	-	-	200 000	200 000	-
Granted 29/06/2012	300 000	1,90	-	-	-	200 000	300 000	-
Granted 10/12/2014	125 000	6,80	-	-	-	-	125 000	-
Granted 31/03/2016	100 000	4,40	-	-	-	-	100 000	-
<b>PF Fourie</b>								
Granted 15/10/2010	550 527	2,68	-	-	-	550 527	550 527	-
	<b>6 530 527</b>					<b>3 880 527</b>	<b>6 530 527</b>	<b>-</b>

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

# STATEMENTS OF FINANCIAL POSITION

as at 31 March 2018

	Notes	GROUP		COMPANY	
		2018 R	2017 R	2018 R	2017 R
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investment property	4	-	-	18 427 525	18 427 525
Property, plant and equipment	5	143 665 110	142 797 829	103 098	152 022
Goodwill	6	223 421 981	223 421 981	-	-
Intangible asset	7	2 867 551	5 161 591	-	-
Investments in subsidiaries	8	-	-	299 378 029	299 378 029
Investment in joint ventures	9	120 552	-	-	-
Investment in associate	10	765 870 275	743 842 941	683 689 159	683 689 159
Other financial assets	12	8 459 008	10 638 527	8 459 008	10 638 527
Operating lease asset	15	-	-	1 105 338	613 869
Long-term loans	16	2 000 000	2 000 000	2 000 000	2 000 000
		<b>1 146 404 477</b>	<b>1 127 862 869</b>	<b>1 013 162 157</b>	<b>1 014 899 131</b>
<b>Current assets</b>					
Inventories	17	16 829 437	16 972 080	-	-
Loans to group companies	11	-	-	10 249	10 149
Trade and other receivables	18	133 331 514	121 613 883	326 256	253 002
Cash and cash equivalents	19	10 510 169	44 756 833	337 984	1 225 306
		<b>160 671 120</b>	<b>183 342 796</b>	<b>674 489</b>	<b>1 488 457</b>
<b>Total assets</b>		<b>1 307 075 597</b>	<b>1 311 205 665</b>	<b>1 013 836 646</b>	<b>1 016 387 588</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Stated capital	20	644 443 723	635 403 188	644 443 723	635 403 188
Reserves		12 025 844	19 262 087	12 025 844	20 469 750
Retained income		378 928 819	329 214 333	213 012 820	219 340 739
		<b>1 035 398 386</b>	<b>983 879 608</b>	<b>869 482 387</b>	<b>875 213 677</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Loans from group companies	11	-	-	12 625 620	13 647 025
Other financial liabilities	22	121 353 224	180 132 807	-	-
Deferred income	23	1 555 444	2 233 359	-	-
Deferred taxation	14	21 022 839	19 696 446	-	-
		<b>143 931 507</b>	<b>202 062 612</b>	<b>12 625 620</b>	<b>13 647 025</b>
<b>Current liabilities</b>					
Loans from group companies	11	-	-	128 278 008	126 115 900
Other financial liabilities	22	39 781 797	35 803 432	-	-
Current taxation payable		307 491	408 615	-	-
Operating lease liability	15	4 090 842	4 101 068	5 684	15 910
Trade and other payables	24	76 192 231	84 272 472	3 444 947	1 395 076
Deferred income	23	677 887	677 858	-	-
Bank overdraft	19	6 695 456	-	-	-
		<b>127 745 704</b>	<b>125 263 445</b>	<b>131 728 639</b>	<b>127 526 886</b>
<b>Total liabilities</b>		<b>271 677 211</b>	<b>327 326 057</b>	<b>144 354 259</b>	<b>141 173 911</b>
<b>Total equity and liabilities</b>		<b>1 307 075 597</b>	<b>1 311 205 665</b>	<b>1 013 836 646</b>	<b>1 016 387 588</b>
Net asset value per share (cents)	41	501,79	484,74		
Tangible net asset value per share (cents)	41	392,51	372,83		

# STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2018

	Notes	GROUP		COMPANY	
		2018 R	2017 R	2018 R	2017 R
Revenue	26	830 686 042	839 984 931	12 073 869	19 242 280
Cost of sales	27	(488 756 744)	(483 668 229)	-	-
<b>Gross profit</b>		<b>341 929 298</b>	<b>356 316 702</b>	<b>12 073 869</b>	<b>19 242 280</b>
Other income		4 732 869	2 429 156	205 307	214 465
Operating expenses		(292 334 309)	(273 996 024)	(22 985 204)	(30 762 448)
<b>Operating profit/(loss)</b>	28	<b>54 327 858</b>	<b>84 749 834</b>	<b>(10 706 028)</b>	<b>(11 305 703)</b>
Investment income	29	4 749 191	7 172 130	1 336	50 058 450
Reversal of impairment loss	7	-	-	-	89 410 741
Profit from equity-accounted investment	10	20 819 672	24 803 788	-	-
Finance costs	30	(22 032 115)	(26 695 077)	(1 170 690)	(1 202 079)
<b>Profit/(loss) before taxation</b>		<b>57 864 606</b>	<b>90 030 675</b>	<b>(11 875 382)</b>	<b>126 961 409</b>
Taxation	31	(13 697 584)	(21 892 284)	-	-
<b>Profit/(loss) for the year</b>		<b>44 167 022</b>	<b>68 138 391</b>	<b>(11 875 382)</b>	<b>126 961 409</b>
<b>Other comprehensive income/(loss)</b>					
<b>Items that will not be reclassified to profit or loss:</b>					
Revaluation reserve on land of associate written back		1 207 663	-	-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>42 959 359</b>	<b>68 138 391</b>	<b>(11 875 382)</b>	<b>126 961 409</b>
<b>Total comprehensive income/(loss) attributable to:</b>					
Equity holders of the parent		42 959 359	68 138 391	(11 875 382)	126 961 409
		42 959 359	68 138 391	(11 875 382)	126 961 409
Basic earnings per share (cents)	41	21,60	33,63		
Diluted earnings per share (cents)	41	21,49	33,36		

# STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2018

	GROUP					
	Stated capital R	Revaluation reserve (relating to land of associate) R	Equity-based share option reserve R	Total reserves R	Retained income R	Total equity R
<b>Balance at 31 March 2016</b>	632 950 155	(1 207 663)	20 118 434	18 910 771	258 730 837	910 591 763
Profit for the year	-	-	-	-	68 138 391	68 138 391
Other comprehensive income for the year	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	-	68 138 391	68 138 391
Issue of shares	2 453 033	-	-	-	-	2 453 033
Employees' share option scheme	-	-	351 316	351 316	2 345 105	2 696 421
<b>Balance at 31 March 2017</b>	635 403 188	(1 207 663)	20 469 750	19 262 087	329 214 333	983 879 608
Profit for the year	-	-	-	-	44 167 022	44 167 022
Other comprehensive income for the year	-	1 207 663	-	1 207 663	-	1 207 663
<b>Total comprehensive income for the year</b>	-	1 207 663	-	1 207 663	44 167 022	45 374 685
Issue of shares	9 040 535	-	-	-	-	9 040 535
Employees' share option scheme	-	-	(8 443 906)	(8 443 906)	5 547 464	(2 896 442)
<b>Balance at 31 March 2018</b>	644 443 723	-	12 025 844	12 025 844	378 928 819	1 035 398 386
Notes	20	10	21			

	COMPANY				
	Stated capital R	Equity-based share option reserve R	Total reserves R	Retained income R	Total equity R
<b>Balance at 31 March 2016</b>	632 950 155	20 118 434	20 118 434	90 034 225	743 102 814
Profit for the year	-	-	-	126 961 409	126 961 409
Other comprehensive loss for the year	-	-	-	-	-
<b>Total comprehensive profit for the year</b>	-	-	-	126 961 409	126 961 409
Issue of shares	2 453 033	-	-	-	2 453 033
Employees' share option scheme	-	351 316	351 316	2 345 105	2 696 421
<b>Balance at 31 March 2017</b>	635 403 188	20 469 750	20 469 750	219 340 739	875 213 677
Loss for the year	-	-	-	(11 875 382)	(11 875 382)
Total comprehensive income for the year	-	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	-	(11 875 382)	(11 875 382)
Issue of shares	9 040 535	-	-	-	9 040 535
Employees' share option scheme	-	(8 443 906)	(8 443 906)	5 547 463	(2 896 443)
<b>Balance at 31 March 2018</b>	644 443 723	12 025 844	12 025 844	213 012 820	869 482 387
Notes	20	21			

# STATEMENTS OF CASH FLOWS

for the year ended 31 March 2018

	Notes	GROUP		COMPANY	
		2018 R	2017 R	2018 R	2017 R
<b>Cash flows from operating activities</b>					
Cash generated from/(utilised in) operations	32	47 455 351	96 978 796	(7 635 415)	(7 054 616)
Interest income		4 749 191	7 172 130	1 336	58 450
Dividends received		-	-	-	50 000 000
Finance costs	30	(21 298 838)	(24 320 458)	(29 987)	(1 202 079)
Taxation paid	33	(12 472 313)	(19 049 210)	-	-
<b>Net cash generated from/(utilised in) operating activities</b>		<b>18 433 391</b>	<b>60 781 258</b>	<b>(7 664 066)</b>	<b>41 801 755</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	5	(14 915 358)	(28 535 101)	(23 390)	(28 494)
Disposal of property, plant and equipment	5	4 314 861	1 852 035	-	-
Loans repaid		650 837	349 023	650 837	349 023
Investment increase in joint venture		(40 754)	-	-	-
Investment increase in associate		-	(48 571 875)	-	(48 571 875)
Government grant received		-	1 153 240	-	-
<b>Net cash (utilised in)/generated from investing activities</b>		<b>(9 990 414)</b>	<b>(73 752 678)</b>	<b>627 447</b>	<b>(48 251 346)</b>
<b>Cash flows from financing activities</b>					
Proceeds on share issue	20	6 149 397	2 453 033	6 149 397	2 453 032
Repayment of other financial liabilities	34	(55 534 494)	(35 195 345)	-	-
Facility raising fee paid		-	(760 867)	-	-
Advances of loans to group companies		-	-	(100)	(1 060 817)
<b>Net cash (utilised in)/generated from financing activities</b>		<b>(49 385 097)</b>	<b>(33 503 179)</b>	<b>6 149 297</b>	<b>1 392 215</b>
<b>Total cash and cash equivalents movement for the year</b>		<b>(40 942 120)</b>	<b>(46 474 599)</b>	<b>(887 322)</b>	<b>(5 057 376)</b>
Cash and cash equivalents at the beginning of the year		44 756 833	91 231 432	1 225 306	6 282 682
<b>Total cash and cash equivalents at the end of the year</b>	19	<b>3 814 713</b>	<b>44 756 833</b>	<b>337 984</b>	<b>1 225 306</b>



# ACCOUNTING POLICIES

for the year ended 31 March 2018

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), the Companies Act of South Africa, 71 of 2008, as amended (the Companies Act), the Listings Requirements of the JSE Limited (JSE Listings Requirements), and the South African Institute for Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African rand. Accounting policies that refer to 'consolidated' or 'group', apply equally to the company financial statements where relevant.

