SEPHAKU
HOLDINGS LTD

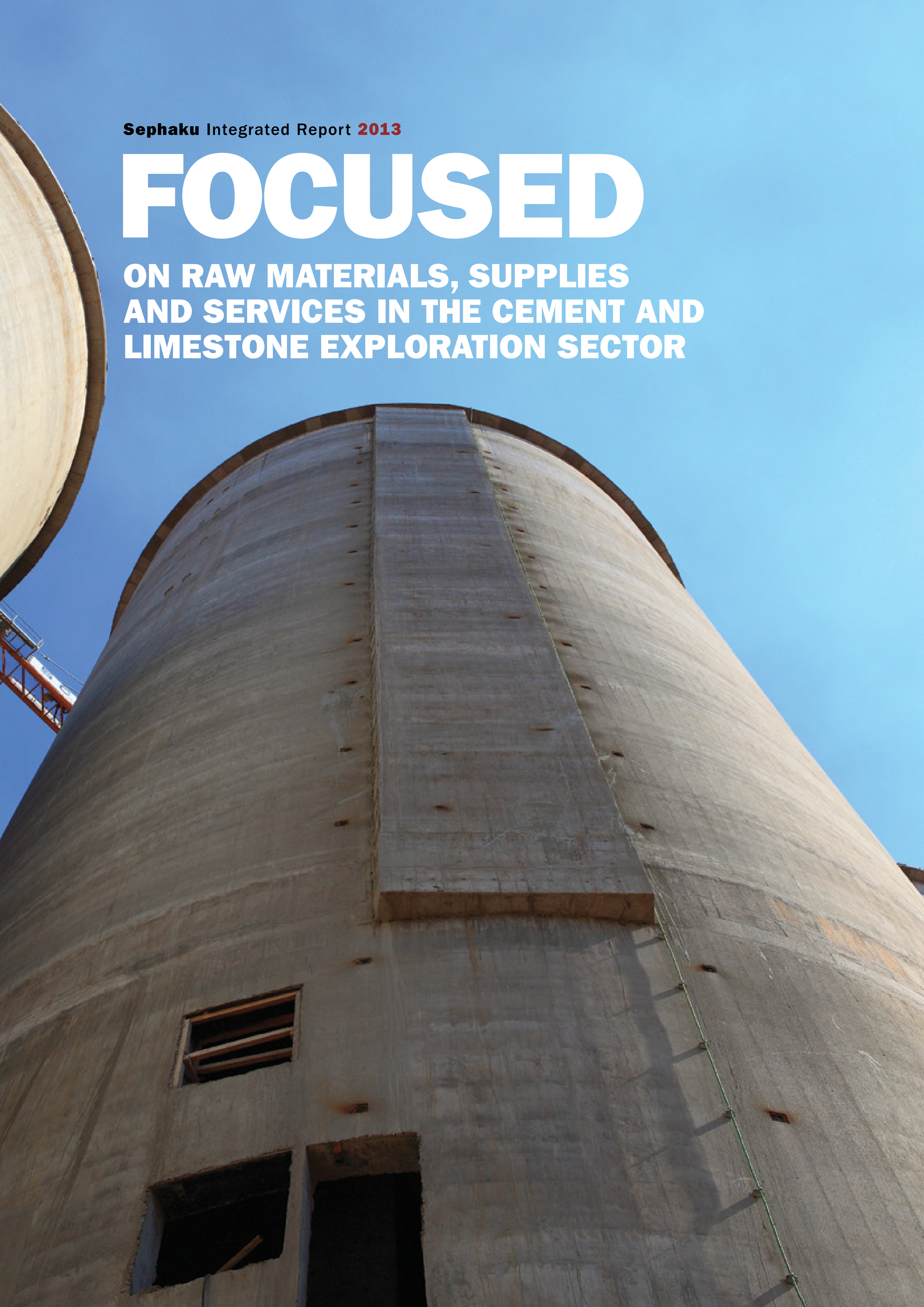
EXPLORATION, DEVELOPMENT, INCOME, GROWTH

Sephaku Integrated Report **2013**

Sephaku Integrated Report **2013**

FOCUSED

ON RAW MATERIALS, SUPPLIES AND SERVICES IN THE CEMENT AND LIMESTONE EXPLORATION SECTOR



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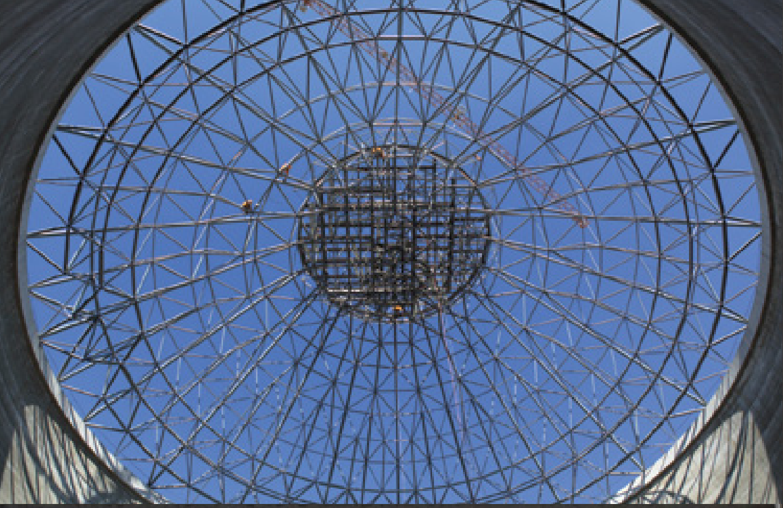
Sephaku Holdings at a glance

BUILDING

A CONSTRUCTION MATERIALS COMPANY, FOCUSED ON SOUTHERN AFRICA



Sephaku Holdings highlights

- Delmas Milling Plant and Aganang Cement Plants on track to commence production early in 2014
- Finalisation of R1,95 billion debt funding for Sephaku Cement from South African banks in October 2012
- Acquisition of 100% of Métier Mixed Concrete

company profile

BUILDING BLOCKS FOR GROWTH

Sephaku Holdings Ltd ("Sephaku Holdings") is a construction materials company with a portfolio of investments in the cement sector in South Africa. The company is listed on the Johannesburg Stock Exchange ("JSE") and is 30,66% owned by historically disadvantaged South Africans ("HDSAs").

The core investments of Sephaku Holdings are a 36% share of Sephaku Cement (Pty) Ltd ("Sephaku Cement"), which is developing cement production plants, of which one will be in the North West Province and one in Mpumalanga, and 100% of Métier Mixed Concrete ("Métier"). The remaining 64% of Sephaku Cement is held by Dangote Cement plc ("Dangote").

sephaku story

EXPLORATION

Sephaku commenced business in 2006 as an HDSA-owned, mineral exploration company seeking opportunities brought about by changes in the MPRDA. Limestone and Fluorspar resources were quickly identified and proven as the most viable reserves in Sephaku's portfolio. This resulted in Sephaku unbundling all its non-core exploration assets into Incubex Ltd in 2010.

DEVELOPMENT

The development of Limestone into an integrated cement business developed faster than the Fluorspar project and it was decided to unbundle Fluorspar in order to create a focused cement business which would develop into a unique income-generating opportunity for its shareholders. The development phase consisted of recruiting an experienced leadership team, proving the viability, obtaining statutory approvals, raising the funding for the project and constructing the most efficient cement plant in South Africa. This phase will come to an end during 2014 when the cement plant comes into operation.

INCOME

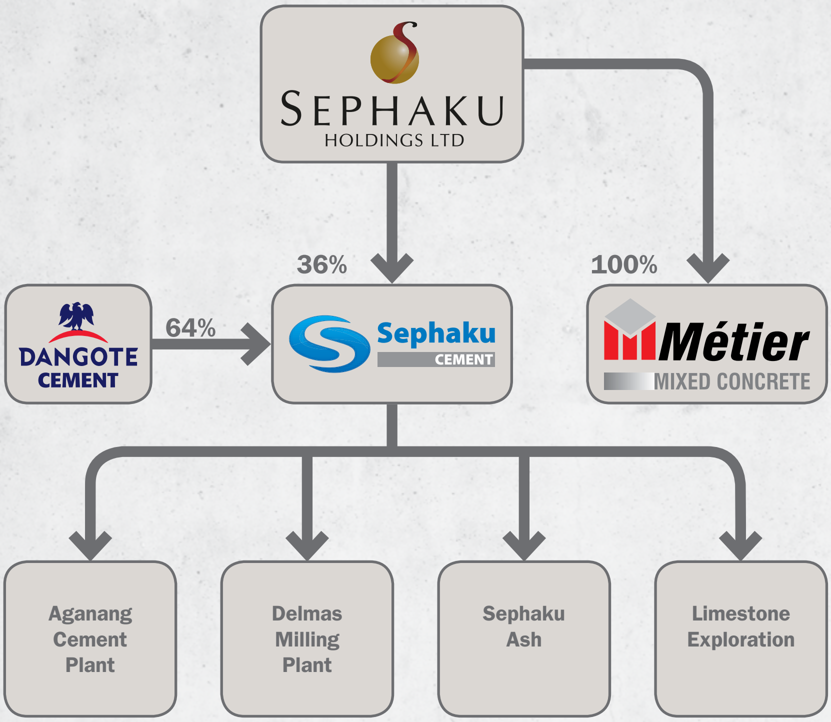
The acquisition of Métier Mixed Concrete in 2013 started the new era for Sephaku where the focus is moving from development to income generation. Maximising income from Sephaku's core investments in Cement and Ready-Mixed Concrete will be the sole focus over the next few years to ensure repayment of development debt as well as a dividend stream to its shareholders.

GROWTH

Southern Africa is set to enter an exciting new growth cycle, strongly underpinned by infrastructure development. The core investments of Sephaku will form the strong foundation for growth, focused on primary construction materials.

Sephaku Holdings at a glance *continued*

operational structure



SEPHAKU HOLDINGS

- 30,6% HDSA-owned construction materials company
- Focused on the development of its cement project and its related projects and assets held through its interest in Sephaku Cement
- Métier was acquired in 2013 and is a supplier of ready-mixed concrete products

Dangote Cement

- Fully integrated cement company and largest cement producer in Africa
- Has projects and operations in Nigeria, Benin, Ghana, Ethiopia, Congo, Tanzania, Senegal, South Africa and Zambia
- Total existing production and import capacity of 14 million tons per annum ("Mtpa")
- New production projects in development with 11,1Mtpa additional capacity making Dangote the largest producer in Africa
- Operates the Obajana Cement Plant ("OCP"), the largest cement plant in sub-Saharan Africa
- Aggressive growth plans focus on a strong pan-African presence company evolving to become a truly multinational corporation

Sephaku Cement

- First new entrant into the South African cement market since 1934
- Cement project comprises three components:
  - Aganang Cement Plant will consist of a limestone mine and a cement manufacturing plant and will commence production in the second quarter of 2014
  - Delmas Milling Plant is a cement grinding plant being established in Delmas and is on track for completion in January 2014
  - Sephaku Ash acquires and removes waste ash from the coal-burning process at Kendal Power Station. The ash produced by this plant is currently being sold in the market and will be used as a cement extender at Delmas

Métier

- Acquired by Sephaku Holdings on 28 February 2013, a supplier of ready-mixed concrete and concrete products
- Specialist in the manufacture, distribution and marketing of construction materials – in particular, ready-mixed concrete
- Significant operations around the Durban, Pietermaritzburg and Gauteng areas
- Large, fixed-plant footprint supplemented by mobile plant operations

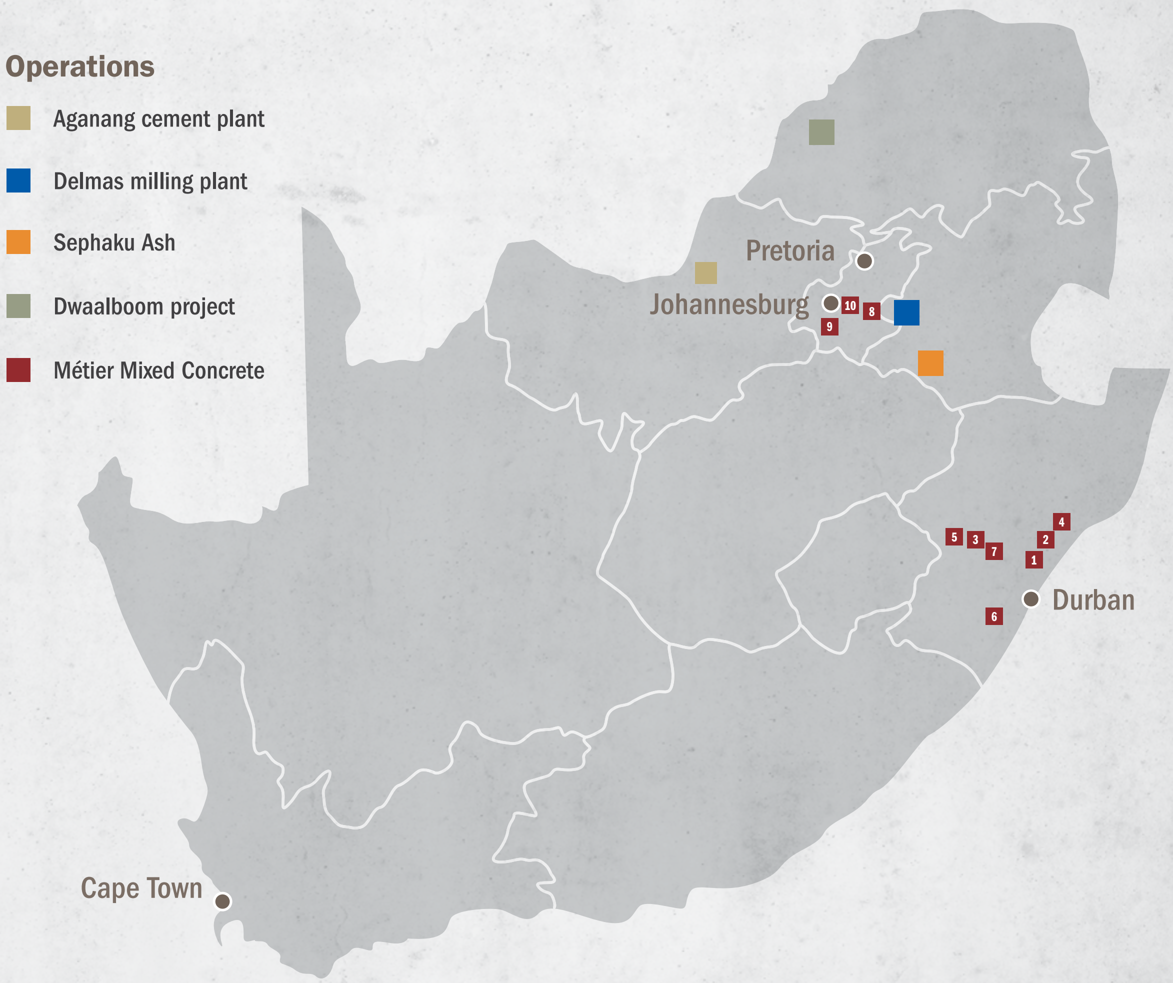
geographical footprint

AGANANG CEMENT PLANT

The primary objective of Aganang Cement Plant is to establish and operate a new clinker and cement production plant using limestone deposits situated on the Stiglingspan, Verdwaal and Klein Westerford farms, located 7km south-west of Itsoseng and 34km west of Lichtenburg.

DELMAS MILLING PLANT

Delmas is situated in Delmas, Mpumalanga. Approximately 55% of the clinker produced at Aganang will be transferred to the Delmas cement-grinding facility for further processing. The location of the Delmas site was chosen due to (a) the proximity to the Kendal Power Station, and (b) the logistics cost of moving clinker from Aganang.



MÉTIER PLANT LOCATIONS

1 Phoenix plant
2 Canelands plant
3 Mkondeni plant
4 Umhlali plant
5 Taylors Halt plant
6 Mobeni plant
7 Cato Ridge plant
8 OR Tambo plant
9 Sandton plant
10 Chloorkop plant

SEPHAKU ASH

Sephaku Cement has a nine-year contract with Eskom to acquire and remove waste ash from the coal-burning process at Kendal Power Station. The ash produced from this plant will be used as a cement extender at the Delmas milling plant to produce blended cement.

strategic summary

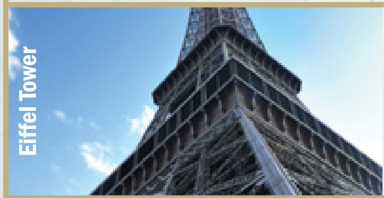
The strategy of Sephaku Holdings is to generate growth and realise value for shareholders by developing a construction materials company in South Africa.

In recent years, Sephaku Holdings has unbundled its interests in non-core assets and recapitalised its core business to strengthen its focus on the cement industry, which it has identified as a growth market in Southern Africa.

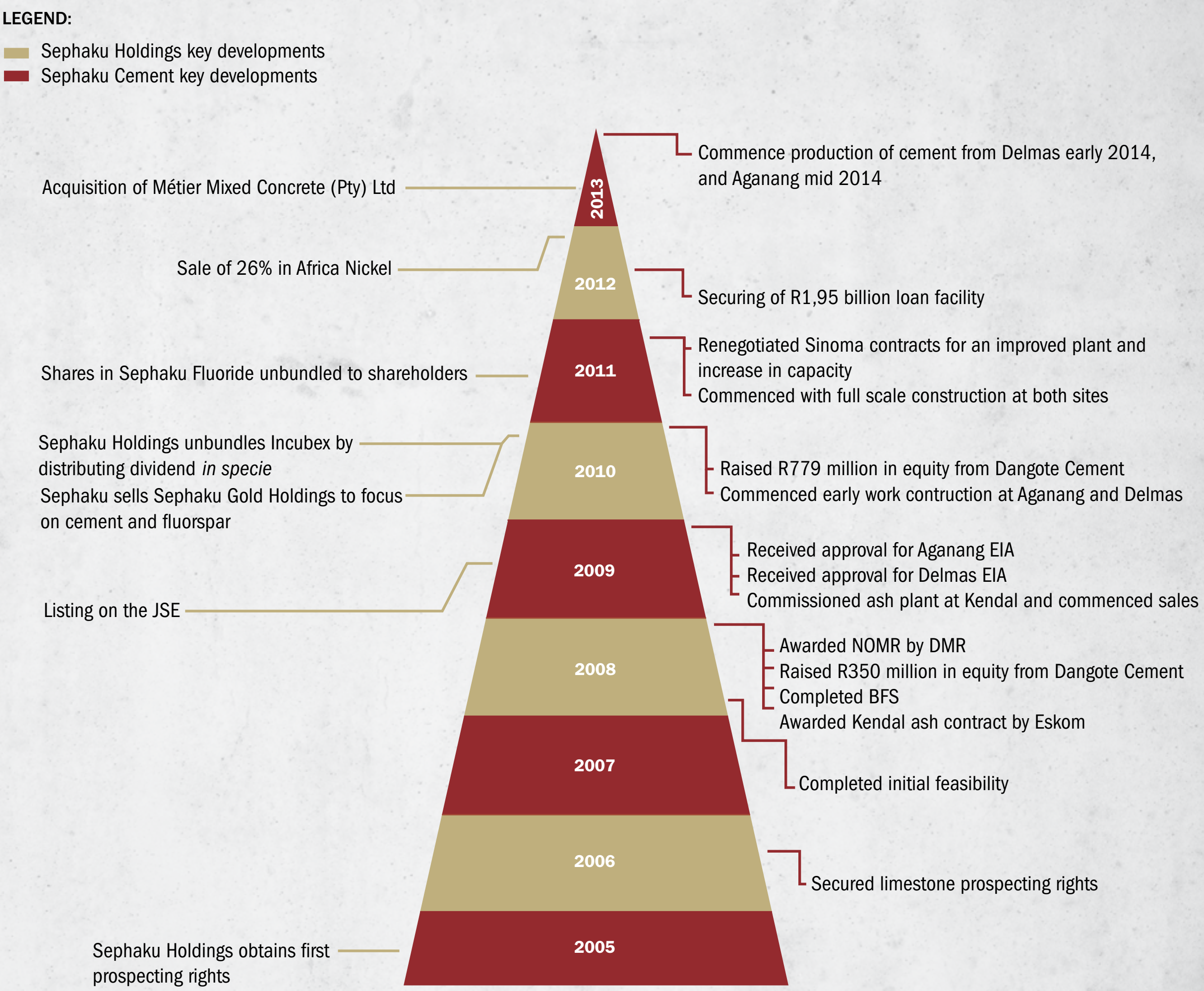
Sephaku Cement is at an advanced stage of developing cement production facilities to serve the construction industry. Sephaku Cement is the only new cement producer to enter the domestic cement industry for the last 80 years. As such, it has invested in new technology to ensure that its manufacturing facilities are competitive in an established industry by being more cost-efficient and environmentally compliant. Furthermore it provided the opportunity for skills transfer to the current labour force during this process.

The acquisition of Métier in 2013 will enable Sephaku Holdings to benefit from vertical integration between Métier and Sephaku Cement by leveraging off and realising combined synergy.

PROJECT QUANTITIES

Project	Concrete volume	Structural steel
Soccer City 	80 000 m^3	8 000 tons
Eiffel Tower 	Concrete used in base	9 441 tons
Sephaku factories	150 000 m^3	17 600 tons
Sydney Opera House 	32 910 m^3	
Gautrain 	450 000 m^3	

history



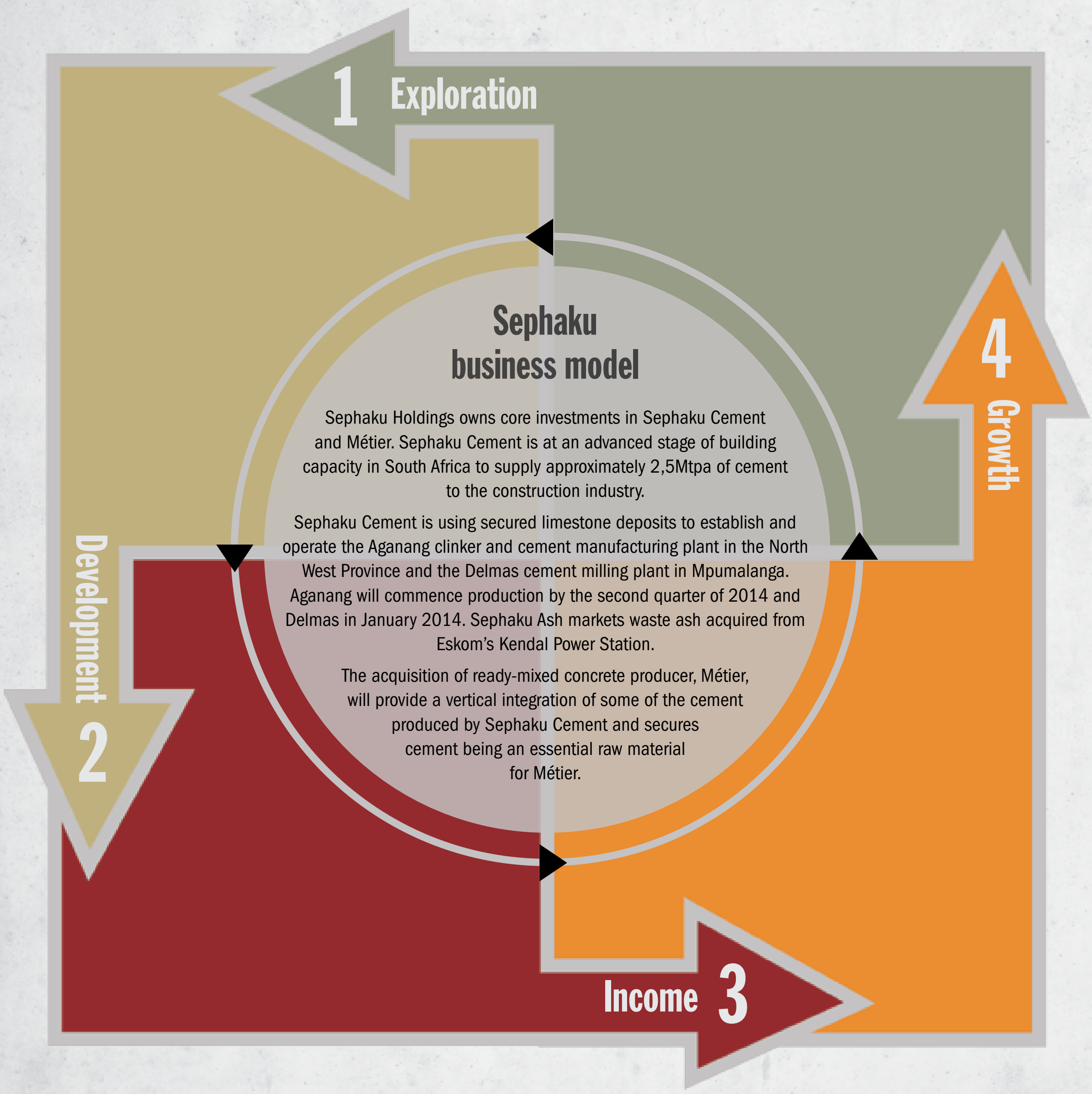
investment case and value proposition

Sephaku Holdings offers investors a valuable portfolio of assets focused on the cement and related industries and is strategically positioned to generate growth and create value from opportunities in the industry.

Sephaku's subsidiaries and associates have a unique set of competitive advantages that support its market entry and facilitate longer-term growth objectives. These include the following:

- Sephaku Cement is the first new entrant into the domestic cement market since 1934.
- The application of advanced technology at new plants allows for more efficient and environmentally sustainable operations.
- Management teams have extensive experience in their sectors within the industry.
- The partnership with Dangote – the largest cement producer in Africa – has provided the bulk of development funding and offers considerable opportunity for longer-term geographic expansion.
- There is potential for share price rerating.

business model



stakeholders

Stakeholder	Issues	Engagement	Frequency
– Regulatory authorities (national, provincial and local) – Traditional authorities	– Project status – General compliance – Health and safety during the construction phase	– Meetings – Written submissions	– Quarterly – Ad hoc – On request
– Neighbouring communities – Landowners	– Project update – Employment and other benefits of the project – Access to mining jobs – Sephaku Cement support communities in managing agricultural activities likely to be affected by mining activities – Implementation of community development initiatives	– Meetings – Focus group sessions – Written submissions	– Monthly – Ad hoc – On request
– Business associates – Service providers – NGOs – Bargaining councils	– Compliance with labour laws – Local procurement opportunities – General community development initiatives: skills development, and SMME development and support	– Meetings – Written submissions	– Quarterly – Ad hoc – On request

Sephaku Holdings board of directors

Front row from left to right: Brent Williams, Gustav Mahlare, Mpho Makwana, Dr Lelau Mohuba, Neil Crafford-Lazarus, Shibe Matjiu and Pieter Fourie

Back row from left to right: Rudolph de Bruin, Moses Ngoasheng, Dr David Twist, Kenneth Capes, Jan Wessels and Jennifer Bennette

BRENT WILLIAMS (49)

Chairman – independent non-executive director

BA (UCT), BProc (UWC), LLM (Harvard University Law School), DLA Piper Harvard Leadership Programme (Harvard Business School)

Brent was admitted as an attorney in 1992 and has held a number of key positions. He is currently the CEO of Cliffe Dekker Hofmeyr.

MODILATI GUSTAV MAHLARE (58)

Independent non-executive director and chairman of the audit and risk committee

BCom (Accounting), BCompt (Hons)

Gustav has held a number of positions at companies such as PricewaterhouseCoopers. He is currently a director at SEMA Integrated Risk Solutions where he specialises in internal audit, corporate governance, risk management and management consulting.

PAUL MPHO MAKWANA (43)

Independent non-executive director

BAdmin (University of Zululand), BAdmin (Hons) (University of Pretoria), Postgraduate Diploma: Retailing Management (University of Stirling Institute of Retail Studies), Kellogg Executive Development Programme

Mpho serves on a number of unlisted company and trustee boards. He is also the chairman of ArcelorMittal, an independent non-executive director of Adcock Ingram Holdings Ltd, Nedbank Group Ltd and Nedbank Ltd, among others.

DR LELAU MOHUBA (56)

CEO – executive director

MBChB (University of Natal, now Nelson Mandela School of Medicine)

Lelau retired as a medical practitioner in 2001 after a 22-year career. His commercial career began in 2002. Since then he has served in various capacities with a number of entrepreneurial endeavours. Lelau is the co-founder and founding chairman of Sephaku Holdings and now serves as CEO.

NEIL ROBUS CRAFFORD-LAZARUS (53)

Financial director – executive director

BCompt (UFS), BCompt (Hons) (Unisa), CA(SA)

Neil started his career in mining finance in 1988. Since then he has held various senior positions in taxation, business development and corporate finance with companies such as Anglo American Corporation, Gencor and Billiton. He also served as financial director of Xstrata SA (Pty) Ltd between 1998 and 2005. Neil joined Sephaku Holdings on 1 June 2007 and now serves as the financial director.

ROSE RAISIBE MATJIU (52)

ISD executive director

Certification in Mining and Minerals (Wits), BA (Hons) (Social Work) (University of the North), MA (Medical Social Work) (University of Pretoria)

Shibe has extensive experience as a professional community and social worker in government and the private sector. She has served in a number of directorate positions and is also a member of the South African Women in Mining and the Business Women Association.

