

BUILDING BLOCKS **FOR GROWTH**

2015

INTEGRATED ANNUAL REVIEW



Limestone raw material
to integrated plant



Bulk
cement

Bag
cement



Bag cement
to market

Limestone
pipeline

Bulk cement
to market

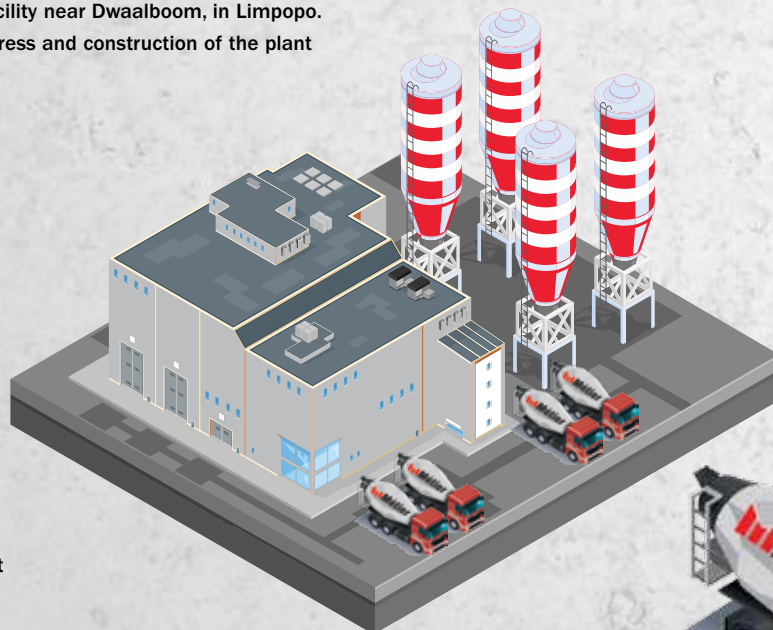
SEPHAKU CEMENT DWAALBOOM PROJECT LIMESTONE PROJECT

This project is the most advanced limestone exploration asset and has the potential of being the second major 3 000-tonne-per-day clinker and cement production facility near Dwaalboom, in Limpopo. Mining right application is in progress and construction of the plant still to be determined.

Building
materials
market

MÉTIER MIXED CONCRETE

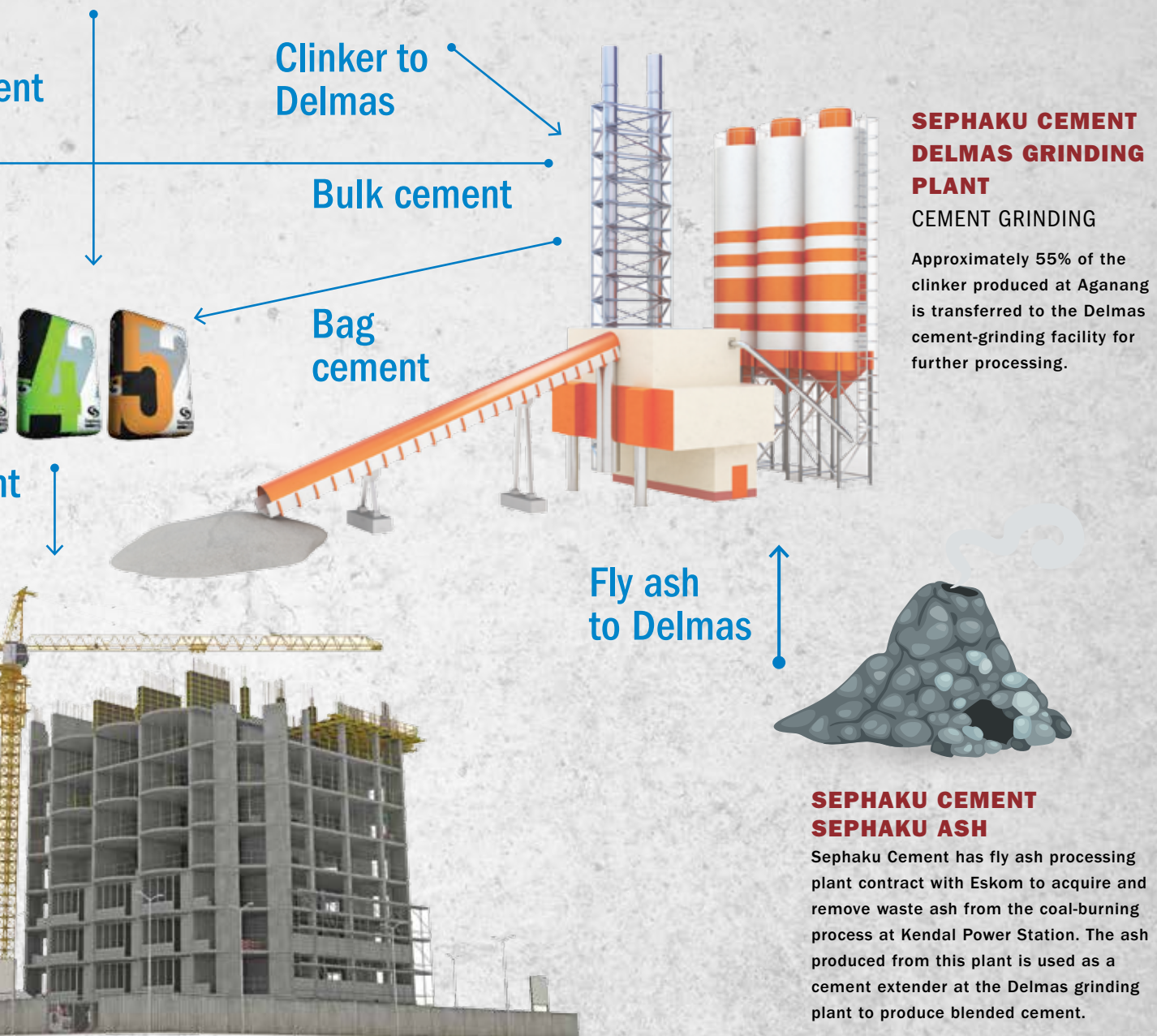
The core business of Métier is the manufacture and supply of quality ready-mixed concrete products for the residential, commercial and industrial markets in South Africa. Métier has achieved significant growth by positioning its business in markets that offer strong and growing demand for its products.



Mixed
to market

SEPHAKU CEMENT AGANANG INTEGRATED PLANT LIMESTONE QUARRY AND CEMENT PLANT

The Aganang plant consists of a limestone open cast quarry, a clinker and cement production plant. The operation mines the limestone raw material, processing it to clinker, grinding approximately 45% of the clinker and blending it with other components to produce the finished cement product in bag and bulk form. Aganang has the capacity to produce 1,8 million tonnes per annum of clinker and 1,1 million tonnes per annum of cement when fully commissioned.



SEPHAKU CEMENT DELMAS GRINDING PLANT

CEMENT GRINDING

Approximately 55% of the clinker produced at Aganang is transferred to the Delmas cement-grinding facility for further processing.

SEPHAKU CEMENT SEPHAKU ASH

Sephaku Cement has fly ash processing plant contract with Eskom to acquire and remove waste ash from the coal-burning process at Kendal Power Station. The ash produced from this plant is used as a cement extender at the Delmas grinding plant to produce blended cement.

SEPHAKU HOLDINGS INVESTMENTS

SEPHAKU AT A GLANCE

FINANCIAL YEAR ENDED 31 MARCH 2015

GROUP FINANCIAL PERFORMANCE AS AT 31 MARCH 2015

Revenue

R775,4m

Operating profit

R59,3m

Headline profit
per share

24,43c

Cash generated
from operations

R114,2m

EBITDA

R128,9m

Net profit after tax

R47,2m

Total
assets

R1,2bn

Net cash from
operating activities
after finance costs
and tax

R70,9m

OPERATIONAL PERFORMANCE SEPCEM

- Sales revenue of **R919 million** and EBITDA of **26%** by end of December 2014
- **Cement production commenced** at Delmas in January 2014

- **Clinker production commenced** at Aganang in August 2014
- **Cement production commenced** at Aganang in October 2014

- **Zero fatalities** at all plants
- **Zero lost time injury rates** at Delmas and SepAsh

- **0.109 lost time injury rate** at Aganang

GROUP SHARE PRICE PERFORMANCE AS AT 31 MARCH 2015

Number of shares
in issue

201 224 508

Average volume
per month

5,1m

Share price low
(cents)

520

Average value traded
per month (R)

R35,9m

Net assets value
per share (cents)

419,79

Number of
shareholders

2 286

Share price at year-
end (cents)

944

Share price high
(cents)

944

Market
capitalisation (R)

R1,9bn

OPERATIONAL PERFORMANCE MÉTIER MIXED CONCRETE

- Sales revenue of **R775 million** and EBITDA of **18%**
- Operating margin at **14%**

- **Increased plant footprint** to a total of **11** with an additional plant in Gauteng
- **Increased fleet and pumping capacity** to **23%** and **20%** respectively to cater for additional demand

- **Zero fatalities** at all 11 plants
- **14 recorded** lost time injuries



SEPHAKU HOLDINGS IS A BUILDING AND CONSTRUCTION MATERIALS COMPANY

Sephaku Holdings Limited (SepHold) is a JSE-listed company with investments in the construction and building materials sector in South Africa. SepHold's strategy is to generate value for shareholders from its portfolio of investments in the production of cement and ready-mixed concrete.



view this review online:

www.sephakuholdings.com

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ABOUT THIS REPORT

SCOPE AND BOUNDARY

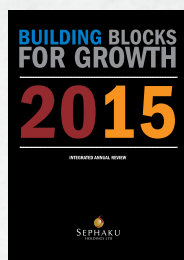
The 2015 integrated annual review reports on the core assets which comprise the 100%-owned subsidiary Métier Mixed Concrete Proprietary Limited (Métier) and the 36%-held associate Sephaku Cement Proprietary Limited (SepCem), which collectively with SepHold are referred to as the group. The review provides an overview of the environment in which the group operates, its business strategy and the material risks and opportunities that drive the strategy. It also discusses operational, financial, environmental and social performance of the group, and how these contribute to value creation.

The review covers the period 1 April 2014 to 31 March 2015. It is important to note that SepCem has a 31 December year-end as a subsidiary of Dangote Cement Plc (Dangote). The equity-accounted profit that has been included in these results therefore relates to SepCem's 2014 financial year for the period ended 31 December 2014.

The group identifies material matters by analysing stakeholder concerns, business risks and opportunities, and how these impact long-term sustainability.

SepHold's 2015 integrated annual report consists of two volumes:

Integrated annual review

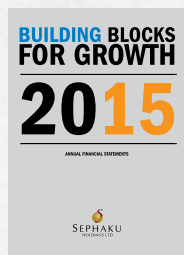


The integrated annual review as the initial volume provides an overview of the group highlighting key operational matters and performance reviews.

The review can be viewed online:

<http://www.sephakuholdings.com/investor-centre/results-and-reports/>

Annual financial statements



The second volume consists of the statutory annual financial statements.

The financial statements can be downloaded from

<http://www.sephakuholdings.com/investor-centre/financial-reports/>

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GUIDELINES USED

The information provided in this integrated annual review has been based on local and international requirements and frameworks. These include:

- the International Integrated Reporting Council's (IIRC) <IR> framework;
- the King Code of Governance for South Africa 2009 (King III);
- JSE Limited Listings Requirements;
- the South African Companies Act, 71 of 2008 as amended (Companies Act); and
- the International Financial Reporting Standards (IFRS).

APPROVAL OF THE INTEGRATED ANNUAL REVIEW

The board is ultimately responsible for overseeing the integrity and completeness of the integrated annual review. The board has applied their collective mind to the preparation and presentation of the integrated annual review. On 19 August 2015, the board approved the 2015 integrated annual review, taking into consideration the completeness of the material matters it deals with and the reliability of data and information presented.

FORWARD-LOOKING STATEMENTS

Opinions expressed in this review are, by nature, subject to known and unknown risks and uncertainties. Changing information or circumstances may cause the actual results, plans and objectives of SepHold to differ materially from those expressed or implied in any forward-looking statements. Undue reliance should not be placed on such opinions, forecasts or data.

No representation is made on the completeness or correctness of opinions, forecast or data in this review. Neither SepHold nor any of its affiliates, advisors or representatives accept any responsibility for any loss arising from the use of any opinion expressed, forecast or data in this review. Forward-looking statements apply only as of the date on which they are made and SepHold does not undertake any obligation to publicly update or revise any of its opinions or forward-looking statements, whether to reflect new data or future events or circumstances. The financial information on which the forward-looking statements are based has not been audited or reported on by SepHold's independent external auditors.

FEEDBACK

We welcome your feedback on our reporting. Any comments, queries and suggestions on the content and form of the integrated annual review may be directed to Sakhile Ndlovu, investor relations officer, at info@sepman.co.za.

STRATEGY OVERVIEW





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WHO WE ARE

SepHold is a JSE-listed company that invests in construction materials-focused businesses with the goal to create value for its shareholders through active participation in the operations to generate positive earnings and market share growth.

SepHold's portfolio currently constitutes of 36% equity ownership in SepCem and a 100%-owned mixed concrete subsidiary, Métier.

SepCem is a cement producer with modern manufacturing technologies and acute marketing skills. SepCem's main business activity is the manufacture, marketing and distribution of high-quality cementitious products to a broad spectrum of cement users. Its integrated cement plant in Aganang and grinding plant in Delmas with a combined production capacity of 2,5 million tonnes per annum, commenced production in October and January 2014 respectively. SepCem has established itself as a formidable competitor in the supply of cement through successfully penetrating all the major retailers, numerous second-tier distributors and several bulk cement users, particularly ready-mix concrete manufacturers.