As a result of the adoption of the new and amended standards and interpretations in issue that were effective for the first time in the current reporting period, a number of new policies were introduced. However, the adoption of these new and amended standards and interpretations did not have a material impact on the annual financial statements in the current period. Refer to note 3.1 for details of standards adopted in the current period.

The accounting policies are consistent with the previous year, except for the change in accounting policy as set out in note 2 and the new or revised accounting standards and interpretations of those standards that were adopted.

### 1.1 Consolidation

#### *Basis of consolidation*

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

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

#### *Investment in associates and joint ventures*

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

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

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

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

### 1.2 Significant judgements and sources of estimation uncertainty

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

#### *Loans, trade receivables and other receivables*

The group assesses its loans, trade receivables and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

#### *Options granted*

Management used the Black Scholes model and the binomial valuation model as specified in note 21 to determine the fair value of the options at issue date. Additional details regarding the estimates are included in note 21.

#### *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 two-year period.

# ACCOUNTING POLICIES (continued)

for the year ended 31 March 2018

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (continued)

### 1.2 Significant judgements and sources of estimation uncertainty (continued)

The following assumptions have been applied when reviewing goodwill impairment:

- A growth rate of 6% (2017: 6,3%) was applied and cash flows were discounted at a rate of 15,50% (2017: 18,50%), which is the estimated cost of capital as it relates to Métier.
- Asset values were based on the carrying amounts for the financial period.
- Future profits were estimated using historical information and approved two-year budgets.
- Sales growth/gross margins were based on historical achievement/known future prospects.
- 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.

#### *Estimation of useful lives and residual values*

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

The useful life of the intangible asset is assessed, at a minimum, on an annual basis, or when there are indicators present that there is a change from the previous estimate. Estimates of the useful life of the intangible asset are based on the remaining customer contractual period of the asset of seven years.

### 1.3 Investment property

Investment property is held at fair value.

#### *Fair value*

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

### 1.4 Property, plant and equipment

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

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

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

Item	Average useful life
Land	*
Buildings	30 years
Plant and machinery	15 years (2017: 10 years)
Furniture and fixtures	6 years
Motor vehicles	5 years
Office equipment	5 years
Computer equipment	3 years

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

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. During the current year, the subsidiary reviewed the useful life of its plant and machinery, as certain plant and machinery reached the original estimated useful life of 10 years. Based on rigorous maintenance programmes to date, management has re-assessed the useful life to be 15 years, which resulted in a decrease in the depreciation charge of R2 970 000 for the current period.

### 1.5 Intangible asset

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

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

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (continued)

### 1.5 Intangible asset (continued)

Due to the Métier acquisition during the 2013 period, the Vulindlela Development Association customer contract was signed for a five-year period. This contract was extended on 31 December 2013 to a seven-year period. During the prior year, 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.

### 1.6 Investments in subsidiaries

#### *Company annual financial statements*

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

### 1.7 Investment in joint ventures

#### *Company annual financial statements*

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

### 1.8 Investment in associate

#### *Company annual financial statements*

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

### 1.9 Financial instruments

#### *Classification*

Financial instruments are classified as financial assets, financial liabilities and equity instruments. The group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition.

#### *Initial recognition and measurement*

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

#### *Subsequent measurement*

Loans and receivables are subsequently measured at amortised cost, using the effective interest rate method, less accumulated impairment losses.

Financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

No discounting is applied for instruments at amortised cost where the effects of the time value of money are not considered to be material.

#### *Impairment of financial assets*

At each reporting date, the group assesses all financial assets to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

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.

Impairment losses are recognised in profit or loss.

# ACCOUNTING POLICIES (continued)

for the year ended 31 March 2018

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (continued)

### 1.9 Financial instruments (continued)

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write-off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

#### *Derecognition*

Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset.

Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

#### *Loans to/(from) group companies*

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

#### *Trade and other receivables*

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

#### *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 loans and receivables.

#### *Bank overdraft and other financial liabilities*

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

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

### 1.10 Taxation

#### *Current taxation assets and liabilities*

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

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

#### *Deferred taxation assets and liabilities*

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

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (continued)

### 1.10 Taxation (continued)

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

#### *Taxation expenses*

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

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

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

### 1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### *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 is recognised as an operating lease asset. This asset is not discounted.

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

#### *Operating leases – lessee*

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

Any contingent rents are expensed in the period they are incurred and are disclosed under operating expenses in profit or loss.

### 1.12 Inventories

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

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

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

### 1.13 Impairment of assets

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

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

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

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

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

# ACCOUNTING POLICIES (continued)

for the year ended 31 March 2018

## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (continued)

### 1.13 Impairment of assets (continued)

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

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

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

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

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

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

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

### 1.14 Share-based payments

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

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

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

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

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

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

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

### 1.15 Employee benefits

#### *Short-term employee benefits*

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

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

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



## 1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (continued)

### 1.16 Government grants

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

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

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

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

### 1.17 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods (ready-mixed concrete) and services (administration fees and rental income at company level) provided in the normal course of business, net of trade discounts and volume rebates, and value added taxation. Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred.

Interest is recognised in profit or loss using the effective interest rate method.

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

### 1.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs not directly attributable to the acquisition, construction or production of a qualifying asset are expensed.

### 1.19 Operating segments

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

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

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

## 2. CHANGES IN ACCOUNTING POLICY

The annual financial statements have been prepared in accordance with IFRS on a basis consistent with the prior year, except for land and buildings which are now carried at cost.

### Change in accounting policy of land and buildings

During the previous year, the associate, Sephaku Cement, changed its accounting policy on land from fair value to historical cost basis. As the value in land and buildings is substantial, the company decided to follow the same approach in SepHold in the current financial year in bringing its policy in line with the associate. There is no material effect on the changes in accounting policy on the annual financial statements, as land and buildings with a carrying value of R21 093 833 have not been revalued in previous and current financial years as management assessed that the fair value was not materially different from the carrying value.

The effect of the changes in accounting policy on the annual financial statements for the year ended 31 March 2018 is as follows:

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
<b>Statement of financial position</b>				
<b>Assets – Investment in associate</b>				
Previously stated	(1 207 663)	(1 207 663)	-	-
Adjustment	1 207 663	-	-	-
	-	(1 207 663)	-	-
<b>Equity – Reserves</b>				
Previously stated	(1 207 663)	(1 207 663)	-	-
Adjustment	1 207 663	-	-	-
	-	(1 207 663)	-	-
<b>Statement of changes in equity</b>				
<b>Revaluation reserve (relating to land of associate)</b>				
Previously stated	(1 207 663)	(1 207 663)	-	-
Adjustment	1 207 663	-	-	-
	-	(1 207 663)	-	-

The impact in the change in accounting policy has been accounted for in the current year as the impact was not considered material.

## 3. NEW STANDARDS AND INTERPRETATIONS

### 3.1 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
Amendments to IAS 7 Disclosure initiative	1 January 2017
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised losses	1 January 2017

The adoption of IAS 7 resulted in additional disclosure in note 34, while the IAS 12 amendments had no impact.

### 3. NEW STANDARDS AND INTERPRETATIONS (continued)

#### 3.2 Standards and interpretations not yet effective

The list of standards and interpretations below only reflects those which are expected to impact the group. 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 2018 or later periods:

##### *IFRS 16 Leases*

Company as lessee:

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

The effective date of the standard is for years beginning on or after 1 January 2019.

The group expects to adopt the standard for the first time in the 2020 annual financial statements.

The directors are still determining the impact of this on the annual financial statements.

##### *IFRS 9 Financial Instruments*

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include (a) impairment requirements for financial assets; and (b) limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income (FVTOCI) measurement category for certain simple debt instruments.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

## 3. NEW STANDARDS AND INTERPRETATIONS (continued)

### 3.2 Standards and interpretations not yet effective (continued)

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset, give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an economic relationship. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 1 January 2018.

The group expects to adopt the standard for the first time in the 2019 annual financial statements.

The group has performed a preliminary assessment on the impact of this standard. However, the current year's increase in provisions on impairment of trade receivables were more as a result of the status of the building and construction industry, rather than the impact derived from an IFRS 9 model.

The group is still to make a decision on the transition method applied.

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 *Construction Contracts*; IAS 18 *Revenue*; IFRIC 13 *Customer Loyalty Programmes*; IFRIC 15 *Agreements for the Construction of Real Estate*; IFRIC 18 *Transfers of Assets from Customers*; and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

### 3. NEW STANDARDS AND INTERPRETATIONS (continued)

#### 3.2 Standards and interpretations not yet effective (continued)

IFRS 15 also includes extensive new disclosure requirements. The effective date of the standard is for years beginning on or after 1 January 2018. The group expects to adopt the standard for the first time in the 2019 annual financial statements.

The group has assessed its significant contracts with customers in line with the new standard and notes, however, no material impacts are expected with respect to revenue measurement and timing.