PIETER FREDERICK FOURIE (57)

Non-executive director

CEO – Sephaku Cement

BCom (Accounting), Executive Development Programme (PRISM) for Global Leaders (IMD, Switzerland)

Pieter has extensive experience in the cement industry and assumed the position of CEO of Sephaku Cement in May 2007. He was appointed as a director of Sephaku Holdings in November 2009.

CHRISTIAAN RUDOLPH DE WET DE BRUIN (60)

Non-executive director

BCom (University of the Free State), LLB (Rand Afrikaans University)

Rudolph practised as an advocate from 1977 to 1989. Since then he has concentrated on finding, acquiring and developing mineral exploration and mining projects in various African countries and was a founding member of the Platmin group. Rudolph left Platmin in 2006 and co-founded the Sephaku group with Dr Lelau Mohuba.

MOSES MODIDIMA NGOASHENG (56)

Non-executive director

BA (Economics and International Politics) (Unisa), BSocSci (Hons) (University of Natal), MPhil (University of Sussex)

Moss was instrumental in developing the industrial policy of the ANC and was economic advisor to President Thabo Mbeki from 1995 to 2000. Moss serves on a number of boards including SA Breweries and Dimension Data, among others.

DR DAVID TWIST (59)

Non-executive director

BSc (Hons) (Geology), PhD (Geology)

David completed his PhD in geology in 1980 after which he joined Impala Platinum Holdings Ltd. He was a founding member of the Platmin group with Rudolph de Bruin, and one of the founders of Sephaku Holdings.

KENNETH CAPES (45)

Non-executive director

Kenneth has extensive experience in the ready-mixed concrete and aggregates industry. Kenneth spent 20 years at Lafarge South Africa holding various management positions and managing all aspects of the quarry and ready-mixed concrete operations. Kenneth established Métier in KwaZulu-Natal in 2007 before expanding operations into Gauteng.

JOHANNES WILHELM WESSELS (62)

Alternate director to Christiaan Rudolph de Wet de Bruin

BJuris (North West University), LLB (Unisa)

Wes was a senior partner at Couzyn, Hertzog, Horak & Wessels Incorporated and joined the Sephaku group in 2007. He serves as director of various associated companies of the group and is responsible for legal advice, negotiations and deal making, and contractual arrangements for the group.

JENNIFER BENNETTE (50)

Company secretary – alternate director to Rose Raisibe Matjiu

Jennifer has been employed by various legal practices as a paralegal. She was previously company secretary for the Platmin group and joined Sephaku Holdings in 2008 as company secretary.

Sephaku Holdings key management

SEPHAKU HOLDINGS

NEIL ROBUS CRAFFORD-LAZARUS

Financial director

BCompt (UFS), BCompt (Hons) (Unisa), CA(SA)

DR LELAU MOHUBA

CEO

MBChB (University of Natal, now Nelson Mandela School of Medicine)

ROSE RAISIBE MATJIU

ISD executive director

Certification in Mining and Minerals (Wits), BA (Hons) (Social Work) (University of the North), MA (Medical Social Work) (University of Pretoria)

JOHANNES WILHELM WESSELS

Alternate director

BJuris (North West University), LLB (Unisa)

SEPHAKU CEMENT

PIETER FREDERICK FOURIE

CEO

BCom (Accounting), Executive Development Programme (PRISM) for Global Leaders (IMD, Switzerland)

Pieter has extensive experience in the cement industry and assumed the position of CEO of Sephaku Cement in May 2007.

DUNCAN LEITH

Commercial manager

BCom (UNISA), Young Managers Programme (INSEAD, France), MBA (GIBS)

Duncan has experience in the commercial aspects of the cement industry, having worked for Lafarge for 10 years. He also spent three years with the Imperial Group before joining Sephaku Cement in 2007.

DUAN CLAASSEN

Operations manager

BEng (Metallurgical Engineering) (University of Pretoria), Young Manager's Programme (INSEAD, France), MDP (Duke University, USA)

Duan completed his graduate engineer training at De Beers before joining Blue Circle Cement. He was involved with Blue Circle Cement's integration into Lafarge in 1996. He subsequently worked for PPC before joining Sephaku Cement in 1 January 2008.

HEINRICH DE BEER

Engineering project manager

BEng Mechanical (PUCHE), MDP (PUCHE), LDP (GIBS)

Heinrich worked as a project engineer and maintenance manager at Mittal (Iscor) before joining Lafarge where he held various positions. Heinrich joined Sephaku Cement in 2008.

GAY DE WITT

Chief financial officer

BCom (Hons) (University of Pretoria), CTA (Unisa), CA(SA) (SAICA)

Gay has experience in various fields ranging from finance and operations to risk. She previously worked for Clover Danone before joining Sephaku Cement in 2009.

PUSELETSO MAKHUBO

Organisational performance manager

BAdmin (Hons) (Industrial Psychology), MDP (University of KwaZulu-Natal, formerly University of Durban Westville), MBL (Unisa)

Puseletso has experience in human resource management in the financial and manufacturing sectors. She has held key positions at Nedcor Electronic Banking and Lafarge Gypsum before joining Sephaku Cement in 2008.

JENNIFER BENNETTE

Company secretary

Jennifer has been employed by various legal practices as a paralegal. She was previously company secretary for the Platmin group and joined Sephaku Holdings in 2008 as company secretary.

MÉTIER

WAYNE WITHERSPOON

Operations director

BCom (University of Natal, Durban), LDP (UNISA School of Business)

Wayne spent 14 years with Barloworld Equipment Company in various leadership roles. Wayne is a founding member of Métier and has been responsible for the operational aspect of the business including production and maintenance facilities and logistics.

RICHARD THOMPSON

Finance director

South African Institute of Professional Accountants (SAIPA)

Richard spent 15 years with Stock Owners Co-operative Ltd where he eventually joined the Exco. Richard was managing director of Meadow Meats (Pty) Ltd and spent a few years consulting and marketing in the wildlife industry before starting Métier Concrete Products (Pty) Ltd in 2004. He is responsible for administrative and financial aspects of the business.

KENNETH CAPES

Managing director

Kenneth has extensive experience in the ready-mixed concrete and aggregates industry. Kenneth spent 20 years at Lafarge South Africa in various management positions. He established Métier in KwaZulu-Natal in 2007.

GLEN TALMAGE

Commercial manager, Northern Region

NHCD (Wits Tech)

Glen has extensive experience in the ready-mixed concrete and aggregates industry and has held various senior positions in the technical, production and commercial sectors of Lafarge South Africa for 16 years. He joined Métier in 2011 to assist in expanding and establishing Métier's footprint in Gauteng.

GREGG HOLLINS

Commercial manager, Eastern Region

National Dip Civ Eng (Technikon Natal)

Gregg has extensive experience in the ready-mixed concrete and aggregates industry and has held various senior positions in the technical, production and commercial sectors of Lafarge South Africa for 10 years. Gregg is a civil technician and concrete technologist and joined Métier in 2007.

CERI RAYNE

Human resources manager, Eastern Region

BSocSci (Hons) (University of KwaZulu-Natal)

Ceri has extensive experience in human resources gained from her eight years with The Foschini Retail Group. She recently joined Métier with a key focus on training and development as well as performance and talent management.

Brent Williams
Chairman

Dr Lelau Mohuba
CEO

Sephaku Holdings joint chairman and CEO's report

DELIVERING ON OUR PROMISES

Sephaku Holdings has achieved important milestones in the year to 31 March 2013 in preparation for its entry into the cement industry early in 2014.

Following a period in which Sephaku Holdings disposed of and unbundled its nickel and fluorspar interests respectively, and recapitalised its core business to focus on cement, the group has moved rapidly to position itself in the industry. In line with its undertaking to shareholders, Sephaku Holdings has focused extensively on investing in new productive capacity in the cement industry, preparing for its entry into the industry and acquiring complementary capacity during the period under review.

Key milestones achieved include:

- Clearing the final funding hurdle by securing debt funding of R1,95 billion for Sephaku Cement from South African banks in October 2012
- Acquisition of 100% of the issued capital of Métier with effect from 28 February 2013
- Near completion of the construction of the Aganang and Delmas cement-producing plants by financial year-end

Business environment

The South African cement industry is currently operating at approximately 80% to 83% of realistic usable capacity. While supply currently exceeds demand, Sephaku Cement believes that this will not be the case in two to three years' time due to increased demand for cement spurred on by continued residential demand as well as government's infrastructure projects gaining momentum. The domestic cement industry tends to track a growth trend marginally above GDP growth and is forecast to grow by approximately 4% in 2013 and maintain this growth trend as Sephaku Cement ramps up to full production in 2014.

Longer-term growth forecasts are supported by the expected commencement of the government's infrastructure investment programme, although concerns remain about the public sector's capacity to implement the 18 strategic integrated projects identified by the Presidential Infrastructure Coordinating Commission ("PICC").

Strategic overview

The strategy of Sephaku Holdings is to generate growth and realise value for shareholders by developing industrial mineral assets in Southern Africa.

Sephaku Cement has identified cement as a growth market and has invested in new capacity with advanced technology to ensure that its manufacturing facilities are able to compete successfully against established producers in a mature industry.

The acquisition of Métier in 2013 by Sephaku Holdings enables Sephaku Cement to benefit from vertical integration with a downstream supplier that consumes fly ash and cement.

Implementation of strategy

Sephaku Cement has focused on the construction of the R3,2 billion Aganang clinker and cement plant and the Delmas Milling Plant, which were both at an advanced stage of development at year-end and on schedule to commence production in the first two quarters of 2014.

The Aganang plant in the North West Province will commence production in the second quarter of 2014 with the capacity to produce 1,7Mtpa of clinker and 1,2Mtpa of cement when fully commissioned. The Delmas cement milling plant in Mpumalanga will receive approximately 55% of the clinker produced at Aganang for further processing and is on track, with production due to start in January 2014. The Delmas plant will have an annual capacity of 1,4Mtpa of cement.

The acquisition of Métier supports Sephaku Holdings' growth and investment strategy to strengthen its focus on cement and cement-related products

The acquisition of Métier supports Sephaku Holdings' growth and investment strategy to strengthen its focus on cement and cement-related products and services. With its core business, the manufacture and supply of quality ready-mixed concrete products for the residential, commercial and industrial markets in South Africa, Métier offers Sephaku Holdings a broader revenue base in the construction materials market and the immediate benefit of cash flows.

It also offers asset and geographic diversification and the potential for vertical integration, as Métier is a consumer of cement and fly ash, key raw material inputs in concrete production which are both supplied by Sephaku Cement. In return, Sephaku Holdings offers Métier critical mass and access to capital.

Sephaku Cement has a unique set of competitive advantages that is strongly supportive of its market entry and is expected to facilitate its longer-term growth objectives:

- Sephaku Cement is the first new entrant into the domestic cement market since 1934 and has secured one of the last economic limestone deposits in South Africa with proven raw materials supporting a minimum 30-year life of mine.
- With its own fly ash supply at Eskom's Kendal Power Station, Sephaku Cement controls its own extender source, while Kendal's close proximity to the Delmas plant will reduce

Sephaku and its operating businesses recognise the role of the stakeholders who enable their group

Sephaku Cement's input costs for extenders and provide a cost advantage in the markets served by the Delmas plant.

- The application of advanced world-class technology at its new plants will allow for more efficient and environmentally sustainable operations, enabling Sephaku Cement to be a lower-cost producer relative to its competitors whose facilities are older and less cost-effective.
- Sephaku Cement and Métier both have management teams with extensive experience in their sectors within the industry.
- Sephaku Cement has the backing of Dangote, the largest cement producer in Africa, which has provided the bulk of the development funding and offers considerable opportunity for longer-term geographic expansion.

Customer service will be a key differentiator in Sephaku Cement's market penetration and retention. The business has implemented several strategies to ensure that it is able to maintain consistently high customer service levels. Sephaku Cement has already demonstrated its ability to obtain market share through differentiated market offerings in the retail ash market.

Material risks

- **A delay in the construction of the Aganang and Delmas plants**
  Construction milestones have been achieved on time and on budget during the period under review and both plants are on track to achieve their production schedules. Sephaku Cement's management has a reasonable expectation that this trend will continue in the new financial year. More information about Sephaku Cement can be found in the investment review on page 25.
- **Competitor reaction to Sephaku Cement's market entrance**
  Sephaku Cement will enter an established and mature market with excess capacity where the incumbents have been preparing for a newcomer with significant resources and an experienced management team. In anticipation of competitor reactions to its market entry, Sephaku Cement has embarked on a programme to prepare all areas of its business to be ready to go to market and meet customer expectations when production commences.

  Métier has also experienced a change in the behaviour of competitors in response to its association with Sephaku Cement. This trend has further exacerbated price competition in an already competitive environment. Métier's strategy to mitigate this risk is to maintain its price levels and leverage its track record of excellent customer service.
- **Ensuring a competent skills base**
  Sephaku Cement conducted a skills audit before it commenced the construction of the cement plants and concluded that there was a severe shortage of the skills required to deliver the project. As a result, the Chinese contractor, Sinoma International ("Sinoma"), secured permission to employ its own skilled workforce subject to formal procedures which require the transfer of skills to local labourers and repatriation of the Chinese labourers once their phase of work is completed.

During the turnkey construction project, Sephaku Cement has had a full project management team on each site monitoring the achievement of milestones and ensuring compliance with domestic regulatory requirements for health, safety and environmental management. Sephaku Cement will employ a complement of 205 permanent local employees to operate and maintain the plant. Approximately 650 indirect permanent jobs will be sustained by subcontractors and suppliers to the plants.

A bursary programme has been established by Sephaku Cement and the first full-time bursaries for engineering studies have been awarded to South African students. Through its artisans' training programme, learners from local communities are undergoing training to become fitters and electricians.

Métier has also been challenged to build a workforce able to deliver its growth plan. In the past year, Métier has integrated 90 additional employees (50% of its total workforce) into its expanded business. While this has placed pressure on a relatively small business, it has been carefully managed to avoid undue disruption.

Business sustainability

Sephaku Holdings and its operating businesses recognise the role of the stakeholders who enable their group to be sustainable, and they are acutely aware of their responsibilities towards these stakeholders, who include:

- the shareholders and banks that have funded Sephaku Cement's development;
- the employees who commit themselves daily to the development of sustainable operations;
- the environments and communities with which Sephaku Cement operations co-exist; and
- the customers that sustain Sephaku Holdings' businesses.

Sephaku Cement's development of the largest industrial development project to be undertaken in the North West Province and one of the largest in Mpumalanga represents a significant investment in the South African economy and renewal of a cement industry that is critical to infrastructure development.

Sephaku Cement's investment in new world-class capacity in the cement industry will generate long-term value for shareholders, as well as employment and business opportunities for the communities in which it operates.

Sephaku Cement has embarked on a journey to ensure that its operations are safe and environmentally sustainable and that it complies with all regulatory requirements for sound safety, health and environmental management. The zero harm approach enforced on the construction sites will be applied to all operations. The group strives constantly to limit the impact of its operations on the environment. Additional details on Sephaku Cement's safety, health and environmental management are available in the abridged sustainability report on page 34.

Outlook

Sephaku Cement is on track to enter a cement market that offers a significant growth opportunity on the back of infrastructure development in South Africa. The business is well positioned with significant competitive advantages to compete successfully and generate long-term value for shareholders. In the financial year ahead, Sephaku Cement will focus on commissioning the plant, ramping up production volumes, testing product and customer acceptance, and positioning for market entry.

Métier will focus on the ongoing expansion of its plant network in Gauteng and improving market share in KwaZulu-Natal in the year ahead. The growth in revenue and profits in challenging market conditions remains a key strategic focus.

Brent Williams **Chairman**

Dr Lelau Mohuba **CEO**

Neil Crafford-Lazarus
Financial director

Sephaku Holdings financial director's report

NEW FOCUS PAYS OFF

Overview

Sephaku Holdings unbundled its interest in Sephaku Fluoride Ltd to shareholders during 2012 in a move to transform the company from an exploration and mining development company to a building and construction materials company.

The conclusion of the debt funding for the construction of the Sephaku Cement plant and the acquisition of Métier were the financial highlights in the nine-month reporting period following the change of year-end in January 2013.

Concluded R1,95 billion in local financing for Sephaku Cement

Standard Bank and Nedbank have jointly funded the debt requirements of Sephaku Cement in a 10-year deal valued at R1,95 billion. Signed in Johannesburg in October 2012, the financing agreement marked a critical juncture for Sephaku Cement in its go-to-market preparations and signalled a strong vote of confidence from the local market.

Métier is well positioned to supply specialised concretes to the higher end of the market and has a full service technical division. Through its pumping division it also offers a concrete pumping service with a fleet of ready-mixed concrete trucks.

Métier also offers mobile plant operations in conjunction with its fixed-plant network which is geared to tendering for work in areas not normally supported by ready-mixed suppliers. Métier has operations in the Durban and Pietermaritzburg regions, and is currently expanding aggressively into Gauteng.

The Sephaku Cement team believes that the R1,95 billion financing indicated a strong, new commitment to industrial development in South Africa

The closure of the debt and commencement of the drawdown of its loans was a major milestone for the associate of Sephaku Holdings. The agreement effectively closed the gap in terms of the required capital for Sephaku Cement to be fully prepared for market entry as a significant competitor in wholesale and retail cement trade.

The Sephaku Cement team believes that this financing went beyond cement. For them the R1,95 billion funding indicated a strong, new commitment to industrial development in South Africa. Through new infrastructure establishment in Mpumalanga and the North West Province and the resulting local job creation, the investment benefit will extend to provincial and community development.

Of the total capital raised by Sephaku Cement, just over 50% of total procurement spend will be invested locally. In addition, the combined plants will create direct employment opportunity for around 400 local people and up to 3 000 jobs indirectly. We believe that this signifies a strong endorsement of South Africa's economy and more particularly the need to meet our growing housing and infrastructure requirements.

Acquisition of Métier

A transaction was approved by shareholders during the financial year to acquire 100% of the shareholding of Métier.

Métier is a private company which has been in operation since March 2007. Its managing director and key staff cumulatively have more than 50 years of experience within the ready-mixed concrete business. The core business of Métier is the manufacture and supply of quality ready-mixed concrete products for the residential, commercial and industrial market in South Africa.

Rationale for the acquisition

The acquisition is expected to have synergistic benefits for Sephaku Holdings and its associate, Sephaku Cement.

Synergistic benefits for Sephaku Holdings include:
- building a broader revenue base in the construction materials market;
- providing earlier cash flows;
- diversification of company assets;
- regional diversification of Sephaku Holdings; and
- the creation of shareholder growth.

Further potential exists for vertical integration as Métier is a consumer of cement and fly ash (which are used as raw input materials in the production of concrete), both of which can potentially be provided by Sephaku Cement.

The acquisition is consistent with the stated growth and investment strategy of Sephaku Holdings to increase its focus on cement and cement-related products and services.

Purchase consideration

The total nominal purchase consideration payable to the sellers for Métier is R365 million and consisted of a combination of cash payments and the issue of fully paid Sephaku shares. The settlement of the purchase consideration was structured as follows:

On the closing date 28 February 2013:
(i) a cash payment of R110 million, which was funded through acquisition finance;

Sephaku Holdings financial director's report

BUILDING

EXPLORATION, DEVELOPMENT, INCOME, GROWTH

Management embarked on a number of interactions with the investment community to communicate the final change in focus of Sephaku Holdings

(ii) the issue of five million Sephaku shares at R6 per Sephaku share, at a total issue price of R30 million; and
(iii) the issue of 11 111 111 Sephaku shares at R9 per Sephaku share, at a total issue price of R100 million.

On the final payment date, being 1 December 2014:
(i) a further cash payment of R125 million, which will be funded through acquisition finance; and
(ii) to the extent that the 11 111 111 Sephaku shares issued in terms of paragraph (iii) above multiplied by the future share price is less than R100 million, Sephaku Holdings shall issue to the sellers a number of additional consideration shares, to be calculated by dividing the shortfall by the future share price.

Group revenue and profit for full financial period

Comparative results with previous period is not meaningful at this stage of Sephaku Holdings' development. Sephaku Holdings annually incurs overhead expenditure to ensure project funding and head office support to ongoing projects. These have to date been funded by income from exploration assets that were disposed of that Sephaku Holdings decided not to pursue itself. Such disposals normally would provide sufficient cash flow for a two-year period, with a result that one would have one-year reflecting revenue from the sale of exploration assets, followed by a year purely showing overheads of Sephaku Holdings.

During the current financial year Sephaku Holdings acquired its first producing asset albeit that the transaction was only concluded in the last month of the financial period.

Therefore, for the majority of the financial year, Sephaku Holdings incurred cost on overheads, funded from the sale of the nickel assets in the previous financial year. Revenue of R37 195 338 and profit before taxation of R3 135 986 for the month of March 2013 of Métier has been included in the current year results of Sephaku Holdings. However, this did not exceed the level of expenditure incurred by Sephaku Holdings in the previous eight months and Sephaku Holdings recorded a loss for the year of R16 million.

Had the acquisition been effective at the beginning of the reporting nine months, management estimates that Métier would have contributed R292 215 435 to revenue and R38 322 894 to profit before taxation. This estimate is based on management accounts for the nine-month period. Métier earned revenue of R414 267 766 and profit before taxation of R63 356 713 for the 12 months ended 28 February 2013 based on their audited annual financial statements.

Change of financial year-end

At a shareholders meeting held on 11 January 2013, it was decided to change the financial year-end of the group from 30 June to 31 March. The reason for the change of year-end is to enable Sephaku Holdings to include the audited financial results of Sephaku Cement (an associate with a December year-end), in its annual financial statements.

Performance of share price

The Sephaku Holdings share price started the financial year at a historic low after the unbundling of the Sephaku Fluoride Ltd shares. Before the unbundling, the share was trading between 260 cents and 300 cents per share. The value of the dividend *in specie* was valued at 59 cents per share in the circular to shareholders and during the three months after unbundling the share prices dropped back to 190 cents.

Management embarked on a number of interactions with the investment community to communicate the final change in focus of Sephaku Holdings, the completion of the debt funding of the cement project and the progress of the construction process. A number of site visits to the plant was also undertaken.

These communications sparked an interest in Sephaku Holdings that was now approaching production and therefore looking at generating its first income in the foreseeable future. The share price improved on higher volumes becoming available and we saw a move from 190 cents to 700 cents over the nine months of the reporting period. This made Sephaku Holdings the top performer during the first three months of the calendar year. Subsequent to year-end there was a softening in price as could be expected after such a strong run.

Neil Crafford-Lazarus **Financial director**

Sephaku Holdings investment review

BUILDING

FOCUSED CEMENT AND CEMENT-RELATED PRODUCTS AND SERVICES

Sephaku Holdings has a 36% share of Sephaku Cement which is developing two cement production plants in the North West Province and Mpumalanga. These plants are in the final stages before entering the cement market early in 2014. The remaining 64% of Sephaku Cement is held by Dangote.

Sephaku Holdings acquired 100% of the issued capital of ready-mixed concrete company Métier for R365 million on 28 February 2013 (shareholder approval was achieved in January and Competition Commission approval in February).

Sephaku Cement and Métier are the two core operational investments of Sephaku Holdings and will continue to operate as independent businesses, each retaining its own strategic focus and brand.

Sephaku Cement

Sephaku Cement will use its secured limestone deposits on the Stiglingspan and Verdwaal farms west of Lichtenburg to establish and operate the Aganang clinker and cement manufacturing plant, and the Delmas milling plant.

- **Aganang**
  The Aganang plant located between Lichtenburg and Mahikeng in the North West Province in South Africa consists of a limestone open cast quarry, a clinker and cement manufacturing plant which will mine the limestone raw material, process it to clinker, grind approximately 50% of the clinker and blend it with other components to produce the finished cement product in bag and bulk form. Aganang is on schedule to commence production in the second quarter of 2014 and will have the capacity to produce 1,7Mtpa of clinker and 1,2Mtpa of cement when fully commissioned.

- **Delmas**
  The Delmas cement milling plant in Mpumalanga will receive approximately 50% of the clinker produced at Aganang for further processing. The project is on track for completion early in 2014 with production due to start in January 2014. Delmas will have an annual capacity of 1,4Mtpa of cement.

- **Sephaku Ash**
  Sephaku Ash, a division of Sephaku Cement was established in 2009 following the successful conclusion of a nine-year supply agreement with Eskom to acquire and remove fly ash from Eskom's Kendal Power Station. Sephaku Ash is located at the power station and has the capacity to produce 800 000 tons of fly ash per annum. It sells two branded products – HardAsh and SmartAsh – and will supply fly ash as an extender to the nearby Delmas milling plant.

Sephaku Cement awarded the R2,3 billion fixed-price turnkey contract to design, fabricate, build and commission the Aganang and Delmas plants to Chinese cement plant contractor, Sinoma.

Sinoma contracted with some of the world's leading suppliers of state-of-the-art equipment for cement plants to secure German-engineered Loesche mills and other key equipment from European suppliers which will enable considerably higher levels of efficiency than the established benchmark in the South African cement industry.

For example, 205 permanent staff members employed by Sephaku Cement at Aganang will produce 6 000 tons of clinker per day, which equates to 29 tons of clinker per day per employee compared to the South African benchmark of 16 to 21 tons per day per employee.

The plants have been funded by investments totalling R3,2 billion, which comprises equity funding of R1,2 billion from Sephaku Holdings and Dangote and debt funding of R1,95 billion from Standard Bank and Nedbank. The equity funding was fully raised by October 2010 and the debt funding in October 2012.

In addition, Dangote provided a standby debt facility of R265 million, should the project costs exceed the original estimates. Repayment of the debt funding commences 39 months after the date of closure, which means that Sephaku Cement will only be required to begin its repayments in January 2016.

For investors, cement plants are capital intensive in the development stage but robust and cash-generative once operational. Margins are attractive and cash flow is healthy because the main input is a raw material that, in Sephaku Cement's case, it mines. Therefore, investment in stock is low.

Delivering on the promises

With its entry into the cement market about to be realised, Sephaku Cement has focused intensively on the completion and market readiness of the Aganang and Delmas plants during the financial year. The main strategic objectives that have driven Sephaku Cement's performance were:

- Completion of the Aganang and Delmas plants on time, safely and within budget
- Becoming the lowest cost producer in South Africa in the short to medium term by leveraging plant, logistics and manpower efficiency
- Preparing for market entry post-production and ramp-up
- Achieving a target market share of circa 15% at targeted margins

	Aganang	Delmas	Sephaku Cement Total	Competitor A	Competitor B
Tons of clinker per day	6 000	–	6 000	5 700	7 400
Kiln lines	1	–	1	2	3
Cement per hour (I OPC @ 3200 Blaine)	155	155	310	–	–
Employees	205	70	205	230	460
Tons of clinker per employee	29	–	29	25	16
Tons of clinker per line	6 000	–	6 000	2 850	2 467

Operational performance

Good progress has been made on the Aganang and Delmas construction sites and key milestones have been achieved, including the pouring of 90 000m³ of concrete on the two sites, and procurement of key equipment. At the end of the financial year, all major civil structures had been completed and structural and mechanical work was underway. An important milestone for the Aganang project was the arrival of the kiln and equipment for the vertical mills in October 2012.

Phased commissioning will commence in the second quarter of 2014 at Aganang, and in January 2014 at Delmas. Both plants are scheduled to reach full capacity towards the end of 2014.

There were a number of delays caused by contractors mostly as a result of an extension in the design review process, subsequent lag in placing of orders and manufacturing of imported equipment. This has moved the expected first production date of Aganang from December 2013 to the second quarter of 2014 and for Delmas from December 2013 to January 2014.

Although the contract with Sinoma is a turnkey project, Sephaku Cement has a full project management team on each site which manages on-site risk (to ensure compliance with domestic regulatory requirements for health, safety and environmental management), quality (to monitor the application of project specifications), planning (to ensure the achievement of targets in the project plan) and finance (to manage progress payments in line with completion).

Financial performance

Project costs have been maintained within the planned budget in spite of delays that extended the life of the project from two-and-a-half years to three years and there were no cost-overruns during the year due to well-timed mitigation of exposure to increases in imported costs as the rand weakened. There is minimal risk of cost-overruns on costs still to be incurred as the turnkey contract value is fixed and the offshore component of the project has been paid for.

Operational preparedness

To ensure that it meets its targets for completion and market entry, Sephaku Cement has a separate operational preparedness team which has:

- signed off engineering designs;
- monitored their application; and
- is focusing on the development of a local workforce appropriately skilled to operate and maintain the plants.

Each department of the company has developed and implemented a detailed operational preparedness plan.

During the construction phase, Sinoma employed its own skilled workforce due to a shortage of skilled labour in South Africa. This arrangement is subject to formal procedures which require Sinoma to employ and transfer skills to a minimum ratio of local workers and to return its teams of Chinese labourers back to China after the phase of the project involving their discipline is completed.

Thus far, 140 workers employed from the local community at Aganang and 55 at Delmas have learnt basic construction skills on site and will receive certification for these skills at the end of the construction project.