The remaining 64% of SepCem is held by Dangote. Dangote is a fully integrated cement company that has projects and

operations in Nigeria and 14 other African countries. Dangote was listed on the Nigerian Stock Exchange in October 2010.

Refer to www.dangcem.com



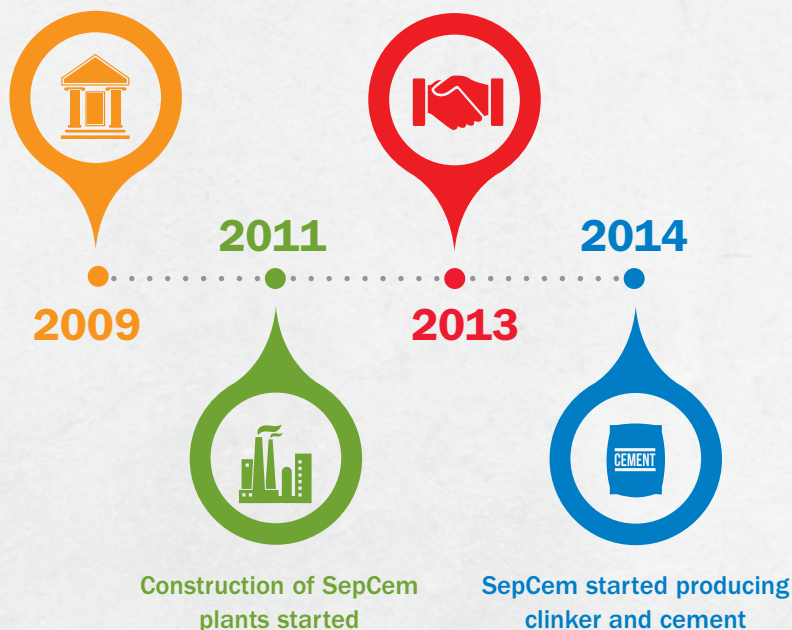
Métier is a market leader in the production of ready-mixed concretes, with a product offering that includes specialised high-margin technical concretes. Métier has a total of 11 plants with four of them situated in the Gauteng province and seven in the KwaZulu-Natal province. Its mission is providing innovative service, quality and reliability based on the following four pillars:

- IMPRESS customers by offering superior service and products;
- INSPIRE staff through a passion for concrete;
- SUPPORT suppliers to actively contribute to Métier's success; and
- RESPECT shareholders by offering value for their investment.

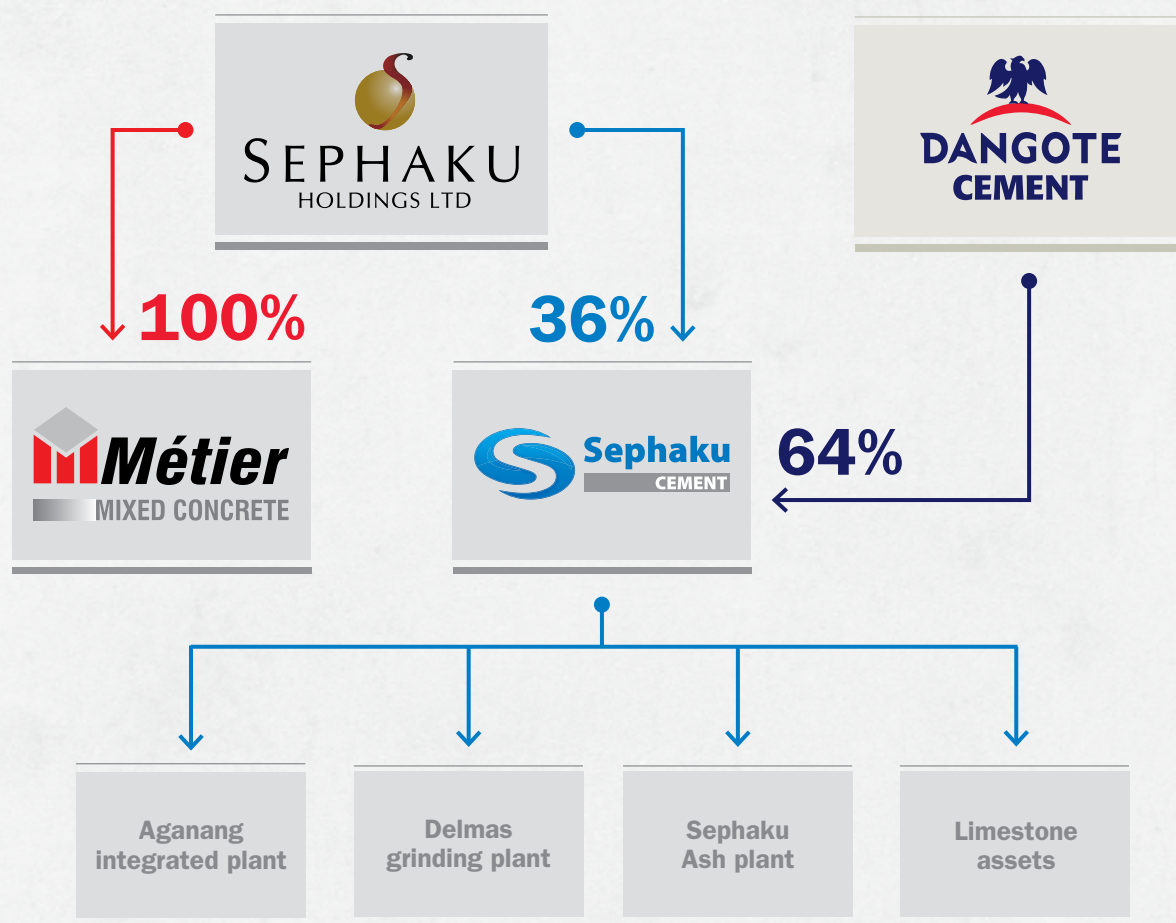
OUR KEY MILESTONES

SepHold listed on the JSE

Acquisition of Métier



OPERATIONAL STRUCTURE

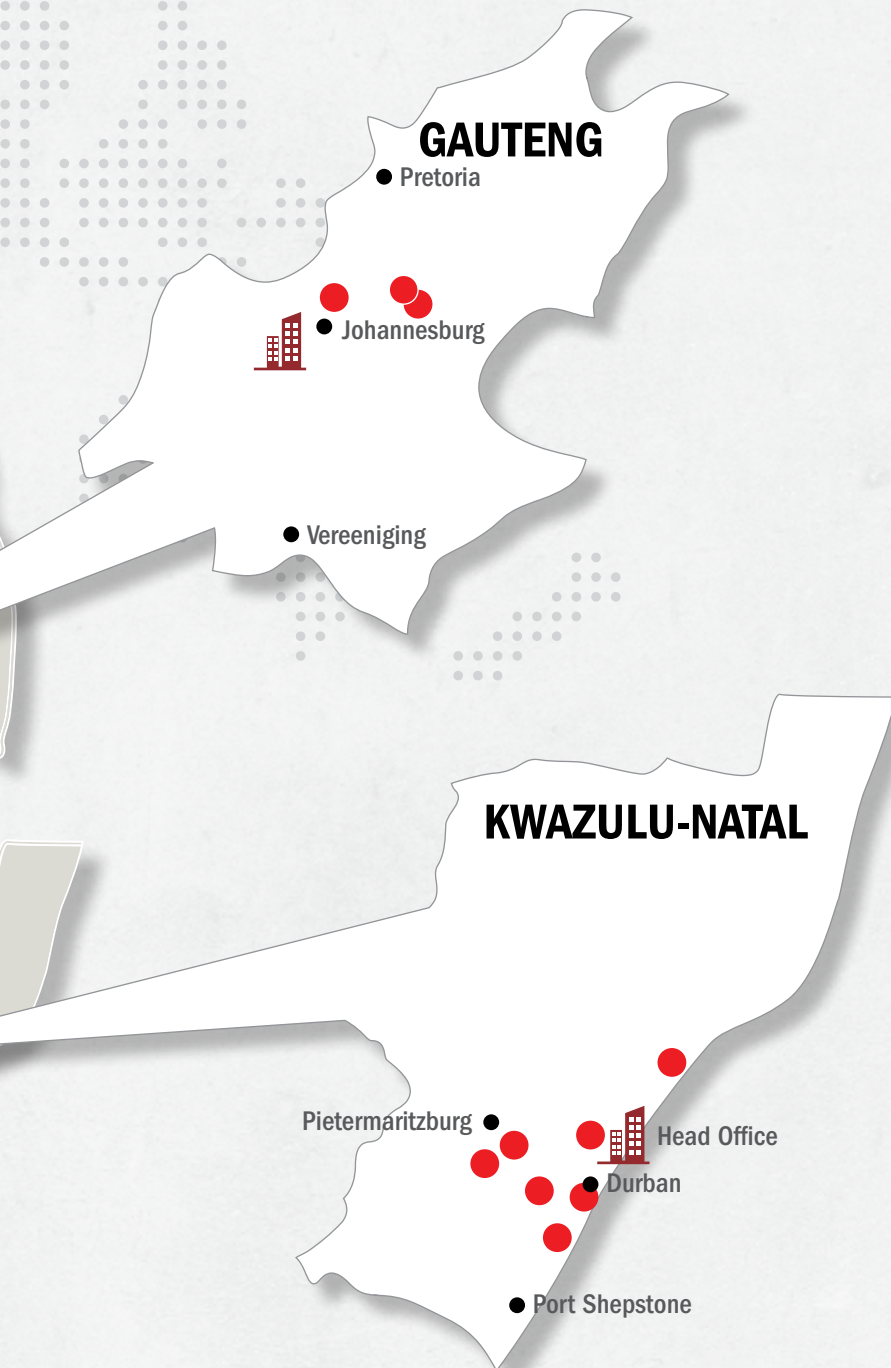


Refer to the inside cover for further detail regarding our operations.

WHERE WE OPERATE

OUR OPERATIONS ARE LOCATED IN THE GAUTENG, KWAZULU-NATAL, NORTH WEST AND MPUMALANGA PROVINCES IN SOUTH AFRICA.





Sephaku Cement operations

- Aganang cement plant
- Delmas grinding plant
- Sephaku Ash plant
- Dwaalboom limestone project

Métier Mixed Concrete operations

Gauteng

- Johannesburg Office
- OR Tambo plant
- Sandton plant
- Chloorkop and Midrand plant¹

KwaZulu-Natal

- Head Office
- Phoenix plant
- Canelands plant
- Mkondeni plant
- Umhlali plant
- Taylors Halt plant
- Mobeni plant
- Cato Ridge plant

¹ The Chloorkop and Midrand plant is in the same location.

WHERE WE OPERATE CONTINUED

SEPCEM OPERATIONS

SepCem categorises its operations into cement manufacturing and exploration projects. The cement manufacturing category includes Sephaku Ash, which supplies fly ash as an extender for the bagged cement. The exploration category is for the secured resource assets that are at various stages of development. The most advanced asset in the exploration category is the Dwaalboom calcrete resource.

Aganang integrated plant

Aganang is SepCem's flagship operation consisting of a limestone mine and an integrated cement manufacturing plant. The plant is located approximately 25 km west of Lichtenburg in the North West province. The secured limestone deposit with an expected life of 30 years is on the adjacent farms.

Delmas grinding plant

The Delmas plant is located in a town called Delmas in the Mpumalanga province, approximately 50 km from central Gauteng off the N12 freeway. The Delmas plant is approximately 35 km from SepAsh, which is located at the Eskom Kendal Power Station.

Dwaalboom exploration project

The Dwaalboom calcrete deposit is located approximately 8 km southwest of the town Dwaalboom and 80 km west southwest of the town of Thabazimbi in the Limpopo province.

MÉTIER OPERATIONS

Métier categorises its operations according to geographical location with its head office and seven plants situated in KwaZulu-Natal. The balance of four plants, all constructed in the past two years, are in the Gauteng province. The plants are standardised and strategically situated in areas that management has identified to have a 10 – 15-year construction activity outlook.

KwaZulu-Natal operations

The plants are strategically positioned in the greater Durban and Pietermaritzburg areas.

Gauteng operations

The plant locations are optimally positioned to access key construction sites in the area. The Chloorkop and Midrand operation is a double plant and the two other plants are located near OR Tambo airport and within the Sandton area. The regional administration office is in Centurion, approximately 40 km from Sandton.

**THE GROUP IS FOUNDED ON THE PRINCIPLES OF
ENTREPRENEURSHIP, INNOVATION, RESILIENCE
AND EMPOWERMENT.**

WHAT WE DO AND HOW WE DO IT

Our group is founded on the principles of entrepreneurship, innovation, resilience and empowerment. The differentiators that enable the group to achieve higher operating margins than the industry average are the specialised and/or consistent quality products as well as our superior service offering. The efficiency from the use of leading technologies, brand-new infrastructure and deep industry skills have enabled us to achieve these competitive advantages.

We started producing cement and clinker at the SepCem plants during the year, entrenching ourselves as a formidable player in the building and construction materials industry in South Africa. The commencement of production at the SepCem plants and commissioning of an additional Métier ready-mixed plant in the Gauteng market were high on management's agenda, therefore achievement of these milestones is a key highlight for the year.

We are committed to the creation of shareholder value through sustainable earnings and growth by:

- ensuring that the operations adhere to their respective action plans to strengthen their balance sheets by reducing debt in order to increase **free cash flow** in preparation for the distribution of dividends to the shareholders;
- ensuring that the operations become leaders in producing high-quality products and implement effective marketing activities that **secure market share** and **maximise margins**; and
- ensuring that the operational focus areas include strategically optimising logistics between plants and market to **improve cost efficiencies**.