### 4. INVESTMENT PROPERTY

	COMPANY					
	Cost R	2018 Accumulated fair value adjustment R	Carrying value R	Cost R	2017 Accumulated fair value adjustment R	Carrying value R
Investment property	18 427 525	-	18 427 525	18 427 525	-	18 427 525
				<b>Opening balance R</b>	<b>Additions R</b>	<b>Total R</b>
<b>Reconciliation of investment property</b>						
<b>2018</b>						
Investment property	18 427 525	-	18 427 525			
<b>2017</b>						
Investment property				17 525 129	902 396	18 427 525

The construction of the building was completed during the prior year. Based on current similar properties on the market in the same corporate park, management is of the opinion that the carrying value of the investment property is not materially different from the fair value after the completion of the building 14 months ago, and that the fair value has not changed from the fair value as at the reporting date.

#### Pledged as security

The land is pledged as security for the R2 million overdraft facility of SepHold (refer to note 19).

#### Other disclosures

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

## 4. INVESTMENT PROPERTY (continued)

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Total straight-lined rental income from investment property	-	-	3 673 869	3 673 869
<b>Details of property</b>				
<b>Erf 398 Randjespark Ext 121</b>				
- Purchase price: 10 December 2013	-	-	4 017 750	4 017 750
- Capitalised expenditure	-	-	14 409 775	14 409 775
	-	-	18 427 525	18 427 525

## 5. PROPERTY, PLANT AND EQUIPMENT

	GROUP					
	2018			2017		
	Cost/ valuation R	Accumulated depreciation R	Carrying value R	Cost/ valuation R	Accumulated depreciation R	Carrying value R
Land	6 736 296	-	6 736 296	6 736 296	-	6 736 296
Buildings	14 357 537	-	14 357 537	14 357 537	-	14 357 537
Plant and machinery	92 108 297	(38 111 520)	53 996 777	88 365 658	(33 983 114)	54 382 544
Furniture and fixtures	968 981	(593 365)	375 616	787 223	(484 147)	303 076
Motor vehicles	165 953 182	(98 409 517)	67 543 665	164 949 921	(98 624 530)	66 325 391
Office equipment	24 966	(14 285)	10 681	24 966	(9 292)	15 674
Computer equipment	3 349 821	(2 705 283)	644 538	3 006 651	(2 329 340)	677 311
<b>Total</b>	<b>283 499 080</b>	<b>(139 833 970)</b>	<b>143 665 110</b>	<b>278 228 252</b>	<b>(135 430 423)</b>	<b>142 797 829</b>
	COMPANY					
	2018			2017		
	Cost/ valuation R	Accumulated depreciation R	Carrying value R	Cost/ valuation R	Accumulated depreciation R	Carrying value R
Furniture and fixtures	143 177	(81 171)	62 006	143 177	(57 309)	85 868
Office equipment	24 966	(14 285)	10 681	24 966	(9 292)	15 674
IT equipment	141 710	(111 299)	30 411	118 320	(67 840)	50 480
<b>Total</b>	<b>309 853</b>	<b>(206 755)</b>	<b>103 098</b>	<b>286 463</b>	<b>(134 441)</b>	<b>152 022</b>

## 5. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment	GROUP				
	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
<b>2018</b>					
Land	6 736 296	-	-	-	6 736 296
Buildings	14 357 537	-	-	-	14 357 537
Plant and machinery	54 382 544	3 760 730	-	(4 146 497)	53 996 777
Furniture and fixtures	303 076	181 758	-	(109 218)	375 616
Motor vehicles	66 325 391	10 643 720	(2 384 540)	(7 040 906)	67 543 665
Office equipment	15 674	-	-	(4 993)	10 681
Computer equipment	677 311	329 150	-	(361 923)	644 538
	<b>142 797 829</b>	<b>14 915 358</b>	<b>(2 384 540)</b>	<b>(11 663 537)</b>	<b>143 665 110</b>
<b>2017</b>					
Land	6 736 296	-	-	-	6 736 296
Buildings	13 455 142	902 395	-	-	14 357 537
Plant and machinery	46 222 506	14 696 980	(43 166)	(6 493 776)	54 382 544
Furniture and fixtures	288 804	93 172	-	(78 900)	303 076
Motor vehicles	66 901 375	12 321 344	(1 057 611)	(11 839 717)	66 325 391
Office equipment	20 667	-	-	(4 993)	15 674
Computer equipment	555 999	521 209	(8 079)	(391 818)	677 311
	<b>134 180 789</b>	<b>28 535 100</b>	<b>(1 108 856)</b>	<b>(18 809 204)</b>	<b>142 797 829</b>
Reconciliation of property, plant and equipment	COMPANY				
	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
<b>2018</b>					
Furniture and fixtures	85 868	-	-	(23 862)	62 006
Office equipment	15 674	-	-	(4 993)	10 681
Computer equipment	50 480	23 390	-	(43 459)	30 411
	<b>152 022</b>	<b>23 390</b>	<b>-</b>	<b>(72 314)</b>	<b>103 098</b>
<b>2017</b>					
Furniture and fixtures	109 731	-	-	(23 863)	85 868
Office equipment	20 667	-	-	(4 993)	15 674
IT equipment	67 968	28 494	(6 111)	(39 871)	50 480
	<b>198 366</b>	<b>28 494</b>	<b>(6 111)</b>	<b>(68 727)</b>	<b>152 022</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

## 5. PROPERTY, PLANT AND EQUIPMENT (continued)

Construction of the building (for the property included in the financial statements at a carrying value of R14 357 537 as at 31 March 2018), was completed during the prior financial year. There is no additional expenditure for the financial year (2017: R902 396). The residual value of the building is considered to be in excess of the cost thereof, as such no depreciation has been processed on the building.

### Pledged as security

All movable assets are pledged as security for other financial liabilities as per note 22. Land and buildings of R18 427 525 (2017: R18 427 252) are pledged as security for the R2 million overdraft facility of SepHold.

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
<b>Details of land and buildings</b>				
<b>Portion 0 of Erf 233, Phoenix Industrial Park</b>				
- Purchase price: 12 June 2009	2 400 000	2 400 000	-	-
- Capitalised expenditure	266 309	266 309	-	-
	<b>2 666 309</b>	2 666 309	-	-
<b>Erf 398 Randjespark Ext 121</b>				
- Purchase price: 10 December 2013	4 017 750	4 017 750	-	-
- Capitalised expenditure (land)	52 237	52 237	-	-
- Capitalised expenditure (building)	14 357 537	14 357 537	-	-
	<b>18 427 524</b>	18 427 524	-	-



## 6. GOODWILL

	GROUP					
	2018			2017		
	Cost R	Accumulated impairment R	Carrying value R	Cost R	Accumulated impairment R	Carrying value R
Goodwill on acquisition of subsidiary	223 421 981	-	223 421 981	223 421 981	-	223 421 981
<b>Reconciliation of goodwill</b>						
						<b>Opening balance</b> R
						<b>Total</b> R
<b>2018</b>						
Goodwill	223 421 981 223 421 981					
<b>2017</b>						
Goodwill	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.

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

## 7. INTANGIBLE ASSET

	GROUP					
	2018			2017		
	Cost/ valuation R	Accumulated amortisation R	Carrying value R	Cost/ valuation R	Accumulated amortisation R	Carrying value R
Customer contract	20 438 713	(17 571 162)	2 867 551	20 438 713	(15 277 122)	5 161 591
<b>Reconciliation of intangible asset</b>						
						<b>Opening balance</b> R
						<b>Amortisation</b> R
						<b>Total</b> R
<b>2018</b>						
Customer contract	5 161 591 (2 294 040) 2 867 551					
<b>2017</b>						
Customer contract	7 445 631 (2 294 040) 5 161 591					

**Amortisation and change in accounting estimate**

The carrying value of the intangible asset was amortised over the 27 months remaining of the eight-year extended contract period during the current year.

**Impairment testing**

No indications of impairment were identified and therefore no impairment testing was performed for the current financial year.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

## 8. INVESTMENTS IN SUBSIDIARIES

	COMPANY			
	% holding 2018	% holding 2017	Carrying amount 2018 R	Carrying amount 2017 R
<b>Name of company</b>				
Sephaku Investment Holdings Proprietary Limited	100,00	100,00	1	1
Métier Mixed Concrete Proprietary Limited	100,00	100,00	299 378 028	209 967 287
			299 378 029	209 967 288
Reversal of impairment of investment in Métier Mixed Concrete Proprietary Limited			-	89 410 741
			299 378 029	299 378 029

Subsidiaries are shown at carrying amounts, net of impairment. All the subsidiaries are registered and operate within South Africa. During the prior year, the impairment testing resulted in the reversal of the impairment loss of R89 410 741 from the 2013 financial year. No indicators of impairment were identified during the current financial year.

## 9. JOINT ARRANGEMENTS

### Joint ventures

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

	GROUP			
	% ownership interest 2018	% ownership interest 2017	Carrying amount 2018 R	Carrying amount 2017 R
<b>Name of company</b>				
Cato Ridge Quarry Proprietary Limited	50,00	-	120 552	-

SepHold, on behalf of the group, entered into a joint venture agreement during the year under review. 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.

## 10. INVESTMENT IN ASSOCIATE

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

	2018 R	2017 R
<b>Summary of group's interest in associate</b>		
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	60 153 782	35 349 994
Equity-accounted earnings – current year	20 819 672	24 803 788
Revaluation reserve relating to land of associate – written back due to change in accounting policy	1 207 663	-
Group level: Carrying value of investment in associate	765 870 276	743 842 941

**10. INVESTMENT IN ASSOCIATE (continued)**

During the current year, the group decided to change the accounting policy for land and buildings to the historical cost basis. This is in line with Sephaku Cement, who adopted this change in the prior year. The result of this is the write-back of the revaluation reserve of R1 207 663 relating the land of associate arising during the 2012 financial year.

During the prior year, Dangote Cement PLC and SepHold contributed a total amount of R134 921 875 in equity to relief pressure on the debt covenants. During the current financial year 6 938 839 shares at R7,00 per share were issued to SepHold, and 12 335 715 shares at R7,00 per share issued to Dangote Cement PLC in regard of the prior year contribution.

Due to the fact that the debt service ratio was 1,225 during the prior 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. Dangote Cement PLC 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 discussion with regards to the timing of the repayment or dilution. SepHold has a potential liability of R34,2 million or a dilution in investment.

**Impairment testing**

No indications of impairment were identified and therefore no impairment testing was performed for the current financial year. The net asset value of the associate is R1 496 269 041 (2017: R1 341 970 774) as indicated below.