Developing an adequately skilled workforce to operate and maintain the plants is challenging in an environment where there is a severe shortage of skills and experience particularly in cement and process or heavy engineering. Nevertheless, good progress has been made. The top executive and key management positions have been head-hunted and filled and these executives are assisting with the identification of training requirements and skills transfer.

Sephaku Cement will employ a complement of 371 permanent employees and approximately 650 indirect permanent jobs will be sustained by subcontractors and suppliers to the plants.

As part of its operational preparedness drive, Sephaku Cement has established a bursary programme and awarded full-time bursaries to six South African engineering students. Through its artisans' training programme, 12 learners from local communities are undergoing training to become fitters and electricians. Of these, six learners have passed their trade test and are now fitter and turner artisans.

Risks and accountability for delivery

The three main potential risks for Sephaku Cement are a delay by the contractor, late arrival of key imported equipment and market acceptance. The construction project is on track to meet its stated completion dates; any financial risk of delay is mitigated by the fixed-price nature of the contract and penalty clauses against the contractor.

Sephaku Cement's engineers and representatives in China perform regular visits to Sinoma suppliers in China to eliminate risks of late arrival of key equipment and to ensure equipment quality in line with the contract specification.

Sephaku Cement has implemented an oversight process to ensure effective risk management and accountability. A strategic risk matrix which was reviewed biannually will be monitored bimonthly as the company shifts from development to operational mode. An operational risk matrix has been established and will become active once the project becomes operational.

- Project risks are reviewed monthly at project review meetings attended by the management teams to monitor and update operational plans before and during ramp-up.
- Monthly contractual meetings are held with Sinoma focusing on safety, planning, quality and finance.
- There are also daily interfaces on site between the Sephaku Cement and Sinoma project teams.

Statutory requirements for health, safety and environmental management and community engagement are complied with on site. Experienced management teams are incentivised by way of a balanced scorecard methodology which measures performance in the key areas of financial management, timing of the ramp-up and operational preparedness.

Market entry

The South African cement industry started regaining momentum after the post-World Cup decline in 2010 and has experienced growth since 2011, with growth forecast to exceed GDP growth in 2013. While supply currently exceeds demand, Sephaku Cement anticipates a reversal in this trend by 2016 as limited investment in cement capacity will constrain the capacity of cement producers to meet the demands of increased investment in infrastructure by the public sector.

The main market drivers of growth in the industry are:

- backlogs in affordable housing;
- the need to develop bulk infrastructure projects, including capacity in water, sanitation and power; and
- maintenance and upgrades to transport systems.

South Africa (including the BLNS countries) currently consumes approximately 12 million tons of cement a year, with producers currently operating at approximately 80% to 83% of realistic usable capacity. It is forecast that by the end of 2014 the capacity of all producers (including Sephaku Cement) will amount to approximately 16 million tons a year while demand will increase to about 13,8 million tons which means that the industry will be operating at 86% of capacity.

The real effect of Sephaku Cement's entry will only be felt towards the end of 2014 as it ramps up volume. In the period leading up to the end of 2013, the company's focus will be on product testing, market positioning, pricing and brand building, so it is ready for market entry in 2014.

Sephaku Cement has embarked on a client engagement drive, initially targeting existing customers of Sephaku Ash who would contribute to a baseload of sales in the bulk sales market segment. Sephaku Cement is also engaging at the highest levels with the large merchant retailers. Furthermore, the acquisition of ready-mixed concrete producer, Métier, will provide a vertical integration opportunity for some of the cement produced by Sephaku Cement.

We anticipate that Métier, which is one of Sephaku Cement's largest ash customers, can potentially take up approximately 8% of Sephaku Cement's capacity and, with product acceptance critical to the success of market entry, Métier will also offer a valuable strategic partnership for in-application testing of Sephaku Cement's products.

Métier

Métier is a private company that has been in operation since 2007. The core business of Métier is the manufacture and supply of quality ready-mixed concrete products for the residential, commercial and industrial markets in South Africa.

Métier's initial geographic focus was in Durban and Pietermaritzburg, KwaZulu-Natal, where it secured a fair market share, but the company has recently extended its footprint to the Gauteng market where it has established a number of operations. Métier supplies a varied range of products and is well positioned to supply a variety of standard and specialised concretes to the construction industry.

Through its pumping division, Métier offers a concrete pumping service with a fleet of concrete boom pumps. Métier also tenders for contracts around South Africa by setting up batching operations at its clients' construction sites where value is created for Métier and the client.

Métier's managing director and key employees have more than 80 years of experience collectively within the ready-mixed concrete market. The company employs 200 people, including concrete technologists in a full service technical division which collaborates with a commercial team to deliver solutions to clients. Other key business functions include operations, maintenance, administration and finance.

Strategy

Métier has achieved significant growth by positioning its business in markets that offer strong and growing demand for its products. The key elements that contribute to Métier's ability to achieve high margin growth are:

- excellent solutions-driven customer service;
- a product mix that combines standard with premium specialised concrete products that can be customised to meet specific requirements; and
- a respected and visible brand.

A new two-year growth plan involves aggressive geographic expansion within South Africa, while maintaining the strong historic presence in KwaZulu-Natal. The acquisition of Métier by Sephaku Holdings serves to strengthen Métier's geographic expansion and offers career-enhancing opportunities for Métier employees, an important factor when it comes to retaining valuable staff in a competitive labour environment.

Accountability for delivery of strategy

Métier ensures accountability for the delivery of its strategic objectives by granting managers access to budgeting processes and rewarding performance against set targets. These targets are limited to a maximum of three, including profitability, to maintain management focus on the broad strategy, rather than just those elements that are subject to performance management.

Performance

During the year to 28 February 2013, Métier's revenue grew by 75% to R412 million, driven largely by new business in Gauteng and successful completion of work on two major projects in KwaZulu-Natal. Profits increased by 48% and while the company was able to maintain its gross profit margins it did not increase them for the first time in seven years. This is a reflection of the slow economic environment and the consequent increase in price competition.

Operational highlights for the year included:

- Expansion into Gauteng. Métier has established operations near OR Tambo International Airport, in Sandton and in Chloorkop within budget and on time. The extent of its growth is evident in its employment of 90 new employees (representing almost 50% of its total employee complement), including key appointments to manage the new operations.
- Strengthening market positioning in KwaZulu-Natal to capitalise on significant new special developments in the south Durban area, involving an expanded harbour and associated infrastructure.
- Completion of a 30-month contract to supply 45 000m^3 of concrete for the Chota Motala bridge over the N3 highway to Pietermaritzburg. The project has been nominated for a Fulton Concrete Award.
- The supply of 30 000m^3 of specialised concrete for the Checkers Distribution Centre in Durban.
- Completion of Métier's head office building in Pinetown.
- Award of a five-year contract to supply concrete for the Taylor's Halt affordable housing project in Pietermaritzburg which involves the construction of 25 000 houses.

The key challenges Métier has had to overcome in the past year represent a double edged sword in the sense that they are largely associated with its rapid growth:

- Positioning the operations in KwaZulu-Natal and Gauteng for growth in a slow economic environment.
- Integrating 90 additional employees into the Métier fold and stabilising a larger business. While this has placed pressure on a relatively small business, it has been carefully managed to avoid undue disruption. A key measure has been changing the flat management structure into a more diversified structure that accommodates the geographic spread.
- Securing the skills required to support growth. Métier invested R292 000 in training during the year. The company has, to a large extent, relied on the Concrete and Cement Institute to train the majority of its employees.

Métier is working to overcome two material risks.

1. The first is cash constraints within the construction industry due mainly to the prevailing economic environment. This was evident when Métier took a R2,3 million bad debt write-off incurred as a result of the liquidation of Sanyati Civil Engineering (Pty) Ltd in July 2012.

   To mitigate the impact of bad debt on its financial position, Métier has reviewed its credit management process and is formalising it into a policy. Apart from its routine debt collection, Métier has tightened its credit terms, including a reduction in average debtors' days and made provision for bad debt.

2. The second material risk is a change in the behaviour of Métier's competitors in response to the economic conditions of the construction industry. This trend has further exacerbated price competition in an already competitive environment. Métier's strategy to mitigate this risk is to maintain its price levels and leverage its track record of excellent customer service.

Health, safety and environmental management

Métier complies with the Occupational Health and Safety Act, 85 of 1993. Safety teams are appointed to promote a safe working environment and enforce safety rules and procedures at the operations, and employees attend weekly toolbox talks to reinforce key safety messages. Safety training is conducted at project sites. Métier reported no fatalities during the year.

A comprehensive business environmental study was undertaken by SRK Consulting to assess Métier's compliance with standard environmental requirements in South Africa. An environmental management plan (EMP) was developed for each operation based on the findings of the study. The first EMP was piloted at the Cato Ridge operation in early 2013 and, with the assistance of an environmental consultant, is being rolled out at the other operations during 2013.

Looking ahead

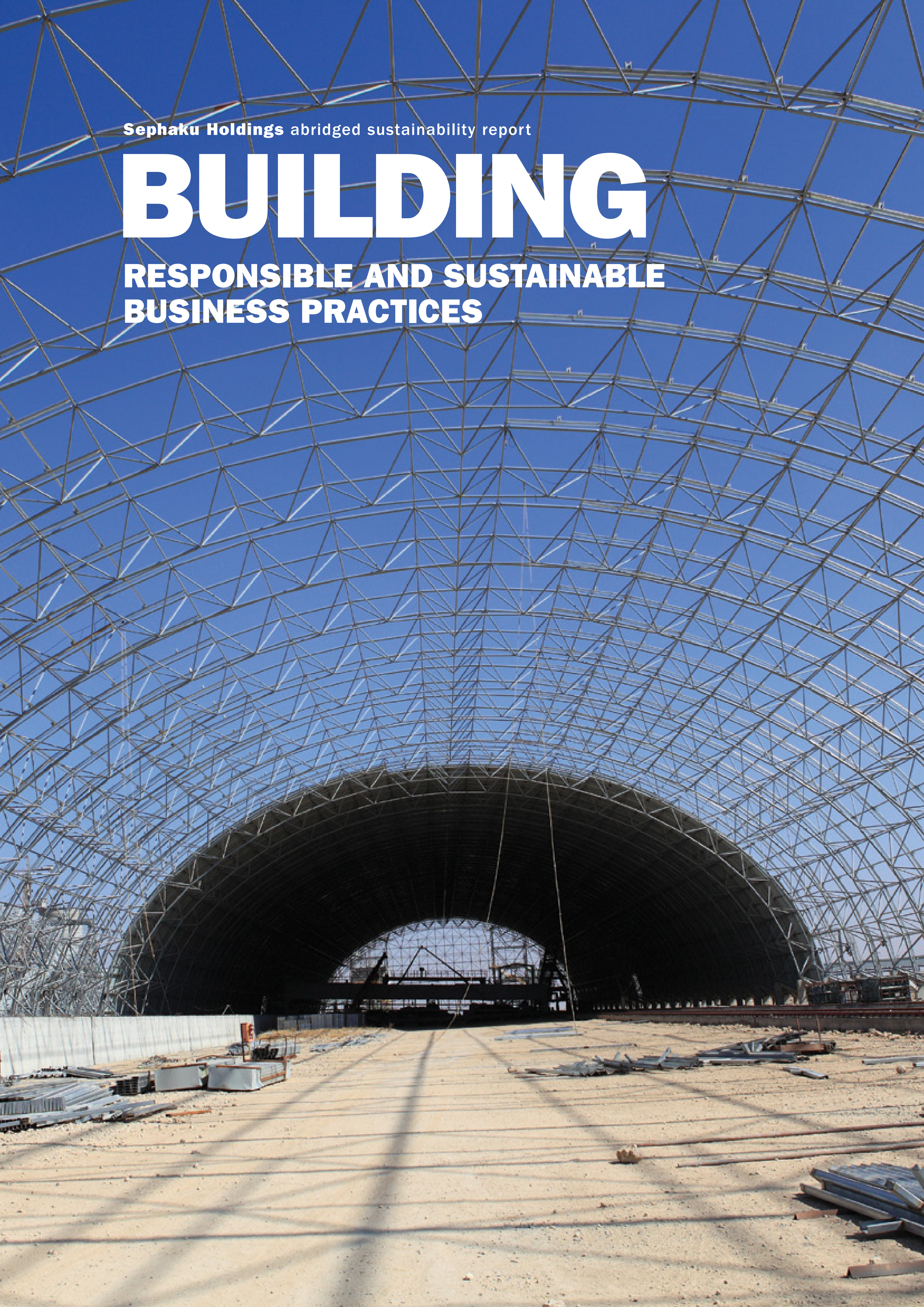
Over the next two years, Métier will focus on the expansion of its plant network.

As it focuses on stabilising its expanded business in challenging market conditions, Métier will work hard to maintain its financial performance. Growth in revenue from the high base established in 2013 is forecast to exceed 20% in 2014 and profit margins are likely to remain under pressure in a competitive environment.

Sephaku Holdings abridged sustainability report

BUILDING

RESPONSIBLE AND SUSTAINABLE BUSINESS PRACTICES



Introduction

Sephaku Holdings (Sephaku) and its subsidiaries are committed to achieving sustainable growth for its shareholders and the South African economy within which it operates. Integrated into the strategy is our commitment to conducting our business ethically, with respect for the interests of all of our stakeholders and managing all of the resources under our control responsibly.

Sephaku has invested in new world-class capacity in the cement industry which will generate long-term value for shareholders, as well as employment and business opportunities for the communities in which it operates.

Sephaku has embarked on a journey to ensure that its operations are safe and environmentally sustainable and that it complies with all regulatory requirements for sound health, safety and environmental management. The zero harm approach enforced on the construction sites for the Aganang and Delmas plants will be applied to all of the group's operations. Sephaku Cement strives constantly to limit the impact of its operations on the environment.

Stakeholder engagement

Sephaku recognises the role of stakeholders and our responsibility towards stakeholders. Our stakeholders include groups that are impacted by our operations and groups that can impact our business. They include:

- the shareholders and banks that have funded our development
- all relevant spheres of government
- our employees who commit themselves daily to the development of sustainable operations
- the environments and communities with which Sephaku Cement's operations co-exist
- the customers that sustain Sephaku Holdings' businesses
- civil society and NGOs

In 2011, Sephaku Cement developed a stakeholder mapping tool to provide its operations with guidelines for consistent identification and engagement with stakeholders. Each division identifies, prioritises and engages with stakeholder groups at a local level.

Economic performance

Sephaku is a South African construction materials company. Through its investment in Sephaku Cement, the group is developing the largest industrial development project to be undertaken in the North West Province and one of the largest in Mpumalanga. These represent a significant investment in the South African economy and renewal of a cement industry that is critical to infrastructure development.

Performance will be enhanced in the coming years by the addition of Métier to the Sephaku Holdings group.

Creating and distributing value

In line with its undertaking to shareholders, Sephaku has focused extensively on investing in new productive capacity in the cement industry, preparing for its entry into the industry and acquiring complementary capacity during the period under review.

Sephaku will complete the construction of the Aganang and Delmas plants and be positioned to enter into the cement market during 2014.

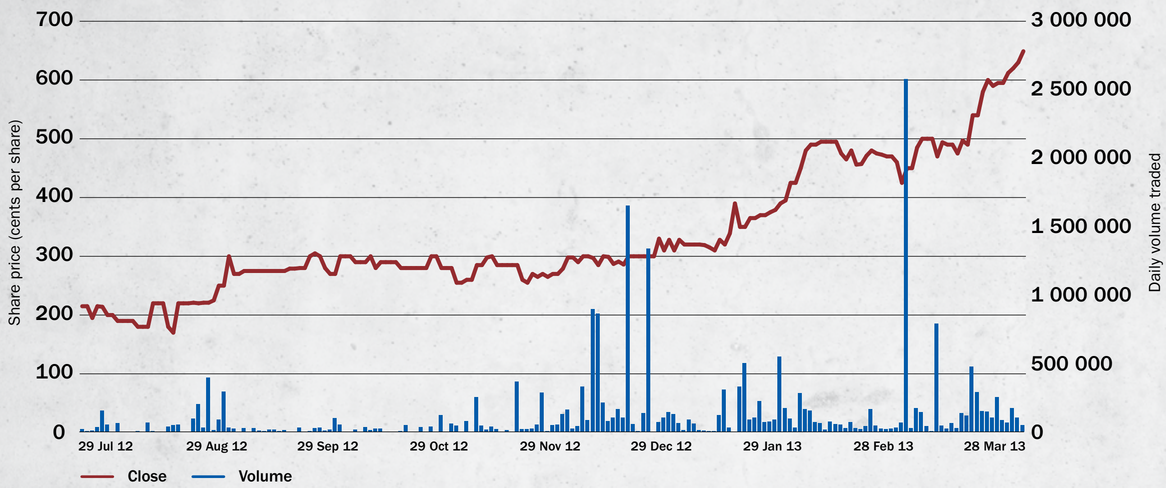
The acquisition of 100% of the issued capital of Métier with effect from 28 February 2013, offers Sephaku a broader revenue base in the construction materials market and the immediate benefit of cash flows.

Share performance

Significant value has been created for the shareholders of Sephaku during the past financial year as investors have responded to the milestones achieved during the year, including the near-completion of the cement plants, the acquisition of Métier and the clearing of the final funding hurdle by securing debt funding of R1,95 billion from South African banks. Investor sentiment was also supported by rising activity levels in the domestic cement market – in unfavourable prevailing economic conditions.

The Sephaku share price was 190 cents at 30 June 2012. It traded at a high of 649 cents on 28 March 2013, having increased steadily after the interim results announcement on 21 February 2013 and closed at 649 cents at the end of the financial year.

Share price and volume traded for the 9 months ended 31 March 2013



Compliance with relevant legislation

Sephaku has ensured compliance by conducting a full legal compliance matrix comprising of 34 Acts.

Sephaku Cement and the South African Mining Charter

Sephaku Cement prioritises compliance with the guidelines and targets of the South African Mining Charter and supports the transformation and empowerment requirements of the Mineral and Petroleum Resources Development Act and the Department of Trade and Industry (dti) Broad-based Black Economic Empowerment (BBBEE) Codes of Good Practice. Sephaku Cement attained a BBBEE rating of AAA on the Qualifying Small Enterprises (QSE) scorecard in December 2012, achieving maximum points for procurement and social development. A QSE verification certificate was acquired as Sephaku Cement's annual turnover was below R35 million. Internal systems were implemented to monitor progress monthly and quarterly to ensure improvement in all seven elements of the dti scorecard.

With regard to human resource management, Sephaku Cement has focused on career development, coaching and mentorship plans to ensure support employee development at both technical and support disciplines. The career progression plan will create an opportunity for flexible career management within as well as across different departments for all the employees at the cement plants. These career development opportunities contribute to the skills development as well as the skills retention at the cement plants and are critical to the success and stability of the plants as well as the benefits created for the employees.

Sephaku Cement will further ensure and undertake to make all employees aware of the various vacancies and competency requirements on an ongoing basis.

Sephaku Cement recognises the importance of coaching and mentoring as a crucial component in the development of all employees, and sees it as critical for career and succession planning. In this regard, Sephaku Cement has developed coaching and mentoring guidelines. These will be utilised in order to enhance appropriate development programmes and skills retention. Identified employees at Hay level 13 and below will be assigned a mentor, including students who will be on the internship, learnership and skills programmes. Employees in mid-management and senior management positions will be assigned a coach (either internal or external).

Sephaku Cement is currently implementing a community skills development programme to create a talent pool of artisans. This focuses on core business training, learnerships, apprentice/artisan training, bursaries and internships.

With regard to enterprise development, the company is committed to supporting small and medium enterprises (SMEs) from local areas by procuring goods and services from them. Approximately R30 million per annum is to be spent on SME development and support in the transport and logistics sector from local areas.

During 2012 Métier contributed funds and its products to various projects within the greater KwaZulu-Natal area. The key area of sponsorship has been around housing, education and childcare, where most of the recipients are orphans. Métier contributed to the building of homes at the Ingane Yami Children's Village for orphans and abandoned children. During 2013, Métier will continue to be involved in the Ingane Yami Village as well as LIV Village and The Domino Foundation.

HDSA ownership

Sephaku Holdings started as a company owned by historically disadvantaged South Africans ("HDSA"). It remains committed to promoting the fair and equal participation of HDSAs and retains a high level (currently 30,66%) of HDSA ownership.

Procurement

Sephaku recognises that procurement from local suppliers, HDSA suppliers and women-owned enterprises has an important role to play in the transformation of the South African economy, particularly in areas where there is limited economic activity and opportunity.

Sephaku Cement recorded an overall BBBEE procurement recognition level of 125% in 2012 and is targeting a minimum of 90% of its overall procurement expenditure from BBBEE-certified suppliers and service providers by 2016 at Aganang.

Procurement will be monitored, analysed and reported when the operations commence. Five-year targets have been set and the achievement and consolidation of those targets are laid out in detailed procurement progression plans in the Social and Labour Plan. Progress against these targets will be reported annually to the Department of Mineral Resources and to stakeholders.

Anti-corruption

Sephaku has a zero tolerance approach to all forms of corruption (including facilitation payments) by individuals and businesses acting on its behalf. It is in the interest of our group to ensure that we have robust systems and procedures in place to identify, manage and minimise the risk of corruption throughout our operations. This includes training employees most at risk of exposure to corruption on how to deal with and combat it, and providing channels for confidential disclosure of potentially corrupt activity.

Social performance

Employment

Sephaku Holdings employed nine permanent employees and Sephaku Cement had a workforce of 63 at year-end, including 13 employed at Aganang, seven at Delmas and eight at Sephaku Ash. Employee numbers of Sephaku Cement increased during the year as construction progressed and market readiness activities commenced. Sephaku is committed to drawing labour from the communities in close proximity to its operations. Currently, 17% of Sephaku Cement's employees are from the Ngaka Modiri Molema municipal areas in Lichtenburg. The balance is predominantly from Johannesburg and Tshwane.

Métier doubled its staff complement to 200 during the period under review to accommodate the growth of its operations.

Sephaku Cement contracted Chinese company, Sinoma, to construct the Aganang and Delmas plants on a turnkey basis. Due to severe skills shortages in South Africa, Sinoma secured a corporate work permit to employ skilled labourers from China at the two sites. At the peak, Sinoma employed approximately 1 500 Chinese labourers and an average of 700 over the duration of the project. Sinoma is responsible for repatriating the Chinese labourers as their phase of work is completed.

During construction, approximately 200 direct jobs are being created for local unskilled workers and skills transfer is included in the agreement with Sinoma to ensure maximum local economic benefit.

In addition, Sinoma also employed skilled South African workers through the subcontracting of some of the construction work to South African contractors.

Employment equity and women in mining

Sephaku's commitment to the advancement of HDSA employees forms the basis of its recruitment, development and retention schemes and the company's employment practices seek to ensure that 40% of management and core skills are made up of HDSA employees.

Sephaku's employment equity objectives are linked to its succession management programmes and skills development initiatives. A learnership and bursary programme has been introduced to grow the pool of talented HDSA candidates in future. Between 2012 and 2015, the Aganang plant will provide four full bursaries annually to learners from the Ditsobotla local municipality.

In line with the targets set by the Mining Charter, Sephaku Cement aims to employ 10% of women in the technical and mining positions by the time the plants are commissioned. A total of 33% of Sephaku Cement's current workforce is made up of women.

Employment practices

Sephaku is committed to creating sustainable employment opportunities and providing decent work and fair, ethical and progressive employment practices, consistent with the requirements of national legislation and the International Labour Organisation's Fundamental Principles and Rights at Work.

We condemn the use of forced labour and every employee receives fair compensation for their work, as determined by legislation.

The Sephaku group recognises that employees are entitled to freedom of association and respect the right to collective bargaining. Employees are free to join unions if they wish to. Once a full-time workforce is present at Sephaku Cement, union representation and collective bargaining structures will be put in place as required.

Housing

Sephaku does not provide accommodation for employees and most reside in nearby communities. Employees recruited from further afield are required to make provision for their own accommodation. Sephaku works with them and other stakeholders to facilitate affordable housing and transport systems.

Training and development

Sephaku Cement and Métier consider skills development and career advancement of employees to be of significant value to the overall success of their businesses.

By providing opportunities for employees to improve their skill levels and advance their education, Sephaku hopes to continually raise its collective skills-set and contribute to the skills pool available to the industry.

Sephaku has an extensive skills development programme, ranging from adult basic education and training (ABET) to improved literacy and numeracy, learnerships, internships and mentorships. Portable skills plans for workplace qualifications are also in place, as are bursary schemes to support talented individuals at a tertiary education level. The company's recruitment policy requires a grade 12 certificate, equivalent to an ABET level 4 on the National Qualification Framework (NQF). NQF1 is a minimum entry requirement.

Sephaku's learnerships and internships are an essential component of work processes leading up to the achievement of a qualification and are part of a skills programme which constitutes credit towards an NQF qualification.

In the 2012 financial year, Sephaku Cement spent R1 589 412 million on employee training and development, equivalent to 3% of the total Sephaku Cement payroll. The company's expenditure targets for training and development over the next four years are based on an estimate of 3% of annual payroll.

In the past financial year, Métier spent R292 000 on training, one civil engineering internship and training in legislative compliance, fire fighting, first aid, health and safety induction, management, and other skills development.

Health and safety

Health and safety management is integral to the group and operational processes and practices are in place to ensure that no stakeholders are compromised by its operations.

Sephaku has implemented appropriate health and safety standards, which include fire protection, safe operating practices and sound management principles to ensure that all possible measures are in place to avoid accidents and minimise losses. A health and safety committee has been established to monitor compliance.

Subsidiaries comply with the Occupational Health and Safety Act, 85 of 1993. Safety teams are appointed to promote a safe working environment and to enforce safety rules and procedures at the operations.

Safety

Safety management at operations is underpinned by rigorous risk management discipline led by a safety specialist. Daily inspections are conducted to monitor compliance with standards and procedures and a full safety management team is assigned at each site.

Detailed operational health and safety records are maintained and submitted to the relevant government authorities at the required intervals. An on-site medical centre, an ambulance and two paramedics are available for any medical emergency.

An unfortunate fatality occurred at Aganang on Saturday, 8 November 2012 when a Chinese employee of Sinoma fell 12m to the level 3 floor in the preheater building. An inquiry was made by the Department of Mineral Resources from 17 to 20 December 2012 and was concluded on 17 January 2013. Training of employees working at heights has been intensified and working procedures reviewed following this unfortunate accident. Since the last incident, Sephaku Cement has achieved 739 719 lost time injury ("LTI") free hours on the Aganang project and 819 619 LTI-free hours on the Delmas project without any serious injury. Sephaku Cement continues to be vigilant in respect of safety performance and strives for continuous improvements from Sephaku Cement's employees as well as contractors.

Métier employees attend weekly toolbox talks to reinforce key safety messages. Safety training is conducted at project sites. Métier reported no fatalities during the year.

Health management

Sephaku is committed to the promotion of a healthy lifestyle for all of its employees. A strategic wellness framework has been designed to assist employees who experience personal or work-related difficulties to ensure optimal performance.

The following three key areas are addressed in the framework:

- **HIV/Aids management**
  This ensures consistent and equitable management of employees with HIV/Aids and life threatening diseases. Guidelines have been developed to manage HIV/Aids in a manner that is consistent with current legislation. Employees are encouraged to be aware of their general health and, through the annual wellness and World Aids Days, to check their status. Adequate counselling is provided pre- and post-testing and support is available from the medical aid scheme/s. A policy is in place to provide guidance to all employees.

- **Wellness management initiatives**
  Employees are referred to relevant service providers for personal and health matters on an as-needed basis through the employee assistance programmes and during the annual wellness day. Monthly wellness newsletters are distributed to all employees to encourage them to be aware of their general health status.
- **Occupational health and hygiene**
  Risks identified in the workplace are addressed and managed appropriately by Sephaku Cement. The occupational hygiene programme addresses occupational hygiene hazards such as chemical hazards, physical hazards (noise, illumination), ergonomic hazards, biological hazards and psychosocial hazards.

Community investment

Sephaku Cement is committed to providing sustained economic and social benefits to the communities affected by its operations. The objectives of Sephaku Cement are to:

- Contribute to the alleviation and eventual eradication of poverty
- Promote sustainable employment and advance the social and economic welfare of its local communities
- Extend the economic benefits of its operations beyond its primary activities, such that Sephaku Cement's presence leaves a lasting legacy of economic improvements that outlive its operations

To achieve these objectives, Sephaku Cement has identified projects in which it believes its input would be most beneficial and effective. These cover a range of issues, from education and healthcare to infrastructure and skills development.

Sephaku Cement supports and develops the following community investment projects at the Aganang plant:

Project	Impact area	Direct beneficiaries	Sephaku development contribution	Budget	Completion planned for
Upgrading of Springbokpan and Verdwaal healthcare facilities	Community healthcare	Springbokpan and Verdwaal communities	Funding for the completion of the Springbokpan Mobile Clinic	R660 000	October 2013
			Construct the building for the Verdwaal mobile clinic	R900 000	March 2014
Bakery and pallet repair and replacement centre	Job creation and poverty alleviation	Springbokpan, Verdwaal, Bodibe, Itsoseng and Sheila communities	*Funding for the establishment of the bakery facility including training	R1 464 000	2013
Upgrade ABET centres and support maths and science education	Adult literacy and grade 12 results improvement	Springbokpan, Verdwaal, Bodibe, Itsoseng and Sheila communities	Facilitating the upgrade of ABET centres, providing learning and practical materials for use at the centres and local schools	R809 414	2013

* *Facilitate a joint-venture partnership between local SME to partner with an existing pallet supplier to establish a pallet repair and replacement centre.*

Note: The Ditsobotla Local Municipality secured funding for the construction of the domestic waste disposal facility at Itsoseng. Funding to be used to construct the building for the Verdwaal Mobile Clinic.