Our value-creation process is based on the following four cornerstones:

- 1. Deep skills** that are required for understanding the supply and market dynamics so as to enhance profitability:
 - highly skilled and experienced key management with comprehensive industry knowledge and experience in cement and concrete manufacturing;
 - technical as well as project management skills at key management levels enhancing the ability to:
 - bring the projects to account; and
 - produce distinctively high-quality consistent cements and specialised concretes;
 - acute marketing and complex logistics management skills with the ability to bring product to market.

2. Leading technologies that facilitate the production of high-quality cement and mixed concrete:

- modern, highly efficient cement plants with state-of-the-art equipment and infrastructure, including a fully automated control room and laboratory for quality control;
- compact mixed concrete production plants that can be constructed within a short period as demand dictates; and
- the combination of the best-in-class production technology and related infrastructure enables the businesses to operate with greater simplicity and lower operating costs.

3. Customer focus through service excellence is a distinguishing characteristic of our group.

- Métier has built brand equity through its innovative specialised concretes and superior service offering.
- Both SepCem and Métier have established themselves as preferred suppliers, renowned for their ability to meet their customers' expectations.

4. Strategic relationships and deal-making abilities have significantly contributed to the group positioning itself as one of the main cement producers in the country:

- The group's partnership with Dangote, one of Africa's largest producers by volume, has enabled the group to acquire the modern technology and funding to successfully enter the South African cement manufacturing industry through SepCem.
- The group has developed robust relationships with the key stakeholders including the retail distribution channel, communities, funders and suppliers.

These cornerstones have enabled our operations to be adaptable and to achieve stated objectives from inception to date. To ensure continuity of the founding management team's success, mentoring and extensive training is practised to close any competence and knowledge gaps identified at lower management levels. In the same vein, the performance management system is structured to not only ensure, but motivate employees to align their output to stated business objectives.

MATERIAL MATTERS AND STAKEHOLDERS

Empowering Stakeholders
An environment that enables individuals to act and creates a sense of ownership, confidence and self-esteem

Passion and Enthusiasm
Eagerness to achieve personal and business objectives

Accounta
To understand and accept clearly defined respon



Customer Focus

Exceed customer expectations by providing products and services of the highest standard

Ability

Responsibilities and deliverables

Integrity

Adhere to high moral principles and

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OUR MATERIAL MATTERS

Material matters for the group are identified by the executive management and discussed extensively with the board, which has an instrumental role in the prioritisation of these matters. The identification of material matters is informed through issues raised during interactions with our stakeholders who include the shareholders, employees, industry associations and local government.

These matters are those that affect the value creation process of the group and have been assessed with regard to:

- the level of risk and potential opportunities they present;
- the level to which they impact the strategic priorities of the group by either enhancing or hindering the business model; and
- the likelihood of them becoming more significant in the future and how they impact the business model.

The assessment below of the material matters pertain to the group. There are, however, additional matters that only impact SepCem – these have been listed separately.

Material matter and affected strategic priority	Impact	Our response	Our focus for FY2016
Weak demand growth due to continuing poor economic growth.			
Strategic priority <ul style="list-style-type: none"> • Secure market share. • Improve free cash flows. 	<ul style="list-style-type: none"> • Increased downward pressure on margins as pricing competition intensifies, thereby eroding value. • Reduction in demand growth limits ability to achieve targeted market share. 	<ul style="list-style-type: none"> • Highly competent marketing employees with sharp selling skills and strong customer relationships have enabled SepCem to effectively penetrate the product markets. • Excellence at complex logistics by Métier management has enabled the operation to remain competitive. 	<ul style="list-style-type: none"> • SepCem to achieve the targeted EBITDA level that is 8 – 10% above industry average. • The group actively seeking additional business and market opportunities.
Unreliable electricity supply from Eskom.			
Strategic priority <ul style="list-style-type: none"> • Improve cost efficiency. • Secure market share. • Maximise margins. 	<ul style="list-style-type: none"> • Increased electricity generation costs. • Potential of inconsistent product availability due to outages. • Potential reduction in margins due to the use of expensive energy-generation alternatives. 	<ul style="list-style-type: none"> • The energy efficiency of the cement plants with a guaranteed consumption of 95kWh significantly reduces the likelihood of electricity rationing. • Generators installed at all plants for emergency use of all critical equipment in the eventuality of low or zero transmission from the national grid. 	<ul style="list-style-type: none"> • Regular communication and negotiations with Eskom for SepCem to participate in load shedding on the voluntary scheme. • Regular measurement and monitoring of energy consumption and efficiency rates at all plants. • Thorough and extensive investigation of alternative sources of electricity.

Material matter and affected strategic priority	Impact	Our response	Our focus for FY2016
Shortage of requisite technical skills and industry knowledge.			
Strategic priority <ul style="list-style-type: none"> Improve cost efficiency. Secure market share. 	<ul style="list-style-type: none"> The effectiveness of the value creation processes of the operations could be limited or reduced. Lack of successors who are adequately skilled if founding management exit. 	<ul style="list-style-type: none"> Deliberate and structured mentoring plans for all essential roles are in place. Long-term retention incentive schemes developed to attract the key skills. 	<ul style="list-style-type: none"> Implement the mentoring plans. Training in all main technical skills.
Interest rate volatility.			
Strategic priority <ul style="list-style-type: none"> Increase free cash flow. 	<ul style="list-style-type: none"> Increased financial costs will negatively impact the group earnings and available cash flow. 	<ul style="list-style-type: none"> Reviewed at quarterly board meetings. 	<ul style="list-style-type: none"> SepCem loan subject to renewal in 2016, which will enable management to renegotiate the terms.

The following material matters are unique to SepCem:

Material matter and affected strategic priority	Impact	Our response	Our focus in FY2016
Response of incumbents to the entry of SepCem into the market.			
Strategic priority <ul style="list-style-type: none"> Secure market share. Maximise margins. 	<ul style="list-style-type: none"> A reduction in margins as aggressive pricing prevails in the market due to excess capacity. 	<ul style="list-style-type: none"> The modern plant technologies and efficiencies place SepCem at an advantage to all other competitors on a per tonne cost efficiency. 	<ul style="list-style-type: none"> Optimising logistics between plants and market. Ensuring plant reliability to avoid stock-outs.
Management of local communities' expectations. The interaction needs to be mutually beneficial to ensure the sustainability of both the business and community upliftment initiatives.			
Strategic priority <ul style="list-style-type: none"> Improve cost efficiency. 	<ul style="list-style-type: none"> Uninformed community expectations can negatively impact the milestones achieved to date. 	<ul style="list-style-type: none"> SepCem has dedicated an experienced team to engage with the local communities and authorities regularly. 	<ul style="list-style-type: none"> Fulfil agreed initiatives. Identify opportunities for community involvement in the value creation process through enterprise development and employment.
Ensuring plant reliability and availability at Aganang post the commissioning phase.			
Strategic priority <ul style="list-style-type: none"> Secure market share. Maximise margins. 	<ul style="list-style-type: none"> Potential disruptions in production can adversely impact the sales growth potential. 	<ul style="list-style-type: none"> The operational and maintenance routines have been optimised to ensure early detection of plant performance anomalies. 	<ul style="list-style-type: none"> Increase in clinker storage capacity as buffer stock.

OUR ENGAGEMENT ETHOS

The group promotes and supports a culture of effective stakeholder engagement through customised methodologies.

The strategic objectives for engagement are:

1. To increase investor confidence in the group's strategy and management's ability to deliver on it and create value.
 - Ensure the complete, accurate and timely disclosure of all material matters and performance information to our shareholders.
2. To partner with respective communities and local authorities to the extent possible to enable the implementation of sustainable community upliftment initiatives that enhance our social licence to operate.
 - Promote enterprise development initiatives in the communities.
 - Support skills development opportunities mainly for young people who come from historically disadvantaged backgrounds.
3. Position the group as an employer of choice and ensure that all employees are appropriately rewarded, treated fairly and with dignity at all times.
4. To establish robust and mutually beneficial relationships with the customers through open communication in order to better understand and effectively deliver on their requirements.

The table below highlights the key stakeholder concerns that relate to the group in the reporting period:

Stakeholder	Why we engage	The concerns raised	How we engage	How often we engage
Investors	Investors contribute to the funding of the group and are the principal owners of the business.	<ul style="list-style-type: none"> • Weak cement demand environment. • Industry excess production capacity and competitor activity. • Group's ability to achieve targeted market share and margins. <p>These concerns influence the strategic priority:</p> <ul style="list-style-type: none"> • Secure market share. • Increase free cash flow. 	<ul style="list-style-type: none"> • Annual and interim financial results. • Integrated annual review. • Investor roadshows, conferences and meetings. • Corporate website. 	<ul style="list-style-type: none"> • Monthly. • Quarterly. • Annually. • On request.
Employees	Employees are essential to the success and sustainability of the business by providing their skills and competence to execute the strategic objectives.	<ul style="list-style-type: none"> • Career development and growth opportunities. • Performance-related incentives and rewards. • Conducive work environment conditions. • Employment security. <p>These concerns influence the strategic priority:</p> <ul style="list-style-type: none"> • Improve cost efficiency. 	<ul style="list-style-type: none"> • Team meetings. • Management briefings. • Employment equity committees. • Plant meetings. • Employee newsletters. 	<ul style="list-style-type: none"> • Daily. • Weekly. • Monthly.
Customers	<p>Customers are the mainstay of our success.</p> <p>It is our commitment to ensure that both the distributors' and end-users' needs are understood and catered for.</p>	<ul style="list-style-type: none"> • Consistent supply. • Competitive pricing. • Merchandising support. • Timely delivery of product and aftersales support. <p>These concerns influence the strategic priority:</p> <ul style="list-style-type: none"> • Secure market share. • Maximise margins. 	<ul style="list-style-type: none"> • Customer roadshows. • In-store meetings. • Marketing activities. • Ongoing customer visits. • Technical support. 	<ul style="list-style-type: none"> • Daily. • Weekly. • Monthly.

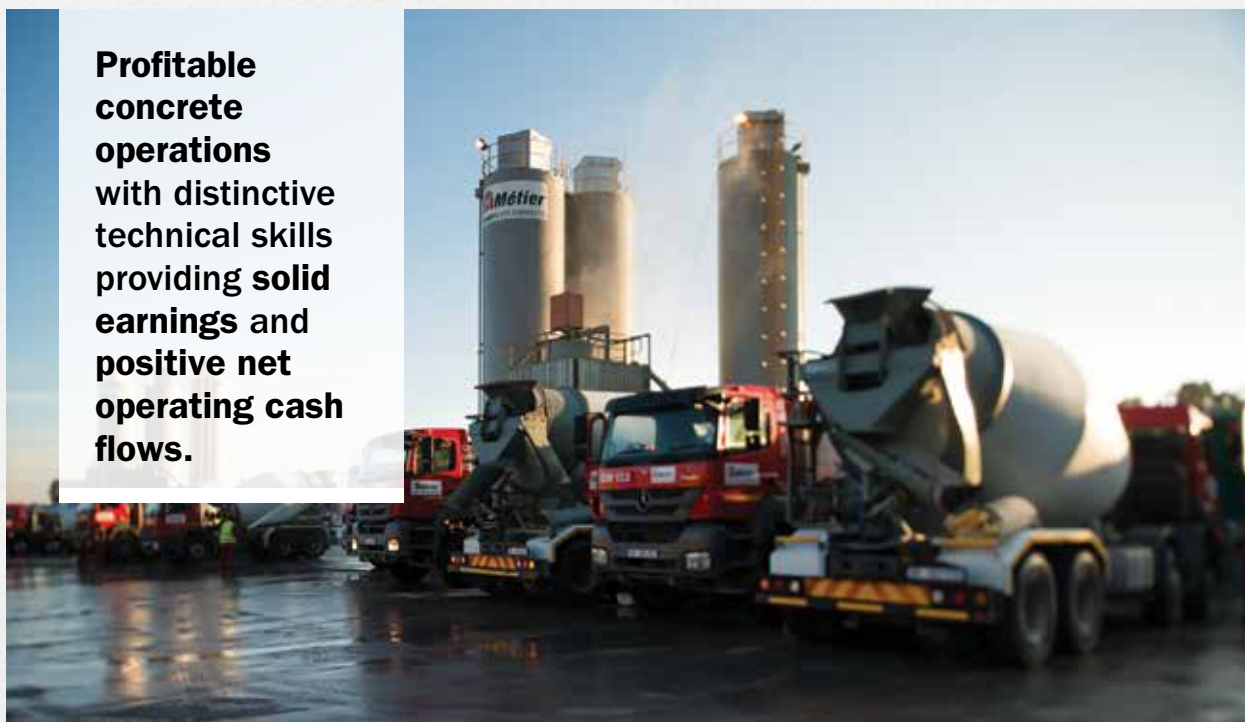
Stakeholder	Why we engage	The concerns raised	How we engage	How often we engage
Communities	The local communities in the areas in which we operate are the primary source of labour. More importantly, their support enhances our social licence to operate.	<ul style="list-style-type: none"> • Employment opportunities. • Information and/or clarity on the business model and general company performance. • Support for enterprise development initiatives. • Opportunities for skills training and development. <p>These concerns influence the strategic priority:</p> <ul style="list-style-type: none"> • Improve cost efficiency. 	<ul style="list-style-type: none"> • Meetings. • Focus group discussions. 	<ul style="list-style-type: none"> • Monthly. • On request.
Suppliers and contractors	Suppliers and contractors are critical in ensuring the achievement of our strategic objectives.	<ul style="list-style-type: none"> • Alignment of suppliers and contractors to business objectives such as employment equity practices. • Sustainability and growth of demand in a contracting industry. • Pricing and cost management. • Payment terms. <p>These concerns influence the strategic priority:</p> <ul style="list-style-type: none"> • Improve cost efficiency. • Maximise margins. 	<ul style="list-style-type: none"> • Service level agreements. • Performance reviews. • Tender process. • Meetings. 	<ul style="list-style-type: none"> • Weekly. • Monthly.
Government	The local authority personnel ensure that the group is well informed on the regulatory requirements and primarily influence our legal licence to operate.	<ul style="list-style-type: none"> • Support for community upliftment projects such as schools and clinics. • Information and/or clarity on the business model and general company performance. <p>These concerns influence the strategic priority:</p> <ul style="list-style-type: none"> • Improve cost efficiency. 	<ul style="list-style-type: none"> • Meetings. • Written submissions. 	<ul style="list-style-type: none"> • Quarterly. • On request.
Organised labour	Organised labour engages with the operations to ensure that the employee matters are afforded adequate attention and also participates in creating an environment conducive for optimal productivity.	<ul style="list-style-type: none"> • Access to employees. • Finalising the collective agreement for organisational rights at SepCem. <p>These concerns influence the strategic priority:</p> <ul style="list-style-type: none"> • Improve cost efficiency. • Maximise margins. 	<ul style="list-style-type: none"> • Meetings. • Written submissions. 	<ul style="list-style-type: none"> • On request.
Industry associations	Industry associations are a platform that present the pertinent matters of concern to the regulators. They ensure that the association members are regularly updated on the relevant regulatory matters. They also provide information on prevailing global trends on new technology.	<ul style="list-style-type: none"> • Proposed carbon tax legislation. • Threat of imports. • Acute technical skills shortage. <p>These concerns influence the strategic priority:</p> <ul style="list-style-type: none"> • Increase market share. • Maximise margins. 	<ul style="list-style-type: none"> • Meetings. • Working groups. • Forums. 	<ul style="list-style-type: none"> • Monthly.