<b>Summary of group interest in Dangote Cement South Africa Proprietary Limited and its subsidiaries</b>	<b>2018*</b> R	2017* R
Non-current assets	<b>3 295 208 712</b>	3 463 892 648
Current assets	<b>819 849 860</b>	749 053 952
<b>Total assets</b>	<b>4 115 058 572</b>	4 212 946 600
<b>Total equity</b>	<b>1 496 269 042</b>	1 341 970 774
Non-current liabilities	<b>(2 108 266 538)</b>	(2 152 594 106)
Current liabilities	<b>(510 522 992)</b>	(718 381 720)
<b>Total liabilities</b>	<b>(2 618 789 530)</b>	(2 870 975 826)
Revenue for the period	<b>2 365 548 412</b>	2 281 395 559
Cost of sales	<b>(1 853 935 209)</b>	(1 855 433 510)
<b>Gross profit</b>	<b>511 613 203</b>	425 962 049
Operating profit	<b>333 294 740</b>	358 435 454
Investment income	<b>13 988 113</b>	16 274 555
Finance costs	<b>(268 462 161)</b>	(291 349 372)
Profit/(loss) before taxation	<b>78 820 692</b>	83 360 637
Taxation (expense)/income	<b>(20 988 270)</b>	(14 461 227)
Profit after taxation for the period	<b>57 832 422</b>	68 899 410
<b>Total comprehensive income for the period</b>	<b>57 832 422</b>	68 899 410

\* Dangote Cement South Africa Proprietary Limited has a December year-end, so as to agree with Dangote Cement PLC's year-end. In line with the requirements of IAS 28, the year-end, results of Dangote Cement South Africa Proprietary Limited as at 31 December 2017 have been included in these financial statements.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

## 11. LOANS TO/(FROM) GROUP COMPANIES

Subsidiary	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
<b>Métier Mixed Concrete Proprietary Limited</b> The loan is unsecured, bears interest at a fixed rate of 8% effective 31 March 2016, and will be repaid over the next 10 years in equal monthly instalments. The instalments for the current year of R188 058 per month were not paid. It is envisaged to settle the outstanding instalments in a lump sum during the next financial year.	-	-	(15 903 628)	(14 762 925)
<b>Métier Mixed Concrete Proprietary Limited</b> The loan is unsecured, interest-free and is repayable on demand.	-	-	(125 000 000)	(125 000 000)
<b>Sephaku Investment Holdings Proprietary Limited</b> The loan is unsecured, interest-free and is repayable on demand.	-	-	10 249	10 149
	-	-	(140 893 379)	(139 752 776)

The fair values of the loans are substantially the same as the carrying amounts reflected on the statement of financial position.

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Current assets	-	-	10 249	10 149
Non-current liabilities	-	-	(12 625 620)	(13 647 025)
Current liabilities	-	-	(128 278 008)	(126 115 900)
<b>Total</b>	-	-	(140 893 379)	(139 752 776)

## 12. OTHER FINANCIAL ASSETS

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
<b>Loans and receivables</b>				
Miranda Mineral Holdings Limited	1 073 054	1 038 554	1 073 054	1 038 554
Cross Company Management Proprietary Limited (net of impairment provision of R6 835 864)	7 385 954	9 599 973	7 385 954	9 599 973
The loans are unsecured, bear no interest and are repayable on demand.				
The loans are supported by shares in a number of different companies. As the loans will be settled when the group exits from these investments, they are regarded as non-current loans.				
	<b>8 459 008</b>	10 638 527	<b>8 459 008</b>	10 638 527
<b>Non-current assets</b>				
Loans and receivables	<b>8 459 008</b>	10 638 527	<b>8 459 008</b>	10 638 527

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

## 13. FINANCIAL ASSETS BY CATEGORY

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

	GROUP		
	Loans and receivables R	Non-financial instruments* R	Total R
<b>2018</b>			
Other financial assets	8 459 008	-	8 459 008
Trade and other receivables	130 888 707	2 442 807	133 331 514
Cash and cash equivalents	10 510 169	-	10 510 169
Long-term loans	2 000 000	-	2 000 000
	<b>151 857 884</b>	<b>2 442 807</b>	<b>154 300 691</b>
<b>2017</b>			
Other financial assets	10 638 527	-	10 638 527
Trade and other receivables	119 397 335	2 216 548	121 613 883
Cash and cash equivalents	44 756 833	-	44 756 833
Long-term loans	2 000 000	-	2 000 000
	<b>176 792 695</b>	<b>2 216 548</b>	<b>179 009 243</b>

\* Non-financial instruments of the group consists of prepayments: R648 797 (2017: R585 020); deposits: R1 742 749 (2017: R1 631 528); and value added taxation: R51 261 (2017: Rnil).

	COMPANY		
	Loans and receivables R	Non-financial instruments R	Total R
<b>2018</b>			
Loans to group companies	10 249	-	10 249
Other financial assets	8 459 008	-	8 459 008
Trade and other receivables	-	326 256	326 256
Cash and cash equivalents	337 984	-	337 984
Long-term loans	2 000 000	-	2 000 000
	<b>10 807 241</b>	<b>326 256</b>	<b>11 133 497</b>
<b>2017</b>			
Loans to group companies	10 149	-	10 149
Other financial assets	10 638 527	-	10 638 527
Trade and other receivables	50 000	203 002	253 002
Cash and cash equivalents	1 225 306	-	1 225 306
Long-term loans	2 000 000	-	2 000 000
	<b>13 923 982</b>	<b>203 002</b>	<b>14 126 984</b>

## 14. DEFERRED TAXATION

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
<b>Deferred taxation asset/(liability)</b>				
Property, plant and equipment	(24 243 629)	(20 947 616)	-	-
Income received in advance and S24C allowances	586 075	497 829	-	-
Prepayments	-	(101 540)	-	-
Doubtful debt allowance	1 260 000	210 000	-	-
Provision for leave pay	423 797	323 377	-	-
Prepaid expenses	-	(18 454)	-	-
Provision for management bonus	300 491	469 477	-	-
Intangible assets	(802 914)	(1 445 246)	-	-
Operating lease accrual	1 453 341	1 315 727	-	-
<b>Total deferred taxation liability</b>	<b>(21 022 839)</b>	<b>(19 696 446)</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of deferred taxation asset/(liability)</b>				
At the beginning of the year	(19 696 446)	(15 978 858)	-	-
Originating temporary difference on property, plant and equipment	(3 296 014)	(3 483 916)	-	-
Originating temporary difference on income received in advance and S24C allowance	88 247	175 755	-	-
Originating temporary difference on accrual for leave pay	100 420	111 182	-	-
Originating temporary difference on provision for doubtful debts	1 050 000	-	-	-
Originating/(reversing) temporary difference on prepayments	119 997	(8 077)	-	-
Reversing temporary difference on provision for management bonus	(168 986)	(1 529 678)	-	-
Originating temporary difference on intangible assets	642 332	642 331	-	-
Originating temporary difference on operating lease accrual	137 611	374 815	-	-
	(21 022 839)	(19 696 446)	-	-
<b>Unrecognised deferred taxation asset</b>				
Relating to unrecognised taxation losses	108 155 414	98 286 060	108 155 414	98 286 060

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

## 15. OPERATING LEASE (ACCRUAL)/ASSET

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Non-current assets	-	-	1 105 338	613 869
Current liabilities	(4 090 842)	(4 101 068)	(5 684)	(15 910)
	<b>(4 090 842)</b>	<b>(4 101 068)</b>	<b>1 099 654</b>	<b>597 959</b>

Refer to notes 4 and 35 for the terms of the operating lease asset and liability respectively.

## 16. LONG-TERM LOANS

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Incubex Minerals Limited	2 000 000	2 000 000	2 000 000	2 000 000

SepHold entered into a delegation agreement on 28 April 2016 with African Nickel Holdings Proprietary Limited and Incubex Minerals Limited to settle the African Nickel Holdings Proprietary Limited debt for the right to receive 50 000 000 notional shares at a share price of R0,04 each in Miranda Mineral Holdings Limited. The formal shares issue will take place once Miranda Mineral Holdings Limited's shares have been restored for trade on the JSE.

## 17. INVENTORIES

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Raw materials	9 241 437	9 648 765	-	-
Diesel	2 098 560	2 415 862	-	-
Production supplies	623 240	-	-	-
Spare parts	4 866 200	4 907 453	-	-
	<b>16 829 437</b>	<b>16 972 080</b>	<b>-</b>	<b>-</b>

### Inventory pledged as security

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



## 18. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Trade receivables	130 888 707	119 397 335	-	50 000
Prepayments	648 797	585 020	228 457	156 464
Deposits	1 742 749	1 631 528	46 538	46 538
Value added taxation	51 261	-	51 261	-
	<b>133 331 514</b>	121 613 883	<b>326 256</b>	253 002

**Trade and other receivables pledged as security**

Trade and other receivables of Métier of R133 005 263 (2017: R121 360 888) are pledged as security for other financial liabilities as per note 22.

**Credit quality of trade and other receivables**

Management has made an assessment of the debts neither past due nor impaired and are satisfied with the credit quality of these debtors, as all such debts are expected to be recovered without default.

**Fair value of trade and other receivables**

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

**Trade and other receivables past due but not impaired**

Trade and other receivables which are less than three months past due are not considered to be impaired. At 31 March 2018, R15 320 496 (2017: R7 034 700) was past due but not impaired.

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
The ageing of amounts past due but not impaired is as follows:				
One month past due	6 895 340	882 681	-	-
Two months past due	4 035 728	1 219 098	-	-
Three months past due	3 049 649	4 932 921	-	-
More than three months past due	1 339 779	-	-	-

Subsequent to the reporting date, R6 452 191 of the amounts one month past due, R2 686 762 of the amounts two months past due, R761 749 of the amounts three months past due and R364 602 of the amounts more than three months past due have been collected.

After taking the subsequent receipts into account, R5 055 192 is still outstanding in the past due not impaired category. These amounts have not been impaired as management has received sufficient security from debtors in the form of personal sureties, cessions of book debt, cessions of retentions, company cross-guarantees and surety bond over a property.