Métier supports the LIV Village where it is contributing to the building of houses, a clinic and a school, as well as to the Domino Foundation which conducts training programmes for schools in the Durban area. Métier was also involved in the Robin Hood Foundation and contributed towards the training of HDSA teachers in KwaZulu-Natal.

Environmental performance

Sephaku recognises that the mining and processing of its cement products may have a negative impact on the natural environment in which it operates. Sephaku is committed to mitigating the impact, wherever possible, and applying environmental protection measures in its manufacturing and processing activities.

Sephaku and its subsidiaries' business strategy has been developed with consideration for the mitigation of carbon emissions, and water and energy inefficiency. Where it has been necessary to consider environmental risks that are specific to one of its operations, mitigation of that risk has been outlined in the environmental management programmes for that operation and approved by the Department of Mineral Resources.

Long-term objectives and commitments

- To be the most carbon-efficient cement producer in southern Africa. The cement plant is designed to limit CO_2 emissions to at least 15% lower than the industry standard.
- To mitigate any negative environmental impact caused by Sephaku Cement's operations. Through sustained stakeholder engagement, Sephaku Cement will identify and develop projects and initiatives that have a reciprocal benefit for the environment and communities.
- To embrace new technology and develop innovations continuously which will reduce Sephaku Cement's environmental footprint and set an example for other industry players. By incorporating modern advances such as vertical roller mills for raw mix, coal and cement grinding; implementing variable frequency drives maximising the extension of some of its products and its electrical energy consumption for a tonne of cement will be up to 20% lower than the industry norm.

The new plants have been designed to limit their environmental impact, while maximising operational efficiency and competitiveness:

- Aganang plant will be built in a water scarce region. The kiln line has been uniquely designed to use ambient air instead of the traditional gas conditioning tower for cooling of the preheater exhaust gases.
- Water consumption will be low at 151 litres/ton of cement-in-bin, compared to similar plants which consume >250 litres/ton.
- Vertical milling technology (cement, raw meal and coal) will reduce power consumption.
- High levels of energy efficiency (104kWh/ton compared to industry average of >125kWh/ton).
- Heat consumption at 755kcal/kg clinker compared to industry average of >900kcal/kg clinker.
- Low dust emissions of 30mg/Nm³ compared to South African industry average of >100mg/Nm³.
- Lowest carbon footprint due to best coal consumption and high extension ratio.

A comprehensive business environmental study was undertaken by SRK Consulting to assess Métier's compliance with standard environmental requirements in South Africa. An environmental management plan (EMP) was developed for each operation based on the findings of the study. The first EMP was piloted at the Cato Ridge operation in 2012 and, with the assistance of an environmental consultant, has been rolled out at the other operations in 2013.

Project-specific concerns raised and mitigation measures

Through extensive stakeholder engagement, a database has been established of the various environmental risks and concerns that the operations pose, as well as the measures to mitigate these risks.

Aganang

Dust, noise, visual impact and water consumption have been identified as the most material environmental concerns at Aganang.

Dust		
Concern	**Potential sources**	**Mitigation measures**
Reduced air quality	Vehicle dust from unpaved roads	Environmentally friendly dust suppression measures employed
	Fine dust particles from crushers and materials handling transfer points throughout process	Dust extraction points installed
	Drilling and blasting	Dust monitoring conducted by environmental control officer
	Stack emissions	Bag houses installed at all stacks

Noise		
Concern	**Potential sources**	**Mitigation measures**
Increased overall noise levels around the mine and the plant during construction and operation	General construction and processing activities	Noise mufflers and silencers will be implemented wherever possible Engagement channel to be opened for residents to give specific feedback

Visual presence

Although Sephaku Cement acknowledges the adverse aesthetic impact of the plant, the light and activity generated by the plant's presence is likely to contribute positively to security in the area. Furthermore, the Aganang plant is one of three in the area.

Water consumption	
Concern	**Mitigation measures**
Water requirements may reduce available supply for local farmers and residents	The dry process will be employed. Kiln exhaust gas will be cooled with ambient air, and the mine and plant will use 750m^3/day, considerably less than the industry norm for plants of similar size. Mine and plant supply to be sourced from boreholes, drilled on the property for this purpose.

Biodiversity

There is no material risk to any areas of high or sensitive biodiversity within the mine or processing plant area. It has historically been used for cattle grazing and has been severely overgrazed. A thorough study of the area has been conducted and reported on in our EMP. While threats to biodiversity are not considered material for this operation, Sephaku Cement remains committed to regular environmental audits by a suitably qualified person. Should any red-listed species be identified, Sephaku Cement will endeavour to relocate such species appropriately.

Surface water quality

Due to the absence of any well-defined or perennial drainage lines or water courses within the project area, the limestone mine and cement factory will not have a direct impact on the quality of surface water runoff.

Concern	Potential sources	Mitigation measures
Excess run-off of dirty water from plant	Storm water flooding	Storm water berms and control structures constructed to prevent storm water run-off
	Flatness of area and single drainage catchment body: Springbok Pan	Dirty water storage facilities will be properly contained to prevent contact with clean water
		Regular monitoring by environmental control officer

Estimated key group indicators

	Aganang
Water consumption	<800m^3/day
Energy consumption	104kWh/t cement-in-silo
Waste material generated	–
Waste material recycled	28 500tpa bottoms ash
	149 600tpa synthetic gypsum
CO_2 emissions	627kg CO_2/t cement
SO_2 emissions	Not yet available
Closure liability	R6,86 million

Mining rights

The NOMR for the Aganang project was granted in terms of section 23(1) of the Mineral and Petroleum Resources Development Act, 28 of 2002 (MPRDA), while the environmental authorisation was granted in terms of section 24(2)(a) of the National Environmental Management Act, 107 of 1998. The relevant mineral titles to the properties Verdwaal 57IO, Klein Westerford 78IO and Stiglingspan 73IO are held under this NOMR, which is valid for 30 years. The Minister of Mineral Resources granted Sephaku Development, a wholly owned subsidiary of Sephaku Cement, with the sole and exclusive right to mine and recover minerals in, on and under the mining area and to sell the minerals subject to the terms and conditions of the NOMR. The provisions of the MPRDA and any other relevant law will remain in force for the duration of this right.

Geology

Karoo-age sediments, in the form of the Dwyka and Ecca Group tillites and shales, are developed in the vicinity of the tarred road linking Lichtenburg and Mahikeng and immediately east of Lichtenburg. The youngest formations are the Lichtenburg calcretes, estimated to be of Late Pliocene age (five millennia old), and the Quaternary Kalahari sands in the Mahikeng area. The limestone deposit occupies a surface area of approximately 3 600ha. The calcrete is covered by a thin layer of soil. Due to silica contamination during mining, it is estimated that the topmost 0,5m of calcrete and topsoil will, generally, be removed as waste and used for rehabilitation purposes. The usable seam of calcrete is, on average, approximately 6m thick.

Exploration

Before Sephaku Cement's involvement, Anglo American plc explored the area since 1990. Exploration had been carried out on the Sephaku Development mineral rights area in phases. Anglo American completed five phases of regional drilling in North West Province and drilled in excess of 500 boreholes on the Sephaku Development mineral rights area alone. The boreholes were spaced either 200m or 500m apart on a regular grid on a selected basis, providing coverage over almost the entire mineral-rights area.

Sephaku Cement reviewed the results obtained from the Anglo American drilling and used this information to plan further drilling programmes to be carried out under its own supervision. Percusso Boor (Pty) Ltd was chosen as the drilling contractor on the basis of previous work on similar projects.

In 2007, Sephaku Development carried out two additional phases of exploration drilling which were completed in March and September of that year. No further exploration drilling is planned for the foreseeable future.

The original database was supplied to Venmyn Rand (Pty) Ltd before the introduction and use of Surpac™. This was reported in the Field Service Report dated 27 February 2008 and presented as a summary database. It consisted of:

- an aerial photograph draped over a farm boundary map, indicating the three mineral resource blocks (A, B and C), showing defined mine blocks derived from exploration drilling for each block; and
- tables presented, thereafter, displaying summary borehole information for each mining block, including the associated geochemical criteria and other assay data.

Mineral resource and mineral reserve statement

RHC was employed to formally capture all exploration data into one contiguous database and then to model this data according to criteria specified by the Sephaku Cement technical management team. In January 2008, Venmyn assisted Sephaku Cement in publishing a mineral resource estimation and classification using best practice by following the principles and guidelines of the SAMREC code. This code is recognised as the basis for reporting mineral project valuation and ensures compliance with the JSE Listings Requirements.

The main resource-defining criteria agreed upon were:

- a Lime Saturation Factor ("LSF") of >107%;
- a MgO content of <2,5%; and
- a silica content of <14%.

Subsequently, the modifying factors, applied to the conversion of the indicated and measured limestone resources to proven and probable limestone reserves, were carefully considered.

In October 2009, these modifying factors were finally reviewed. Those applied for the sequential conversion of raw data to mineral resources, and then on to mineral reserves, were as follows:

- an LSF >107%;
- MgO content of <2,5%;
- silica content of <14%;
- removal of isolated blocks (minimum of 200m by 200m mining area);
- sidewall straightening (minimum of 200m wall length in mining direction); and
- mining restriction of infrastructure, statutory constraints and farm boundaries (farm boundary: 50m, railway line: 100m, graves: 50m, water boreholes: 50m and water courses: 100m).

The initial independent mineral resource and mineral reserve statement for the limestone deposit of the Aganang project was compiled by Venmyn and reported on in a technical statement, dated 31 January 2008, based on the final revision of modifying factors.

The initial mineral resource and mineral reserve statement was updated on 30 October 2009 on the basis of the detailed geological modelling, mine planning and scheduling conducted by RHC on the asset. Surpac™ software was used to assist in generating more accurate and precise estimates of the limestone mineral resources and mineral reserves. Venmyn reviewed the mineral resource and mineral reserves in the generation of the Competent Persons Report. The results are summarised in the table below.

Mineral resources				
	Area (ha)	**Thickness (m)**	**Volume (106m^3)**	**Tonnage (Mt)**
Measured	788	4,71	44,34	93,11
Indicated	237	4,45	10,52	22,09
Inferred	140	4,89	6,84	14,37
Total/average	**1 165**	**4,68**	**61,70**	**129,57**
Mineral reserves				
Proved	761	5,66	43,05	90,41
Probable	205	4,56	9,35	19,64
Total/average	**966**	**5,42**	**52,40**	**110,05**

Delmas

Sephaku Cement's Delmas plant is situated in Delmas, Mpumalanga and is a cement-grinding facility.

State-of-the-art equipment, including a Loesche vertical roller mill, will be installed and the Delmas plant will have significant storage capacity for both bag and bulk cement.

Groundwater quality and quantity	
Concern	**Mitigation measures**
Fuel spillage from storage and refuelling of construction vehicles	Construction vehicles and machines will be properly maintained to ensure that oil spillages are kept to a minimum.
Water pollution from inadequate sanitation facilities	Chemical sanitary facilities will be provided for construction workers. These facilities will not be located near the drainage system and will be regularly maintained.
Contamination due to leakage	The use of all materials, fuels and chemicals will be controlled and stored in a secure facility.

Surface water quality and quantity	
Concern	**Mitigation measures**
Sedimentation of drainage systems	Excavated and stockpiled soil material will be stored and bermed on higher lying areas of the site and not in any storm water channel or steep gradients.

Storm water management	
Concern	**Mitigation measures**
Sedimentation due to vegetation clearance	Excavated and stockpiled soil material must be stored and bermed on higher lying areas of the site.
Contamination of storm water run-off	All spillages from any potential contaminants will be safely and immediately removed and disposed of at an appropriate site.

Biodiversity	
Concern	**Mitigation measures**
Excavation and clearance of site, and building of plant	Development will be restricted to the proposed site. Noise will be kept to a minimum to reduce the impact of the development on the fauna residing on the site. Natural wetland vegetation will be left undisturbed where possible.

Dust	
Concern	**Mitigation measures**
Dust pollution from vegetation clearance, earthworks and increased traffic	Where possible, all major haul routes within the operating area will be paved. Wet suppression measures of unpaved areas will be implemented.
Fugitive dust emissions from materials handling operations	Ambient dust deposition rates will be continuously monitored, with monitoring stations positioned at the nearest industrial and residential receptors as well as at source.
Emissions from the plant	Bag filters.

Sephaku Ash

In 2009, Sephaku commissioned a 1Mtpa class-leading ash beneficiation plant, after a long-term agreement with Eskom was secured in 2008. Sephaku Ash operates as a division of Sephaku Cement, and has made considerable progress in establishing itself as a worthy alternative to the market, which for decades has had to endure a single supplier. It is estimated that Sephaku Ash currently has an approximate 35% share in the retail ash market. Once the Delmas grinding plant is commissioned, Sephaku Ash's volume is expected to increase threefold.

The Sephaku Ash plant is located on the property of the Eskom Kendal Power Station and its relative environmental impact is included within the power station's activities. This is therefore accounted for by Eskom.

Dwaalboom project

Prospecting rights

The prospecting right for the Dwaalboom project was granted in terms of section 17(1) of the MPRDA on 15 October 2008.

The relevant mineral title to the properties Beaufort 228KP and London 229KP is held under prospecting right no. NW30/5/1/1/2/1390PR and is valid for a period of five years, commencing on 15 October 2008 and ending on 14 October 2013. In terms thereof, the Minister granted Sephaku Development the sole right to prospect for iron ore, limestone, oil shale and silcrete (silica) on and under the prospecting area. The provisions of the MPRDA and any other relevant law will remain in force for the duration of this right.

Mineral resources and mineral reserves statement

RHC was employed to collate all exploration data into one contiguous database and then to model this data according to criteria specified by the Sephaku Cement technical management team. In May 2011, Sephaku Cement, assisted by RHC, published a mineral resource estimation and classification adhering to the principles and guidelines of the SAMREC code.

The main resource-defining criteria agreed upon were:

- where no hardpan calcrete was intersected, the deleterious part of the nodular phase was screened-out at >10mm and this post-beneficiation phase was used as basis for estimation; and
- where both nodular and hardpan calcrete were encountered, a composite "seam" of calcrete was defined within the farm boundaries as containing >39% CaO and <4,5% MgO.

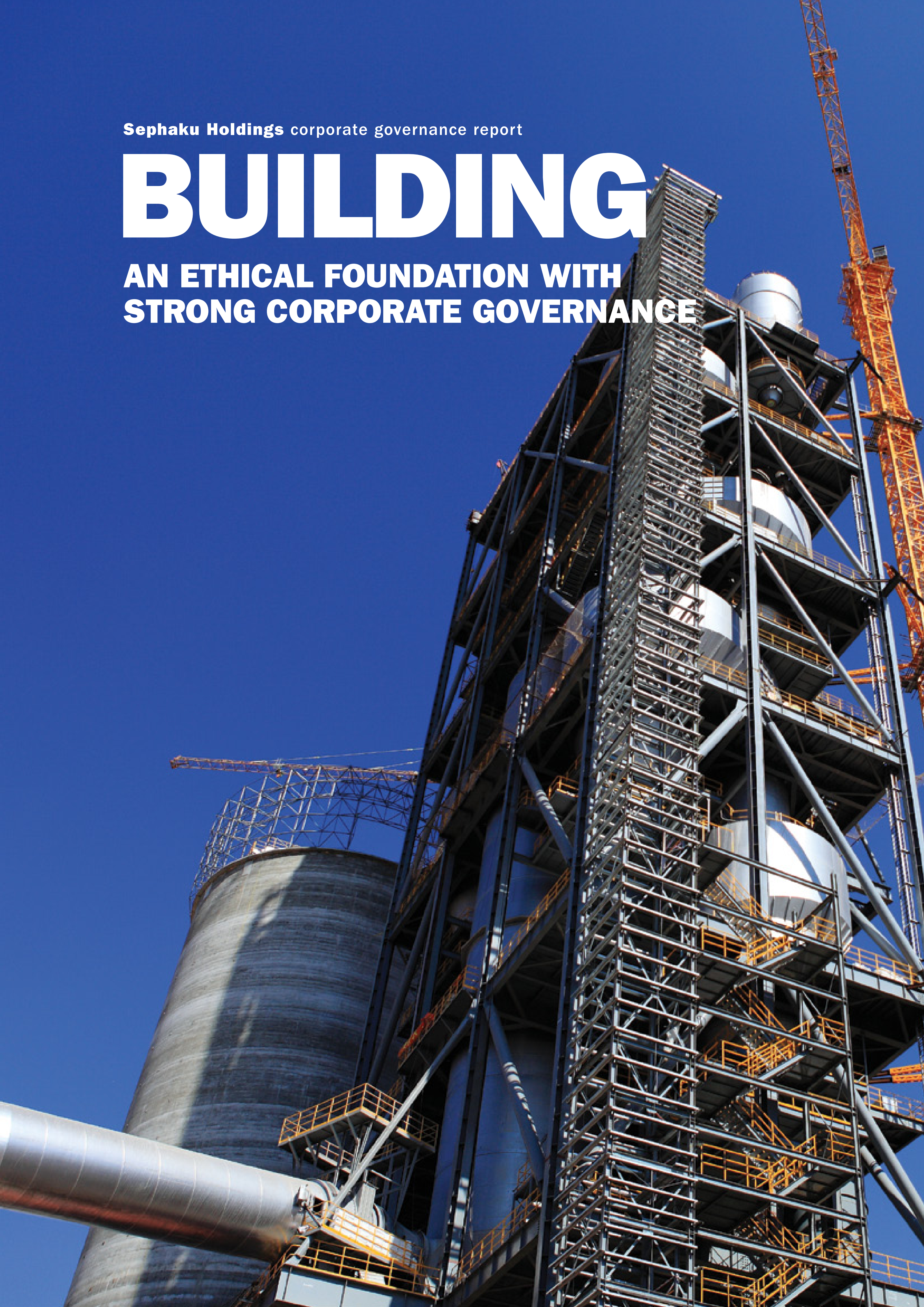
No further physical modifying factors have been considered yet and, consequently, the conversion of raw data was limited to mineral resources as follows:

Mineral resources	Farm	Tonnage
Measured	–	–
Indicated	Beaufort 228KP	44 425 000
Inferred	London 229KP and Beaufort 228KP	24 278 000
Total resource		**68 703 000**

Sephaku Holdings corporate governance report

BUILDING

AN ETHICAL FOUNDATION WITH STRONG CORPORATE GOVERNANCE



The board of directors of Sephaku Holdings provides leadership, based on an ethical foundation, and oversees the overall process and structure of corporate governance. Each business area and every employee of Sephaku Holdings, its associate Sephaku Cement and its subsidiary Métier are responsible for acting in accordance with sound corporate governance practices.

Sephaku Holdings, its major associate, Sephaku Cement and Métier are committed to the principles of good corporate governance, to applying the highest ethical standards in conducting business, seeking to guide and oversee Sephaku Holdings and Sephaku Cement as they balance the need to be good corporate citizens, while generating sustainably superior levels of performance and a good return on shareholders' investment.

Sephaku Holdings constantly strives to integrate the key concepts of King III into its business and to adjust structures and processes to comply with the provisions of the Companies Act to ensure continued good governance.

The board

The board of Sephaku Holdings supports the long-term sustainability of corporate capital, balanced economic, social and environmental performance and due consideration of legitimate stakeholder involvement. Sephaku Holdings has a unilateral board that takes overall responsibility for the success of Sephaku Holdings. The Sephaku Holdings board exercises leadership and sound judgement to achieve sustainable growth and to act in the best interest of Sephaku Holdings and its stakeholders.

The Sephaku Holdings board comprises ten directors, three of whom are executive directors and seven non-executive directors – of whom three are independent non-executive directors. The Sephaku Holdings board is satisfied that it has the requisite balance of skills, knowledge, experience and diversity to make it effective.

Three Sephaku Holdings board meetings were held during the financial year:

Name	25 September 2012	21 November 2012	20 February 2013
B Williams (chairman)	✓	✓	✓
Dr L Mohuba	✓	✓	✓
NR Crafford-Lazarus	✓	✓	✓
RR Matjiu	✓	✓	x
PF Fourie	✓	✓	✓
MM Ngoasheng	✓	x	x
CRDW de Bruin	✓	✓	✓
Dr D Twist	x	x	✓
MG Mahlare	✓	✓	✓
PM Makwana (appointed 11 January 2013)	–	–	✓
GS Mahlati (resigned 2 July 2012)	–	–	–

The Sephaku Holdings board is responsible to shareholders for the conduct of the business of Sephaku Holdings, which includes providing Sephaku Holdings with clear strategic direction. The schedule of matters reviewed by the board includes:

- approval of Sephaku Holdings' strategy and annual budget;
- overseeing operational performance and management;
- ensuring that there is adequate succession planning at senior levels;
- overseeing director selection, orientation and evaluation;
- approval of major capital expenditure or disposals, material contracts, material acquisitions and developments;
- reviewing the terms of reference of board committees;
- determining policies and processes which seek to ensure the integrity of risk management and internal controls;
- maintaining and monitoring the systems of internal control and risk management;
- communication with shareholders, including approval of all circulars, prospectuses and major public announcements; and
- approval of the interim financial results, the integrated report and the annual financial statements (including the review of critical accounting policies and accounting judgements and an assessment of Sephaku Holdings' position and prospects).

The Sephaku Holdings board retains full and effective control over the business of Sephaku Holdings. At the level of Sephaku Cement, the board has defined levels of materiality through a written delegation of authority, which sets out decisions the board has reserved for itself. The delegation will be reviewed and monitored regularly.

In accordance with Sephaku Holdings' memorandum of incorporation ("MOI"), directors (excluding non-executive directors) are subject to retirement by rotation and re-election by shareholders at least every three years. The Sephaku Holdings board intends to meet at least four times a year, more frequently if circumstances require. Information relevant to meetings is supplied on a timely basis to the Sephaku Holdings board, ensuring directors can make informed decisions.

The directors of Sephaku Holdings have unrestricted access to information, management and data in the possession of the company secretary in relation to Sephaku Holdings. All Sephaku Holdings directors are entitled to seek the advice of independent professionals on matters concerning the affairs of Sephaku Holdings, at the expense of Sephaku Holdings.

Division of responsibility

There is a clear division between the roles of the chairman and chief executive officer ("CEO"). The Sephaku Holdings board is chaired by an independent non-executive director. The chairman is responsible for providing leadership to the Sephaku Holdings board, overseeing its efficient operation and has been tasked with ensuring effective corporate governance practices. The CEO is responsible for implementing and maintaining the strategic direction of Sephaku Holdings and ensuring that the day-to-day affairs of the operations are appropriately supervised and controlled. The non-executive directors all have a high degree of integrity and credibility and the composition of the Sephaku Holdings board provides for objective input into the decision-making process, thereby ensuring that no one director holds unfettered decision-making powers or too much influence. The directors come from diverse backgrounds and bring a wide range of experience and knowledge to the Sephaku Holdings board.

Board evaluation

Subsequent to the unbundling of the Sephaku Fluoride Ltd's assets, Sephaku Holdings appointed three new board members. Therefore, it has been decided that the earliest opportunity for a meaningful review of the current board and individual directors will be in the third quarter of the 2013 calendar year.

Board committees

In line with the recommendations of King III, the Sephaku Holdings board delegates certain functions to various board committees on which independent non-executive, executive and non-executive directors play an active and pivotal role. All committees operate under board-approved terms of reference, which are reviewed and updated regularly to align them with best practice and to take the recommendations set out in King III into consideration. The audit and risk committee is chaired by an independent non-executive director who attends the annual general meeting ("AGM") of Sephaku Holdings to respond to shareholder queries. The chairmen of these committees are, in conjunction with the Sephaku Holdings board, elected by the members of each committee and hold office for no longer than five consecutive years, unless sound reasons cause the Sephaku Holdings remuneration and nomination committee and the board to determine otherwise.

In view of the fact that the audit and risk committee is a statutory committee under the new Companies Act, and in terms of the recommendations set out in King III, shareholders will elect the members of the committee at Sephaku Holdings' 2013 AGM.

Executive committee

Members of the Sephaku Holdings, Métier and Sephaku Cement executive committees

Sephaku Holdings	Sephaku Cement	Métier
Dr L Mohuba (chairman)	PF Fourie (chairman)	K Capes
NR Crafford-Lazarus	D Leith	W Witherspoon
JW Wessels	D Claassen	R Thompson
RR Matjiu	H de Beer	G Talmage
	G de Witt	G Hollins
	P Makhubo	C Rayne
	J Bennette	

The executive committees are responsible for operational activities, developing strategy and policy proposals for consideration by the various boards and implementing the directives of the various boards. In assisting the Sephaku Holdings' CEO in the performance of his duties, the role of the executive committees include:

- developing and implementing strategy, operational plans, policies, procedures and budgets;
- monitoring operational and financial performance;
- assessing and controlling risk;
- prioritising and allocating resources; and
- monitoring competitive forces in each area of operation.

The executive committees meet monthly with additional meetings convened when necessary. They have a properly constituted mandate and abide by a formalised level of authority document.

Audit and risk committee

Members
MG Mahlare (chairman)
B Williams
PM Makwana

Note: King III requires the audit committee to have at least three independent non-executive members.

The audit and risk committee acts in terms of written terms of reference and meets regularly with its external auditors, the Sephaku Holdings executive committee and the Sephaku Cement executive committee. Others, including Sephaku Holdings' CEO and financial director, who attend audit and risk committee meetings by invitation, do not have a vote.

The role of the audit and risk committee is to:

- nominate a registered and independent auditor, determine fees to be paid and terms of engagement;
- determine any non-audit services that the auditor may provide and pre-approve these;
- prepare a report for the annual financial statements for that financial year, describing how the audit and risk committee carried out its functions, stating whether the audit and risk committee is satisfied that the auditor was independent of Sephaku Holdings, and commenting in any way the committee considers appropriate on the financial statements, the accounting practices and the internal financial control of Sephaku Holdings;
- deal appropriately with any concerns or complaints relating to the accounting practices and audit of Sephaku Holdings, the content or auditing of Sephaku Holdings' financial statements, and the internal financial controls of Sephaku Holdings;
- make submissions to the Sephaku Holdings board on any matters concerning accounting policies, financial control, records and reporting; and
- perform other functions determined by the Sephaku Holdings board, including the development and implementation of a policy plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within Sephaku Holdings.

The committee met twice in the financial year:

Name	Qualification	19 September 2012	13 February 2013
MG Mahlare	BCom (Accounting), BCom (Hons)	✓	✓
B Williams	BA, BProc, LLM, DLA	✓	✓
PM Makwana	BAdmin (Hons), EDP	*	✓
NR Crafford-Lazarus (ex officio)	BCom (Hons), CA(SA)	✓	✓
Dr L Mohuba (ex officio)	MBChB	✓	✓
PF Fourie	BCom (Accounting)	✓	#

** Appointed 11 January 2013*

 # Resigned 11 January 2013 and attended the meeting by invitation.

The Sephaku Holdings board has determined that the audit and risk committee fulfilled its responsibilities for the financial year-end, as required, and it is satisfied with the expertise and experience of the financial director and the independence of PKF (Gauteng) Inc.

Risk management

In order to ensure the sustainability of its business development and to meet the risk tolerance and risk appetite targets defined, the executive committees of Sephaku Holdings and Sephaku Cement aim to prevent and control the risks to which it is exposed on an ongoing basis. The audit and risk committee continually employs established standard procedures and risk management systems to identify and analyse the main risks to which it is exposed. These systems are designed to eliminate or reduce the probability that risks will arise, as well as to limit their impact.

Risk identification and analysis

Risk identification and analysis is structured around several co-ordinated approaches conducted under the responsibility of the Sephaku Holdings and Sephaku Cement executive committees. A follow-up of the main risks, on the basis of risk mapping, has been conducted and submitted to the audit and risk committee.

An in-depth analysis has been performed on the main risk areas identified and action plans have been developed and are being implemented progressively, where necessary.

As part of the audit and risk committee's mandate, as defined in its terms of reference, strategic, reputational, operational and legal risks reviews are conducted periodically by the executive committees of Sephaku Holdings and Sephaku Cement, together with the heads of the operational units. These reviews include an analysis of the main risks to which the operational entities are exposed. Every year an analysis of the identified risks is performed by the executive committees of Sephaku Holdings and Sephaku Cement, in conjunction with the relevant functional departments.

This analysis serves as a basis for updating the risk controls, which are deployed across the main business units and within the functional departments.

Risk management systems

An active risk management plan based on the risk identification and analysis work described above is adjusted continually in response to new issues and risks to which Sephaku Cement is exposed.

The executive committees of Sephaku Holdings and Sephaku Cement oversee both the identified risk universe of Sephaku Holdings and Sephaku Cement within the risk tolerance and risk appetite parameters set. As defined by the terms of reference of this committee, the committee oversees the identification of strategic, reputational, operational and legal risks. In assessing these risks, the committee considers, among other factors, the following:

- the probability of occurrence;
- the severity of the risk;
- the control environment related to each risk identified; and
- the adequacy and effectiveness of existing and any additional remediation required.