OUR INVESTMENT PROPOSITION

New technologically advanced production plants with higher cost efficiencies that enhance competitiveness.



Profitable concrete operations with distinctive technical skills providing solid earnings and positive net operating cash flows.



Long-term strategic focus on the building materials sector that offers **increased earnings and growth opportunities.**



Key operational management with **deep industry skills.**



LEADERSHIP REVIEWS





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JOINT CHAIRMAN AND CEO'S REPORT



THE 2015 FINANCIAL YEAR HAS SEEN SEPHOLD SOLIDIFY ITS POSITION AS AN **INCOME-GENERATING BUSINESS** AND READY ITSELF TO **MAXIMISE PROFIT** BEFORE MOVING INTO THE GROWTH PHASE.

A SNAPSHOT OF 2015

The founding principles of innovation, entrepreneurial aptitude and resilience have seen SepHold achieve good results in a tough economic climate and prove its ability to deliver on the goal of value creation. The year has been an exciting series of small and large milestones. The transition from the development to the operational phase meant constantly reaching for the next challenge, conquering it and attaining the stated objectives. Overall we are pleased with our performance.

Métier furthered its market penetration strategy by increasing its footprint in the Gauteng market through an additional plant. The SepCem Delmas plant performed admirably in spite of the slow ramp-up due to the unusually high rainfall in the first quarter of production. The coming on-stream of Aganang in August 2014 increased SepCem's cement production capacity to 2,5 million tonnes per annum from the Delmas 1,4 million tonnes per annum as of January 2014.

The acceptance of our brand by the major retailers has been the much needed impetus in our market penetration efforts. Our highly experienced and knowledgeable marketing team was able to appropriately segment the market and offer customised supply solutions. Furthermore, as an indication of the extensive acceptance of our brand in the market, we have continued to receive repeat orders from these retailers and other distributors. We are pleased that our SepCem operations were able to achieve its market share targets and by May 2015 both plants were operating at steady state capacity.

We started implementing our enterprise development programme with the goal to empower the local people through skills development coupled with employment opportunity by offering supply contracts such as plant cleaning and catering services. The programme is well aligned to our main community engagement objective of achieving a mutually beneficial relationship. SepCem trains these enterprises on how to secure additional supply contracts and be sustainable post their tenure with the group.

STRATEGY

Our successful entry into the building and materials industry is largely attributable to our innovative strategy of introducing efficient capacity and accurately segmenting the market. Our ability to successfully implement this strategy is due to what

we define as the differentiators that set us apart from the other competitors in our industry.

The depth of the industry knowledge and skills as well as the best-in-class manufacturing technologies are the key differentiators that enable us to be relatively more efficient on a per-tonne basis and to achieve our targeted sales volumes. The good quality product and exceptional service offering have expedited the adoption of our brand in a highly contested demand market. Our acumen in deal making and establishing strategic relationships with our customers has catalysed our growth and market penetration activities. Our cement brand is distributed by all major and numerous other second-tier retailers. We continue to innovate in our approach of marketing our brand and believe that it is this agility that will continue to fuel our growth.

As a group we have started proving our ability to deliver on our value proposition in a responsible and sustainable manner. We succeeded in the exploration and development phase of our plan and look toward maximising profits in 2016.

PERFORMANCE OVERVIEW

SepCem

As a newcomer into the cement industry, SepCem had to enter a well-established market in the past year. The business was conceptualised during a time when the world held a negative outlook on potential for newcomers to the industry. The founders sold its proposition in a tough economic climate. Dealing with these challenges meant that SepCem had to take an innovative approach to entering the industry to make a success of itself. Investing in modern, best-in-class manufacturing technologies meant a higher level of operational efficiency. Looking at customers as dynamic entities, with unique needs rather than one-size-fits-all consumers, SepCem was able to identify existing and underutilised opportunities in the market. While it may not have been easy, it's certainly been a great ride.

As reported in the last integrated review, SepCem had planned to begin clinker production at the Aganang plant in July 2014, but the process was slightly delayed to August 2014 due to minor technical problems identified on the plant fan system as part of the normal hot commissioning. Timelines evolved over the course of the year amid changing conditions and SepCem performed remarkably well against the amended expectations.

JOINT CHAIRMAN AND CEO'S REPORT CONTINUED

The main highlight for SepCem was the Delmas grinding plant reaching steady state production in November 2014 and accounting for the bulk of sales revenue of R919 million for the reporting period.

Métier

Métier continued to perform exceptionally well as demonstrated by the increased revenues, growth in the plant footprint and production of high margin specialised concretes. Although participating in an aggressively competitive sector with low barriers to entry, the subsidiary has continued to outperform its peers on measures of profitability and growth in market share. The management has built a renowned and customer-focused brand that enables premium pricing. In addition they have nurtured a strong employee culture that promotes an intense focus on the customer and a high energy “can do” attitude. Métier's ability in achieving repeat orders in its KwaZulu-Natal market and success in the penetration of new markets is especially gratifying.

In this past year Métier achieved the following positive results:

- revenues increased by 36% to R775,4 million (2014: R571,5 million);
- EBITDA increased by 39% to R139,1 million (2014: R100 million);
- operating profit increased by 44% to R108,9 million (2014: R75,5 million); and
- profit after tax increased by 57% to R64,7 million (2014: R41,3 million).

FOCUS AREAS

Our main focus in the coming year is to ensure that we enhance our margins by optimising the logistics between our plants and the market as well as reducing debt. We are cognisant of the fact that a good portion of our shareholders are keen to begin to receive dividends hence increasing free cash flow is a key objective in our short-to-medium-term plan. We also want to ensure that we entrench our position in the market by seeking additional ways to increase our market share.

The market

Slow growth in the economy is a concern. We have observed that as a general rule cement demand in emerging economies is 1,5% higher than the GDP growth. The immediate response in a low growth environment is for producers to increase their efficiencies and, as far as we are concerned, we are well positioned to achieve our production targets through SepCem's modern plants.

A new cement entrant is expected to start production early 2016 and plans to add 1 million tonnes per annum of cement capacity into the market once it reaches full production. Consequently we expect that its output should be absorbed by the marginal growth in market demand as it continues to ramp up capacity utilisation. We also anticipate the producers with older capacity will re-evaluate their operational processes to identify and implement ways of becoming more efficient, ultimately paving the way to a more cost-effective industry overall.

Security of energy supply

We acknowledge that as with all other industries in South Africa, the security of electricity supply is of utmost importance to the operations. Although there are generators in all our plants, it is not sustainable to produce on a full-time basis from this source of electricity. The SepCem management regularly negotiates with Eskom to ensure uninterrupted electricity supply during critical production times while voluntarily load shedding during plant off-peak periods. To further manage the risk of outages, the operational management have increased their stockpiling capacity to avoid any stock-outs and are actively seeking viable electricity generation options.

Stakeholder relationships

The successful and sustainable existence of the group, to a large extent, depends on the continued cooperation and support of all our stakeholders. We would like to particularly highlight the employees, customers and communities we interact with regularly.

Employees

As a relatively young company the group holds the appeal of upward mobility, dynamism and the chance to be a part of something great as it starts out. We bolster morale through various incentives as described in the operational sections of this review. In a harsh socio-economic environment, the chance to hold a position where skills are learned and remunerated well is much sought after. To the higher level employees, we offer employee ownership options, which align them to the shareholder interests by ensuring that they are vested in the overall performance of the group.

Customers

We are pleased to have sufficiently skilled teams at SepCem that have established strong relationships with the retailers who distribute the brand to end users in all major markets. The support from the retailers has enabled the group to achieve its

targeted volumes to date. We value the continual feedback from the end users through the retailers that enables us to improve on our promise of good quality, consistent cements and concretes.

Communities

We experienced a marked increase in the importance of local communities as stakeholders during the reporting period. As a group we have begun making direct and indirect job opportunities available in the areas we operate thereby contributing to efforts to fill the deep employment vacuums. We strive to address community concerns to the best of our ability and ensure that even when we can only offer limited time contracts to workers, they are upskilled and walk away with more marketable skills and abilities than before their interaction with us.

Furthermore we recognise that our operations are located in areas that traditionally have constrained economic development and high levels of poverty. It is on this backdrop that we engage with the local communities and we are pleased to report that we continued to work well with all our communities in the reporting period. The enterprise development programme is our contribution in alleviating the unemployment crisis.

CORPORATE GOVERNANCE

The current board is the right size and holds sufficient skill sets to effectively lead SepHold to its next phase through shared values that filter throughout the organisation. The board regularly interacts with the management of Métier, SepCem and Dangote in order to ensure open channels of communication that facilitate good and ethical business. SepHold is represented on key governance structures of SepCem and Métier and participates in setting appropriate measures to ensure implementation of best practices.

The board is pleased with the mutually respectful relationship, with our business partner Dangote, that is protected on both sides by a relationship agreement.

In the quest to improve its effectiveness, an internal board review process was concluded in November 2014 and the board has begun taking appropriate action regarding its findings.

Succession and retention

The group was founded by individuals who hold an entrepreneurial vision and have the resilience that has enabled it to successfully

grow from its inception into an income-generative entity. In order to propagate the founding principles, succession planning and retention strategies have been developed and are being implemented. Importantly, we strive towards a higher degree of female representation at all management levels.

Acknowledgements

We would like to express a deep and sincere gratitude towards every individual who has contributed to bringing the group to where it is today. Without the devotion and tireless work they put in, the vision of SepHold's success could never have materialised. We thank our board of directors for their leadership and expert counsel, our leadership teams for the skills they add to our business as well as their tireless work, and our employees for their daily contributions towards making the business great.

We extend our appreciation to our other key stakeholders, especially the communities we are becoming part of the suppliers that make our operations possible, and our customers who are the lifeblood of our organisation. We look forward to growing positive relationships with all of our stakeholders in the years ahead.

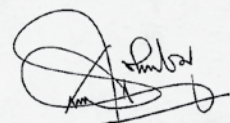
OUTLOOK

We are optimistic about the year ahead, because Métier is now firmly cemented in the Gauteng market and SepCem has found its competitive edge in providing product to previously underserved markets.

The focus for the next few years will be maximising income generation, a mandate that has been performed exceptionally well so far. The group will continue to increase cost efficiencies while still retaining the highest quality product. We will also focus on retention of management skills and assuring long-term sustainability through the addition of new skills.



Brent Williams
Chairman



Dr Lelau Mohuba
Chief executive officer

FINANCIAL DIRECTOR'S REPORT



MÉTIER CONTINUED TO PROVIDE **EXCEPTIONAL RESULTS** FROM ITS GROWING PORTFOLIO OF OPERATING PLANTS. THE ADDITIONAL FOOTPRINT CONTRIBUTED TO THE **INCREASE IN REVENUE OF 36%** FROM **R571,5 MILLION** TO **R775,4 MILLION** FOR THE FINANCIAL YEAR.



SUMMARISED FINANCIAL STATEMENTS

The summarised financial statements included on pages 31 – 33 are extracted from audited information, but are not in them-selves audited. The annual financial statements were audited by Grant Thornton, who expressed an unqualified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office and can be downloaded at <http://www.sephakuholdings.com/investor-centre/financial-reports>



The directors take full responsibility for the preparation of the summarised financial statements and that the financial information has been correctly extracted from the underlying annual financial statements.

GROUP FINANCIAL REVIEW FOR THE YEAR

The 2015 financial period was the second year the Métier's figures are included in the group performance, providing the first set of comparable results for the subsidiary since being acquired in 2013. In the case of SepCem, both plants were successfully commissioned and most importantly income was recognised from all the operations in the year under review.

The group's profit before tax increased from R13,4 million in the past year to R72,1 million and the net profit after tax to R47,2 million from a loss of R2,8 million in the 2014 financial year.

Stellar performance by Métier

Métier continued to provide exceptional results from its growing portfolio of operating plants. In September 2014 the subsidiary commissioned its fourth plant in Gauteng, bringing its total plant complement to 11. The additional

footprint contributed to the increase in revenue of 36% from R571,5 million to R775,4 million for the financial year. Subsequently the gross profit increased by 35% from R252,4 million to R341,0 million in the same period. The resultant EBITDA of R139,1 million and EBIT of R108,9 million was a pleasing achievement in maintaining the 14% operating margin.