**Trade and other receivables – allowance for impairment**

As at 31 March 2018, trade and other receivables of R6 000 000 (2017: R1 000 000) were provided for. The following factors were considered in determining the amounts of the impairment:

- each account was assessed based on past credit history; and
- any knowledge of particular insolvency or other risk.

180 days overdue amounts are considered indicators that the trade receivable is impaired.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

## 18. TRADE AND OTHER RECEIVABLES (continued)

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
<b>Reconciliation of allowance for impairment of trade and other receivables</b>				
Opening balance	1 000 000	1 000 000	-	-
Provisional impairment	5 000 000	-	-	-
Closing balance	6 000 000	1 000 000	-	-

### Exposure to credit risk

The maximum exposure to credit risk at the reporting date is the fair value of each class of instrument mentioned above. The company does not hold any collateral as security.

## 19. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Cash and cash equivalents consist of:				
Cash on hand	101 500	86 500	-	-
Bank balances	10 408 669	44 670 333	337 984	1 225 306
Bank overdraft	(6 695 456)	-	-	-
	3 814 713	44 756 833	337 984	1 225 306
Current assets	10 510 169	44 756 833	337 984	1 225 306
Current liabilities	(6 695 456)	-	-	-
	3 814 713	44 756 833	337 984	1 225 306

The fair values of cash and cash equivalents are considered to be equal to the carrying value.

SepHold has an available Absa overdraft facility of R2 000 000. Métier has an available Standard Bank overdraft facility and a general short-term banking facility of R21 990 000 in total.

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
The total amount of undrawn overdraft and term loan facilities available for future operating activities and commitments	17 294 544	23 990 000	2 000 000	2 000 000

Credit facilities are secured as per note 22.

## 20. STATED CAPITAL

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
<b>Authorised</b> 1 000 000 000 ordinary shares with no par value				
<b>Issued – Ordinary shares with no par value</b> 202 969 487 (2017: 201 908 654) shares at the beginning of the period	<b>635 403 188</b>	632 950 155	<b>635 403 188</b>	632 950 155
3 373 334 (2017: 1 060 833) shares issued during the period	<b>9 040 535</b>	2 453 033	<b>9 040 535</b>	2 453 033
<b>206 342 821 (2017: 202 969 487) shares at the end of the period</b>	<b>644 443 723</b>	635 403 188	<b>644 443 723</b>	635 403 188

A total number of 2 294 551 (2017: 1 060 833) shares issued during the year at a value of R2,68 each for a cash amount of R6 149 397 (2017: R2 453 033) relate to share options that were exercised by employees and directors (refer to note 21). Of the issued share capital a number of 1 078 783 shares relate to unsold exercised shares at a value of R2,68 each.

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

## 21. SHARE-BASED PAYMENTS

	Number	Weighted exercise price R	Total value R
<b>Share options granted on 15 October 2010</b>	10 000 000	2,68*	26 800 000
Exercised in 2014	(304 333)		
Exercised in 2015	(1 950 666)		
Exercised in 2016	(298 639)		
Exercised and expired in 2017	(1 102 502)		
Outstanding at 31 March 2017	6 343 860		
Exercised and expired in 2018	(6 343 860)		
Outstanding at 31 March 2018	-		
<b>Share options granted on 29 June 2012</b>	3 500 000	1,90	6 650 000
Exercised in 2015	(750 000)		
Exercised in 2016	(13 313)		
Exercised and expired in 2017	(113 333)		
Outstanding at 31 March 2017	2 623 354		
Exercised in 2018	-		
Outstanding at 31 March 2018	2 623 354		
<b>Share options granted on 31 August 2012</b>	1 500 000	1,90	2 850 000
Exercised in 2015	(250 000)		
Exercised in 2016	-		
Exercised in 2017	(500 000)		
Outstanding at 31 March 2017	750 000		
Exercised in 2018	-		
Outstanding at 31 March 2018	750 000		
<b>Share options granted on 10 December 2014</b>	1 565 000	6,80	10 642 000
Exercised in 2016	-		
Resignation prior to vesting in 2017	(100 000)		
Outstanding at 31 March 2017	1 465 000		
Exercised in 2018	-		
Outstanding at 31 March 2018	1 465 000		
<b>Share options granted on 31 March 2016</b>	1 630 000	4,40	7 172 000
Exercised in 2017	-		
Outstanding at 31 March 2017	1 630 000		
Outstanding at 31 March 2018	1 630 000		
<b>Share options granted on 30 June 2017</b>	1 905 000	3,00	5 715 000
Exercised in 2018	-		
Outstanding at 31 March 2018	1 905 000		
Total outstanding at 31 March 2017	12 812 214		
Total outstanding at 31 March 2018	8 373 354		
Total exercisable at 31 March 2017	8 050 547		
Total exercisable at 31 March 2018	3 861 687		

\* On 9 February 2012, PSG Capital Proprietary Limited prepared a report as an independent expert for the value attributable to SepHold and SepFluor Limited on the grant date of 15 October 2010 to ensure that participants are placed in no worse position with the SepFluor Limited unbundling. Based on their report, it was concluded that SepHold strike price changed to R2,68 and an option holder will also receive a SepFluor Limited share at a strike price of R0,82 at the date of exercise.

## 21. SHARE-BASED PAYMENTS (continued)

### Information on options granted on 15 October 2010

On 15 October 2010, 10 million American-style share options were granted with an exercise price of R3,50 each. During the year all the outstanding share options were exercised and/or expired (2017: 6 343 860). These options vested over a five-year period on the anniversary of the grant of the third, fourth and fifth year, and expired on 15 October 2017. No option premium was paid on the date of the grant.

Fair value was determined by using the Black Scholes method. The following inputs were used:

- Exercise price: R3,50
- Expected volatility: 55%
- Option life: three, four and five years
- Expected dividends: nil
- The risk-free interest rate: 7,14%

As the options have vested in full, no staff cost related to equity-settled share-based payments transactions was recognised in 2018. Expected volatility is based on share price history. 55% was considered to be reasonable for future volatility.

### Information on options granted on 29 June 2012

On 29 June 2012, 3,5 million American-style share options with an exercise price of R1,90 each were granted, of which 2 623 354 (2017: 2 623 354) are still outstanding at year-end. These options vest over a five-year period on the anniversary of the grant of the third, fourth and fifth year, and expire on 29 June 2019. No option premium was paid on the date of the grant.

Fair value was determined by using the binomial valuation method. The following inputs were used:

- Exercise price: R1,90
- Expected volatility: 55%
- Option life: three, four and five years
- Expected dividends: nil
- The risk-free interest rate: 6,82%

A total staff cost of R67 360 related to equity-settled share-based payments transactions was recognised in 2018 (2017: R245 464), of which R28 869 (2017: R122 732) relates to directors and key management personnel.

Expected volatility is based on share price history and 55% was considered to be reasonable for future volatility.

### Information on options granted on 31 August 2012

On 31 August 2012, 1,5 million American-style share options with an exercise price of R1,90 each were granted, of which 750 000 (2017: R750 000) are still outstanding at year-end. These options vest over a five-year period on the anniversary of the grant of the third, fourth and fifth year, and expire on 31 August 2019. No option premium was paid on the date of the grant.

Fair value was determined by using the binomial valuation method. The following inputs were used:

- Exercise price: R1,90
- Expected volatility: 55%
- Option life: three, four and five years
- Expected dividends: nil
- The risk-free interest rate: 6,82%

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

## 21. SHARE-BASED PAYMENTS (continued)

A total staff cost of R83 861 related to equity-settled share-based payments transactions was recognised in 2018 (2017: R306 094), of which R83 861 (2017: R153 047) relate to directors and key management personnel.

Expected volatility is based on share price history and 55% was considered to be reasonable for future volatility.

### Information on options granted on 10 December 2014

On 10 December 2014, 1 565 000 American-style share options with an exercise price of R6,80 each were granted, all of which are still outstanding at year-end, except for 100 000 share options returned due to the resignation of an employee prior to vesting. These options vest over a five-year period on the anniversary of the grant of the third, fourth and fifth year, and expire on 10 December 2021. No option premium was paid on the date of the grant.

Fair value was determined by using the binomial valuation method. The following inputs were used:

- Exercise price: R6,80
- Expected volatility: 36,4%
- Contractual life of seven years
- Expected dividends: nil
- The risk-free interest rate: 7,90%

A total staff cost of R1 270 799 related to equity-settled share-based payments transactions was recognised in 2018 (2017: R1 300 745), of which R780 695 (2017: R748 032) relates to directors and key management personnel.

Expected volatility is based on share price history and 36,4% was considered to be reasonable for future volatility.

### Information on options granted on 31 March 2016

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

Fair value was determined by using the Black Scholes valuation method. The following inputs were used:

- Exercise price: R4,40
- Expected volatility: 42%
- Contractual life of seven years
- Expected dividends: nil
- The risk-free interest rate: 8,78%

A total staff cost of R844 114 related to equity-settled share-based payments transactions was recognised in 2018 (2017: R844 114), of which R530 808 (2017: R530 808) relates to directors and key management personnel.

Expected volatility is based on share price history and 42% was considered to be reasonable for future volatility.

### Information on options granted on 1 July 2017

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

Fair value was determined by using the binomial valuation method. The following inputs were used:

- Exercise price: R3,00
- Expected volatility: 42,2%
- Contractual life of seven years
- Expected dividends: nil
- The risk-free interest rate: 7,47%

A total staff cost of R583 290 related to equity-settled share-based payments transactions was recognised in 2018, of which R352 117 relate to directors and key management personnel.

Expected volatility is based on share price history and 42,2% was considered to be reasonable for future volatility.