The executive committees of Sephaku Holdings, Métier and Sephaku Cement have defined a methodology for measuring and monitoring:

1. *Secure access to certain raw materials*
   Managing the risk associated with access to raw materials is organised primarily through actions to secure long-term access to resources via acquisitions and development projects, and ongoing management of land resources and other supply sources.
2. *Manage environmental, health and safety risks*
   The environmental impact of the business operations is managed. The executive committees of Sephaku Holdings and Sephaku Cement monitor the application of the environmental policy, which covers managing production facilities in compliance with the law, minimising quantities of non-renewable resources used, minimising waste production and implementing quarry rehabilitation plans.
3. *Financial and market risk management*
   Management of financial and market risks (currency and interest rate risk, liquidity risk, equity risk and risk of price volatility for energy sources used in the production cycle) is reviewed constantly by the executive committees of Sephaku Holdings and Sephaku Cement. The executive committees determine the parameters within which to cover these risks and define the responsibilities of the various parties involved.

Preparation of the annual financial statements and competency of the financial director

The audit and risk committee has considered and has satisfied itself of the appropriateness of the expertise and experience of the financial director, Mr Neil Crafford-Lazarus, whose curriculum vitae appears on page 13.

The audit and risk committee has furthermore considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of Sephaku Holdings' financial function and the experience of the senior members of management responsible for the financial function.

Remuneration and nomination committee

Members
MM Ngoasheng (chairman)
CRDW de Bruin
PM Makwana
Dr L Mohuba (ex officio member)
NR Crafford-Lazarus (ex officio member)

The membership of the nomination committee does not comply fully with King III, which advocates that membership be comprised of only non-executive directors, a majority of which are independent non-executive directors. Management is comfortable that the chairman of the remuneration and nomination committee's participation in Sephaku Holdings' long-term incentive plan does not affect his independence in fulfilling this role.

The remuneration and nomination committee is responsible for reviewing the composition of the Sephaku Holdings board and identifying and making recommendations to the Sephaku Holdings board regarding the appointment of new directors. Appointments to the Sephaku Holdings board are made taking into account the need to ensure that the board provides:

- a diverse range of skills, knowledge and expertise;
- the necessity of achieving a balance between skills and expertise;
- the professional and industry knowledge necessary to meet Sephaku Holdings' strategic objectives; and
- the need to ensure demographic representation.

It also satisfies itself that appropriate succession plans are in place for the board and senior management of Sephaku Holdings, and reviews the performance of non-executive directors to ensure that they have devoted sufficient time to their duties.

The remuneration and nomination committee approves the remuneration policies for the executive directors and senior management of Sephaku Holdings, having considered relevant market norms and independent advice, where appropriate. No director or manager is involved in any decision regarding his or her own remuneration.

Two meetings are scheduled annually, with special meetings called as and when required.

Name	25 September 2012	18 March 2013
MM Ngoasheng (chairman)	✓	✓
PM Makwana (appointed 18 March 2013)	–	–
CRDW de Bruin	✓	✓
Dr L Mohuba (ex officio member)	✓	✓
NR Crafford-Lazarus (ex officio member)	✓	✓
J Bennette (company secretary)	✓	✓

Social and ethics committee (incorporating environment, health and safety)

Members
B Williams (chairman)
JW Wessels
RR Matjiu

Attendance

Due to the changes and consolidation initiatives within Sephaku Holdings during nine months of the financial year, no meetings of the social and ethics committee were held. However, meetings have been held in the new financial year (with a first meeting on 27 June 2013). Feedback on this will be provided in our next integrated report.

Sephaku Holdings is committed to the highest ethical standards. The code of ethics has been aligned with corporate governance trends and practices. It has been adopted as part of Sephaku Holdings' continuing effort to:

- comply with all applicable laws and regulations;
- observe the highest standards of honesty and integrity;
- demonstrate due regard for the interests of stakeholders;
- conduct our business sustainably;
- ensure safety and health;
- ensure the protection of the environment; and
- ensure the education and training of employees, officers and directors.

A qualified safety, health and environmental manager is employed by Sephaku Cement to oversee induction and safety procedures at each site. The safety procedures of all contractors are evaluated before they come on site.

An unfortunate fatality occurred at Aganang on Saturday, 8 November 2012 when a Chinese employee of Sinoma fell 12m to the level 3 floor in the preheater building. An inquiry was made by the Department of Mineral Resources from 17 to 20 December 2012 and was concluded on 17 January 2013. Training of employees working at heights have been intensified and working procedures reviewed following this unfortunate accident. Since the last incident, Sephaku Cement has achieved 739 719 lost time injury ("LTI") free hours on the Aganang project and 819 619 LTI-free hours on the Delmas project without any serious injury. Sephaku Cement continues to be vigilant in respect of safety performance and strives for continuous improvements from Sephaku Cement's employees as well as contractors.

Company secretary

To enable the Sephaku Holdings board to function effectively, all directors have full and timely access to all information that may be relevant to the proper discharge of their duties and obligations. This includes information such as agenda items for board meetings, corporate announcements, investor communications and any other developments which may affect Sephaku Holdings or its operations. Where appropriate, the directors may also consult with independent professionals and advisors, at Sephaku Holdings' expense.

Induction of directors includes a briefing on their fiduciary and statutory duties and responsibilities (including the JSE Listings Requirements). Training of directors includes the provision of ongoing support and resources to enable them to extend and refresh their skills, knowledge and understanding of Sephaku Holdings. Professional development and training is provided through regular updates on changes and proposed changes to laws and regulations affecting Sephaku Holdings or its businesses.

Sephaku Holdings' company secretary is responsible for the functions specified in chapter 88 of the Companies Act, including that all meetings of shareholders, directors and board subcommittees are properly recorded. The removal of the group company secretary would be a matter for the Sephaku Holdings board as a whole.

The board confirmed that it has considered and satisfied itself with regard to the competence, qualifications and experience of the company secretary, who has been evaluated by all the directors.

The evaluation questionnaires were collated and analysed by independent non-executive directors and the results thereof shared with the board. Based on the evaluation results, the board can confirm that the company secretary has the requisite competence, knowledge and relevant experience to carry out the duties of a secretary of a public company and is furthermore suitably qualified for this role. Although the company secretary acts as alternate director to RR Matjiu, RR Matjiu has attended most board meetings and therefore the company secretary's powers and input in terms of decision-making has been limited. The board is therefore of the opinion that an arm's length relationship has been maintained between the members of the board and the company secretary.

Conflicts of interest

Sephaku Holdings' board members disclose their interests in material contracts involving Sephaku Holdings, directorships they hold which may pose potential conflicts of interest, and their shareholding in Sephaku Holdings. Directors recuse themselves from making decisions which could in any way be affected by vested interests.

Share dealings

Directors, officers, participants and staff who may have access to price-sensitive information are precluded from dealing in Sephaku Holdings shares during closed periods, which include the lead-up to the release of interim and final results as well as sensitive periods.

Details of share dealings by Sephaku Holdings' directors are disclosed to the board and the JSE through the Stock Exchange News Service ("SENS"). Written requests to trade in Sephaku Holdings shares by directors and their associates, officers and senior personnel and the requisite approval to trade in Sephaku Holdings shares, outside of closed periods, are kept on record at the Sephaku Holdings offices.

Donations to political parties

Sephaku Holdings did not make any donations to political parties during the financial year.

Other

The Sephaku Holdings board is committed to honest, open and regular communication with all stakeholders on financial and non-financial matters. Sephaku Holdings reports formally to shareholders when half-year and full-year results are announced. Shareholders are invited to attend AGMs and to pose questions to the directors.

All executive and non-executive directors are required to attend the meetings. The AGM provides an opportunity for the chairman to present to the shareholders a report on current operations and developments and enables the shareholders to question and express their views about Sephaku Holdings' business.

Resolutions are proposed on each substantially separate issue, including the receipt of the financial statements, and shareholders are entitled to vote either in person or by proxy. The company secretary acts as advisor to the board, plays a pivotal role in ensuring compliance with statutory regulations, the King III report and the King Code, the induction of new directors, tabling information on relevant regulatory and legislative changes and giving guidance to the directors regarding their duties and responsibilities. The directors have unlimited access to the advice and services of the company secretary.

Human rights

Sephaku Cement views community engagement as a business imperative and an integral element of its vision and values. The company aims to promote strong relationships with the communities in which it operates and will seek regular engagement about issues which may affect them. Sephaku Cement ensures that neighbours understand all their rights and obligations arising out of any agreements they enter into with the company in line with the community policy and International Finance Corporations Performance Standards. Agreements entered into with communities affected by the Aganang mining operations have been translated from English into Setswana to ensure that all communities understand the contents of the documents.

BUILDING

STRONG RELATIONSHIPS WITH EMPLOYEES AND COMMUNITIES

1. Introduction

Sephaku Holdings' remuneration practices will reflect the dynamics of the market and context in which it operates. Remuneration will play a critical role in attracting and retaining high-performing individuals. Remuneration will also be used to reinforce, encourage and promote superior performance and achievement of organisational goals. Remuneration will not be a stand-alone process, but will be fully integrated into other management processes.

2. Purpose

The purpose of this policy is to provide management with guidelines on which to base remuneration decisions.

3. Scope

The guiding principles cover all categories of employment. The policy applies to all employees who work for Sephaku Holdings.

4. Objectives

- Reflects the dynamics of the market and the context in which it operates.
- Aligns with the strategic direction and value drivers of the organisation.
- Aims to attract, retain and motivate superior performance.

5. Definition of terms

The following terms are applicable to Sephaku Holdings.

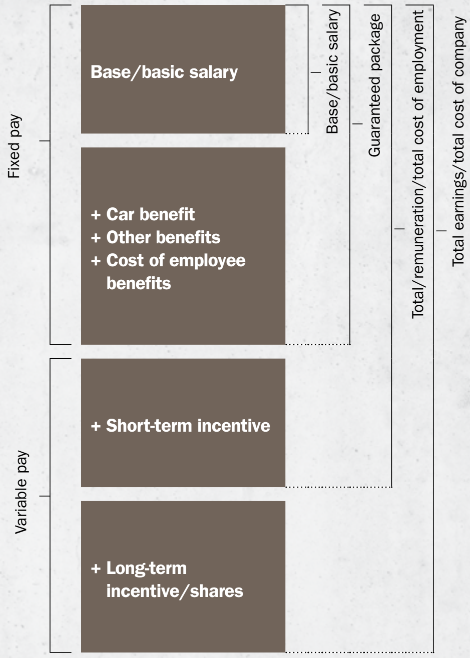
5.1 Total guaranteed package (referred to as "all-inclusive total package") is the total annual guaranteed remuneration of employing an incumbent. The costs include the following:

Base salary
+ benefits (car allowance)
= basic cash package
+ employer contributions (medical aid/retirement)
= TOTAL GUARANTEED PACKAGE
+ inconvenience pay (overtime/standby/shift)
+ short-term incentives (variable)
+ employer statutory contribution (Coida, UIF)
+ employer contributions (group life/funeral cover)
= TOTAL COST OF EMPLOYMENT

5.2 Variable pay is defined as a non-guaranteed pay that may relate to performance of an individual, team and the organisation.

5.3 Inconvenience pay, such as overtime, shift and standby allowances, falls outside the definition of total guaranteed package and is payable in addition thereto. (See inconvenience policy below.)

5.4 The remuneration structure for Sephaku Holdings is illustrated in the diagram below.



5.5 Incentives: These are annual bonuses tied to the performance of the organisation, division and/or individual performance. Short-term incentives refer to incentives payable within a one-year review period.

5.6 Long-term incentives: These are schemes where a longer-term, sustained company performance is incentivised. These are awarded on management discretion.

6. Remuneration strategy

Sephaku Holdings' remuneration strategy is: "To ensure that the company attracts and retains the right employees and that it motivates them to perform in alignment with its enterprise business plan. At the same time we aim to reward outstanding performance/achievement in the process and enforce consequences for non-delivery."

7. Guiding principles of remuneration

- Integration with other people management solutions and initiatives
- Flexible and adaptable
- Manages risk and liability
- Fair and equitable
- Reinforces teamwork and culture of belonging and high commitment
- Complies with legislation
- Reinforces an outcome-based reward with current and future focus

Sephaku Holdings' remuneration management is market related. Market surveys and benchmarks will be applied to maintain the system.

7.1 Positioning

Positioning of the total guaranteed package will be based on the individual/or candidates'/employees' level of demonstrated competency, qualification, experience and performance. The total guaranteed package of individuals new to the position will normally be at the point of entry at the low end of the pay range. (See performance levels below.) With increased experience, learning and performance, the total guaranteed package will be adjusted based on the outcomes performance reviews.

- Entry point: New to the job or building the skill
- Needs improvement: The skill needs enhancing to improve performance
- Effective: Meets expectations
- Excellent: Exceeds expectations
- World-class: Expert and fully competent

Scarce skill: Total remuneration package applied to this category of people will be targeted at the top end of the market range, or a non-pensionable temporary additional remuneration should be considered until such time as the market stabilises or the risk is mitigated.

7.2 Structuring of total guaranteed package

- Employees will be required to allocate 10%, 12% or 15% of their pensionable basic salary towards pension. This is a condition of employment.
- A maximum of no more than 30% of pensionable basic salary can be allocated as a car allowance for employees in grade Hay 13 and above, which is structured according to SARS guidelines for business travel.
- All employees will be required to be members of the approved employer medical aid scheme. Proof will be required where employees are covered by the medical aid of their spouses/partners.

8. Remuneration package make-up

The table below summarises the main components of the reward package for all employees.

Objective and practice	Award size and performance conditions
Guaranteed pay	
– Remunerate above the market and industry average for key position. – Remunerate market-related salaries for all other positions. – Review total guarantee annually and set on 1 July.	– The level of skill and experience, scope of responsibility and the total remuneration package are taken into account when rewarding employees. – Appropriate market percentiles based on skills, experience and competitiveness.
Short-term incentive	**Performance period**
– To motivate employees and incentivise delivery of performance over the one-year financial year period. – The appropriateness of measures and weightings are reviewed annually to ensure they continue to support the strategy. – The annual bonus is paid in cash in March each year for performance over the previous financial year.	– Performance over the financial year is measured against targets sets in the balanced scorecards. – Target bonus is (15%, 20%, 25% or 30%) of total guaranteed pay aligned to the level of a position as defined in the performance management policy.
Long-term incentive	**Performance period**
– To motivate and incentivise delivery over the long term. – Award levels and framework for determining vesting to ensure continued support of the company strategy.	– Performance over three financial years is measured against targets for the performance period.

9. Governance

- The remuneration committee will advise the board on remuneration practices. The remuneration committee will submit all policy amendments to the board for renewed approval.
- The remuneration committee will brief all members of the board and will prepare the board for its dealings with remuneration issues.
- The board of directors will monitor the compliance with regard to the remuneration policy once a year.

10. Accountability

- The board is responsible for making decisions regarding the remuneration of directors and the CEO.
- The CEO is responsible for decisions relating to total guaranteed remuneration and incentives of all employees.
- The remuneration committee will make recommendations on long-term incentives for all employees.

Remuneration framework

Sephaku Holdings adopts a total reward strategy in remunerating all its employees. This is to ensure that all employees are appropriately rewarded and are made aware of the terms and conditions under which they are employed.

The objective of this framework is to provide remuneration principles for Sephaku Holdings' executive and non-executive directors and staff members.

1. Key principles of the framework

The key principles of this framework are to ensure that Sephaku Holdings:

(a) appropriately compensates employees for services they provide to the company;

(b) provides a flexible and competitive remuneration structure which:

(i) is referenced to appropriate benchmarks;

(ii) reflects market and industry practices;

(iii) is tailored to the specific circumstances of Sephaku Holdings, so as to attract, motivate and retain highly skilled employees;

(c) aligns remuneration practices with the business strategy, objectives, values and long-term interests of the company;

(d) ensures equitable remuneration to help facilitate the deployment of people around the business;

(e) complies with all relevant legal requirements;

(f) ensures variable remuneration payment is aligned with the company performance, both on divisional and individual level.

2. Remuneration framework

The following are the components of the remuneration framework within the company:

- Monthly pay and benefits, such as salary and company contributions to retirement funding and medical aid.
- A short-term incentive ("STI") scheme, which is performance based.
- A long-term incentive which is linked to long-term value creation.

2.1 Monthly pay and benefits

- Market data is used to benchmark salary and benefits and to inform pay (pay at above the market average).
- Salary and benefit adjustments for all employees are approved by the CEO.
- Salary and benefits adjustments for directors and executive managers are approved by the remuneration committee.

2.2 Incentive scheme

- The objective is to reward performance, motivate and encourage excellent performance.
- The incentive is linked to the performance management process, where there is a clear relationship between individual performance and creation of value to shareholders.
- A percentage of the total guaranteed pay is set up front and will be paid based on expected levels of performance achieved at corporate, divisional and individual level.
- The quantum of the STI scheme for all employees is determined by executive management and approved by the CEO.
- The quantum of the STI for the executive team and CEO is determined by the remuneration committee and approved by the board.

2.3 Long-term incentive plan

- A long-term incentive plan is aimed at long-term performance motivation and reward.
- A percentage of the total guaranteed remuneration or a share option scheme vesting three years plus.
- The scheme is linked to company absolute and/or comparative performance.
- The quantum of the LTI for the senior employees, executive team and CEO is determined by the remuneration committee and approved by the board.

3. **Who is responsible for making decisions regarding remuneration?**
   The board is responsible for making decisions regarding remuneration of directors and the CEO.

4. **The CEO is ultimately responsible for**
   – Recommendations to the board relating to the remuneration of the executive committee; and
   – decisions relating to the remuneration of all staff.

Directors' and management remuneration

Directors' emoluments are set out in note 37 to the annual financial statements on pages 108 to 109.

Beneficial shareholding of directors and associates, and directors' interests in share options are disclosed in the directors' report on pages 66 and 67.

The social and ethics committee held one meeting in 2012 and provided a summary of its meeting to the Sephaku Holdings board for review. At these meetings, major incidents are reported and performance updates presented to ensure that Sephaku Holdings, its subsidiaries and associates operate in a socially responsible manner.

Community engagement

The Sephaku Cement community engagement philosophy is reflected in the community policy which is aligned with international best practices relating to the rights of local communities, resettlement and compensation.

The company's strategy is to:

– work in partnership with communities;
– understand how the operations will impact the livelihood of adjacent communities and the responsibilities of all parties involved; and
– manage short and long-term community risks. This strategy is supported by a number of management systems dealing with impact assessment, community engagement processes and community social investment.

Since 2009, Sephaku Cement has been negotiating with the communities adjacent to the Aganang project with a view to finding an amicable solution to address the inevitable loss of grazing and arable land due to the planned mining activities. The community agreed to set up a steering committee to work with the company in investigating various options to address the matter. At the end of 2012, the company reached an agreement on a compensation plan for crop farmers affected by the project. The plan relating to managing grazing land will be finalised in 2013.

Corporate social investment ("CSI")

Sephaku Cement has committed to supporting communities in areas where it operates by implementing skills development initiatives. The Skills Development Programme aims to provide life skills, short courses and job-related skills training, mainly to unemployed youth to empower them to access employment opportunities in both formal and informal sectors, or to start their own businesses. Therefore, the focus of the programme is on poverty alleviation through skills development.

In 2012, the Skills Development Programme focused on core business training, learnerships, apprenticeships/artisan training, bursaries and internships, school support and other post-matric initiatives (life support and portable skills).

Planning is currently underway to commence with implementation of community infrastructure and job creation projects in 2013 in line with the social and labour plan for the Aganang mining operations.

During 2012, Métier contributed funds and its products to various projects within the greater KwaZulu-Natal area. The key area of sponsorship has been around housing, education and child care, where most of the recipients are orphans. Métier contributed to the building of homes at the Ingane Yami Children's Village for orphans and abandoned children. During 2013, Métier will continue its involvement in the Ingane Yami Village as well as LIV Village and The Domino Foundation.

Transformation

Sephaku Cement is committed to the black economic empowerment ("BEE") process in South Africa and is fully supportive of the government's transformation objectives.

Sephaku Cement achieved a BBBEE rating of level two contributor AAA on the Qualifying Small Enterprises ("QSE") scorecard in December 2012. The assessment was based on performance related to preferential procurement, skills development, employment equity and socio-economic development.

This is lower than the 2011 rating, where Sephaku Cement was rated level one contributor (AAA+). The decline is due to the exclusion of enterprise development in the assessment and low performance on employment equity. Plans are in place to improve performance in all BEE elements in 2013.

Métier recently achieved a BBBEE rating of a level five contributor as a generic enterprise and currently has actions in place to move to a level four contributor by 2014. Métier has focused on all seven areas of the scorecard and has plans to improve its performance on a number of the pillars.

Employment practices

Non-discrimination

Sephaku Cement and Métier comply with the Employment Equity Act, 55 of 1998, and both submitted a plan and report to the Department of Labour at the end of December 2012. The employment equity (EE) committee meetings are held annually with the focus to review the employment equity principles, goals and plans to achieve a representative workforce at all occupational levels.

A continuous analysis and assessment of employment practices, policies and procedures is executed to ensure that barriers are identified timeously to ensure progress on adherence to the plan and set targets.

The EE plan and programme will be implemented through the accelerated recruitment, selection, placement, training and promotion of competent persons with potential from designated groups aimed at meeting specific and agreed employment targets.

Labour relations

Sephaku Cement and Métier are committed to the labour rights principles in line with national legislation International Labour Organisation ("ILO") core conventions. This includes the right to freedom of association and collective bargaining, the eradication of child and forced labour, and non-discrimination.

The company does not tolerate any form of unfair discrimination, inhumane treatment, forced labour, child labour, harassment or intimidation in the workplace.

Freedom of association and collective bargaining

The company's commitment to respect the right of employees to associate freely and bargain collectively is articulated in the human resources ("HR") management policy. This stipulates that employees are free to form associations for the protection of their interests and to bargain collectively if they meet the threshold of representation.

Some of the contract employees at Aganang project have joined a trade union to represent them on labour-related matters during the construction phase.

Management of Sephaku Cement and Métier continue to hold regular meetings with employees through established structures. This allows employees to provide input in the implementation of various initiatives related to safety, health and environmental management.

Attracting and retaining talent

Sephaku Cement and Métier's foundations are built around inspired, motivated and talented people who have the drive to achieve and exceed set objectives. The company ensures that the right talent is placed in the right area within the organisation to achieve the business goals.

Sephaku Cement and Métier are committed to retaining talented employees through offering a clear and competitive employee value proposition by providing competitive salaries, a supportive workplace environment and valuable professional experience.

Employee health and wellness

Sephaku Cement's strategy related to health and well-being of employees is to have a healthy and productive workforce. The approach being developed is to link preventing and treating occupational diseases with other employee health programmes. These include accident and emergency medicine, primary health care and travel medicine. This broad scope links health and well-being to safety activities, and caters to the needs of employees across the activities of the business.

A particular focus is HIV/Aids management, which remains a long-term priority issue for employee well-being in South Africa.

Anti-corruption

Sephaku Cement adheres to high ethical principles in the way it conducts its business. The company supports its employees to ensure that they work consistently in an ethical, honest and legal manner. Notices have been placed in public places encouraging employees to report suspicion of fraud, theft and other elements of dishonest acts in the workplace.

The company has developed a whistleblowing strategy that outlines the behaviour that all employees and relevant persons connected to the business have a duty to report. This includes:

- actions that may result in danger to the health and/or safety of people or damage to the environment;
- criminal offences, including money laundering, fraud, bribery and corruption;
- failure to comply with any legal obligation; and
- unethical accounting practices.

All employees have access to a whistleblowing telephone hotline, which is available 24 hours a day throughout the year. The hotline is anonymous and is available in all 11 official languages in South Africa. Information reported is passed to a designated senior executive who decides how it should be followed up.

Respect for human rights

Sephaku Cement views community engagement as a business imperative and an integral element of its vision and values. The company aims to promote strong relationships with the communities in which it operates and will seek regular engagement about issues which may affect them. Sephaku Cement ensures that neighbours understand all their rights and obligations arising out of any agreements they enter with the company. Agreements entered into with communities affected by the Aganang operations will be translated from English into Setswana to ensure that all communities understand the contents of the documents.

Safety management

Sephaku Cement plans to achieve and maintain the highest standards of safety at its operations as outlined in the health and safety policy. Hazards associated with the construction of the cement factory include working at heights, noisy and dusty environments, as well as the use of heavy machinery and electrical apparatus.

The company employs a stringent process of identifying hazards and assessing risk and uses regular training and safety meetings to ensure both our employees and contractors adhere to the systems and standards required of them. Contractors are required to abide by the same standards and monitoring practices as Sephaku Cement employees.

Métier continues to view the safety of all its employees as a key fundamental right and various structures have been introduced to ensure all employees are able to operate in a safe manner. Métier operates its own driver training programme to ensure that all drivers, whether employees or subcontractors, are well trained and understand the risks of operating a concrete truck mixer.

Environmental management

Sephaku Cement has adopted the principle that sustainable management of the natural environment is key to the future prosperity of South Africa and particularly communities adjacent to its operations. The company believes that good environmental stewardship involves avoiding, minimising and mitigating the negative environmental impact at every stage of the mining and cement manufacturing processes, and maximising the positive environmental contributions. Environmental management plans have been updated for both the Delmas and Aganang operations. Baseline impact assessments were completed. Sephaku Cement continuously monitors and reports on groundwater, stormwater effluent, noise, air quality, waste water effluent, and low-level dust. The results are shared and discussed with regulatory authorities and interested and affected parties ("I&APs").

In the last quarter of 2012, the company invited I&APs to provide them with an update of the project and to identify any issues, concerns or grievances that need to be managed during the year.

Métier understands the impact its operations have on its neighbours and has implemented an environmental plan for each of its operations. The plan not only actions good neighbourliness but also reduces the operations' impact on water consumption as they all operate on 50% recycled water. Métier completed an environmental assessment on its operations during 2013 and an environmental management plan was implemented at each of its operations.

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The reports and statements set out below comprise the annual financial statements presented to the shareholders:

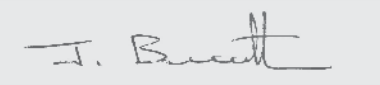
The annual financial statements have been audited by PKF (Gauteng) Inc. in compliance with the applicable requirements of the Companies Act 71 of 2008 (as amended) and have been prepared under the supervision of NR Crafford-Lazarus, CA(SA).

Issued

27 June 2013

Statement from company secretary

The secretarial matters are the responsibility of the Sephaku Holdings directors. An evaluation has been conducted in accordance with section 88(2)(e) of the Companies Act, 71 of 2008, as amended (the Act). It is hereby certified that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act and that such returns are true, correct and up to date.



Jennifer Bennette
Company secretary

Centurion, South Africa
27 June 2013

The information below constitutes the report of the audit and risk committee (the committee) for the 2013 financial period of Sephaku Holdings Ltd ("Sephaku Holdings") and its subsidiaries. This report is in compliance with section 94(7) of the Companies Act No 71 of 2008, as amended.

1. Mandate and terms of reference

The audit committee acts according to a formal mandate and terms of reference that has been approved by the board of directors of Sephaku Holdings. The committee has executed its duties during the past financial period 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

The committee consists of three independent non-executive directors and meets at least twice per annum. Special audit and risk committee meetings are convened as required.

The external auditors attended and reported at all meetings of the audit and risk committee. Sephaku Holdings' risk management function was also represented. The chief executive officers of the operating companies attend meetings by invitation.

Details of the composition and attendance of the committee meetings are set out below:

Name	Qualification	19 September 2012	13 February 2013
MG Mahlare	BCom (Accounting), BCom (Hons)	✓	✓
B Williams	BA, BProc, LLM, DLA	✓	✓
PM Makwana	BAdmin (Hons), EDP	*	✓
NR Crafford-Lazarus (ex officio)	BCom (Hons), CA(SA)	✓	✓
Dr L Mohuba (ex officio)	MBChB	✓	✓
PF Fourie	BCom (Accounting)	✓	#

** Appointed 11 January 2013*
 # Resigned 11 January 2013 and attended the meeting by invitation.

3. Role and responsibilities

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

The committee has performed the following statutory duties:

- Nominated and recommended the re-appointment of PKF (Gauteng) Inc. as the external auditors of Sephaku Holdings, and noted Mr RM Huiskamp as the responsible individual. PKF (Gauteng) Inc. is, in the opinion of the committee, independent of the company;
- determined the fees to be paid to the external auditors and their terms of engagement;
- ensured that the appointment of the external auditors complies with the Companies Act and any other legislation relating to the appointment of auditors;
- determined the nature and extent of allowable non-audit services and pre-approved any proposed agreement with the external auditors for the provision of non-audit services to Sephaku Holdings;
- prepared a report which has been included in the annual financial statements;
- received and dealt with concerns relating to the accounting policies, internal audit, the auditing or content of annual financial statements, and internal financial controls of Sephaku Holdings; and
- considered and, when appropriate, made recommendations to the board on internal financial controls, accounting policies, records and reporting.