Successful plant commissioning and market penetration by SepCem

The 36% equity-accounted earnings from SepCem for the year ended 31 December 2014 were R35,9 million, which included a movement in the associate's deferred tax asset of R154 million, related to a section 12(i) tax incentive. The tax adjustment resulted in an increase of R55,4 million in SepHold's equity-accounted earnings.

Operationally, the successful market entry of SepCem was demonstrated by the exponential increase in revenues from R55 million in its first quarter of production, to R919 million for the 12-month period. The revenue was predominately from Delmas with contribution from Aganang only in the final quarter of the reporting period.

Gross profit increased from R14,9 million in the first quarter to R188,7 million for the full year with an impressive EBITDA of 26% achieved in the final quarter still during the ramp-up phase. Operating profit of R59,5 million was recorded over the period under review. The depreciation expense on the plant post-commissioning and capitalised interest were charged to the income statement. Typically these two expense items tend to be disproportionate to income during ramp-up and market penetration, hence the resultant loss before taxation of R48,4 million by end of December 2014.

Profit before tax	Net profit after tax	Basic earnings per share	Net asset value per share
R72,1m	R47,2m	24,43c	419,8c

FINANCIAL DIRECTOR'S REPORT CONTINUED

The deferred tax asset and other minor adjustments had a positive effect on earnings, resulting in SepCem recording a profit after tax of R99 million and earnings of R35,9 million were equity-accounted for SepHold.

Group performance and SepHold (head office) accounting matters

The group profit before tax of R72 million comprised Métier's EBIT of R108,9 million, the SepCem equity contribution of R35,9 million, finance charges of R25,3 million and a SepHold operating loss of R46,2 million. This head office operating loss of R46,2 million (2014: R18,7 million) included a non-cash contingent consideration loss of R28,5 million from the issuance of 4 429 196 SepHold shares to the previous owners of Métier. This additional consideration towards the Métier acquisition was due to the 60-day volume weighted average share price being below R9 on 1 December 2014. In addition, a final cash payment of R117 million, consisting of the original R125 million reduced by R8 million for the unrecovered debt from a Métier customer, was settled with the sellers and is now financed through the subsidiary.

Earnings per share analysis

Basic earnings per share increased by 25,92 cents to 24,43 cents as compared to 1,49 cents basic loss per share in the previous financial year. The headline earnings per share increased by 26,79 cents per share to 24,43 cents (2014: 2,36 cents headline loss per share). The normalised headline earnings per share were 10,48 cents, excluding the following two one-off non-cash items discussed earlier:

- equity earnings of R55,4 million resulting from a movement in the SepCem deferred tax asset; and
- contingent consideration loss of R28,5 million.

CHANGES IN THE FINANCIAL POSITION

Changes in the financial position of the group, excluding the associate, have been limited. There was a net reduction of R10,1 million in financial liabilities due to debt service payments. The Métier acquisition debt, a current liability of R117 million, was replaced by a non-current bank loan already approved prior to the conclusion of the transaction.

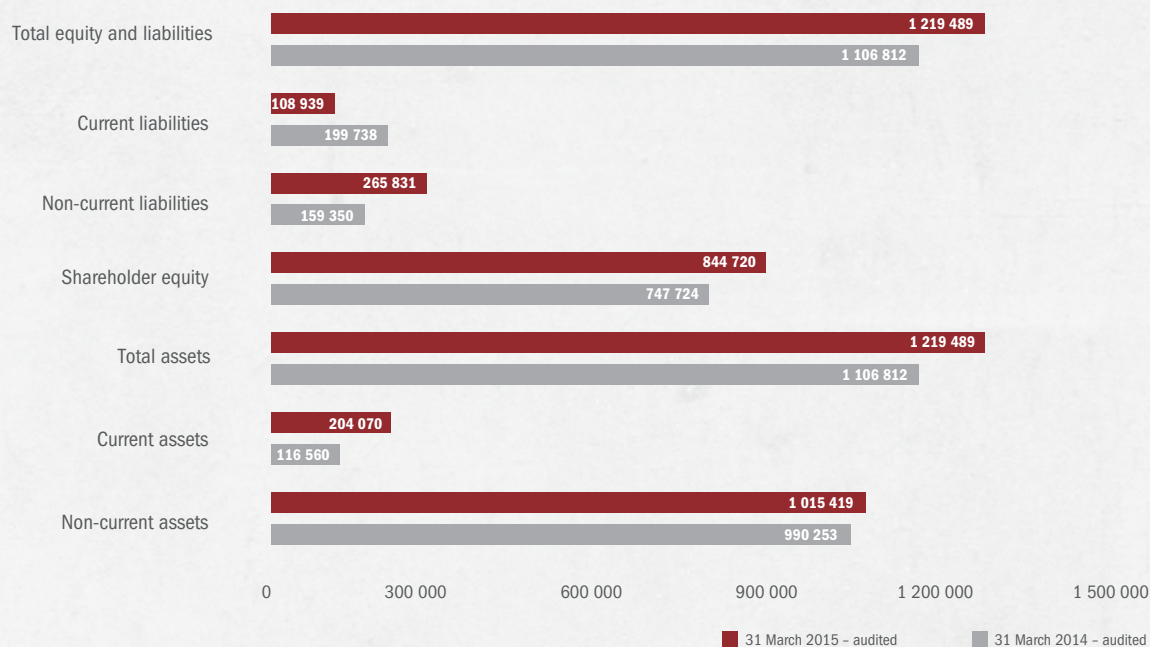
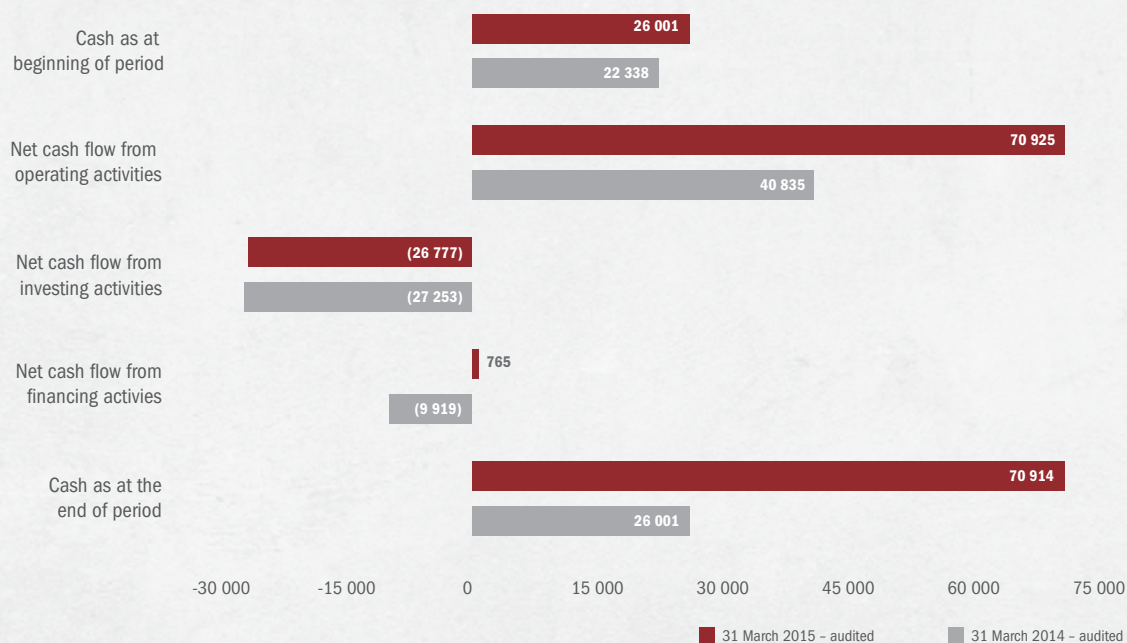
The group net asset value and tangible net asset value increased to 419,8 cents per share (6,6%) and 304,86 cents per share (12,6%) respectively.

SepCem Debt

The full bank debt facility of R1,95 billion was drawn down during the construction and commissioning period. The facility has a provision for SepCem to capitalise an interest amount of R450 million, approximately R393 million capitalised by end of December 2014. The full debt amount of R2,4 billion is repayable over a period of seven years in equal quarterly instalments from the first quarter of 2016 and attracts an interest change based on a three-month JIBAR plus 3,75%.

STATEMENT OF CASH FLOWS

Increased sales volumes resulted in cash generated from operations of R114,2 million (2014: R84,4 million). Finance costs were R19,6 million (2014: R17,9 million) and the taxation expense of R25,8 million (2014: R28,4 million) paid on Métier's profit before tax resulted in a group effective tax rate in excess of 28%. Expansion of Métier's plant footprint in Gauteng increased the outflows in plant, property and equipment by R30,4 million.

STATEMENT OF FINANCIAL POSITION (R'000)**STATEMENT OF CASH FLOWS (R'000)**

FINANCIAL DIRECTOR'S REPORT CONTINUED

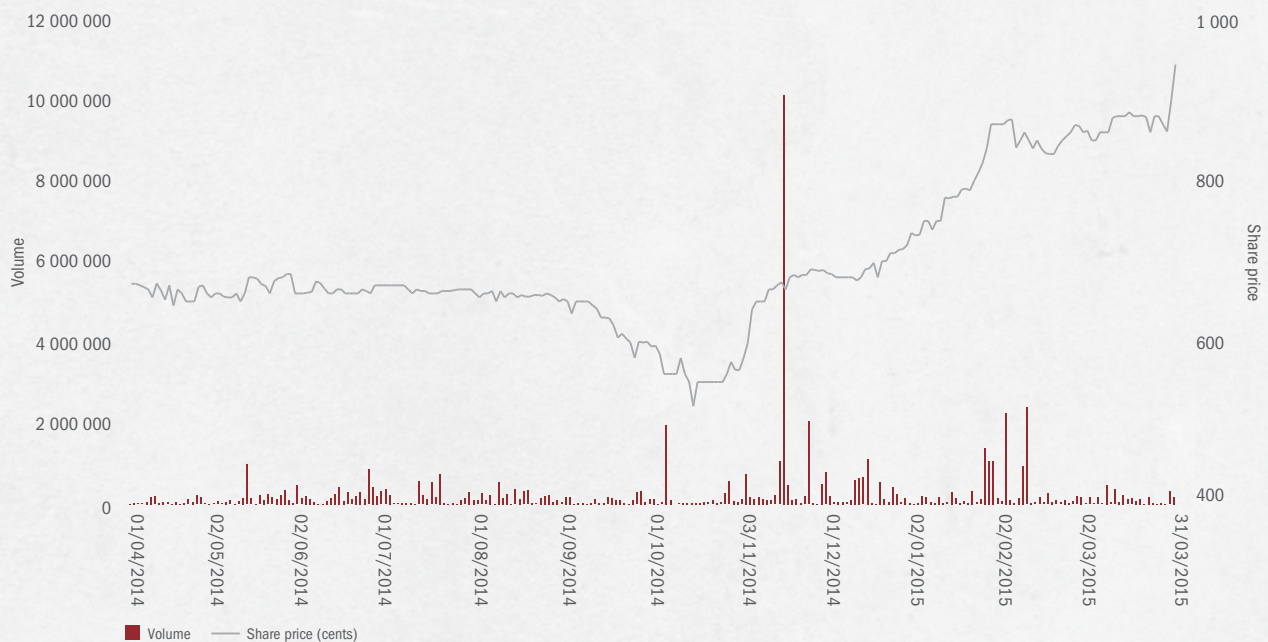
Share price performance

The share price movement has been remarkable from a historic low of R1,90 to R9,44 at the end of the reporting period. During the first six months of the financial year the share was trading within a narrow band of between R6,50 and R6,80. The lowest price was recoded mid-October at R5,20 before recovering to R6,50 in the first week of November. When the group announced the commencement of production at both SepCem plants, a steady increase in the share price was observed with the highest price of R9,49 recorded for the

reporting period. The share price increased by 40% in the financial year based on the closing prices at the beginning (R6,42) and end of the reporting period.

Focus in the next financial year is to grow the earnings and market share through innovative products and efficient manufacturing processes. Cost efficiency also remains a key performance measurement in the operations as we pursue our free cash flow targets.

SHARE PRICE PERFORMANCE



Neil Crafford-Lazarus

Financial director

SUMMARISED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2015

Statements of comprehensive income, financial position and cash flows were extracted directly from the audited annual financial statements, as included on pages 10, 11 and 13 of the second volume of the integrated annual report.