**21. SHARE-BASED PAYMENTS (continued)****General share options information**

At the start of the 2015 financial year, 5 million share options were available for distribution under the share option scheme. These share options were distributed as follows:

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

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

**22. OTHER FINANCIAL LIABILITIES**

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
<b>Held at amortised cost</b>				
<i>Standard Bank – Facility A</i>	<b>81 720 277</b>	101 529 094	-	-
This loan bears interest at the variable JIBAR rate plus a margin of 4%, which is currently 11,13% and is repayable in varying instalments with the final payment being made in February 2020. Interest payments are made quarterly in arrears.				
<i>Standard Bank – Facility B</i>	<b>80 408 582</b>	115 943 076	-	-
This loan bears interest at the variable JIBAR rate plus a margin of 3,49%, which is currently 10,39% and is repayable in equal instalments of R3 747 422 with the final payment being made in February 2020. The instalments are repayable monthly over a period of three years and include payments of the interest and capital portions.				
<b>Capitalised transaction costs</b>	<b>(993 838)</b>	(1 535 931)	-	-
Transaction costs of the above loans are capitalised and released to operating expenses over the term of the loan.				
	<b>161 135 021</b>	215 936 239	-	-

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

### 22. OTHER FINANCIAL LIABILITIES (continued)

The Standard Bank loans are secured as follows:

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

Total term lending facilities are R180 408 582 (2017: R221 000 000).

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
<b>Non-current liabilities</b>				
At amortised cost	121 353 224	180 132 807	-	-
<b>Current liabilities</b>				
At amortised cost	39 781 797	35 803 432	-	-
	<b>161 135 021</b>	<b>215 936 239</b>	<b>-</b>	<b>-</b>

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



**23. DEFERRED INCOME**

No government grants relating to assets were received during 2018 (2017: R1 153 240). These grants are recognised as deferred income, and released to operating profit over the average useful lives of the assets, which are seven years. The total recognised in operating profit for 2018 amounts to R677 886 (2017: R621 974).

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
<b>Movement for the period:</b>				
<b>Opening balance</b>	<b>2 911 217</b>	2 379 951	-	-
Received during the year	-	1 153 240	-	-
Amortisation	<b>(677 886)</b>	(621 974)	-	-
<b>Closing balance</b>	<b>2 233 331</b>	2 911 217	-	-
Non-current liabilities	<b>1 555 444</b>	2 233 359	-	-
Current liabilities	<b>677 887</b>	677 858	-	-
	<b>2 233 331</b>	2 911 217	-	-

**24. TRADE AND OTHER PAYABLES**

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Trade payables	<b>62 100 899</b>	70 034 299	<b>1 818 157</b>	203 015
Value added taxation	<b>1 684 706</b>	1 722 319	-	69 052
Credit cards	<b>9 370</b>	16 792	<b>9 370</b>	16 792
Accrued expenses	<b>4 106 961</b>	3 954 064	<b>296 128</b>	77 271
Accrued bonus	<b>1 648 121</b>	1 676 711	<b>574 933</b>	-
Accrual for salary-related expenses	<b>341 359</b>	646 946	<b>341 359</b>	646 946
Accrued audit fees	<b>405 000</b>	382 000	<b>405 000</b>	382 000
Deposits received	<b>5 249 379</b>	4 378 169	-	-
Sundry suppliers	<b>646 436</b>	1 461 172	-	-
	<b>76 192 231</b>	84 272 472	<b>3 444 947</b>	1 395 076

**Fair value of trade and other payables**

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

## 25. 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
<b>2018</b>			
Other financial liabilities	161 135 021	-	161 135 021
Trade and other payables	67 268 666	8 923 565	76 192 231
Bank overdraft	6 695 456	-	6 695 456
	<b>235 099 143</b>	<b>8 923 565</b>	<b>244 022 708</b>
<b>2017</b>			
Other financial liabilities	215 936 239	-	215 936 239
Trade and other payables	80 873 442	3 399 030	84 272 472
	<b>296 809 681</b>	<b>3 399 030</b>	<b>300 208 711</b>

\* Non-financial instruments for the group consist of accrued bonus of R1 648 121 (2017: R1 676 711) and value added taxation of R1 684 706 (2017: R1 722 319), deposits received R5 249 379 and accrual for salary-related expenses R341 359.

	COMPANY		
	Financial liabilities at amortised cost R	Non-financial instruments R	Total R
<b>2018</b>			
Loans from group companies	140 903 628	-	140 903 628
Trade and other payables	2 528 653	916 294	3 444 947
	<b>143 432 281</b>	<b>916 294</b>	<b>144 348 575</b>

	COMPANY		
	Financial liabilities at amortised cost R	Non-financial instruments R	Total R
<b>2017</b>			
Loans from group companies	139 762 925	-	139 762 925
Trade and other payables	1 326 024	69 052	1 395 076
	<b>141 088 949</b>	<b>69 052</b>	<b>141 158 001</b>

## 26. REVENUE

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Sale of goods	830 686 042	839 984 931	-	-
Rendering of services	-	-	8 400 000	16 187 738
Rental Income	-	-	3 673 869	3 054 542
	<b>830 686 042</b>	<b>839 984 931</b>	<b>12 073 869</b>	<b>19 242 280</b>

## 27. COST OF SALES

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Cost of goods/inventory sold	488 756 744	483 668 229	-	-

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

## 28. OPERATING PROFIT/(LOSS)

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Operating profit/(loss) for the period is stated after accounting for the following:				
<b>Operating lease charges</b>				
Lease rentals on operating lease	(15 057 414)	(12 819 527)	(285 855)	(361 143)
Profit on sale of property, plant and equipment	1 930 319	749 292	-	-
Loss on disposal of other financial assets	-	(6 111)	-	(6 111)
Amortisation on intangible assets	(2 294 040)	(2 294 040)	-	-
Depreciation on property, plant and equipment	(11 663 536)	(18 809 203)	(72 314)	(68 727)
Employee costs	(91 326 086)	(90 752 203)	(18 453 863)	(26 296 815)
Auditor's remuneration	(816 003)	(805 540)	(423 503)	(359 500)

## 29. INVESTMENT REVENUE

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
<b>Dividend revenue</b>				
Subsidiaries - Local	-	-	-	50 000 000
<b>Interest revenue</b>				
Bank	3 073 084	4 157 791	1 336	58 451
Interest on customer accounts	1 676 107	3 014 339	-	-
	4 749 191	7 172 130	1 336	58 451
<b>Investment revenue total</b>	4 749 191	7 172 130	1 336	50 058 451

## 30. FINANCE COSTS

Group companies	-	-	1 140 703	1 201 876
Bank	29 987	203	29 987	203
Late payment of tax	2 281	-	-	-
Other financial liabilities	21 457 754	25 849 349	-	-
Capitalised transaction costs	542 093	845 525	-	-
	22 032 115	26 695 077	1 170 690	1 202 079

## 31. TAXATION

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
<b>Major components of the taxation expense</b>				
<b>Current</b>				
Local income taxation – current period	12 371 189	18 048 616	-	-
Local income taxation – recognised in current tax for prior periods	-	126 080	-	-
	<b>12 371 189</b>	<b>18 174 696</b>	<b>-</b>	<b>-</b>
<b>Deferred</b>				
Originating and reversing temporary differences	1 326 395	3 809 348	-	-
Under provision of deferred taxation for prior periods	-	(91 760)	-	-
	<b>1 326 395</b>	<b>3 717 588</b>	<b>-</b>	<b>-</b>
	<b>13 697 584</b>	<b>21 892 284</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of the taxation expense</b>				
Reconciliation between accounting profit and taxation expense				
Profit/(loss) before taxation	57 864 606	90 030 675	(11 875 382)	126 961 409
Taxation at the applicable taxation rate of 28%	16 202 090	25 208 589	(3 325 107)	35 549 195
<b>Taxation effect of adjustments on taxable income</b>				
Income taxation – prior period	-	126 080	-	-
Deferred taxation – prior period	-	(91 760)	-	-
Reversal of impairment loss	-	-	-	(25 035 008)
Non-deductible items and exempt income	10 677	-	6 581	-
Taxable temporary difference not recognised as deferred tax liability	(173 872)	(242 731)	(173 872)	(242 731)
Deferred taxation not raised on assessed taxation loss	2 694 588	2 956 716	2 694 560	2 955 036
Profit from equity-accounted investments	(5 829 508)	(6 945 061)	-	-
Fines	3 345	4 618	-	-
Donations	30 448	56 529	-	16 800
Government grant	(189 808)	(174 152)	-	-
Loss on disposal of assets	-	1 711	-	1 711
Share options	797 838	754 997	797 838	754 997
Capitalised finance and transaction costs	151 786	236 747	-	-
Dividends received	-	-	-	(14 000 000)
	<b>13 697 584</b>	<b>21 892 283</b>	<b>-</b>	<b>-</b>

No provision has been made by the company for 2018 or 2017 taxation as the company has no taxable income. The estimated taxation loss available for set-off against future taxable income for the company is R108 776 385 (2017: R99 152 956).

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

## 32. CASH GENERATED FROM/(USED IN) OPERATIONS

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
Profit/(loss) for the year	57 864 606	90 030 675	(11 875 382)	126 961 409
<b>Adjustments for:</b>				
Depreciation and amortisation	13 957 576	21 103 243	72 314	68 727
(Profit)/loss on sale of non-current assets	(1 930 319)	(743 181)	-	6 111
Profit from equity-accounted investments	(20 819 672)	(24 803 788)	-	-
Dividends received	-	-	-	(50 000 000)
Interest received - investment	(4 749 191)	(7 172 130)	(1 336)	(58 450)
Finance costs	22 032 115	26 695 077	1 170 690	1 202 079
Reversal of impairment loss	-	-	-	(89 410 741)
Movements in operating lease assets and accruals	(10 226)	1 344 415	(501 695)	5 788
Bad debts written off	50 000	-	50 000	-
Deferred income	(677 887)	(621 974)	-	-
Share options recorded against salary expense	2 849 424	2 696 417	2 849 424	2 696 417
<b>Changes in working capital:</b>				
Inventories	142 643	(4 727 209)	-	-
Trade and other receivables	(11 778 377)	(10 642 409)	(54 202)	1 435 531
Trade and other payables	(9 475 341)	3 819 660	654 772	38 513
	47 455 351	96 978 796	(7 635 415)	(7 054 616)
<b>33. TAXATION PAID</b>				
Balance at the beginning of the year	(408 615)	(1 283 129)	-	-
Current taxation for the period recognised in profit or loss	(12 371 189)	(18 174 696)	-	-
Balance at the end of the period	307 491	408 615	-	-
	(12 472 313)	(19 049 210)	-	-

## 34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

Reconciliation of liabilities arising from financing activities	Opening balance	Imputed and accrued interest	Total non-cash movements	Cash flows	Closing balance
<b>2018</b>					
Other financial liabilities measured at amortised cost	215 936 239	733 276	733 276	(55 534 494)	161 135 021
<b>2017</b>					
Other financial liabilities measured at amortised cost	249 517 832	2 374 619	2 374 619	(35 956 212)	215 936 239

## 35. COMMITMENTS

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
<b>Operating leases – as lessee (expense)</b>				
<b>Minimum lease payments due by Métier Mixed Concrete Proprietary Limited</b>				
- Within one year	11 707 156	16 300 976	-	-
- In second to fifth year inclusive	49 052 130	72 721 309	-	-
- Later than five years	33 685 678	38 351 330	-	-
	<b>94 444 964</b>	<b>127 373 615</b>	<b>-</b>	<b>-</b>

Operating lease payments represent rentals payable by Métier for certain of its plant sites. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years per lease. The average escalation rate per lease is 9% per annum. No contingent rent is payable.