4. External auditors

The committee has satisfied itself that the external auditors, PKF (Gauteng) Inc. was independent of Sephaku Holdings, as set out in sections 90(2)(c) and 94(8) of the Companies Act. This includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the external auditors that internal governance processes within the audit firm support and demonstrate their claim of independence.

The committee agreed to the engagement letter, terms, audit plan and budgeted audit fees for the financial period ended 31 March 2013. This was done after consultation with executive management.

The external auditors are invited to and attend all audit and risk committee meetings. Findings by the external auditors arising from their annual statutory audit are tabled and presented at a committee meeting following the audit. The external auditors have expressed an unqualified opinion on the annual financial statements for the period ended 31 March 2013. This will be ratified at the annual general meeting.

Sephaku Holdings has satisfied itself that PKF (Gauteng) Inc. is accredited to appear on the JSE List of Accredited Auditors.

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 period.

6. Annual financial statements

The committee assists the board with all financial reporting and reviews the annual financial statements, preliminary results announcements, interim financial information and integrated report – this culminates in a recommendation to the board to adopt them. The committee took appropriate steps to ensure the annual financial statements were prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act.

7. Going concern

The committee reviewed a documented assessment by management of the going concern premise of Sephaku Holdings. Based on this assessment, the committee recommended to the board that Sephaku Holdings 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 Sephaku Holdings, Mr Neil Crafford-Lazarus, has appropriate expertise and experience to meet his responsibilities in that position as required in terms of paragraph 3.84(h) of the JSE Listings Requirements.

The committee also satisfied itself that the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the finance function met Sephaku Holdings' requirements.

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 Sephaku Holdings' integrated report 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.

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 would 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.

11. Risk management

The committee is responsible for the following:

- recommending to the board Sephaku Holdings' risk appetite;
- monitoring the emerging risk profile of Sephaku Holdings on a regular basis and reporting its findings to the board;
- receiving and reviewing reports that assess the nature and extend of the risks facing Sephaku Holdings;
- 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 Sephaku Holdings; and
- ensuring that risk and capital management policies, processes and practices are adopted in Sephaku Holdings and reviewing the adequacy and effectiveness of the risk-type control frameworks and polices.

12. Recommendation of the annual financial statements for approval by the board

The audit and risk committee held a meeting on 12 June 2013 at which time they reviewed and recommended the annual financial statements for approval by the board of directors.

MG Mahlare
Chairman: Audit and risk committee

12 June 2013

Independent auditors' report

chartered accountants
& business advisers

To the shareholders of Sephaku Holdings Limited

We have audited the consolidated and separate financial statements of Sephaku Holdings Limited, set out on pages 68 to 112, which comprise the statement of financial position as at 31 March 2013 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these 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 misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sephaku Holdings Limited as at 31 March 2013 and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the period ended 31 March 2013, we have read the directors' report, the audit and risk committee report and the statement from the company secretary's for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PKF (Gauteng) Inc

PKF (Gauteng) Inc.
Chartered Accountants (SA)

Director: **R Huiskamp**

Sandton
27 June 2013

Directors' responsibilities and approval

The directors are required in terms of the Companies Act No 71 of 2008 (as amended) 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 period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon 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 set 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 cash flow forecast for the 12 months to 31 March 2014 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the group's annual financial statements. The annual financial statements have been examined by the group's external auditors and their report is presented on page 62.

The annual financial statements set out on pages 64 to 112, which have been prepared on the going concern basis, were approved by the board on 27 June 2013 and were signed on its behalf by:

NR Crafford-Lazarus
Financial Director

Dr L Mohuba
Chief Executive Officer

Centurion, South Africa

27 June 2013

The directors submit their report for the nine months ended 31 March 2013.

1. Review of activities

Main business and operations

The group is engaged as a holding company for investment in mineral assets and operates principally in South Africa.

Significant transactions

On 28 February 2013 Sephaku Holdings acquired the entire issued share capital of Métier Mixed Concrete (Pty) Ltd ("Métier") from its shareholders, the JTR Trust, Mr Kenneth Capes, Mr Richard Thompson and Mr Wayne Witherspoon. Refer to note 33.

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

2. Going concern

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

3. Events after the reporting period

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

4. Accounting policies

No new accounting policies were applied during the current reporting period.

5. Authorised, issued stated capital and dividends

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

All the authorised and issued shares have no par value.

Refer to note 15 for further details on authorised and issued stated capital.

Five million listed shares in Sephaku Holdings at R6 per share amounting to R30 million and a further 11,1 million shares in Sephaku Holdings at R9 per share amounting to R100 million were issued to the sellers of Métier (note 33). The transaction was recorded at fair value based on the listed share price of Sephaku Holdings at 28 February 2013 of R5 per share amounting to R80 555 555.

6. 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.

7. Share incentive scheme

Refer to note 16 for details about share-based payments during the current financial period.

8. Non-current assets

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

The acquisition of Métier through business combinations resulted in additions to property, plant and equipment of R113 461 513 (note 33). Subsequent acquisitions of the group during the month of March 2013 amounted to R5 145 027 (2012: R38 150 882) (note 3).

9. Dividends

No dividends were declared or paid to shareholders during the reporting period.

10. Directors

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

Name	Nationality	Changes
B Williams	Chairman – Independent Non-executive director	
Dr L Mohuba	Chief executive officer	
NR Crafford-Lazarus	Financial director	
RR Matjiu	Executive director	
CRDW de Bruin	Non-executive director	
PF Fourie	Non-executive director	
Dr GS Mahlati	Non-executive director	Resigned 2 July 2012
MM Ngoasheng	Non-executive director	
Dr D Twist	Non-executive director	
MG Mahlare	Independent non-executive director	
PM Makwana	Independent non-executive director	Appointed 11 January 2013
J Bennette	Alternate director to RR Matjiu	
JW Wessels	Alternate director to CRDW de Bruin	

11. Secretary

The secretary of the company is J Bennette of:

Business address	Postal address
South Downs Office Park	PO Box 68149
Block A, Ground Floor	Highveld
Cnr John Vorster and Karee Street	0169
Irene, X54	
0062	

12. Interest in subsidiaries

Name of subsidiary	Net income after taxation
Métier Mixed Concrete (Pty) Ltd	1 994 786
Sephaku Cement Investment Holdings Ltd	–

Details of the company's investment in subsidiaries are set out in note 5.

13. Special resolutions

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

14. Auditors

It was resolved that Grant Thornton Johannesburg be appointed, upon the recommendation of the current audit and risk committee, as independent registered auditors of Sephaku Holdings, replacing PKF (Gauteng) Inc. following the merger of PKF and Grant Thornton Johannesburg audit practices on 1 July 2013.

15. Change of financial year-end

At a shareholders meeting held on 11 January 2013 it was decided to change the financial year-end of the group from 30 June to 31 March. This decision was implemented for the current financial period. The reason for the change of year-end is to enable Sephaku Holdings to include the audited financial results of Sephaku Cement (Pty) Ltd ("Sephaku Cement") (an associate with a year-end of December), in its annual financial statements.

16. Shareholders information

Major shareholders

Top five shareholders	Number of shares	Holding %
Credit Suisse AG Zurich Nominees	22 699 874	12,08
Safika Resources (Pty) Ltd Nominees	15 580 823	8,29
Lelau Mohuba Trust	9 263 767	4,93
CRDW de Bruin	8 999 908	4,79
Bank of New York Nominees	6 951 543	3,7

Public and non-public shareholders	Shares held	%	Number of shareholders	%
Public	138 481 181	73,7	1 006	98,5
Non-public	49 420 662	26,3	15	1,5
– Directors' direct holdings	29 346 202	15,6	9	0,9
– Directors' indirect holdings	15 797 326	8,4	2	0,2
– Directors' associates	4 277 134	2,3	4	0,4
	187 901 843	**100**	**1 021**	**100**

Shareholder spread	Shares held	%	Number of shareholders	%
1 – 1 000	91 980	0,05	168	16,45
1 001 – 10 000	2 072 344	1,10	432	42,31
10 001 – 50 000	5 423 781	2,89	216	21,16
50 001 – 100 000	4 750 618	2,53	68	6,66
100 001 – 500 000	21 659 413	11,53	85	8,33
500 001 – 1 000 000	13 059 852	6,95	17	1,67
1 000 001 shares and over	140 843 855	74,96	35	3,43
	187 901 843	**100**	**1 021**	**100**

Beneficial shareholdings of directors (and associates)

	2013			2012		
Director	**Direct**	**Indirect**	**Associates**	Direct	Indirect	Associates
Dr L Mohuba	**487 202**	**9 263 767**	**390 000**	1 637 202	10 463 767	390 000
NR Crafford-Lazarus	**1 512 728**	**–**	**–**	1 512 728	–	–
RR Matjiu	**3 585 923**	**–**	**–**	3 585 923	–	–
CRDW de Bruin	**9 999 908**	**–**	**1 272 134**	12 993 908	–	1 427 134
MM Ngoasheng	**–**	**–**	**720 000**	–	–	720 000
Dr GS Mahlati	**1 198 653**	**–**	**–**	1 298 653	–	100 000
PF Fourie	**–**	**6 533 559**	**–**	–	6 503 059	–
JW Wessels	**1 265 048**	**–**	**–**	1 265 048	–	–
Dr D Twist	**10 654 333**	**–**	**1 895 000**	13 154 333	–	1 895 000
J Bennette	**600 000**	**–**	**–**	650 000	–	–
MG Mahlare	**42 407**	**–**	**–**	12 094	–	–
	29 346 202	**15 797 326**	**4 277 134**	**36 109 889**	**16 966 826**	**4 532 134**

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

Directors' interest in share options

Director	Number of share options at exercise price of R2,50 Granted 31 March 2008	Number of share options at exercise price of R3,50 Granted 15 October 2010	Number of share options at exercise price of R1,90 Granted 29 June 2012	Number of share options at exercise price of R1,90 Granted 31 August 2012
Dr L Mohuba	1 000 000	715 000	750 000	–
NR Crafford-Lazarus	750 000	715 000	750 000	750 000
RR Matjiu	300 000	200 000	300 000	–
CRDW de Bruin	–	500 000	–	–
PF Fourie	–	715 000	–	–
MM Ngoasheng	500 000	200 000	–	–
J Bennette	175 000	150 000	250 000	–
Dr D Twist	150 000	–	–	–
JW Wessels	250 000	715 000	750 000	750 000
	3 125 000	**3 910 000**	**2 800 000**	**1 500 000**

None of the share options have been exercised by any of the directors as yet. Refer to note 16 for more details on share options.

Statements of financial position

as at 31 March 2013

		GROUP		COMPANY	
	Notes	31 March 2013 R	30 June 2012 R	31 March 2013 R	30 June 2012 R
Assets					
Non-current assets					
Property, plant and equipment	3	**116 878 108**	–	**–**	–
Goodwill	4	**238 137 854**	–	**–**	–
Investments in subsidiaries	5	**–**	–	**209 967 288**	1
Investment in associates	6	**631 134 362**	625 989 987	**635 117 284**	634 956 656
Other financial assets	8	**9 805 298**	18 434 461	**4 905 054**	18 434 461
		995 955 622	644 424 448	**849 989 626**	**653 391 118**
Current assets					
Inventories	11	**6 730 225**	–	**–**	–
Loans to group companies	7	**337 058**	928 050	**341 207**	932 199
Other financial assets	8	**8 588 729**	3 596 551	**8 588 729**	3 596 551
Trade and other receivables	12	**60 600 275**	26 890	**296 566**	26 890
Cash and cash equivalents	13	**22 337 824**	24 629 136	**13 793 993**	24 629 136
		98 594 111	29 180 627	**23 020 495**	**29 184 776**
Total assets		**1 094 549 733**	673 605 075	**873 010 121**	**682 575 894**
Equity and liabilities					
Equity					
Equity attributable to equity holders of parent					
Stated capital	15	**580 590 616**	500 035 061	**580 590 616**	500 035 061
Reserves		**13 568 918**	10 295 477	**14 776 581**	10 295 477
Retained income		**146 365 124**	162 292 622	**171 849 898**	171 263 431
		740 524 658	672 623 160	**767 217 095**	**681 593 969**
Liabilities					
Non-current liabilities					
Other financial liabilities	17	**249 390 922**	–	**105 266 332**	–
Deferred income	18	**1 102 738**	–	**–**	–
Deferred taxation	10	**9 885 456**	–	**–**	–
		260 379 116	–	**105 266 332**	**–**
Current liabilities					
Other financial liabilities	17	**39 583 332**	–	**–**	–
Current taxation payable		**11 402 043**	–	**–**	–
Trade and other payables	19	**42 471 543**	981 915	**526 694**	981 925
Deferred income	18	**189 041**	–	**–**	–
		93 645 959	981 915	**526 694**	**981 925**
Total liabilities		**354 025 075**	981 915	**105 793 026**	**981 925**
Total equity and liabilities		**1 094 549 733**	673 605 075	**873 010 121**	**682 575 894**
Net asset value per share (cents)	42	**394,10**	391,54		
Tangible net asset value per share (cents)	42	**267,37**	391,54		

Statements of comprehensive income

for the nine months ended 31 March 2013

	Notes	GROUP 9 months ended 31 March 2013 R	GROUP 12 months ended 30 June 2012 R	COMPANY 9 months ended 31 March 2013 R	COMPANY 12 months ended 30 June 2012 R
Continuing operations					
Revenue	21	**37 195 338**	–	**–**	–
Cost of sales	22	**(21 574 848)**	–	**–**	–
Gross profit		**15 620 490**	–	**–**	–
Other income		**356 081**	463 230	**–**	463 230
Operating expenses		**(35 825 298)**	(16 157 167)	**(109 510 821)**	(16 157 167)
Loss on disposal of interest in companies		**–**	(5 629 161)	**–**	(5 629 161)
Operating loss	23	**(19 848 727)**	(21 323 098)	**(109 510 821)**	(21 323 098)
Investment income	24	**820 287**	127 298	**110 652 050**	127 298
Profit/(loss) from equity accounted investment	6	**6 191 410**	(107 622)	**–**	–
Finance costs	26	**(1 949 268)**	(8)	**(554 762)**	(8)
Loss before taxation		**(14 786 298)**	(21 303 430)	**586 467**	(21 195 808)
Taxation	27	**(1 141 200)**	–	**–**	–
Loss from continuing operations		**(15 927 498)**	(21 303 430)	**586 467**	(21 195 808)
Discontinued operations					
Profit for the period from discontinued operations	14	**–**	22 296 709	**–**	–
(Loss)/profit for the period		**(15 927 498)**	993 279	**586 467**	(21 195 808)
Other comprehensive (loss)/income:					
Share of other comprehensive (loss)/income from associate		**(1 207 663)**	12 682 846	**–**	–
Other comprehensive (loss)/income for the period net of taxation	29	**(1 207 663)**	12 682 846	**–**	–
Total comprehensive (loss)/income for the period		**(17 135 161)**	13 676 125	**586 467**	(21 195 808)
Basic (loss)/earnings per share from total operations (cents):	42	**(9,17)**	0,58		
Continuing operations		**(9,17)**	(12,45)		
Discontinued operations		**–**	13,03		
Diluted (loss)/earnings per share from total operations (cents):	42	**(8,93)**	0,53		
Continuing operations		**(8,93)**	(11,42)		
Discontinued operations		**–**	11,95		

Statements of changes in equity

for the nine months ended 31 March 2013

	Notes	Stated capital R	Hedging reserve R
Group			
Balance at 1 July 2011		592 127 979	(12 682 846)
Profit for the year		–	–
Other comprehensive income for the year		–	12 682 846
Total comprehensive income for the year		–	12 682 846
Issue of shares		9 000 000	–
Employees share option scheme		–	–
Dividend *in specie*	34	(101 092 918)	–
Balance at 1 July 2012		**500 035 061**	**–**
Loss for the period		**–**	**–**
Other comprehensive loss for the period		**–**	**–**
Total comprehensive loss for the period		**–**	**–**
Issue of shares	33	**80 555 555**	**–**
Employees share option scheme		**–**	**–**
Balance at 31 March 2013		**580 590 616**	**–**
Notes		15	29

	Notes	Stated capital R	Hedging reserve R
Company			
Balance at 1 July 2011		592 127 979	–
Loss for the year		–	–
Total comprehensive loss for the year		–	–
Issue of shares		9 000 000	–
Employees share option scheme		–	–
Dividend *in specie*	34	(101 092 918)	–
Balance at 1 July 2012		**500 035 061**	**–**
Profit for the period		**–**	**–**
Total comprehensive loss for the period		**–**	**–**
Issue of shares	33	**80 555 555**	**–**
Employees share option scheme		**–**	**–**
Balance at 31 March 2013		**580 590 616**	**–**
Notes		15	

	Revaluation reserve (Associate) R	Equity based share option reserve R	Total reserves R	Retained income R	Total equity R
	–	6 073 233	(6 609 613)	161 265 964	746 784 330
	–	–	–	993 279	993 279
	–	–	12 682 846	–	12 682 846
	–	–	12 682 846	993 279	13 676 125
	–	–	–	–	9 000 000
	–	4 222 244	4 222 244	33 379	4 255 623
	–	–	–	–	(101 092 918)
	–	**10 295 477**	**10 295 477**	**162 292 622**	**672 623 160**
	–	**–**	**–**	**(15 927 498)**	**(15 927 498)**
	(1 207 663)	**–**	**(1 207 663)**	**–**	**(1 207 663)**
	(1 207 663)	**–**	**(1 207 663)**	**(15 927 498)**	**(17 135 161)**
	–	**–**	**–**	**–**	**80 555 555**
	–	**4 481 104**	**4 481 104**	**–**	**4 481 104**
	(1 207 663)	**14 776 581**	**13 568 918**	**146 365 124**	**740 524 658**
	29			29	

	Revaluation reserve (Associate) R	Equity based share option reserve R	Total reserves R	Retained income R	Total equity R
	–	6 073 233	6 073 233	192 425 860	790 627 072
	–	–	–	(21 195 808)	(21 195 808)
	–	–	–	(21 195 808)	(21 195 808)
	–	–	–	–	9 000 000
	–	4 222 244	4 222 244	33 379	4 255 623
	–	–	–	–	(101 092 918)
	–	**10 295 477**	**10 295 477**	**171 263 431**	**681 593 969**
	–	**–**	**–**	**586 467**	**586 467**
	–	**–**	**–**	**586 467**	**586 467**
	–	**–**	**–**	**–**	**80 555 555**
	–	**4 481 104**	**4 481 104**	**–**	**4 481 104**
	–	**14 776 581**	**14 776 581**	**171 849 898**	**767 217 095**
				29	

Statements of cash flows

for the nine months ended 31 March 2013

		GROUP		COMPANY	
	Notes	9 months ended 31 March 2013 R	12 months ended 30 June 2012 R	9 months ended 31 March 2013 R	12 months ended 30 June 2012 R
Cash flows from operating activities					
Cash used in operations	30	**(21 570 600)**	(19 773 068)	**(9 508 021)**	(7 548 050)
Interest income		**820 287**	205 532	**652 050**	127 298
Dividends received		**–**	–	**110 000 000**	–
Finance costs		**(1 394 506)**	(208 583)	**–**	(8)
Taxation received	31	**55 518**	–	**–**	–
Net cash from operating activities		**(22 089 301)**	(19 776 119)	**101 144 029**	(7 420 760)
Cash flows from investing activities					
Purchase of property, plant and equipment	3	**(5 145 027)**	(17 650 881)	**–**	–
Sale of property, plant and equipment	3	**87 719**	–	**–**	–
Purchase of other intangible assets		**–**	(19 048 263)	**–**	–
Acquisition of shares in wholly owned subsidiary	33	**(89 200 006)**	–	**(110 000 000)**	(104 244 837)
Acquisition costs		**(4 110 902)**	–	**(4 110 902)**	–
Disposal of interest in subsidiaries and associates	34	**–**	801 344	**–**	15 700 000
Decrease in other financial assets		**1 396 508**	1 186 015	**1 540 738**	2 186 709
Net cash from investing activities		**(96 971 708)**	(34 711 785)	**(112 570 164)**	(86 358 128)
Cash flows from financing activities					
Increase in other financial liabilities		**116 178 705**	66 983 023	**110 000 000**	–
Repayment of other financial liabilities		**–**	–	**(110 000 000)**	–
Increase in loans with group companies		**590 992**	6 299 376	**590 992**	112 577 289
Net cash from financing activities		**116 769 697**	73 282 399	**590 992**	112 577 289
Total cash and cash equivalents movement for the period		**(2 291 312)**	18 794 495	**(10 835 143)**	18 798 401
Cash and cash equivalents at the beginning of the period		**24 629 136**	5 834 641	**24 629 136**	5 830 735
Total cash and cash equivalents at end of the period	13	**22 337 824**	24 629 136	**13 793 993**	24 629 136

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, the Companies Act No 71 of 2008 (as amended), the JSE Listings Requirements and the SAICA financial reporting guides as issued by the Accounting Practices Board. The annual financial statements have been prepared on the historical cost basis, except for the measurement of property at revalued amounts, and incorporate the principal accounting policies set out below. They are presented in South African rands.

These accounting policies are consistent with the previous period.

1.1 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the company and all entities, including special purpose entities, which are controlled by the company.

Control exists when the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions which result in changes in ownership levels, where the group has control of the subsidiary both before and after the transaction are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liabilities or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal group) that are classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Non-controlling interests arising from a business combination, which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured either at the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRS.

1. Presentation of annual financial statements *continued*

1.1 Consolidation *continued*

Business combination continued

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the period. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously in other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested at least annually for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Investment in associate

An associate is an entity over which the group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in associate is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held-for-Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the group's share of net assets of the associate, less any impairment losses.

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

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 is 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 is 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.

Options granted

Management used the Black-Scholes model to determine the fair value of the options at issue date. Additional details regarding the estimates are included in the note 16 Share-based payments.

Impairment testing of goodwill and investment in subsidiary

The recoverable amount of the cash-generating units has been determined on a value-in-use calculation, using cash flow projections which cover a three-year period.

The following assumptions have been applied when reviewing goodwill impairment:

- A growth rate of 5,50% was applied and cash flows were discounted at a rate of 18,75%;
- asset values were based on the carrying amounts for the financial period;
- future profits were estimated using historical information and approved three-year budgets;
- sales growth/gross margins were based on historical achievement/known future prospects;
- costs were assumed to grow in line with expansion and expected inflation; and
- 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.

These assumptions were also used to test the investment in subsidiary for impairment.

Taxation

Judgement is required in determining the provision for income taxation due to the complexity of legislation. There are many transactions and calculations for which the ultimate taxation determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated taxation audit issues based on estimates of whether additional taxations will be due. Where the final taxation outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income taxation and deferred taxation provisions in the period in which such determination is made.

The group recognises the net future taxation benefit related to deferred income taxation assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income taxation assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing taxation laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred taxation assets recorded at the end of the reporting period could be impacted.

Estimation of useful life and residual values

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the consolidated statement of comprehensive income.

Residual values and useful lives of property, plant and equipment are assessed at a minimum on an annual basis, or when there are indicators present that there is a change from the previous estimate. Estimates and judgements in this regard are based on historical experience and expectations of the manner in which assets are to be used, together with expected proceeds likely to be realised when assets are disposed of at the end of their useful lives. Such expectations could change over time and therefore impact both depreciation charges and carrying values of property, plant and equipment in the future. Residual value assessments consider issues such as future market conditions, the remaining life of the assets and projected disposal values.

Business combinations

Management have, in conjunction with external valuers, assessed the likelihood and estimated that the future share price at measurement date of 1 December 2014 will be in excess of R9 per share. Assumptions regarding certain factors such as future production capacity of Sephaku Cement future earnings and profits have been applied in the calculation.

The company will have a potential liability for the additional amount of shares if the share price is below R9 per share on 1 December 2014.

1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised to other comprehensive income and accumulated in the revaluation surplus in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

1. Presentation of annual financial statements *continued*

1.3 Property, plant and equipment *continued*

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation surplus in equity.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property is carried at a revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

Item	Average useful life
Land and buildings	*
Plant and machinery	10 years
Furniture and fixtures	6 years
Motor vehicles	4 years
Computer equipment	3 years

** If the value of the building exceeds the carrying value no depreciation is recognised for the period under review.*

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

Land is not depreciated.

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

1.4 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.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.5 Investment in associates

Company annual financial statements

An investment in an associate is carried at cost less any accumulated impairment.

1.6 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is reassessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

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

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.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

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 method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the group's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in profit or loss, while translation differences on non-monetary items are recognised in other comprehensive income and accumulated in equity.

Financial liabilities (loans payable, trade and other payables and bank overdrafts) 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.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market input and relying as little as possible on entity-specific input.

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.

1. Presentation of annual financial statements *continued*

1.6 Financial instruments *continued*

Impairment of financial assets continued

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.

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

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

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

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables and are subsequently measured at amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Transaction costs are included in the initial value recognised. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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 uncollectable, 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 payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Transaction costs are included in the initial value recognised.

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. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Hedging activities

Derivatives designated as hedging instruments are classified as held for trading.

The group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or on foreign currency risk of a firm commitment (cash flow hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within 'other income'.

Amounts accumulated in equity are reclassified from other comprehensive income to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

However, when the forecast transaction that is hedged results in the recognition of a non-financial item (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity in other comprehensive income and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in profit or loss as a reclassification adjustment in other comprehensive income when the forecast transaction is ultimately recognised in profit or loss.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in profit or loss as a reclassification adjustment from other comprehensive income.

1.7 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/(assets) for the current and prior periods are measured at the amount expected to be paid to/(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/(taxation loss).

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

1. Presentation of annual financial statements *continued*

1.7 Taxation *continued*

Deferred taxation assets and liabilities continued

A deferred taxation asset is recognised for the carry forward of unused taxation losses to the extent that it is probable that future taxable profit will be available against which the unused taxation losses can be utilised.

Deferred taxation assets and 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 taxation and deferred taxation 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 taxation 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.

Current taxation and deferred taxation are charged or credited directly to equity if the taxation relates to items that are credited or charged, in the same or a different period, directly in equity.

1.8 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.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charges and reduction of the outstanding liability. The finance charges are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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 are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.9 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories is 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.

1.10 Non-current assets held for sale, disposal groups and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

The results of discontinued operations are shown as a single amount on the statement of comprehensive income comprising the post-taxation loss of discontinued operations. A discontinued operation is a group of cash-generating units that has been disposed of and represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

1.11 Impairment of assets

The group assesses at each 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 also:

- Tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed annually.
- Tests goodwill acquired in a business combination for impairment annually.

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.

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. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1. Presentation of annual financial statements *continued*

1.12 Stated capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of taxation, from the proceeds.

1.13 Share-based payments

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

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

For equity-settled share-based payment transactions the goods or services received and the corresponding increase in equity are measured, directly, at the fair value of the goods or services received provided that the fair value can be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, or if 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.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is remeasured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

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 and loss.

For share-based payment transactions in which the terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

For all share-based payment transactions management assesses, at each reporting period, until vesting the number of options expected to vest. 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 or to a liability.

For equity-settled share-based payment transactions the fair value of the options are determined on grant date and are not subsequently adjusted, while for cash-settled options the fair value of the options is recalculated at each reporting date up to and including settlement date.

1.14 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), are recognised in the period in which the services are rendered and are 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 profitsharing 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.

1.15 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken;
  - when the plan will be implemented;
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

1.16 Government grants

Government grants are recognised when there is reasonable assurance that:

- the group will comply with the conditions attaching to them; and
- the grants will be received.

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 of 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 or by deducting the grant in arriving at the carrying amount of the asset.

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

1. Presentation of annual financial statements *continued*

1.17 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added taxation.

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

1.18 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. 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.

1.19 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.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

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.

1.20 Operating segments

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the entity's chief operating decision-maker to make decisions about resources to be allocated to the segments and assess its performance; and
- for which concrete financial information is available.

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

2. New standards and interpretations

2.1 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 April 2013 or later periods:

IFRS 10 Consolidated Financial Statements

The standard replaces the consolidation sections of IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The standard sets out a new definition of control, which exists only when an entity is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to effect those returns through power over the investee.

The effective date of the standard is for years beginning on or after 1 January 2013.

The group expects to adopt the standard for the first time in the 2014 annual financial statements.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

IAS 27 Separate Financial Statements

Consequential amendment as a result of IFRS 10. The amended standard now only deals with separate financial statements.

The effective date of the amendment is for years beginning on or after 1 January 2013.

The group expects to adopt the amendment for the first time in the 2014 annual financial statements.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

IFRS 12 Disclosure of Interests in Other Entities

The standard sets out disclosure requirements for investments in subsidiaries, associates, joint ventures and unconsolidated structured entities. The disclosures are aimed to provide information about the significance and exposure to risks of such interests. The most significant impact is the disclosure requirement for unconsolidated structured entities or off-balance sheet vehicles.

The effective date of the standard is for years beginning on or after 1 January 2013.

The group expects to adopt the standard for the first time in the 2014 annual financial statements.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

IFRS 9 Financial Instruments

This new standard is the first phase of a three-phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, the standard includes chapters for classification, measurement and derecognition of financial assets and liabilities. The following are main changes from IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value.
- Under certain circumstances, financial assets may be designated as at fair value.
- For hybrid contracts, where the host contract is an asset within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Financial liabilities shall not be reclassified.
- Investments in equity instruments may be measured at fair value through profit or loss. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost.
- The classification categories for financial liabilities remains unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.