STATEMENT OF COMPREHENSIVE INCOME

	GROUP	
	2015 R	2014 R
Revenue	775 425 242	571 544 796
Cost of sales	(434 430 692)	(319 156 121)
Gross profit	340 994 550	252 388 675
Other income	9 999 177	13 945 386
Operating expenses	(291 705 645)	(215 181 485)
Operating profit/(loss)	59 288 082	51 152 576
Investment income	2 167 996	2 693 264
Profit/(loss) from equity-accounted investment	35 924 506	(14 745 655)
Finance costs	(25 321 027)	(25 675 522)
Profit/(loss) before taxation	72 059 557	13 424 663
Taxation	(24 898 186)	(16 242 442)
Profit/(loss) for the year	47 161 371	(2 817 779)
Total comprehensive income/(loss) for the year	47 161 371	(2 817 779)
Basic earnings/(loss) per share (cents)	24,43	(1,49)
Diluted earnings/(loss) per share (cents)	23,59	(1,39)
Headline earnings/(loss) per share (cents)	24,43	(2,36)
Diluted headline earnings/(loss) per share (cents)	23,59	(2,20)
Reconciliation of basic earnings to diluted earnings and headline earnings:		
Basic profit/(loss) and diluted profit/(loss) from total operations attributable to equity holders of parent	47 161 371	(2 817 779)
Loss/(profit) on sale of non-current assets	5 425	(1 076 760)
Profit on disposal of other financial assets held for sale	–	(860 000)
Total taxation effect of adjustments	(1 519)	301 493
Headline earnings/(loss) and diluted headline earnings/(loss) attributable to equity holders of parent	47 165 277	(4 453 046)
Basic weighted average number of shares	193 050 707	188 987 697
Dilutive effect of share options	6 849 198	9 556 129
Contingent issuable shares*	–	3 747 730
Diluted weighted average number of shares	199 899 905	202 291 556

* **2014:** Diluted loss per share have been adjusted for in 2014 for 3 747 730 contingent issuable shares to the sellers of Métier to provide for the contingency that the SepHold share price, based on a 60-day volume-weighted average price is below R9 and above R4 at 1 December 2014. The contingent issuable shares were calculated based on the SepHold share price at the 31 March 2014 year-end of R6,73 as required by IAS 33.

2015: On 1 December 2014, SepHold settled the remaining consideration owing to the sellers of Métier and issued 4 429 196 additional consideration shares during the current financial year. No diluted effect has therefore been taken into account (refer to note 25 in the AFS).

FINANCIAL DIRECTOR'S REPORT CONTINUED

SUMMARISED CONSOLIDATED FINANCIAL RESULTS
AS AT 31 MARCH 2015

STATEMENT OF FINANCIAL POSITION

	GROUP	
	2015 R	2014 R
Assets		
Non-current assets		
Property, plant and equipment	128 787 297	129 180 045
Goodwill	223 421 981	223 421 981
Intangible asset	10 896 692	14 337 752
Investment in associate	652 313 212	616 388 706
Other financial assets	-	6 924 311
	1 015 419 182	990 252 795
Current assets		
Inventories	8 965 203	7 973 118
Other financial assets	12 504 391	6 648 582
Current tax receivable	933 668	-
Trade and other receivables	110 752 506	75 936 662
Cash and cash equivalents	70 914 266	26 001 268
	204 070 034	116 559 630
Total assets	1 219 489 216	1 106 812 425
Equity and liabilities		
Equity		
Stated capital	631 127 028	585 573 235
Reserves	15 685 391	17 624 536
Retained income	197 907 280	144 525 951
	844 719 699	747 723 722
Liabilities		
Non-current liabilities		
Other financial liabilities	248 672 308	142 576 783
Operating lease liability	-	1 640 263
Deferred income	2 379 952	1 577 232
Deferred taxation	14 778 323	13 555 933
	265 830 583	159 350 211
Current liabilities		
Other financial liabilities	24 750 000	140 907 240
Current taxation payable	-	1 192 809
Operating lease liability	1 806 319	336 348
Trade and other payables	81 869 477	56 994 212
Deferred income	513 138	307 883
	108 938 934	199 738 492
Total liabilities	374 769 517	359 088 703
Total equity and liabilities	1 219 489 216	1 106 812 425
Net asset value per share (cents)	419,79	393,80
Tangible net asset value per share (cents)	304,86	270,70
Shares in issue	201 224 508	189 872 979

SUMMARISED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2015

STATEMENT OF CASH FLOWS

	GROUP	
	2015 R	2014 R
Cash flows from operating activities		
Cash generated from/(utilised in) operations	114 192 061	84 437 984
Interest income	2 167 996	2 693 264
Finance costs	(19 632 742)	(17 939 091)
Taxation paid	(25 802 273)	(28 357 299)
Net cash from/(utilised in) operating activities	70 925 042	40 834 858
Cash flows from investing activities		
Purchase of property, plant and equipment	(30 437 943)	(40 706 776)
Sale of property, plant and equipment	618 158	4 929 319
Proceeds on disposal of other financial assets	–	5 760 244
Net loans advanced	1 606 002	1 932 773
Government grant received	1 436 787	831 895
Net cash (utilised in)/from investing activities	(26 776 996)	(27 252 545)
Cash flows from financing activities		
Proceeds on share issue	16 514 952	2 970 737
Proceeds from other financial liabilities	130 000 000	123 848 444
Repayment of other financial liabilities	(28 750 000)	(137 075 108)
Settlement of deferred vendor loan	(117 000 000)	–
Decrease in loans with group companies	–	337 058
Net cash from/(utilised in) financing activities	764 952	(9 918 869)
Total cash and cash equivalents movement for the year	44 912 998	3 663 444
Cash and cash equivalents at the beginning of the year	26 001 268	22 337 824
Total cash and cash equivalents at end of the year	70 914 266	26 001 268

**BUSINESS
REVIEW
MÉTIER
MIXED
CONCRETE**





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MÉTIER MIXED CONCRETE

COMPANY OVERVIEW

Métier's core business is the production, marketing and delivery of ready-mixed concrete products to residential, commercial and industrial customers, including value-added services such as concrete pumping. Métier has a total of 11 plants – seven in KwaZulu-Natal and four in Gauteng – all based on the standard Métier plant configuration to ensure consistent good quality product supply irrespective from which plant the concrete has been manufactured.

Similar to SepCem, the business performance is linked to that of the construction industry which is impacted by the performance of the economy.

OPERATING ENVIRONMENT

The operating environment remained highly competitive as the demand for concretes remained flat and the number of producers increased due to the low barriers to entry associated with the industry. Métier had an increase in delayed payments from customers as the latter continued to experience subdued demand. A case in point is a large contract in KZN for the supply of concrete for the construction of 25 000 units of state-assisted housing that was characterised by inconsistent and delayed payments during the financial year. All key customer accounts were intensively and successfully managed by Métier's senior management team who ensured receipt of all outstanding payments during the financial year. Métier remains profitable and well positioned to retain and grow its market share in the regions it operates.

Challenges

- Reduced construction activity resulting in downward pressure in prices due to competition.
- Increased credit risk of the smaller construction companies and delay in payments resulting in higher collection costs.

PERFORMANCE OVERVIEW

Métier continued to perform well as demonstrated by the increased sales revenue and overall operational activity through additional delivery vehicles as well as concrete pumping capacity. The revenue achieved was R775 million, which is an increase of 36% from R572 million in 2014. The subdued overall demand from the construction industry resulted in prices remaining flat on a year-on-year basis. Therefore Métier had to prioritise cost management and the production of high-value concretes to maintain margins.

The delivery fleet increased by 23% and the pumping capacity by 20% compared to the previous period to cater for the additional demand for Métier's product and service offering. All the concrete plants operated efficiently, contributing to consistent product performance and reliability during the year.

Métier's order book is robust going into the 2016 year with some larger contracts secured at the end of the reporting period and will continue over an 18-month period. These contracts are Ballito Junction Shopping Mall, Discovery Office Park Sandton, Pearl Sky in Umhlanga and Ambrose Park in Durban Harbour. These contracts are a confirmation of Métier's ability to produce high-quality concretes, offer exceptional customer service and after sales technical support.

Highlights

Increased revenue to

R775m

from R572 million in the previous financial year and EBIT increased to R109 million (2014: R75 million).

Increased delivery fleet by

23%

and concrete pumping capacity by 20%.

Increased footprint, commissioned a

4TH

Gauteng plant in September 2014, increasing the number of plants to 11.

HUMAN CAPITAL

Executive Committee

Kenneth Capes **Managing 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. He was directly involved in the development of the ready-mixed concrete and quarrying business as a general manager. Kenneth's extensive knowledge, expertise and passion for concrete manufacture led him to be a co-founder of Métier Mixed Concrete in KwaZulu-Natal in 2007.

Wayne Witherspoon **Operations director**

BCom (University of Natal, Durban), LDP (University of South Africa School of Business Leadership)

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

Gregg Hollins **Commercial manager, Eastern region** *NDip (Civil Engineering) (Technikon Natal)*

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

Richard Thompson **Financial director**

South African Institute of Professional Accountants (SAIPA)

Richard spent 15 years with Stock Owners Co-operative Limited where he ultimately became a member of the executive committee. Richard was then appointed as the managing director of Meadow Meats Proprietary Limited and spent the following several years consulting and marketing the products within the wildlife industry. Richard co-founded Métier Mixed Concrete in 2007. He is responsible for administrative and financial aspects of the business.

Glen Talmage **Commercial manager, Northern region**

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 contribute to the expansion and establishment of Métier's footprint in Gauteng.

Ceri Rayne **Human resources manager, Eastern region** *BSocSci (Hons) (University of KwaZulu-Natal) BCom (University of Natal, Durban), LDP (University of South Africa – School of Business Leadership)*

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

MÉTIER MIXED CONCRETE CONTINUED

Employees

Métier's employee complement increased slightly from 216 last year to 233 as indicated in the summary table below.

Métier workforce profile as at March 2015

	2014			New employees			Employees terminated			Current		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
White	24	10	34	5	3	8	3	3	6	26	10	36
African	141	6	147	44	-	44	33	1	34	152	5	157
Coloured	3	1	4	2	1	3	2	1	3	3	1	4
Indian	29	6	35	5	1	6	5	-	5	29	7	36
Total	197	23	220	56	5	61	43	5	48	210	23	233

Headcount	Male				Female				Total
Employee category	Black	Indian	Coloured	White	Black	Indian	Coloured	White	
Executive management	-	-	-	2	-	-	-	1	3
Senior management	-	3	1	14	-	-	-	-	18
Middle management	6	14	-	8	1	1	-	4	34
Junior management	16	11	2	2	3	6	1	5	46
Semi-skilled labour	74	1	-	-	1	-	-	-	76
Unskilled labour	55	-	-	-	1	-	-	-	56
Total permanent employees	151	29	3	26	6	7	1	10	233
Total employees	151	29	3	26	6	7	1	10	233



Métier drivers at the plant preparing for deliveries

Métier complies with the Employment Equity Act, 55 of 1998 (EE Act) as well as the Broad-Based Black Economic Empowerment Act, 53 of 2003 (B-BBEE Act) and was awarded level 4 B-BBEE contributor certification in August 2014.

Métier plans to retain its key employees by focusing on succession and career planning that places emphasis on personal growth and leadership development. To ensure that it has the necessary skills required to support growth, Métier has put in place a review process that facilitates performance discussions and for the identification of the employees' training requirements bi-annually. In this regard, Métier invested R692 000 (2014: R472 000) in training and has budgeted expenditure of R840 000 on skills development in the next financial year.

Métier continues to partner with accredited training providers in specialised fields for employees that have been targeted for development and promotion. The key challenge for Métier going forward is compliance with the new B-BBEE codes. The amendments to the codes have a significant impact on most of Métier's suppliers which will inevitably negatively impact the compliance level.

HEALTH, SAFETY AND ENVIRONMENTAL MANAGEMENT

Métier continually strives to comply with the Occupational Health and Safety Act, 85 of 1993 at all its operations. In the past year the subsidiary recorded zero fatalities and 14 lost-time safety incidents that resulted in 319 hours of lost time

during the year. All the incidents were minor and the affected employees have since fully recovered.

In line with Métier's commitment to a working environment of zero harm, safety teams were appointed to promote as well as to enforce safety rules and procedures at the operations. Employees are trained at all project sites on safety procedures and they continue to attend regular caucuses to reinforce the key safety messages. Métier has appointed a qualified senior person as the health and safety manager to ensure compliance and standardisation throughout its operations.

Métier promotes the general wellbeing of its employees and introduced an HIV/Aids awareness programme in November 2014 leading up to World Aids Day on 1 December 2014 and will continue raising awareness of this epidemic.

Métier believes that good stewardship avoids, minimises and mitigates the negative environmental impact of its operations. Dust filters installed in silos are monitored regularly while water and slimes are recycled at all operations. All environmental concerns raised by stakeholders are addressed appropriately and promptly by the senior management.

STRATEGIC OUTLOOK

Métier continues to explore viable expansion opportunities in all markets to enable it to grow market share and earnings. The short-term strategy is to ensure that the existing operations continue to operate successfully in order to generate earnings, reduce gearing and increase operating cash flows.

THE SHORT-TERM STRATEGY IS TO ENSURE THAT THE EXISTING OPERATIONS CONTINUE TO OPERATE SUCCESSFULLY IN ORDER TO GENERATE EARNINGS, REDUCE GEARING AND INCREASE OPERATING CASH FLOWS.

BUSINESS REVIEW SEPHAKU CEMENT





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SEPHAKU CEMENT¹

COMPANY OVERVIEW

SepCem is a cement producer with modern manufacturing technologies and acute marketing skills. SepCem's main business activity is the manufacture, marketing and distribution of high-quality cementitious products to a broad spectrum of cement users and consumers. Its integrated plant in Aganang and grinding plant in Delmas commenced production of cement in October and January 2014 respectively. Aganang and Delmas have a combined production capacity of 2,5 million tonnes per annum.

OPERATING ENVIRONMENT

Industry cement sales tonnes for 2014 on a year-on-year basis as reported by Levitt Kirson, Business Services DFK Limited*, highlighted negative growth of 0,8% as compared to 5,3% for 2013. This depressed growth is attributed to the anomalously high rainfall in the first quarter of 2014 and the general negative macro-economic outlook.

Based on internal research, imports from Pakistan continued to grow in the coastal markets to an estimated sales volume of 1,3 million tonnes during 2014 compared to 1,1 million tonnes at the end of 2013. In 2014, following preliminary indications that the Pakistan producers were selling their cement below cost, the major local producers approached the International Trade Administration Commission (ITAC) to request for further investigation on the possibility of dumping. ITAC released a provisional decision on 15 May 2015 imposing varied tariff rates on the importers ranging from 14,29% to 77,15%. SepCem is pleased with the decision and looks forward to the final decision to be released in November 2015.