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
<b>Minimum lease payments due by Sephaku Holdings Limited to Dangote Cement South Africa Proprietary Limited</b>				
- Within one year	100 969	296 081	100 969	296 081
- In second to fifth year inclusive	-	100 969	-	100 969
	<b>100 969</b>	<b>397 050</b>	<b>100 969</b>	<b>397 050</b>

Operating lease payments represent rentals payable by SepHold for its offices. Leases are negotiated for an average term of two years per lease. The escalation rate for the current lease is 7,25% per annum. No contingent rent is payable.

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
<b>Operating leases – as lessor (income)</b>				
<b>Minimum lease payments due</b>				
- Within one year	-	-	(3 309 696)	(3 182 400)
- In second to fifth year inclusive	-	-	(14 616 685)	(10 331 547)
- Later than five years	-	-	(12 569 907)	(20 164 741)
	<b>-</b>	<b>-</b>	<b>(30 496 288)</b>	<b>(33 678 688)</b>

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

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

## 36. RELATED PARTIES

### Relationships

Subsidiaries	Refer to note 8
Associate	Refer to note 10
Shareholder with significant influence	Dangote Industries Limited
Companies with common shareholders	Incubex Minerals Limited SepFluor Limited
Directors	B Williams PM Makwana MM Ngoasheng MJ Janse van Rensburg B Maluleke (Resigned 30 October 2017) B Bulo (Appointed 26 March 2018) Dr L Mohuba NR Crafford-Lazarus RR Matjiu KJ Capes PF Fourie J Pitt
Prescribed officer (also executive director of Métier Mixed Concrete Proprietary Limited)	WJ du Toit
Key management personnel of the group	Refer to directors as listed above. Also includes one prescribed officer.
Companies with common directors	Plazatique Corp 27 CC WKRD Properties Proprietary Limited Cross Company Management Proprietary Limited African Nickel Limited Cato Ridge Quarry Proprietary Limited Miranda Mineral Holdings Limited



## 36. RELATED PARTIES (continued)

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
<b>Related-party balances</b>				
<b>Loan accounts – Owing by/(to) related parties</b>				
Métier Mixed Concrete Proprietary Limited	-	-	(140 903 628)	(139 762 925)
Cross Company Management Proprietary Limited	7 385 954	9 599 973	7 385 954	9 599 973
Sephaku Cement Investment Holdings Limited	-	-	10 249	10 149
Incubex Minerals Limited	2 000 000	2 000 000	2 000 000	2 000 000
Miranda Mineral Holdings Limited	1 073 054	1 038 554	1 073 054	1 038 554
<b>Amounts included in trade receivables/ (trade payables) regarding related parties</b>				
Plazatique Corp 27 CC	(51 619)	-	-	-
WKR D Proprietary Limited	(92 668)	-	-	-
Cato Ridge Quarry Proprietary Limited	-	79 799	-	-
Dangote Cement South Africa Proprietary Limited	(8 508 007)	(7 028 929)	-	-
<b>Related-party transactions</b>				
<b>Purchases from related parties</b>				
Dangote Cement South Africa Proprietary Limited	87 857 887	105 268 928	-	-
<b>Rent paid to/(received from) related parties</b>				
Plazatique Corp 27 CC	1 061 189	973 568	-	-
WKR D Properties Proprietary Limited	5 533 289	6 672 585	-	-
Métier Mixed Concrete Proprietary Limited	-	-	(3 182 400)	(3 060 000)
Dangote Cement South Africa Proprietary Limited	296 081	360 813	296 081	360 813
<b>Fees paid to/(received from) related parties for management services, overheads and salaries</b>				
Plazatique Corp 27 CC	-	750	-	-
Métier Mixed Concrete Proprietary Limited	-	-	(8 400 000)	(16 187 737)
<b>Utilities paid to/(received from) related parties</b>				
Plazatique Corp 27 CC	527 854	507 698	-	-
WKR D Properties Proprietary Limited	6 717 753	2 671 921	-	-
Métier Mixed Concrete Proprietary Limited	-	-	(205 307)	(157 496)
<b>Recoveries received from related parties</b>				
Cato Ridge Quarry Proprietary Limited	40 754	79 799	-	-
Dangote Cement South Africa Proprietary Limited	5 000	-	-	-
<b>Interest paid to related parties</b>				
Métier Mixed Concrete Proprietary Limited	-	-	1 140 703	1 201 876
<b>Dividends received from related parties</b>				
Métier Mixed Concrete Proprietary Limited	-	-	-	(50 000 000)

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

## 37. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS

Executive	Remuneration R	Prior year <sup>1</sup> performance bonuses R	Travel allowances R	Pension fund R	IFRS 2 Staff cost relating to share-based payments vesting expenses (non-cash) R	Total R
<b>2018</b>						
Dr L Mohuba	3 801 117	972 000	-	123 802	568 555	5 465 474
NR Crafford-Lazarus	3 649 620	972 000	151 497	123 802	870 533	5 767 452
KJ Capes*	1 080 000	-	-	-	-	1 080 000
	<b>8 530 737</b>	<b>1 944 000</b>	<b>151 497</b>	<b>247 604</b>	<b>1 439 088</b>	<b>12 312 926</b>
<b>2017</b>						
Dr L Mohuba	3 531 600	1 500 000	-	115 395	614 597	5 761 592
NR Crafford-Lazarus	3 375 043	1 500 000	156 557	115 395	746 865	5 893 860
KJ Capes	2 158 117	2 379 947	-	-	-	4 538 064
	<b>9 064 760</b>	<b>5 379 947</b>	<b>156 557</b>	<b>230 790</b>	<b>1 361 462</b>	<b>16 193 516</b>

\* KJ Capes has been on a consultancy contract with the group as a business development expert to identify viable expansion opportunities since FY 2017. He is remunerated on a retainer based on agreed terms with the Company. KJ Capes' performance bonus is related to the transactions he successfully concludes during any particular year. To date he has been working on the aggregates joint venture (Cato Ridge).

<sup>1</sup> The bonus paid in FY 2018 relates to the FY 2017 performance and the bonus paid in FY 2017 was based on FY 2016 performance.

Non-executive	Fees for services as director R	Remuneration R	Performance bonus R	IFRS 2 Staff cost relating to share-based payments vesting expense (non-cash) R	Total R
<b>2018</b>					
B Williams	410 000	-	-	-	410 000
PM Makwana	310 000	-	-	-	310 000
MM Ngoasheng	310 000	-	-	-	310 000
MJ Janse van Rensburg	310 000	-	-	-	310 000
B Maluleke	155 000	-	-	-	155 000
RR Matjiu	-	-	-	165 028	165 028
PF Fourie	-	3 914 256	805 837	-	4 720 093
	<b>1 495 000</b>	<b>3 914 256</b>	<b>805 837</b>	<b>165 028</b>	<b>6 380 121</b>

## 37. DIRECTORS' AND PRESCRIBED OFFICER'S EMOLUMENTS (continued)

Non-executive	Fees for services as director R	Remune-ration R	Performance bonus R	IFRS 2 Staff cost relating to share-based payments vesting expense (non-cash) R	Total R
<b>2017</b>					
B Williams	380 000	-	-	-	380 000
MG Mahlare	125 000	-	-	-	125 000
PM Makwana	250 000	-	-	-	250 000
MM Ngoasheng	250 000	-	-	-	250 000
MJ Janse van Rensburg	125 000	-	-	-	125 000
B Maluleke	62 500	-	-	-	62 500
RR Matjiu	-	-	-	121 426	121 426
PF Fourie	-	3 223 349	1 001 784	-	4 225 133
	1 192 500	3 223 349	1 001 784	121 426	5 539 059

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

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

**Service contracts**

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

Other prescribed officer	Remune-ration R	Performance bonus R	Travel allowance R	Pension fund R	Total R
<b>2018</b>					
WJ du Toit	1 648 350	242 769	25 200	156 081	2 072 400
<b>2017</b>					
WJ du Toit	1 576 146	385 942	25 200	144 178	2 131 466

WJ du Toit is a prescribed officer of SepHold and an executive director of Métier. All remuneration paid to him by the subsidiary company has therefore also been disclosed.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

## 38. RISK MANAGEMENT

### 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 19, borrowings disclosed in note 22 and equity as disclosed in the statement of financial position.

There are no externally imposed capital requirements.

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

### Liquidity risk

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

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

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

	GROUP		
	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R
<b>2018</b>			
Other financial liabilities	55 471 999	131 328 293	-
Trade and other payables	67 268 666	-	-
Bank overdraft	6 695 456	-	-
<b>2017</b>			
Other financial liabilities	57 415 092	57 726 050	154 272 338
Trade and other payables	80 873 442	-	-

	COMPANY			
	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R	Over 5 years R
<b>2018</b>				
Loans from group companies	126 021 312	4 560 568	4 223 890	6 097 858
Trade and other payables	2 528 653	-	-	-
<b>2017</b>				
Loans from group companies	126 115 900	2 256 696	6 770 088	9 026 784
Trade and other payables	1 326 024	-	-	-

### 38. RISK MANAGEMENT (continued)

#### Interest rate risk

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

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

At 31 March 2018, if interest rates on cash and cash equivalents had been 1% higher/lower with all other variables held constant, pretaxation profit of the group for the year would have been R614 617 (2017: R831 558) higher/lower, mainly as a result of higher/lower interest income on funds invested on call. The resulting taxation effect would have been Rnil.