2. New Standards and Interpretations *continued*

2.1 Standards and interpretations not yet effective *continued*

The effective date of the standard is for years beginning on or after 1 January 2015.

The group does not envisage the adoption of the standard until such time as it becomes applicable to the group's operations.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

IFRS 13 Fair Value Measurement

New standard setting out guidance on the measurement and disclosure of items measured at fair value or required to be disclosed at fair value in terms of other IFRSs.

The effective date of the standard is for years beginning on or after 1 January 2013.

The group does not envisage the adoption of the standard until such time as it becomes applicable to the group's operations.

It is unlikely that the standard will have a material impact on the group's annual financial statements.

Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

Amendment requires additional disclosures for financial assets and liabilities which are offset and for financial instruments subject to master netting arrangements.

The effective date of the amendment is for years beginning on or after 1 January 2013.

The group does not envisage the adoption of the amendment until such time as it becomes applicable to the group's operations.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Clarification of certain aspects concerning the requirements for offsetting financial assets and financial liabilities.

The effective date of the amendment is for years beginning on or after 1 January 2014.

The group does not envisage the adoption of the amendment until such time as it becomes applicable to the group's operations.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

IAS 1 – Annual Improvements for 2009 – 2011 cycle

Clarification is provided on the requirements for comparative information. Specifically, if a retrospective restatement is made, a retrospective change in accounting policy or a reclassification, the statement of financial position at the beginning of the previous period is only required if the impact on the beginning of the previous period is material. Related notes are not required, other than disclosure of specified information.

The effective date of the amendment is for years beginning on or after 1 January 2013.

The group does not envisage the adoption of the amendment until such time as it becomes applicable to the group's operations.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

IAS 16 – Annual Improvements for 2009 – 2011 cycle

Spare parts, stand by equipment and servicing equipment should only be classified as property, plant and equipment if they meet the definition.

The effective date of the amendment is for years beginning on or after 1 January 2013.

The group does not envisage the adoption of the amendment until such time as it becomes applicable to the group's operations.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

IAS 32 – Annual Improvements for 2009 – 2011 cycle

Taxation effects of distributions made to holders of equity instruments. Income taxation relating to distributions made to holders of equity instruments and taxation effects of transaction costs of equity transactions must be accounted for in accordance with IAS 12 Income Taxes.

The effective date of the amendment is for years beginning on or after 1 January 2013.

The group does not envisage the adoption of the amendment until such time as it becomes applicable to the group's operations.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

3. Property, plant and equipment

GROUP	2013 Cost/ valuation	2013 Accumulated depreciation	2013 Carrying value	2012 Cost/ valuation	2012 Accumulated depreciation	2012 Carrying value
Land and buildings	**2 666 309**	**–**	**2 666 309**	–	–	–
Plant and machinery	**49 892 623**	**(425 711)**	**49 466 912**	–	–	–
Furniture and fixtures	**265 449**	**(5 570)**	**259 879**	–	–	–
Motor vehicles	**65 403 003**	**(1 243 234)**	**64 159 769**	–	–	–
Computer equipment	**341 466**	**(16 227)**	**325 239**	–	–	–
Total	**118 568 850**	**(1 690 742)**	**116 878 108**	–	–	–

Reconciliation of property, plant and equipment – Group – 2013

	Opening balance	Additions	Additions through business combinations	Disposals	Depreciation	Total
Land and buildings	**–**	**–**	**2 666 309**	**–**	**–**	**2 666 309**
Plant and machinery	**–**	**94 458**	**49 798 165**	**–**	**(425 711)**	**49 466 912**
Furniture and fixtures	**–**	**–**	**265 449**	**–**	**(5 570)**	**259 879**
Motor vehicles	**–**	**5 030 194**	**60 410 499**	**(37 690)**	**(1 243 234)**	**64 159 769**
Computer equipment	**–**	**20 375**	**321 091**	**–**	**(16 227)**	**325 239**
	–	**5 145 027**	**113 461 513**	**(37 690)**	**(1 690 742)**	**116 878 108**

Reconciliation of property, plant and equipment – Group – 2012

	Opening balance	Additions	Additions through business combinations	Disposals	Depreciation	Total
Land and buildings	3 872 375	32 660 473	–	(36 532 848)	–	–
Buildings	2 884 393	–	–	(2 775 428)	(108 965)	–
Chemical plant	7 264 259	5 209 980	–	(12 474 239)	–	–
Motor vehicles	–	225 488	–	(207 078)	(18 410)	–
Computer equipment	–	54 941	–	(54 015)	(926)	–
	14 021 027	38 150 882	–	(52 043 608)	(128 301)	–

Disposals during 2012 relate to the removal of Sephaku Fluoride Ltd ("Sephaku Fluoride") group's assets due to the unbundling of Sephaku Holdings' interest in Sephaku Fluoride (note 34).

Pledged as security
All movable assets are pledged as security for other financial liabilities as per note 17.

4. Goodwill

Group	2013 Cost R	2013 Accumulated impairment R	2013 Carrying value R	2012 Cost R	2012 Accumulated impairment R	2012 Carrying value R
Goodwill on acquisition of subsidiary	**238 137 854**	**–**	**238 137 854**	–	–	–

	Opening balance R	Additions through business combinations R	Total R
Reconciliation of goodwill – Group – 2013			
Goodwill	**–**	**238 137 854**	**238 137 854**

Refer to note 33 for more information regarding goodwill.

Impairment testing

In accordance with IAS 36, impairment of assets, goodwill and intangible assets with indefinite useful lives are reviewed annually for impairment, or more frequently if there is an indication that goodwill might be impaired.

The recoverable amount of goodwill relating to the cash-generating unit has been determined on the basis of a value-in-use calculation. The calculation uses cash flow projections based on financial projections, covering a three-year period and a discount rate of 18,75% for the cash-generating unit. Cash flows beyond the three-year period were extrapolated using a steady 5,5% nominal growth rate. Any changes in revenue or costs are based on past predictions and expectations of future changes in the market. Based on the results of the impairment test, no impairment is required.

5. Investments in subsidiaries

Name of company	% holding 2013	% holding 2012	Carrying amount 2013	Carrying amount 2012
Sephaku Cement Investment Holdings Ltd	**100**	100	**1**	1
Métier Mixed Concrete (Pty) Ltd	**100**	–	**295 267 125**	–
Capitalised costs of acquisition of Métier Mixed Concrete (Pty) Ltd			**4 110 902**	–
			299 378 028	1
Impairment of investment in Métier Mixed Concrete (Pty) Ltd			**(89 410 741)**	–
			209 967 287	1

Subsidiaries are shown at carrying amounts, net of impairment.

All the subsidiaries are registered and operate within South Africa.

Impairment testing

A dividend of R110 million has been received by Sephaku Holdings from Métier shortly after obtaining control. This dividend is an indicator that the investment in Métier may be impaired. Using the same inputs as detailed under goodwill impairment testing (note 4) an impairment has been performed with the resulting impairment of R89 410 741.

The impairment test results are sensitive to the discount rate applied by management. For every 0,25% change in the discount rate, the amount impaired changes by approximately R7 million.

6. Investment in associates

Name of company	% holding 2013	% holding 2012	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
Sephaku Cement (Pty) Ltd	**36,00**	35,99	**631 134 362**	625 989 987	**635 117 284**	634 956 656

The associate is unlisted.

On 15 October 2010 the investment in Sephaku Cement as an associate was recognised at a fair value of R634 956 656 and on consolidation adjusted for the change in Sephaku Holdings' share of the profit/(loss) of the investee amounting to R6 191 410 (2012: (R107 622)) and share of the other comprehensive (loss)/income of the investee of (R1 207 663) (2012: R12 682 846) (note 29). The investment was increased during the reporting period with the cost of an additional 0,006% interest acquired in the associate from minority shareholders for R160 628.

Sephaku Cement has a December year-end. In line with the requirements of IAS 28, the year-end results of Sephaku Cement have been included in these financial statements.

	2013 R	2012 R
Summary of groups interest in Sephaku Cement (Pty) Ltd and its subsidiaries		
Total assets	**2 857 860 437**	1 239 624 827
Total liabilities	**(1 743 477 754)**	(139 085 886)
Revenue for the period	**16 394 882**	23 549 459
Profit/(loss) for the period	**17 198 361**	(298 999)

The revenue and profit for the 2013 financial period reflected above are based on Sephaku Cement's six months ended 31 December 2012 audited results. The loss of Sephaku Cement for the six months ended 30 June 2012 has already been equity accounted in Sephaku Holdings' 2012 results, that consists of the group's share of the loss of Sephaku Cement for the 12 months ended 30 June 2012.

7. Loans to group companies

	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
Subsidiary				
Sephaku Cement Investment Holdings Ltd	**–**	–	**4 149**	4 149
The loan is unsecured, bears no interest and is repayable by mutual agreement.				
Associate				
Sephaku Cement (Pty) Ltd	**337 058**	928 050	**337 058**	928 050
The loan is unsecured, bears no interest and is repayable on demand.				
Total	**337 058**	928 050	**341 207**	932 199

8. Other financial assets

	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
Available-for-sale				
Liberty Investment Builder	**1 081 243**	–	**–**	–
Métier Mixed Concrete (Pty) Ltd makes monthly contributions to this investment of R77 232.				
Liberty Endowment Investment	**3 819 001**	–	**–**	–
Métier Mixed Concrete (Pty) Ltd makes monthly contributions to this investment of R67 000.				
	4 900 244	–	**–**	–
Loans and receivables				
African Nickel Holdings (Pty) Ltd	**3 200 000**	3 596 551	**3 200 000**	3 596 551
Cross Company Management (Pty) Ltd	**10 293 783**	18 434 461	**10 293 783**	18 434 461
The loans are unsecured, bear no interest and are repayable on demand. An impairment provision of R6 835 864 has been raised on the receivable from Cross Company Management (Pty) Ltd during the period.				
	13 493 783	22 031 012	**13 493 783**	22 031 012
Total other financial assets	**18 394 027**	22 031 012	**13 493 783**	22 031 012
Non-current assets				
Available-for-sale	**4 900 244**	–	**–**	–
Loans and receivables	**4 905 054**	18 434 461	**4 905 054**	18 434 461
	9 805 298	18 434 461	**4 905 054**	18 434 461
Current assets				
Loans and receivables	**8 588 729**	3 596 551	**8 588 729**	3 596 551
	18 394 027	22 031 012	**13 493 783**	22 031 012

Fair value information

Available-for-sale financial assets are recognised at fair value, unless they are unlisted equity instruments and the fair value cannot be determined using other means, in which case they are measure at cost.

The following classes of available-for-sale financial assets are measured to fair value using quoted market prices:

- Investment portfolios

Fair value hierarchy of available-for-sale financial assets

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

Level 2 applies input other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 applies input which is not based on observable market data.

8. Other financial assets *continued*

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	R	R	**R**	R
Level 2				
Investment portfolios	**4 900 244**	–	**–**	–

The group has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior financial period.

9. Financial assets by category

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

Group – 2013	Loans and receivables R	Available-for-sale R	Non-financial instruments R	Total R
Loans to group companies	**337 058**	**–**	**–**	**337 058**
Other financial assets	**13 493 783**	**4 900 244**	**–**	**18 394 027**
Trade and other receivables	**60 237 799**	**–**	**362 476**	**60 600 275**
Cash and cash equivalents	**22 337 824**	**–**	**–**	**22 337 824**
	96 406 464	**4 900 244**	**362 476**	**101 669 184**

Group – 2012	Loans and receivables R	Available-for-sale R	Non-financial instruments R	Total R
Loans to group companies	928 050	–	–	928 050
Other financial assets	22 031 012	–	–	22 031 012
Trade and other receivables	–	–	26 890	26 890
Cash and cash equivalents	24 629 136	–	–	24 629 136
	47 588 198	–	26 890	47 615 088

Company – 2013	Loans and receivables R	Available-for-sale R	Non-financial instruments R	Total R
Loans to group companies	**341 207**	**–**	**–**	**341 207**
Other financial assets	**13 493 783**	**–**	**–**	**13 493 783**
Trade and other receivables	**–**	**–**	**296 566**	**296 566**
Cash and cash equivalents	**13 793 993**	**–**	**–**	**13 793 993**
	27 628 983	**–**	**296 566**	**27 925 549**

Company – 2012	Loans and receivables R	Available-for-sale R	Non-financial instruments R	Total R
Loans to group companies	932 199	–	–	932 199
Other financial assets	22 031 012	–	–	22 031 012
Trade and other receivables	–	–	26 890	26 890
Cash and cash equivalents	24 629 136	–	–	24 629 136
	47 592 347	–	26 890	47 619 237

10. Deferred taxation

	GROUP		COMPANY	
	2013 R	2012 R	**2013 R**	2012 R
Deferred taxation asset/(liability)				
Property, plant and equipment	**(10 346 246)**	–	**–**	–
Income received in advance	**347 687**	–	**–**	–
S24C allowance	**(201 673)**	–	**–**	–
Doubtful debt provision	**210 000**	–	**–**	–
Provision for leave pay	**123 230**	–	**–**	–
Prepaid expenses	**(18 454)**	–	**–**	–
	(9 885 456)	–	**–**	–
Reconciliation of deferred taxation asset (liability)				
Acquired through business combination (note 33)	**(9 680 685)**	–	**–**	–
Originating temporary difference on property, plant and equipment	**(167 713)**	–	**–**	–
Reversing temporary difference on income received in advance	**(109 929)**	–	**–**	–
Originating temporary difference on accrual for leave pay	**21 822**	–	**–**	–
Reversing temporary difference on S24C allowance	**51 049**	–	**–**	–
	(9 885 456)	–	**–**	–
Unrecognised deferred taxation asset				
Deductible temporary differences not recognised as deferred taxation assets	**51 936 182**	43 805 120	**51 936 182**	43 805 120

11. Inventories

	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
Raw materials	**5 508 680**	–	**–**	–
Diesel	**1 221 545**	–	**–**	–
	6 730 225	–	**–**	–

Inventory pledged as security

Inventory is pledged as security for other financial liabilities per note 17.

12. Trade and other receivables

	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
Trade receivables	**58 888 140**	–	**–**	–
Prepayments	**65 910**	–	**–**	–
Deposits	**1 330 754**	–	**–**	–
Value added taxation	**296 566**	26 890	**296 566**	26 890
Other receivables	**18 905**	–	**–**	–
	60 600 275	26 890	**296 566**	26 890

Trade and other receivables pledged as security

Trade and other receivables are pledged as security for other financial liabilities as per note 17.

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.

12. Trade and other receivables *continued*

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

At 31 March 2013, R5 748 090 were past due but not impaired.

	GROUP		COMPANY	
	2013 R	2012 R	**2013 R**	2012 R
The ageing of amounts past due but not impaired is as follows:				
1 month past due	**1 561 305**	–	**–**	–
2 months past due	**526 029**	–	**–**	–
3 months past due	**3 660 756**	–	**–**	–

There are three trade receivables amounting to R3 616 330 in the three months past due but not impaired category. They have entered into repayment agreements and are currently honouring their repayment commitments.

Trade and other receivables impaired

As of 31 March 2013, trade and other receivables of 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;
- the extent of credit guarantee insurance; and
- any knowledge of particular insolvency or other risk.

	GROUP		COMPANY	
	2013 R	2012 R	**2013 R**	2012 R
Reconciliation of provision for impairment of trade and other receivables				
Acquired through a business combination	**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 loan mentioned above. The company does not hold any collateral as security.

13. Cash and cash equivalents

	GROUP		COMPANY	
	2013 R	2012 R	**2013 R**	2012 R
Cash and cash equivalents consist of:				
Cash on hand	**53 500**	–	**–**	–
Bank balances	**22 284 324**	24 629 136	**13 793 993**	24 629 136
	22 337 824	24 629 136	**13 793 993**	24 629 136

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

	GROUP		COMPANY	
	2013 R	2012 R	**2013 R**	2012 R
Credit rating				
Fitch AAA rating	**22 036 231**	24 629 136	**13 793 993**	24 629 136

14. Disposal groups or non-current assets held for sale

Profit from discontinued operations for 2012:

Sephaku Holdings distributed all of the shares held in its subsidiary Sephaku Fluoride to its shareholders as a dividend *in specie* on 26 March 2012 (note 34). The total profit for the Sephaku Fluoride group up to the unbundling date is included in the statement of comprehensive income for 2012 as a profit from discontinued operations of R22 296 709.

	GROUP		COMPANY	
	2013 R	2012 R	**2013 R**	2012 R
Profit of disposal groups				
Operating expenses	**–**	(8 018 782)	**–**	–
Investment revenue	**–**	78 233	**–**	–
Finance costs	**–**	(208 575)	**–**	–
Taxation	**–**	–	**–**	–
Profit on unbundling of Sephaku Fluoride Ltd (note 25)	**–**	30 445 833	**–**	–
Profit for the year from discontinued operations	**–**	22 296 709	**–**	–
Non-current assets held for sale				
2012				
Sephaku Holdings Ltd disposed of its 26% interest in African Nickel Holdings (Pty) Ltd for a cash consideration of R15,7 million on 8 May 2012 (note 34).				
The assets and liabilities of the disposal group consist of:				
Investment in associate	**–**	21 164 340	**–**	21 164 340

15. Stated capital

	GROUP		COMPANY	
	2013 R	2012 R	**2013 R**	2012 R
Authorised				
1 000 000 000 Ordinary shares with no par value				
Reconciliation of number of shares issued:				
Number of shares at beginning of period	**171 790 732**	169 290 732	**171 790 732**	169 290 732
Number of ordinary shares issued during the period	**16 111 111**	2 500 000	**16 111 111**	2 500 000
Number of ordinary shares at end of period	**187 901 843**	171 790 732	**187 901 843**	171 790 732
The unissued ordinary shares are under the control of the directors.				
Issued				
Ordinary shares with no par value	**580 590 616**	601 127 979	**580 590 616**	601 127 979
Dividend *in specie* declared out of contributed taxation capital	**–**	(101 092 918)	**–**	(101 092 918)
	580 590 616	500 035 061	**580 590 616**	500 035 061

16. Share-based payments

Share option group	Number	Weighted exercise price	Total value
2013			
Share options granted during 2008 year (30/06/2008 to 30/06/2011)	**200 000**	**1,5**	**300 000**
Share options granted on 31 March 2008	**5 740 000**	**2,5**	**14 350 000**
Share options granted on 15 October 2010	**10 000 000**	**3,5**	**35 000 000**
Share options granted on 29 June 2012	**3 500 000**	**1,9**	**6 650 000**
Share options granted on 31 August 2012	**1 500 000**	**1,9**	**2 850 000**
Exercised and expired during prior periods*	**(516 530)**	**–**	**–**
Outstanding at the end of the financial period	**20 423 470**	**–**	**–**
Exercisable at the end of the financial period	**5 423 470**	**–**	**–**
2012			
Share options granted during 2008 year (30/06/2008 to 30/06/2011)	200 000	1,5	300 000
Share options granted on 31 March 2008	5 740 000	2,5	14 350 000
Share options granted on 15 October 2010	10 000 000	3,5	35 000 000
Share options granted on 29 June 2012	3 500 000	1,9	6 650 000
Exercised during the financial period*	(60 000)	–	–
Exercised and expired during prior periods*	(456 530)	–	–
Outstanding at the end of the financial period	18 923 470	–	–
Exercisable at the end of the financial period	(5 423 470)	–	–

** relating to share options granted during 2008 year*

Information on options granted on 31 March 2008

On 31 March 2008, 5 740 000 American style share options with an exercise price of R2,50 were granted of which 5 423 470 options are still outstanding at period-end. These options vest over a three-year period on the anniversary of the grant and expire on 31 March 2015.

Fair value was determined by using the Black-Scholes method. The following input was used:

- Exercise price, R2,50
- Expected volatility, 30%
- Option life: 1, 2 and 3 years
- Expected dividends, Nil
- The risk-free interest rate, 6,65%

As the options have vested in full, no staff cost related to equity-settled share-based payments transactions was recognised in the current period.

During 2012, 5 373 470 Sephaku Fluoride shares were sold to Cross Company Management (Pty) Ltd ("Cross Company Management") for R0,58875, to be held for the benefit of the holders of certain vested options over Sephaku Holdings shares. On exercise date Sephaku Holdings will acquire the shares at R0,58875 from Cross Company Management.

16. 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, all of which are still outstanding at period-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 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 input was used:

- Exercise price, R3,50
- Expected volatility, 55%
- Option life: 3, 4 and 5 years
- Expected dividends, Nil
- The risk-free interest rate, 7,14%

Total staff cost of R3 187 083 related to equity-settled share-based payments transactions was recognised in 2013 (2012: R4 249 444).

Expected volatility is based on share price history. Annualised volatility up to grant date was 93%. This dropped significantly to approximately 80% in February 2011, 56% in March 2011 and 52% in June 2011. Therefore 55% was considered to be reasonable for future volatility.

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

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 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 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 input was used:

- Exercise price, R1,90
- Expected volatility, 55%
- Option life: 3, 4 and 5 years
- Expected dividends, Nil
- The risk-free interest rate, 6,82%

Total staff cost of R834 181 related to equity-settled share-based payments transactions was recognised in 2013 (2012: R6 179).

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 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 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 input was used:

- Exercise price, R1,90
- Expected volatility, 55%
- Option life: 3, 4 and 5 years
- Expected dividends, Nil
- The risk-free interest rate, 6,82%

Total staff cost of R459 839 related to equity-settled share-based payments transactions was recognised in 2013.

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

17. Other financial liabilities

	GROUP		COMPANY	
	2013 R	2012 R	**2013 R**	2012 R
Held at amortised cost				
Deferred vendor loan	**105 266 332**	–	**105 266 332**	–
A final cash payment of R125 million is due on 1 December 2014 to the sellers of Métier Mixed Concrete (Pty) Ltd (note 33).				
The final cash payment has been reduced with an amount of R8 million due to uncertainty whether Métier Mixed Concrete (Pty) Ltd can recover this amount from TBP Buildings and Civils (Pty) Ltd.				
The net of the above amounts were discounted over 21 months at a rate of 0,53% per month to the net present value of R104 711 570 and finance charges of R554 762 (note 26) relating to the unwinding of the liability/imputed interest for the one month of March 2013 has been recognised.				
Standard Bank – Facility A	**77 643 332**	–	**–**	–
– capitalised transaction costs	**(4 157 163)**	–	**–**	–
The loan bears interest at the JIBAR rate and is repayable in quarterly instalments. The capital instalments for the 2014 financial year began on 28 March 2013 and amount to an initial payment of R2 916 668 followed by three payments of R10 694 444 each and a payment of R7,5 million in March 2014. The transaction costs of this loan are capitalised and released to interest paid over the term of the loan.				
Standard Bank – Facility B	**38 000 000**	–	**–**	–
This loan bears interest at the JIBAR rate and interest is repayable quarterly in arrears.				
Standard Bank – Facility C	**63 221 753**	–	**–**	–
This loan bears interest at 10,32% per annum and is repayable in February 2018, with interest payments made quarterly.				
Standard Bank – Facility D	**9 000 000**	–	**–**	–
This loan bears interest at 10,32% per annum and is repayable in February 2018, with interest payments made quarterly.				
	288 974 254	–	**105 266 332**	–

The Standard Bank loans ("Facilities A, B, C and D") are secured as follows:

- General notarial bond by Métier in favour of the debt guarantor over all its movable assets, including inventory.
- Pledge and cession by Sephaku Holdings in favour of the debt guarantor, in which Sephaku Holdings *inter alia* pledges and cedes *in securitatem debiti* to the debt guarantor all its shares in and claims against the borrower.

17. Other financial liabilities *continued*

- 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 right, 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 right, title and interest in and to the domain name.

Total term lending facilities are R260 000 000.

	GROUP		COMPANY	
	2013 R	2012 R	**2013 R**	2012 R
Non-current liabilities				
At amortised cost	**249 390 922**	–	**105 266 332**	–
Current liabilities				
At amortised cost	**39 583 332**	–	**–**	–
	288 974 254	–	**105 266 332**	–

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

18. Deferred income

Government grants of R1 323 285 relating to assets were received during the 2013 financial year. These grants are recognised as deferred income, and released to operating profit over the average useful lives of the assets, which is seven years. The total recognised in operating profit for March 2013 amounts to R15 753.

	Group 2013 R	Group 2012 R	Company 2013 R	Company 2012 R
Acquired through business combination (note 33)	**1 307 532**	–	**–**	–
Amortised	**(15 753)**	–	**–**	–
	1 291 779	–	**–**	–
Non-current liabilities	**1 102 738**	–	**–**	–
Current liabilities	**189 041**	–	**–**	–
	1 291 779	–	**–**	–

19. Trade and other payables

	Group 2013 R	Group 2012 R	Company 2013 R	Company 2012 R
Trade payables	**33 548 453**	399 525	**150 694**	399 535
Value-added taxation	**539 488**	–	**–**	–
Accrued expenses	**3 032 325**	333 000	**36 000**	333 000
Accrued bonus	**5 011 277**	–	**–**	–
Accrued audit fees	**340 000**	249 390	**340 000**	249 390
	42 471 543	981 915	**526 694**	981 925

19. Trade and other payables *continued*

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.

20. Financial liabilities by category

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

Group – 2013	Financial liabilities at amortised cost	Non-financial instruments	Total
Other financial liabilities	288 974 254	–	288 974 254
Trade and other payables	41 932 054	539 488	42 471 542
	330 906 308	539 488	331 445 796

Group – 2012	Financial liabilities at amortised cost	Non-financial instruments	Total
Trade and other payables	981 914	–	981 914

Company – 2013	Financial liabilities at amortised cost	Non-financial instruments	Total
Other financial liabilities	105 266 332	–	105 266 332
Trade and other payables	526 693	–	526 693
	105 793 025	–	105 793 025

Company – 2012	Financial liabilities at amortised cost	Non-financial instruments	Total
Trade and other payables	981 924	–	981 924

21. Revenue

	GROUP		COMPANY	
	2013 R	2012 R	2013 R	2012 R
Sale of goods	37 195 338	–	–	–

22. Cost of sales

	2013 R	2012 R	2013 R	2012 R
Cost of goods/inventory sold	21 574 848	–	–	–

23. Operating loss

	GROUP		COMPANY	
	2013 R	2012 R	**2013 R**	2012 R
Operating loss for the period is stated after accounting for the following:				
Operating lease charges				
Lease rentals on operating lease				
· Contractual amounts straightlined	**387 266**	–	**–**	–
Profit on sale of property, plant and equipment	**50 029**	–	**–**	–
Loss on sale of non-current assets	**–**	5 629 161	**–**	5 629 161
Profit on unbundling of Sephaku Fluoride Ltd	**–**	(30 445 833)	**–**	–
Impairment of investment in subsidiary	**–**	–	**89 410 741**	–
Impairment of loan receivable	**6 835 864**	–	**6 835 864**	–
Depreciation on property, plant and equipment	**1 690 742**	–	**–**	–
Employee costs	**9 136 159**	5 471 013	**7 108 863**	5 471 013
Auditors remuneration	**559 523**	920 065	**476 610**	920 065
Prescribed officers remuneration	**867 737**	–	**–**	–

24. Investment revenue

	GROUP		COMPANY	
	2013 R	2012 R	**2013 R**	2012 R
Dividend revenue				
Subsidiaries – Local	**–**	–	**110 000 000**	–
Interest revenue				
Bank	**672 558**	170	**652 050**	170
Other interest	**147 729**	127 128	**–**	127 128
	820 287	127 298	**652 050**	127 298
	820 287	127 298	**110 652 050**	127 298

25. Profit on unbundling of Sephaku Fluoride

The profit on unbundling of Sephaku Fluoride of R30 445 833 originated at Sephaku Holdings group level as the difference between the fair value of the dividend *in specie* declared of R101 092 918 (note 34) and the net asset value of the Sephaku Fluoride group at the date of unbundling of R70 647 085.

26. Finance costs

	GROUP		COMPANY	
	2013 R	2012 R	**2013 R**	2012 R
Bank	**55 518**	8	**–**	8
Other financial liabilities	**1 338 988**	–	**–**	–
Imputed interest charge on deferred vendor loan (note 17)	**554 762**	–	**554 762**	–
	1 949 268	8	**554 762**	8

27. Taxation

	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
Major components of the taxation expense				
Current				
Local income taxation – current period	**929 899**	–	**–**	–
Donations taxation	**6 530**	–	**–**	–
	936 429	–	**–**	–
Deferred				
Originating and reversing temporary differences	**204 771**	–	**–**	–
	1 141 200	–	**–**	–
Reconciliation of the taxation expense				
Reconciliation between accounting profit and taxation expense.				
Loss before taxation	**(14 786 298)**	(21 303 430)	**586 467**	(21 195 808)
Taxation at the applicable taxation rate of 28%	**(4 140 163)**	(5 964 960)	**164 211**	(5 934 826)
Taxation effect of adjustments on taxable income				
Non-deductible items and exempt income	**2 998 136**	2 797 873	**(2 440 908)**	2 767 739
Deferred taxation not raised on taxation loss	**2 276 697**	3 167 087	**2 276 697**	3 167 087
Donations taxation	**6 530**	–	**–**	–
	1 141 200	–	**–**	–

No provision has been made for 2013 taxation as the group has no taxable income. The estimated taxation loss available for set-off against future taxable income for the group is R51 936 182 (2012: R185 335 961) and for the company is R51 936 182 (2012: R43 805 120).