The media release can be accessed at

<http://www.sephakuholdings.com/investor-centre/in-the-media>



A new entrant continued the construction of a 1 million tonnes per annum plant in the Limpopo province. The entrant has stated that it plans to commence cement production at the beginning of 2016. Its entry is anticipated to increase downward pressure on margins and may ultimately result in the retirement of inefficient antiquated kiln capacity from the industry.

Challenges

- Delays in the completion and commissioning of the Aganang plant.
- Limited access to bulk supply opportunities due to existing supply contracts and delays in the production of clinker.

PERFORMANCE OVERVIEW

The financial year ended December 2014 was a landmark year for SepCem, as the company evolved from being a project development business to a fully fledged commercial trading entity.

A key highlight of this initial full production year was the acceptance by the market of SepCem's brands as demonstrated by the growth in sales volumes in the second half of the year. The main reasons for the market response were and continue to be the good quality consistent cements and exceptional levels of customer service. Although retail sales volumes have been satisfactory, the bulk sales have been expectedly lower because of the longer adoption period required by this segment of the market. The delayed production of clinker also limited SepCem in carrying out trials with potential bulk customers.

Highlights

Production and sales of cement

commenced at the Delmas grinding plant in January 2014.

Production of clinker and cement

at Aganang integrated plant commenced in August and October 2014 respectively.

Sales revenue

R919m

by end of December 2014 with SepCem brands being distributed through all the major retailers.

Quarterly EBITDA at

26%

by end of December 2014.

¹ SepCem has a December year-end as a subsidiary of Dangote.

* Nexia Levitt Kirson is a member of DFK International and is commissioned by the industry to report on the cementitious sales statistics for South Africa based on data submitted by local producers. A copy of the full report can be accessed at www.sephakuholdings.com.



During the year SepCem commissioned an independent consultancy to conduct a comparative cement in concrete test and the results confirmed that the SepCem brand performs better than the competitors in the 32,5 strength product and matches the best performing 42,5 strength product.

Delmas

Delmas grinding plant performed well for the year in spite of a slow start due to the unusually high rainfall experienced in the first quarter of 2014. By the end of the fourth quarter Delmas was at approximately 100% capacity utilisation as Aganang began ramping up cement production. Prior to producing clinker, SepCem was manufacturing cement at Delmas utilising purchased clinker. The introduction of the internally produced clinker significantly improved variable costs by 50%.

Aganang

Following a slightly delayed start, production of clinker from the Aganang plant started in August 2014 with cement production commencing in October 2014. The delay was essentially due to minor technical problems identified on the plant fan system as part of the normal hot commissioning process.

The modern manufacturing technology at both plants with state-of-the-art components has resulted in relatively higher efficiencies than the industry average. By the end of the fourth quarter, SepCem had achieved 26% quarterly EBITDA even though production was not yet fully ramped up at both plants. SepAsh, the fully consolidated business unit of SepCem, changed from predominantly supplying fly ash to external customers to focusing on Delmas to ensure sufficient supply for SepCem's burgeoning cement orders.

Post-period performance

SepCem recorded a revenue of R521 million for the quarter ended March 2015, an increase of approximately 30% from the fourth quarter of 2014. The EBITDA margin was lower than projected at 23% mainly due to requisite plant maintenance during the quarter.

STRATEGIC OUTLOOK

The strategic medium-term priorities centred around optimisation as follows:

- 1. Sales drive:** additional focus on increasing product quality and optimisation of sales margins. The focus will ensure that the margins achieved are maximised through an active analysis of customers and geographic markets.
- 2. Logistics optimisation:** increased focus on ensuring sufficient logistics capacity and the optimisation of logistics between plants and markets. Logistics contribute a significant portion of total delivered cost therefore it is imperative that SepCem delivers from the optimal production source.
- 3. Production efficiency:** during the commissioning and ramp-up phases the production costs were expectedly higher than would be during the steady state. The focus going forward is to ensure that the operating costs at both SepCem plants are fully optimised.

The 2015 calendar year presents challenges for the building materials and construction industry as a whole because of the continued negative economic forecasts. Although not factored into the business model, the full implementation of the National Development Plan's strategic infrastructural projects would provide an immediate impetus for growth to the construction and building materials industry.

A KEY HIGHLIGHT OF THIS INITIAL FULL PRODUCTION YEAR WAS THE ACCEPTANCE BY THE MARKET OF SEPCEM'S BRANDS AS DEMONSTRATED BY THE GROWTH IN SALES VOLUMES IN THE SECOND HALF OF THE YEAR.

SEPHAKU CEMENT CONTINUED

HUMAN CAPITAL

Executive committee

Pieter Frederick Fourie

Chief executive officer

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

Pieter has extensive experience in the cement industry and assumed his position as chief executive officer of SepCem in May 2007.

Gay de Witt

Chief financial officer

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

Gay has experience in a number of fields, ranging from finance and operations to risk management. She previously worked for Clover Danone before joining SepCem in 2009.

Duan Claassen

Executive manager operations

BEng (Metallurgical Engineering) (University of Pretoria), Young Managers 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 SepCem in 2008.

Heinrich de Beer

Executive manager projects

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

Heinrich started his career as a project engineer and maintenance manager at Mittal (Iscor) before joining Lafarge, where he held various positions. Heinrich joined SepCem in 2008.

Duncan Leith

Executive manager commercial

BCom (University of South Africa), Young Managers Programme (INSEAD, France), MBA (GIBS)

Duncan resigned in December 2014 to pursue personal business interests.

Puseletso Makhubo

Executive manager organisational performance

BAdmin (Hons) (Industrial Psychology), MDP (University of KwaZulu-Natal, formerly University of Durban-Westville), Master in Business Leadership (University of South Africa)

Puseletso has experience in human resource management in the financial and manufacturing sectors. She previously held key positions in Nedcor Electronic Banking, Development Bank and Lafarge Gypsum before joining SepCem 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, joined SepHold in 2008 and SepCem in 2010 as company secretary.

Employees

The SepCem staff complement as at December 2014 was 345 distributed into Centurion 93 (commercial team 43%), Delmas 73, Aganang 172 and Kendal seven.

SepCem has consistently prioritised recruitment from the pool of trained locally based workers resulting in a significant number of employees from the local communities. Since inception, SepCem has contributed to the development of the skills pool in the communities it operates by identifying people of different ages and gender to be trained on portable skills such as the operation of large machinery and vehicles. To date SepCem has contributed to the development of local employment creation as follows:

- Of the 487 people working at the Aganang and Delmas operations, approximately 60% of employees are from the local municipal areas. There are 258 direct employees and 229 indirect employees through contractors on a fixed-term basis.
- Over 90% of semi-skilled people were recruited from the communities directly impacted by the mining and cement operations.

At SepCem there is commitment from all levels of employees to translate strategy into measurable outcomes. An innovative feedback process of continuous performance improvement through transparent communication is in place to enhance employee participation. SepCem's executive management recognises the need to engage with the employees at all levels and has adopted the Sephaku Communication Meeting forums (SEPCOMS) as a platform to discuss the operational, human and structural issues in a focused manner in order to enhance the execution of strategic objectives. It is through this approach that SepCem management creates the opportunity to discuss the right things, involving the right people, at the right time and frequency and in the right way to achieve sustainable business excellence. This methodology has proven to be effective in improving business performance through promoting operational and service excellence. SepCem also recognises the importance of linking employee health and wellness to company needs and strategic priorities. It is

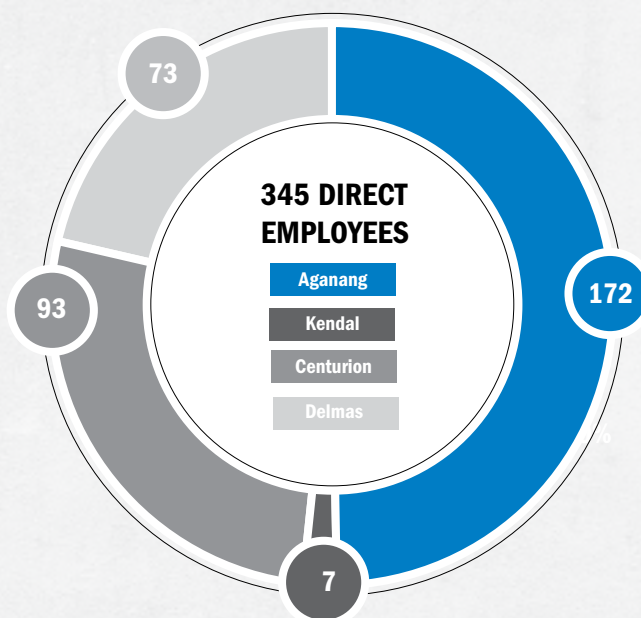
therefore a condition of all employees to be on a medical aid scheme and the operational sites have clinics that support employees with occupational health requirements. Employees are encouraged to do medical health assessment annually especially during SepCem's wellness day.

This extensive employee engagement enhances SepCem's competitiveness in its ability to attract the requisite skills to sustain the value creation process.

Skills development and training

SepCem spent R3,3 million on employee training and development, which was approximately 2,5% of SepCem's total payroll in 2014. The company's expenditure targets for training and development over the next four years are approximately 3% of the annual payroll.

SepCem's skills development programme includes learnerships, internships and mentorships. Portable skills training for workplace qualifications such as mobile operators and engineering skills have been implemented and complemented by the availability of bursary schemes to support talented individuals with their tertiary level studies.



SEPHAKU CEMENT CONTINUED

Approximately 63 of the employees at SepCem operations had never worked before and have since been trained on at least one of the following skills:

- handyman training – 10;
- on-the-job laboratory training – 8;
- risk and safety-related training – 63; and/or
- on-the-job multi-skilled operator training on the following equipment: Crusher; Packing and Palletiser; Rawmill; Kiln; Cement mill; and Coal mill operations – 35.

Furthermore SepCem and the mining contractor trained 77 unemployed individuals from the local communities during the year to become mobile operators and workshop assistants. Important to note is that all these individuals had never operated large machinery or a vehicle before and did not even have driver's licences. Fifty of the people had to be trained on Code 10 and Code 14 driver's licence because it is a pre-requisite for the mobile equipment training programme.

Seventy percent of the 77 successfully completed training and qualified to operate the following equipment:

- front-end loaders;
- dump trucks;
- dozers;
- graders; and
- water and diesel trucks.

The balance (30%) of the trainees qualified as service truck assistants and 58 successful trainees have been employed at the SepCem operations.

SepCem considers training as an effective way of dealing with the skills gap prevalent in the industry and its commitment to employee development started with the Chinese construction contractor, Sinoma. The major challenge experienced during the on-the-job training with Sinoma was mainly the language barrier. The management made all attempts to overcome this

challenge by deliberately setting up communication structures with qualified translators to liaise with team leaders for each work stream.

Despite the language barrier, SepCem was able to provide 213 community members with on-the-job training in the following areas:

- concrete and civil works;
- steel fabrication;
- waste management;
- catering and cleaning; and
- safety and hazard awareness training.

Employment equity

SepCem is dedicated to creating a non-discriminatory working environment in which employees are treated with dignity and respect at all levels regardless of their background, race, gender or disability. SepCem supports the principles of employment, development and advancement of historically disadvantaged South Africans as it acknowledges that a lack of deep skills remains a barrier in the industry.

It is SepCem's goal to achieve equitable representation of designated groups at all employment levels. In this regard following the appointment of an employment equity manager in 2012, the company facilitated the election of an employment equity (EE) and training committee in 2014. Progress on the employment equity targets is assessed on a monthly basis during the executive committee meetings and twice a year by the EE committee.

The role of the EE committee is to develop and implement a plan in compliance with the EE Act as required by the Department of Trade and Industry (dti) and Department of Mineral Resources. SepCem has a five-year equity employment plan that is informed by the dti B-BBEE codes of good practice, Mining Charter and the EE Act.



Annah Tambani, a qualified chemist working at the Aganang laboratory. She is the first female to be trained on the automated laboratory functions at SepCem.

SEPHAKU CEMENT CONTINUED

The table below is a detailed plan on employment equity targets:

Occupational levels	Target %	Actual EE %	Actual Black %	African			Coloured			Indian			White			Total		
				M	F	T	M	F	T	M	F	T	M	F	T	M	F	T
Executive management	60	33	17	0	1	1	0	0	0	0	0	0	4	1	5	4	2	6
Senior management	60	57	39	4	0	4	2	0	2	0	1	1	12	4	16	18	5	23
Middle management	75	72	56	15	5	20	0	0	0	3	1	4	12	7	19	30	13	43
Skilled (junior management)	80	85	81	48	29	77	1	2	3	3	5	8	16	5	21	68	41	109
Semi-skilled	100	100	94	28	20	48	2	0	2	0	0	0	0	3	3	30	23	53
Unskilled	100	100	100	85	25	110	0	0	0	1	0	1	0	0	0	86	25	111
Total				180	80	260	5	2	7	7	7	14	44	20	64	236	109	345
Fixed-term contractors				5	1	6	0	0	0	0	0	0	5	1	6	10	2	12
Learnerships				2	1	3	0	0	0	0	0	0	0	0	0	2	1	3
Total				187	82	269	5	2	7	7	7	14	49	21	70	248	112	360

Safety and health

There were no fatalities at all operations and the lost-time injury frequency rates for SepCem's operations for the year ended 31 December 2014 were 0,109 (2013: 0,109) at Aganang, zero (2013: 0,53) at Delmas and zero (2013: zero) at Sephaku Ash.

Safety management at the operations is underpinned by rigorous risk management systems led by a safety specialist. Regular inspections are conducted to monitor compliance against the developed standards and procedures by dedicated site safety management teams.