At 31 March 2018, if interest rates on cash and cash equivalents had been 1% higher/lower with all other variables held constant, pretaxation profit of the company for the year would have been R267 (2017: R9 147) higher/lower, mainly as a result of higher/lower interest income on funds invested on call. The resulting taxation effect would have been Rnil.

At 31 March 2018, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, pretaxation profit of the group for the year would have been R2 199 985 (2017: R2 669 487) lower/higher, as a result of higher/lower interest expense on floating rate borrowings. The resulting taxation effect would have been R615 996 (2017: R747 456).

At 31 March 2018, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, pretaxation profit of the company for the year would have been R117 069 (2017: R156 671) lower/higher, as a result of higher/lower interest expense on floating rate borrowings. The resulting taxation effect would have been R32 779 (2017: R43 868).

#### Cash flow interest rate risk

Financial instrument	Current interest rate %	Due in less than a year R	Due in one to two years R
Cash in current banking institutions	5.00	10 408 669	-
Overdraft facilities used	10.60	6 695 456	-
Floating rate financial liabilities – Facility A	11.13	-	80 000 000
Floating rate financial liabilities – Facility B	10.39	39 781 797	40 626 785

#### 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. The company only deposits cash with major banks with a high-quality credit standing and limits exposure to any one counterparty.

Trade and other receivables relate mainly to the subsidiary's customers. The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the standard payment terms and conditions are offered which include, in the majority of cases, the provision of a deposit for significant contracts. When available, the review includes external ratings.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2018

## 38. RISK MANAGEMENT (continued)

The carrying amount of financial assets represents the maximum exposure to credit risk. Financial assets exposed to credit risk are as follows:

	GROUP		COMPANY	
	2018 R	2017 R	2018 R	2017 R
<b>Financial instrument</b>				
Loans to group companies	-	-	10 249	10 149
Other financial assets	8 459 008	10 638 527	8 459 008	10 638 527
Trade and other receivables	130 888 707	119 397 335	-	50 000
Cash and cash equivalents	10 510 169	44 756 833	337 984	1 225 306
Long-term loans	2 000 000	2 000 000	2 000 000	2 000 000

## 39. GOING CONCERN

The 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.

## 40. EVENTS AFTER THE 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 annual financial statements.

## 41. NET ASSET VALUE PER SHARE AND EARNINGS PER SHARE

Net asset value and tangible net asset value per share

	GROUP	
	2018 R	2017 R
Total assets	1 307 075 597	1 311 205 665
Total liabilities	(271 677 211)	(327 326 057)
Net asset value attributable to equity holders of parent	1 035 398 386	983 879 608
Goodwill	(223 421 981)	(223 421 981)
Intangible assets	(2 867 551)	(5 161 591)
Deferred tax raised on intangible assets	802 914	1 445 246
Tangible net asset value	809 911 768	756 741 281
Shares in issue	206 342 821	202 969 487
Net asset value per share (cents)	501,79	484,74
Tangible net asset value per share (cents)	392,51	372,83
Earnings, diluted earnings and headline earnings per share		
<b>Reconciliation of basic earnings to diluted earnings and headline earnings:</b>		
Basic profit and diluted profit from total operations attributable to equity holders of parent	44 167 022	68 138 391
Profit on sale of property, plant and equipment	(1 930 319)	(743 181)
Total taxation effect of adjustments	540 489	208 090
Headline earnings and diluted headline earnings attributable to equity holders of parent	42 777 192	67 603 300
Basic weighted average number of shares	204 431 259	202 609 094
Dilutive effect of share options	1 089 107	1 641 560
Diluted weighted average number of shares	205 520 366	204 250 654
Basic earnings per share (cents)	21,60	33,63
Diluted earnings per share (cents)	21,49	33,36
Headline earnings per share (cents)	20,92	33,37
Diluted headline earnings per share (cents)	20,81	33,10

## 42. SEGMENT INFORMATION

	Ready-mixed concrete	Head office	Group totals
<b>2018</b>			
Segment revenue – external revenue	830 686 042	-	830 686 042
Segment cost of sales	(488 756 744)	-	(488 756 744)
Segment expenses	(267 054 964)	(25 279 345)	(292 334 309)
Profit from equity-accounted investment	-	20 819 672	20 819 672
Profit on sale of property, plant and equipment	1 930 319	-	1 930 319
Segment profit/(loss) after taxation	48 013 015	(3 845 993)	44 167 022
Taxation	(14 339 915)	642 331	(13 697 584)
Interest received	4 747 855	1 336	4 749 191
Interest paid	(22 002 128)	(29 987)	(22 032 115)
Depreciation and amortisation	(11 591 223)	(2 366 354)	(13 957 577)
Segment assets	285 141 373	1 021 934 224	1 307 075 597
Investment in associate included in the above total segment assets	-	765 870 275	765 870 275
Capital expenditure included in segment assets	14 891 968	23 390	14 915 358
Segment liabilities	(267 423 681)	(4 253 530)	(271 677 211)
<b>2017</b>			
Segment revenue – external revenue	839 984 931	-	839 984 931
Segment cost of sales	(483 668 229)	-	(483 668 229)
Segment expenses	(250 388 987)	(23 607 037)	(273 996 024)
Profit from equity-accounted investment	-	24 803 788	24 803 788
Profit/(loss) on sale of property, plant and equipment	749 292	(6 111)	743 181
Segment profit after taxation	67 385 969	752 422	68 138 391
Taxation	(22 534 615)	642 331	(21 892 284)
Interest received	7 113 680	58 450	7 172 130
Interest paid	(26 694 874)	(203)	(26 695 077)
Depreciation and amortisation	(18 740 477)	(2 362 767)	(21 103 244)
Segment assets	445 845 703	865 359 962	1 311 205 665
Investment in associate included in above total segment assets	-	743 842 941	743 842 941
Capital expenditure included in segment assets	27 604 211	930 890	28 535 101
Segment liabilities	(325 083 711)	(2 242 346)	(327 326 057)

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.

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

# SHAREHOLDERS' ANALYSIS

## SEPHAKU HOLDINGS LIMITED

### Ordinary shares as at 31 March 2018

Number of ordinary shares issued during the financial year: 3 373 334

Total holders: 1 812

### ISSUED CAPITAL

Type of shares	Number of shareholders	% of shareholders	Number of shares
Certificated shares	136	7,51	25 989 521
Dematerialised shares	1 676	92,49	180 353 300
<b>Total issued capital</b>	<b>1 812</b>	<b>100,00</b>	<b>206 342 821</b>

Shareholders holding greater than 5% of the issued share capital at year-end	Number of shares	%
Safika Resources Proprietary Limited nominees	15 580 823	7,55

### RANGE OF SHAREHOLDINGS

Share range	Number of shareholders	% of shareholders	Number of shares
1 - 1 000	629	34,71	218 692
1 001 - 10 000	642	35,43	2 620 502
10 001 - 50 000	274	15,12	6 783 398
50 001 - 100 000	83	4,58	5 820 841
100 001 - 500 000	121	6,68	28 205 401
500 001 - 1 000 000	24	1,33	16 976 492
1 000 001 shares and over	39	2,15	145 717 495
<b>Total</b>	<b>1 812</b>	<b>100,00</b>	<b>206 342 821</b>

### BREAKDOWN BY DOMICILE

Domicile	Number of shareholders	% of shareholders	Number of shares
Resident shareholders	1 778	98,12	187 984 647
Non-resident shareholders	34	1,88	18 358 174
<b>Total</b>	<b>1 812</b>	<b>100,00</b>	<b>206 342 821</b>

Public and non-public shareholders	Shares held	%	Number of shareholders
Public	182 662 021	88,52	1 804
Non-public	23 680 800	11,48	8
- Directors' direct holdings	9 643 474	4,67	5
- Directors' indirect holdings	13 797 326	6,69	2
- Directors' associates	240 000	0,12	1
	<b>206 342 821</b>	<b>100,00</b>	<b>1 812</b>



# CORPORATE INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Construction materials company
Directors	B Williams Chairman independent Non-executive director PM Makwana Independent non-executive director MM Ngoasheng Independent non-executive director MJ Janse van Rensburg Independent non-executive director B Bulu Independent non-executive director Dr L Mohuba Chief executive officer NR Crafford-Lazarus Financial director RR Matjiu Non-executive director KJ Capes Executive director PF Fourie Non-executive director J Pitt Alternate director
Registered office	Southdowns Office Park First floor, Block A Cnr Karee and John Vorster Streets, Irene X54, 0062
Website	<a href="http://www.sephakuholdings.com">www.sephakuholdings.com</a>
Postal address	PO Box 7651, Centurion, 0046
Bankers	Nedbank
Auditors	Grant Thornton Johannesburg Partnership, Chartered Accountants (SA) Registered Auditors
Company secretary	Acorim Proprietary Limited Telephone: +27 11 325 6363 Email: <a href="mailto:sephaku@acorim.co.za">sephaku@acorim.co.za</a>
Company registration number	2005/003306/06
Transfer secretaries	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 PO Box 61051, Marshalltown, 2107, South Africa Telephone: +27 11 370 5000
JSE sponsor	Questco Corporate Advisory Proprietary Limited Telephone: +27 11 011 9200
Investor Relations Officer	Sakhile Ndlovu Email: <a href="mailto:info@sepman.co.za">info@sepman.co.za</a> Telephone: +27 12 612 0210
Métier Mixed Concrete (wholly owned subsidiary)	Physical address: Romead Business Park, 23 Malone Road, Maxmead, 3610 Postal address: Postnet Suite #546, Private Bag x4, Kloof, 3640 Telephone: +27 31 716 3600/0861 638437 Website: <a href="http://www.metiersa.co.za">www.metiersa.co.za</a>
Dangote Cement South Africa (Associate)	Physical address: Southdowns Office Park, Block A, Ground Floor Cnr Karee and John Vorster Streets, Irene X54, 0062 Postal address: PO Box 68149, Highveld, 0169 Telephone: +27 12 684 6300 Website: <a href="http://www.sephakucement.co.za">www.sephakucement.co.za</a>



SEPHAKU  
HOLDINGS LTD