28. Auditors' remuneration

	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
Fees for audit services	**554 523**	452 065	**476 610**	452 065
Consulting	**5 000**	468 000	**–**	468 000
	559 523	920 065	**476 610**	920 065

29. Other comprehensive income – Associate

Components of other comprehensive loss – Group – 2013

	Share of other comprehensive loss of associates	Net
Movements on revaluation		
Loss on property revaluation	**(1 207 663)**	**(1 207 663)**

29. Other comprehensive income – Associate *continued*

Components of other comprehensive income – Group – 2012

	Share of other comprehensive income of associates	Net
Effects of cash flow hedges		
Gains on cash flow hedges arising during the year	12 682 846	12 682 846

The movement in other comprehensive income relates to Sephaku Holdings' interest in the other comprehensive (loss)/income of Sephaku Cement as an associate amounting to (R1 207 663)/R12 682 846 (note 6).

30. Cash used in operations

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	R	R	**R**	R
(Loss)/profit for the period	**(14 786 298)**	993 280	**586 467**	(21 195 808)
Adjustments for:				
Depreciation	**1 690 742**	128 301	**–**	–
(Profit)/loss on sale of non-current assets	**(50 029)**	5 629 161	**–**	5 629 161
Profit on unbundling of Sephaku Fluoride Ltd	**–**	(30 445 833)	**–**	–
(Profit)/loss from equity accounted investments	**(6 191 410)**	107 622	**–**	–
Dividends received	**–**	–	**(110 000 000)**	–
Interest received	**(820 287)**	(205 532)	**(652 050)**	(127 298)
Finance costs	**1 949 268**	208 583	**554 762**	8
Impairment loss	**6 835 864**	1 119 096	**96 246 605**	–
Acquisition costs	**4 110 902**	–	**–**	–
Deferred income	**(15 753)**	–	**–**	–
Share options recorded against salary expense	**4 481 104**	4 255 623	**4 481 104**	4 255 623
Changes in working capital:				
Inventories	**(913 370)**	–	**–**	–
Trade and other receivables	**(6 929 848)**	(1 974 532)	**(269 676)**	(10 372)
Trade and other payables	**(10 931 485)**	411 163	**(455 233)**	3 900 636
	(21 570 600)	(19 773 068)	**(9 508 021)**	(7 548 050)

31. Taxation received

Current taxation for the period recognised in profit or loss	**(936 429)**	–	**–**	–
Balance acquired on the acquisition of the subsidiary	**(10 410 096)**	–	**–**	–
Balance at end of the period	**11 402 043**	–	**–**	–
	55 518	–	**–**	–

32. Cash flows of disposal groups

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	R	R	**R**	R
2012				
Cash flows from operating activities	**–**	(12 355 359)	**–**	–
Cash flows from investing activities	**–**	(28 699 838)	**–**	–
Cash flows from financing activities	**–**	55 949 947	**–**	–
	–	14 894 750	**–**	–

33. Acquisition of subsidiary

	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
Business combination				
Property, plant and equipment	**113 461 513**	–	**–**	–
Investment in subsidiary (note 5)	**–**	–	**295 267 125**	–
Other financial assets	**4 756 013**	–	**–**	–
Inventories	**5 816 855**	–	**–**	–
Trade and other receivables	**53 643 537**	–	**–**	–
Cash and cash equivalents	**20 799 994**	–	**–**	–
Other loans and payables	**(67 529 217)**	–	**–**	–
Deferred taxation	**(9 680 685)**	–	**–**	–
Current taxation payable	**(10 410 096)**	–	**–**	–
Trade and other payables	**(52 421 111)**	–	**–**	–
Deferred income	**(1 307 532)**	–	**–**	–
Net assets acquired at provisional fair values/ Investment in subsidiary	**57 129 271**	–	**295 267 125**	–
Goodwill	**238 137 854**	–	**–**	–
	295 267 125	–	**295 267 125**	–
Consideration paid				
Cash	**110 000 000**	–	**110 000 000**	–
Equity instruments	**80 555 555**	–	**80 555 555**	–
Deferred vendor loan of R125 million discounted to net present value (note 17)	**104 711 570**	–	**104 711 570**	–
	295 267 125	–	**295 267 125**	–
Net cash outflow on acquisition				
Cash consideration paid	**(110 000 000)**	–	**(110 000 000)**	–
Cash acquired	**20 799 994**	–	**–**	–
	(89 200 006)	–	**(110 000 000)**	–

On 28 February 2013 the group acquired 100% of the issued share capital of Métier which resulted in the group obtaining control over Métier.

Métier is a supplier of quality ready mixed concrete products. The company has a full-service technical division, provides a concrete-pumping service, and has capacity to supply specialised concrete to the higher end of the market.

33. Acquisition of subsidiary *continued*

The acquisition is expected to have synergistic benefits for Sephaku Holdings and its associate Sephaku Cement currently a new entrant into the cement production industry in South Africa. Synergistic benefits for Sephaku Holdings include: building a broader revenue base in the construction materials market; providing earlier cash flows; diversification of company assets; regional diversification of Sephaku Holdings; and the creation of shareholder growth. Further potential exists for vertical integration as Métier is a consumer of cement and fly ash, both of which can potentially be provided by Sephaku Cement.

The acquisition is consistent with the stated growth and investment strategy of Sephaku Holdings to increase its focus on cement and cement-related products and services.

Purchase consideration

The total nominal purchase consideration consists of R365 million in a combination of acquisition finance and Sephaku Holdings securities. The total fair value of the purchase consideration amounted to R295 267 125.

On closing, the following settlement took place (as per the agreement):

- cash payment of R110 million;
- 5 million Sephaku Holdings shares were issued at R6 per share amounting to R30 million; and
- 11,1 million Sephaku Holdings shares were issued at R9 per share amounting to R100 million.

The above share issues were recorded at fair value in terms of IFRS based on the listed share price of Sephaku Holdings at 28 February 2013 of R5 per share amounting to R80 555 555.

On 1 December 2014 the balance of the purchase consideration will be settled as follows:

- cash payment of R125 million; and
- agterskot: if the Sephaku Holdings share price, based on a 60-day volume-weighted average price is below R9 and above R4 at 1 December 2014, additional shares will be issued to settle the purchase consideration. The additional shares to be issued would be calculated by dividing R100 million by the share price to calculate an amount of shares. This amount less 11 111 111 shares would be the additional shares to be issued.

The company will therefore have a potential liability for the additional amount of shares if the share price is below R9 per share on 1 December 2014. Management have, in conjunction with external valuers, assessed the likelihood and estimated that the future share price at measurement date of 1 December 2014 will be in excess of R9 per share, and therefore no further liability has been recognised.

Goodwill

In terms of IFRS, goodwill acquired in a business combination should be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. This allocation of goodwill should be performed at acquisition date. If the initial allocation cannot be completed before the end of the annual period in which the business combination is effected, that initial allocation should be completed before the end of the first annual period beginning after acquisition date.

As the purchase price allocation has not as yet been performed at the reporting date, the acquisition resulted in goodwill amounting to R238 137 854 (note 4) based on the net asset value of Métier on 28 February 2013.

Equity issued as part of consideration paid

The fair value of the 5 000 000 and the further 11 111 111 Sephaku Holdings ordinary shares issued as part of the consideration for the business combination has been based on the listed share price of the company at 28 February 2013 of R5 per share.

Acquisition-related costs

The company incurred acquisition-related costs of R4 110 902 relating to external legal fees, due diligence costs, consulting and competition commission fees. These costs have been capitalised to the investment in subsidiary on company level and have been included in 'operating expenses' in the consolidated statement of comprehensive income on group level.

33. Acquisition of subsidiary *continued*

Group revenue and profit or loss for full financial period

Revenue of R37 195 338 and profit before taxation of R3 135 986 for the month of March 2013 of Métier has been included in the current year results of Sephaku Holdings. Had the acquisition been effective at the beginning of the reporting nine months, management estimates that Métier would have contributed R292 215 435 to revenue and R38 322 894 to profit before taxation. This estimate is based on management accounts for the nine-month period. Métier earned revenue of R414 267 766 and profit before taxation of R63 356 713 for the 12 months ended 28 February 2013 based on their audited annual financial statements.

34. Disposal of interest in subsidiaries and associates

	Note	GROUP 2013 R	GROUP 2012 R	COMPANY 2013 R	COMPANY 2012 R
Carrying value of assets sold					
Property, plant and equipment		–	52 043 607	–	–
Intangible assets		–	86 179 642	–	–
Investment in subsidiaries		–	–	–	104 256 548
Investment in associates		–	54 222	–	–
Deposits for rehabilitation		–	5 080 400	–	–
Cash and cash equivalents		–	14 898 656	–	–
Other financial assets		–	1 000 694	–	–
Trade and other receivables		–	8 355 119	–	–
Non-current assets held for sale		–	21 329 161	–	21 329 161
Other financial liabilities (other loans payable)		–	(91 462 519)	–	–
Trade and other payables		–	(2 339 106)	–	–
Total net assets sold		–	95 139 876	–	125 585 709
Sephaku Fluoride Ltd shares sold to trust		–	(3 163 630)	–	(3 163 630)
Carrying amount of interest disposed		–	91 976 246	–	122 422 079
Loss on disposal of non-current assets held for sale		–	(5 629 161)	–	(5 629 161)
Profit on unbundling of Sephaku Fluoride Ltd	25	–	30 445 833	–	–
		–	116 792 918	–	116 792 918
Consideration received					
Cash		–	15 700 000	–	15 700 000
Equity – Dividend *in specie* out of contributed tax capital		–	101 092 918	–	101 092 918
		–	116 792 918	–	116 792 918
Net cash flow on disposal					
Cash consideration received		–	15 700 000	–	15 700 000
Cash disposed with unbundling		–	(14 898 656)	–	–
		–	801 344	–	15 700 000

34. Disposal of interest in subsidiaries and associates *continued*

2012:

Sephaku Fluoride unbundling

Sephaku Holdings subscribed for an additional 177 064 202 shares in Sephaku Fluoride at R0,58875 per share, of which 5 373 470 Sephaku Fluoride shares were sold to Cross Company Management at R0,58875 a share, to be held for the benefit of the holders of certain vested options over Sephaku Holdings shares, which options were issued in terms of a share scheme prior to listing.

Shareholder approval has been obtained on 7 March 2012 for the distribution of all the remaining Sephaku Fluoride shares held by Sephaku Holdings to Sephaku Holdings shareholders by way of a dividend *in specie* (out of contributed taxation capital) of R101 092 918, as a pro rata payment to shareholders on 26 March 2012 in the ratio of 1 Sephaku Fluoride share, valued at R0,58875 per share, for every 1 Sephaku Holdings share held on the Sephaku Fluoride distribution record date.

Sephaku Fluoride and its subsidiaries' assets and liabilities have been deconsolidated from Sephaku Holdings and the total profit for the Sephaku Fluoride group for the period up to the unbundling end of March 2012, is included in the statement of comprehensive income as a R22 296 709 profit from discontinued operations (note 14).

Disposal of African Nickel Holdings (Pty) Ltd ("African Nickel Holdings")

Sephaku Holdings disposed its 26% interest in African Nickel Holdings for a cash consideration of R15,7 million on 8 May 2012. The total historical cost of the investment was R3 090 050. The total profit on the disposal of the investment amounted to R12 609 950 of which a profit of R18 239 110 was recognised on the initial sale to the Wu group and a loss of R5 629 161 was recognised during the 2012 financial period as the difference between the fair value less cost to sell of the asset held for disposal of R21 329 161 and the selling price of R15,7 million.

35. Commitments

	GROUP		COMPANY	
	2013 R	2012 R	**2013 R**	2012 R
Authorised capital expenditure				
Operating leases – as lessee (expense)				
Minimum lease payments due				
– within one year	**18 035 013**	–	**–**	–
– in second to fifth year inclusive	**35 409 380**	–	**–**	–
– later than five years	**33 881 879**	–	**–**	–
	87 326 272	–	**–**	–

Operating lease payments represent rentals payable by the group for certain of its plant sites. Leases are negotiated for varying lengths. No contingent rent is payable.

36. Related parties

Relationships

Subsidiaries	Refer to note 5
Associate	Refer to note 6
Shareholder with significant influence	Dangote Industries Ltd
Company with common shareholders	Incubex Minerals Ltd
	Sephaku Fluoride Ltd

36. Related parties *continued*

Directors	B Williams Dr L Mohuba NR Crafford-Lazarus RR Matjiu CRDW de Bruin PF Fourie MM Ngoasheng Dr D Twist MG Mahlare PM Makwana J Bennette JW Wessels
Members of key management of Métier Mixed Concrete (Pty) Ltd	RS Thompson KJ Capes WM Witherspoon
Companies with common directors	Cross Company Management (Pty) Ltd Métier Concrete Products (Pty) Ltd Métier Aggregates (Pty) Ltd Plazatique Corp 27 CC JT Ross (Pty) Ltd JT Ross and Son (Pty) Ltd The JTR Trust

	GROUP		COMPANY	
	2013 **R**	2012 R	**2013** **R**	2012 R
Related-party balances				
Loan accounts – Owing by related parties				
Sephaku Cement (Pty) Ltd	**337 058**	928 050	**337 058**	928 050
Cross Company Management (Pty) Ltd	**17 129 647**	18 434 461	**17 129 647**	18 434 461
Sephaku Cement Investment Holdings Ltd	**–**	–	**4 149**	4 149
African Nickel Holdings (Pty) Ltd	**3 200 000**	3 596 551	**3 200 000**	3 596 551
Amounts included in trade receivables/ (trade payables) regarding related parties				
Cross Company Management (Pty) Ltd	**(4 699)**	(247 337)	**(4 699)**	(247 337)
Métier Concrete Products (Pty) Ltd	**142 838**	–	**–**	–
Related-party transactions				
Sales to related parties				
Métier Concrete Products (Pty) Ltd	**(142 838)**	–	**–**	–
Purchases from related parties				
Métier Aggregates (Pty) Ltd	**510 655**	–	**–**	–
Rent paid to related parties				
Plazatique Corp 27 CC	**59 950**	–	**–**	–
Métier Aggregates (Pty) Ltd	**27 216**	–	**–**	–

36. Related parties *continued*

	GROUP		COMPANY	
	2013 **R**	2012 R	**2013** **R**	2012 R
Fees paid to related parties for management services				
Cross Company Management (Pty) Ltd	**3 039 781**	5 628 752	**3 039 781**	5 628 752
Utilities paid to related parties				
Plazatique Corp 27 CC	**33 751**	–	**–**	–

37. Directors' emoluments

Executive

2013	Remuneration R	Performance bonuses R	Allowances and other* R	Total R
Dr L Mohuba	**479 205**	**189 637**	**–**	**668 842**
NR Crafford-Lazarus	**562 234**	**1 012 994**	**36 000**	**1 611 228**
RR Matjiu	**210 784**	**26 133**	**30 000**	**266 917**
JW Wessels	**272 938**	**760 378**	**–**	**1 033 316**
J Bennette	**–**	**33 984**	**–**	**33 984**
	1 525 161	**2 023 126**	**66 000**	**3 614 287**

2012	Remuneration R	Performance bonuses R	Allowances and other* R	Remuneration for services as directors of subsidiaries R	Total R
Dr L Mohuba	917 168	77 830	–	–	994 998
NR Crafford-Lazarus	871 638	171 055	120 000	754 130	1 916 823
RR Matjiu	582 377	71 273	100 000	45 670	799 320
JW Wessels	157 066	42 324	–	273 285	472 675
L van den Heever	–	121 200	–	1 104 154	1 225 354
A Smith	–	–	–	915 718	915 718
	2 528 249	483 682	220 000	3 092 957	6 324 888

Non-executive

2013	Fees for services as director R	Committees fees R	Consulting fees R	Total R
B Williams	**132 000**	**32 000**	**–**	**164 000**
CRDW de Bruin	**–**	**–**	**446 944**	**446 944**
MM Ngoasheng	**6 600**	**16 500**	**–**	**23 100**
MG Mahlare	**60 000**	**48 000**	**–**	**108 000**
PM Makwana	**20 000**	**16 000**	**–**	**36 000**
	218 600	**112 500**	**446 944**	**778 044**

** 'Allowances and other' relates to travel allowances.*

2012	Fees for services as director R	Committees fees R	Consulting fees R	Total R
B Williams	30 000	22 000	–	52 000
CRDW de Bruin	–	–	819 239	819 239
Dr D Twist	–	–	536 922	536 922
MM Ngoasheng	24 000	15 000	–	39 000
MG Mahlare	60 000	66 000	–	126 000
Dr GS Mahlati	6 000	–	–	6 000
SD Steyn	80 000	30 000	–	110 000
	200 000	133 000	1 356 161	1 689 161

A management fee is paid to Cross Company Management for the services of directors and staff. The fees are calculated on the basis of time spent on group activities. The amounts included as directors' emoluments are the amounts paid to Cross Company Management for the services rendered by directors to the group.

The unbundling of the Sephaku Fluoride group during 2012 resulted in a decrease in directors' emoluments during 2013 compared to the 2012 financial year.

As Sephaku Cement is treated as an equity accounted associate, the remuneration of J Bennette and PF Fourie does not form part of Sephaku Holdings statement of comprehensive income and the emoluments for 2013 disclosed above.

Service contracts

None of the 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.

38. Comparative figures

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

39. Risk management

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders 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 13, borrowings disclosed in note 17 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 table below analyses 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.

39. Risk management *continued*

Group

2013	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R
Other financial liabilities	**53 899 559**	**166 245 185**	**136 864 434**
Trade and other payables	**41 932 054**	**–**	**–**

2012	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R
Trade and other payables	981 914	–	–

Company

2013	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R
Other financial liabilities	**–**	**125 000 000**	**–**
Trade and other payables	**526 693**	**–**	**–**

2012	Less than 1 year R	Between 1 and 2 years R	Between 2 and 5 years R
Trade and other payables	981 924	–	–

Interest rate risk

The company and the group are exposed to interest rate risk through their variable rate cash balances, as well as their borrowings. 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 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 2013, if interest rates on cash and cash equivalents had been 1% higher/lower with all other variables held constant, pre-taxation profit of the company and the group, for the year would have been R130 410 (2012: insignificant) 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 2013, if interest rates on rand-denominated borrowings had been 1% higher/lower with all other variables held constant, pre-taxation profit of the group would have been R133 898 (2012: insignificant) lower/higher, as a result of higher/lower interest expense on floating rate borrowings. The resulting taxation effect would have been R37 491.

Any changes in the fair value of the Liberty Investments would be considered to be insignificant.

Cash flow interest rate risk Financial instrument	Current interest rate %	Due in less than a year R	Due in one to two years R	Due in two to five years R
Cash in current banking institutions	4,15	8 188 739	–	–
Fixed rate financial liabilities	10,32	–	–	72 221 753
Floating rate financial liabilities	5,08	77 583 332	28 750 000	5 152 837

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 group only deposits cash with major banks with 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.

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

Financial assets exposed to credit risk are as follows:

	GROUP		COMPANY	
Financial instrument	**2013 R**	2012 R	**2013 R**	2012 R
Loans to group companies	**337 058**	928 050	**341 207**	932 199
Other financial assets	**18 394 027**	22 031 012	**13 493 783**	22 031 012
Trade and other receivables	**60 237 799**	–	**–**	–
Cash and cash equivalents	**22 337 824**	24 629 136	**13 793 993**	24 629 136

40. Going concern

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

41. Events after the reporting period

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

42. Net asset value per share and earnings per share

	GROUP	
	2013 R	2012 R
Net asset value and tangible net asset value per share		
Total assets	**1 094 549 733**	673 605 075
Total liabilities	**(354 025 075)**	(981 915)
Net asset value attributable to equity holders of parent	**740 524 658**	672 623 160
Goodwill	**(238 137 854)**	–
Tangible net asset value	**502 386 804**	672 623 160
Shares in issue	**187 901 843**	171 790 732
Net asset value per share (cents)	**394,10**	391,54
Tangible net asset value per share (cents)	**267,37**	391,54
Earnings, diluted earnings and headline earnings per share		
Reconciliation of basic earnings to diluted earnings and headline earnings:		
Basic loss and diluted loss from continuing operations	**(15 927 498)**	(21 303 429)
Basic earnings and diluted earnings from discontinued operations	**–**	22 296 709
Basic (loss)/earnings and diluted (loss)/earnings from total operations attributable to equity holders of parent	**(15 927 498)**	993 280
(Profit)/loss on sale of non-current assets	**(50 029)**	5 629 161
Profit on unbundling of Sephaku Fluoride Ltd	**–**	(30 445 833)
Impairments	**–**	1 119 096
Headline loss attributable to equity holders of parent	**(15 977 527)**	(22 704 296)

42. Net asset value per share and earnings per share *continued*

	GROUP	
	2013	2012
	R	R
Basic weighted average number of shares	**173 613 522**	171 080 349
Dilutive effect of share options	**4 646 656**	15 423 470
Diluted weighted average number of shares	**178 260 178**	186 503 819
	cents	cents
Basic (loss)/earnings per share from total operations (cents):	**(9,17)**	0,58
Continuing operations	**(9,17)**	(12,45)
Discontinued operations	**–**	13,03
Diluted (loss)/earnings per share from total operations (cents):	**(8,93)**	0,53
Continuing operations	**(8,93)**	(11,42)
Discontinued operations	**–**	11,95
Headline loss per share from total operations (cents):	**(9,20)**	(13,27)
Continuing operations	**(9,20)**	(26,96)
Discontinued operations	**–**	13,69
Diluted headline loss per share from total operations (cents):	**(8,96)**	(12,17)
Continuing operations	**(8,96)**	(24,73)
Discontinued operations	**–**	12,56

43. Segment information

	Ready mixed concrete R	**Head office R**	**Group totals R**
Segment revenue – external revenue	37 195 338	–	37 195 338
Segment expenses	(11 614 316)	(24 210 982)	(35 825 298)
Profit from equity accounted investment	–	6 191 410	6 191 410
Segment profit/(loss) after taxation	1 994 786	(17 922 284)	(15 927 498)
Taxation	(1 141 200)	–	(1 141 200)
Interest received	168 237	652 050	820 287
Interest paid	(1 394 506)	(554 762)	(1 949 268)
Depreciation	(1 690 742)	–	(1 690 742)
Segment assets	197 356 117	897 193 616	1 094 549 733
Capital expenditure included in segment assets	5 145 027	–	5 145 027
Segment liabilities	(248 232 064)	(105 793 011)	(354 025 075)

The only mineral or commodity actively managed by Métier is ready mixed concrete.

Sephaku Cement is an associate of Sephaku Holdings. No segment report has been presented for Cement as the amounts attributable to Cement have been included in the “Head office” segment.

Shareholders' analysis

Sephaku Holdings Ltd

Ordinary shares

Issued capital: 187 901 843

Total holders: 1 021

Issued capital

Type of shares	Number of shareholders	% of shareholders	Number of shares
Certificated shares	204	19,98	58 122 751
Dematerialised shares	817	80,02	129 779 092
Issued capital	1 021	100,00	187 901 843

Top 10 shareholders

Shareholder	Type of holding	Number of shares
Credit Suisse AG Zurich Nominees	Dematerialised	22 699 874
Safika Resources (Pty) Ltd Nominees	Certificated	15 580 823
Lelau Mohuba Trust	Dematerialised	9 263 767
CRDW de Bruin	Dematerialised	8 999 908
Bank Of New York Nominees	Dematerialised	6 951 543

Range of units

Share range	Number of shareholders	% of shareholders	Number of shares
1 – 1 000	168	16,45	91 980
1 001 – 10 000	432	42,31	2 072 344
10 001 – 50 000	216	21,16	5 423 781
50 001 – 100 000	68	6,66	4 750 618
100 001 – 500 000	85	8,33	21 659 413
500 001 – 1 000 000	17	1,67	13 059 852
1 000 001 shares and over	35	3,43	140 843 855
	1 021	100,00	187 901 843

Breakdown by domicile

Domicile	Number of shareholders	% of shareholders	Number of shares
Resident shareholders	997	97,65	153 591 631
Non-resident shareholders	24	2,35	34 310 212
	1 021	100,00	187 901 843

Shareholders' diary

Financial year-end	31 March 2013
Announcement of the audited condensed consolidated provisional financial results for the nine months ended 31 March 2013	27 June 2013
Annual general meeting	4 October 2013
Announcement of the interim financial results for the six months ended 30 September 2013	±21 November 2013

King III checklist

Please refer to Sephaku Holdings website, www.sephakuholdings.co.za for the full application of King III principles assessment review report.

	Comply	Under review
Ethical leadership and corporate citizenship		
Effective leadership based on an ethical foundation	•	
Responsible corporate citizen	•	
Effective management of Sephaku Holdings' ethics	•	
Assurance statement on ethics in integrated report	•	
Boards and directors		
The board is the focal point for and custodian of corporate governance	•	
Strategy, risk, performance and sustainability are inseparable	•	
Directors act in the best interests of Sephaku Holdings	•	
The chairman of the board is an independent non-executive director	•	
Framework for the delegation of authority has been established	•	
The board comprises a balance of power, with a majority of non-executive directors who are independent	•	
Directors are appointed through a formal process	•	
Formal induction and ongoing training of directors is conducted	•	
The board is assisted by a competent, suitably qualified and experienced company secretary	•	
Regular performance evaluations of the board, its committees and the individual directors		•
Appointment of well-structured committees and oversight of key functions	•	
An agreed governance framework between Sephaku Holdings and its subsidiary boards is in place	•	
Directors and executives are fairly and responsibly remunerated	•	
Remuneration of directors and senior executives is disclosed	•	
Sephaku Holdings' remuneration policy is approved by its shareholders	•	
Internal audit		
Effective risk-based internal audit	•	
Written assessment of the effectiveness of Sephaku Holdings' system of internal controls and risk management	•	
Internal audit is strategically positioned to achieve its objectives	•	
Audit committee		
Effective and independent	•	
Composition consisting of three independent non-executive directors	•	
Suitably skilled and experienced independent non-executive directors	•	
Chaired by an independent non-executive director	•	
A combined assurance model is applied to improve efficiency in assurance activities	•	
Satisfies itself of the expertise, resources and experience of Sephaku Holdings' finance function	•	
Integral to the risk management process	•	
Oversees the external audit process	•	
Reports to the board and shareholders on how it has discharged its duties	•	
Compliance with laws, codes, rules and standards		

	Comply	Under review
The board ensures that Sephaku Holdings complies with relevant laws	•	
The board and directors have a working understanding of the relevance and implications of non-compliance	•	
Compliance risk forms an integral part of Sephaku Holdings' risk management process	•	
The board has delegated to management the implementation of an effective compliance framework and processes	•	
Governing stakeholder relationships		
Appreciation that stakeholders' perceptions affect a company's reputation	•	
Management proactively deals with stakeholder relationships	•	
There is an appropriate balance between its various stakeholder groups	•	
Equitable treatment of stakeholders	•	
Transparent and effective communication to stakeholders	•	
Disputes are resolved effectively and timeously	•	
The governance of information technology		
The board is responsible for information technology (IT) governance	•	
IT is aligned with the performance and sustainability objectives of Sephaku Holdings	•	
Management is responsible for the implementation of an IT governance framework	•	
The board monitors and evaluates significant IT investments and expenditure	•	
IT is an integral part of Sephaku Holdings' risk management	•	
IT assets are managed effectively	•	
The audit and risk committee assists the board in carrying out its IT responsibilities	•	
The governance of risk		
The board is responsible for the governance of risk and setting levels of risk tolerance	•	
The risk management committee assists the board in carrying out its risk responsibilities	•	
The board delegates the process of risk management to management	•	
The board ensures that risk assessments and monitoring is performed on a continual basis	•	
Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	•	
Management implements appropriate risk responses	•	
The board receives assurance on the effectiveness of the risk management process	•	
Sufficient risk disclosure to stakeholders	•	
Integrated reporting and disclosure		
Ensures the integrity of Sephaku Holdings' integrated report	•	
Sustainability reporting and disclosure is integrated with the Sephaku Holdings' financial reporting	•	
Sustainability reporting and disclosure is independently assured	•	

Corporate information

Directors
B Williams
Dr L Mohuba*
NR Crafford-Lazarus*
RR Matjiu*
CRDW de Bruin
PF Fourie
Dr D Twist
MM Ngoasheng
MG Mahlare
PM Makwana
K Capes*
J Bennette#
JW Wessels#
*Executive #Alternate

Company secretary
Jennifer Bennette

Registered office
1st Floor, Hennops House
Riverside Office Park
1303 Heuwel Avenue
Centurion, 0157
Telephone: +27 12 684 6300.
Website: www.sephakuholdings.co.za.

Transfer secretaries
Computershare Investor Services (Pty) Ltd
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107, South Africa
Telephone: +27 11 370 5000

JSE sponsor
QuestCo (Pty) Ltd

Auditors
PKF (Gauteng) Inc.
(merged with Grant Thornton Johannesburg on 1 July 2013)
Chartered accountants (SA)
Registered auditors

Bankers
Absa Bank

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