SepCem also applies a wellness framework, Employee Assistance Programme (EAP), to promote a healthy lifestyle for all employees and to assist those who experience personal or work-related challenges to achieve optimal performance. The programme-related services have been extended to families because SepCem believes that an effective and healthy employee is supported by an equally healthy family.

ENVIRONMENTAL MANAGEMENT

SepCem believes that good environmental stewardship involves avoiding, minimising and mitigating the negative environmental impacts at every stage of the mining and cement manufacturing processes while maximising the positive environmental contributions. Comprehensive environmental management plans were completed and engagement with all the interested and affected parties done during the year.

SepCem's environmental management strategy takes into account water consumption, energy efficiency and the mitigation of carbon emissions. The Aganang and Delmas plants were designed to limit their environmental impact and mitigation measures have been developed for all potential risks. Dust and noise pollution, water consumption and waste generation are monitored and measured periodically in line with legislative requirements at both plants. These measures were approved by the Departments of Mineral Resources as well as the Agriculture and Land Administration. SepCem also complies with all the conditions of its licences issued by the Departments of Water Affairs and Environmental Affairs.

Through extensive stakeholder engagement, a database has been established of the potential environmental risks and concerns. Below are operation-specific environmental concerns as raised by the stakeholders and the related mitigation measures for the reporting period.

Aganang integrated cement plant

Environmental concern	Potential sources	Mitigation measures
Dust		
Reduced air quality.	<ul style="list-style-type: none"> Fine dust particles from crushers and materials handling transfer points throughout process. Drilling and blasting. Stack emissions. 	<ul style="list-style-type: none"> Dust extraction points installed. Dust monitoring conducted by the environmental control officer. Bag houses installed at all stacks and continuous monitoring of particulate matter. Provisional atmospheric emission licence in place.
Noise		
Increased overall noise levels around the mine and the plant.	<ul style="list-style-type: none"> General construction and processing activities. 	<ul style="list-style-type: none"> Noise mufflers and silences implemented wherever possible. Engagement channel opened for residents to give specific feedback. Quarterly ambient noise monitoring in the neighbouring communities including farmers.
Visual presence		
Although SepCem acknowledges the 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		
Water requirements may reduce available supply for local farmers and residents.	<ul style="list-style-type: none"> Borehole. 	<ul style="list-style-type: none"> The dry process has been employed at the operations. Kiln exhaust gas is cooled with ambient air, and the mine and plant uses approximately 750m³/day, considerably lower than the industry norm for similar size plants. Bio-monitoring conducted on the surface water.
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 was conducted and reported in the Environmental Management Plan. While threats to biodiversity are not considered material for this operation, SepCem remains committed to regular environmental audits by suitable qualified persons. Should any red-listed species be identified, SepCem will endeavour to relocate such species appropriately.		
Surface water quality		
Excess run-off of dirty water from plant.	<ul style="list-style-type: none"> Storm water flooding. Flatness of area and single drainage catchment body: Springbokpan. 	<ul style="list-style-type: none"> Storm water berms and control structures constructed to prevent storm water run-off. Dirty water from plant footprint channelled into dedicated dams and reservoirs prevent contact with clean water.

SEPHAKU CEMENT CONTINUED

Environmental concern	Potential sources	Mitigation measures
Waste management		
Management and disposal of waste.	<ul style="list-style-type: none"> Hydrocarbons from wash bays. Diesel dispensing station. Laboratory effluent. Alternative raw material such as bottoms ash and magnetite. 	<ul style="list-style-type: none"> Waste selection made separately at a waste site. Procedures in place for waste generation classification and disposal. All waste is disposed in an appropriate way at the licenced landfill sites. Used oil/hydrocarbons are collected by Oilkol who in turn rebate SepCem. Hazardous waste licence in place.
Delmas grinding plant		
Environmental concern	Potential sources	Mitigation measures
Ground water quality and quantity		
Contamination due to leakage.	<ul style="list-style-type: none"> Hydrocarbon effluent from wash bays. Diesel dispensing station. Fly ash storage. 	<ul style="list-style-type: none"> Use of materials, fuels and chemicals will be controlled and stored in a secure, covered and bunded facility.
Storm water management		
Contamination of storm water run-off.	<ul style="list-style-type: none"> Spillage at fly ash handling facilities. Spillage at diesel dispensing station. 	<ul style="list-style-type: none"> Fly ash handling facilities concreted to prevent environmental contamination. Diesel station is stored in bunded facility.
Waste water		
Disposal of waste water.	<ul style="list-style-type: none"> Dirty water from plant footprint. 	<ul style="list-style-type: none"> Dirty water from plant footprint channelled into dedicated dams and reservoirs to prevent contact with clean water. Discharge during excessive flooding to municipal sewage treatment system under agreement. Water monitoring conducted monthly and report submitted to Department of Water Affairs.
Dust		
Reduced air quality.	<ul style="list-style-type: none"> Dust pollution from vegetation clearance, earthworks and increased traffic. Fugitive dust emissions from materials-handling operations. Emissions from the plant. 	<ul style="list-style-type: none"> Suppression measures implemented in unpaved areas. Ambient dust deposition rates continuously monitored. AEL (Atmospheric Emission Licence) is available.
Waste management		
Management and disposal of waste.	<ul style="list-style-type: none"> Hydrocarbons from wash bays. Diesel spillage at dispensing station. Laboratory effluent. Fly ash. 	<ul style="list-style-type: none"> Waste selection made separately at a waste site. Procedures in place for waste generation, classification and disposal.

COMMUNITY ENGAGEMENT

SepCem has adopted a policy that is aligned with international best practice in relation to resettlement and compensation. By working in partnership with communities, SepCem can develop an understanding of the potential impact its operations may have on adjacent communities, and how to manage the short-term and long-term risks.

This strategy is supported by a number of management systems dealing with impact assessment, community engagement processes, and social investment. The main objective for engagement is to develop a mutually beneficial relationship that will enable SepCem to appropriately deliver on the community expectations while achieving its strategic objectives. The two main community expectations identified have been SepCem's provision of employment opportunities and support for enterprise development initiatives.



Mr Bavelile Michael Vilakazi, a Verdwaal livestock farmer grazing his cattle on the SepCem-owned Bethlehem Farm. SepCem has provided this temporary access to pasture as an interim measure for loss of grazing land. A permanent situation is being investigated.

SEPHAKU CEMENT CONTINUED

SepCem actively offers skills development opportunities to young people from the local communities in line with the social and labour plan (SLP) submitted in support of the mining right application. In addition to the training opportunities, SepCem is supporting two commercial projects in line with the SLP highlighted in the table below.

Programme	Progress to date
Apprentice training and learnerships	<ul style="list-style-type: none"> SepCem has trained 12 artisans as electricians and fitters from local communities to date. Nine trained artisans have been employed at Aganang, which is an increase of three individuals to the six recruited in 2014.
Bursaries and internships	<ul style="list-style-type: none"> Four students have been awarded full-time bursaries for engineering studies at universities in South Africa to date. The company has recruited five disabled young interns who will be placed on a learnership programme with the intention of affording them permanent employment when suitable positions become available.
Portable skills	<ul style="list-style-type: none"> Portable skills offered to young people recruited from local communities to create a pool of skilled individuals for recruitment purposes. Additional 15 people to be trained for the bakery and pallet projects as soon as the recruitment process for the two projects is finalised. Thirty young people offered leadership and life skills training to date.
Core business training	<ul style="list-style-type: none"> One hundred and seventy unemployed young people from local communities trained as mining mobile equipment operators, vehicle and truck drivers and engineering workshop assistants to date. Of the 170 young people trained, 70 have been employed by mining and logistics contractors at the Aganang plant as at March 2015.
Delmas and Aganang pallet repair project	<ul style="list-style-type: none"> SepCem has set up a joint-venture company with Palkor to operate the pallet repair yard at Delmas on a 51 – 49% split. There are seven people currently employed and the company will employ a total of 18 at full production by end of 2015. SepCem will transfer the 49% shareholding to an employee trust to be established once the recruitment process is finalised and project fully operational. There is a process underway to establish the Aganang pallet repair centre.
Verdwaal bakery project	<ul style="list-style-type: none"> Construction of the Verdwaal bakery project almost completed. The project will employ 10 people at full production.



From left: Ezekiel Sepeko, Julius Maredi and Itebeng Mogorosi, beneficiaries of the core business training who are now mining mobile equipment operators.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

In the past financial year ended December 2014, SepCem established a Non-Profit Company (NPC) called Torosesha, meaning “new dream”, to acquire 15% of the entire issued share capital of Sephaku Development Proprietary Limited for the benefit of Verdwaal and Springbokpan communities. Torosesha is a vehicle to distribute the equity income to be generated from mining activities to implement broad community development initiatives in line with its memorandum of incorporation.

To date the outstanding administration process is to finalise the election of two community members as directors on the board of Torosesha. The directors of Torosesha will be responsible for how the earnings generated are used for the benefit of the communities. Management is working closely with local authorities to complete the election process. SepCem was awarded a level 2 B-BBEE contributor certificate in December 2014.

ENTERPRISE AND SUPPLIER DEVELOPMENT PROGRAMME

SepCem has identified job creation and supporting the development of small, medium and micro enterprises (SMMEs) as important factors in the sustainability of the local economy and community development strategy. To this end SepCem has developed the Enterprise and Supplier Development programme aimed at mentoring emerging enterprises located in areas it operates in. SepCem provides business opportunities and training to SMMEs through the provision of financial and logistical management support. The programme encompasses entrepreneurship development initiatives that range from the registration of the enterprises to providing basic business management skills through training, mentoring and coaching. Through this programme, community members effectively create jobs through establishing SMMEs, thereby contributing to the empowerment and alleviation of poverty.

Table below highlights the local economic development initiatives that have been introduced in the past year.

Opportunity	Implementation status
Clinker transport	<ul style="list-style-type: none"> • Adjudication on the tendering processes for transport opportunities currently underway. • Six companies selected as beneficiaries of the Aganang raw materials transport, mainly clinker and coal.
Logistics opportunities	<ul style="list-style-type: none"> • Adjudication process underway for truck owner drivers and for the creation of employee driver opportunities to be implemented with the major transporters. This process will be completed by end of July 2015. • Twenty truck drivers are expected to benefit from the scheme.

SEPCEM HAS IDENTIFIED JOB CREATION AND SUPPORTING THE DEVELOPMENT OF SMALL, MEDIUM AND MICRO ENTERPRISES (SMMEs) AS IMPORTANT FACTORS IN THE SUSTAINABILITY OF THE LOCAL ECONOMY AND COMMUNITY DEVELOPMENT STRATEGY.

SEPHAKU CEMENT CONTINUED

Enterprise development programme case studies

Summarised below is a selection of the enterprises currently participating in the enterprise development programme.

CLEANING SERVICES

The cleaning of the cement plants is an essential component of the overall health and safety management process at the operations. The identification and selection of qualifying SMMEs is a rigorous process to ensure that the deserving enterprises are chosen for the programme. SepCem believes that its contribution to these entities will create jobs, develop entrepreneurs and sustain the local economy.

Bodibeng Trading Proprietary Limited

Founded by Mr Gaopalelwe Olebogeng from the Verdwaal Village in the North West province who is the sole managing member of Bodibeng Trading Proprietary Limited. Mr Gaopalelwe has previous experience in plant cleaning that he acquired during his tenure as a plant cleaner at another cement company in Lichtenburg. Bodibeng Trading Proprietary Limited employs 36 employees from the local community and currently has a short-term contract with SepCem which includes mentorship to ensure that it effectively provides the plant cleaning services at Aganang.



Mancamane Trading Enterprise

Mancamane is a black female-owned enterprise that started operating in 2010 as a plant cleaning, construction and mining supply company. Ms Daisy Maseko, a renowned entrepreneur, founded the enterprise in the Delmas area, Mpumalanga province and currently employs 28 permanent staff. SepCem adopted Mancamane into the enterprise development programme in 2014. The company is currently supplying plant cleaning services to the Delmas grinding plant and has demonstrated the ability to grow sustainably.



MM&JK Cleaning Projects Proprietary Limited

In 2014, SepCem contracted the cleaning services of MM&JK Cleaning Projects, an enterprise established in 2013 by Mr Sipho Mazibuko from a village called Springbokpan in the North West province. SepCem identified MM&JK Cleaning Projects as a well-managed enterprise that is appropriately suited to benefit from the programme. In the case of MM&JK, SepCem has partnered with another major industrial organisation to mentor Sipho.

The partner's role is to assist MM&JK Cleaning Projects with improving its cleaning skills through training, providing cleaning equipment and required detergents. SepCem's role is to develop Sipho's business management skills including cost management, record keeping and negotiation. SepCem is assisting MM&JK to develop a marketing strategy to increase its customer base to reduce the single-customer dependency risk and ensure that the company is sustainable. MM&JK Cleaning Projects currently has a three-year contract with SepCem for general cleaning at Aganang and employs 14 permanent staff.



CATERING SERVICES

Millicent's Enterprise

Millicent's Enterprise is 100% black female-owned and was founded by Ms Millicent Mahlabe, an entrepreneur from Delmas in the Mpumalanga province. The company was selected for the programme because it has historically demonstrated the ability to supply large contracts but lacks administration skills. Millicent's has a good reputation and positive track record of being able to cater for large provincial government events.

SepCem secured Millicent's catering services in 2013 for its canteen at the Delmas plant that provides meals to 150 employees. Millicent's currently has seven permanent employees and several contract employees who are sourced as and when required.



CORPORATE GOVERNANCE REPORT





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BOARD AND GOVERNANCE OBJECTIVES

The original strategy approved by the board of directors remains robust and targets the key areas for growth, while maintaining sound controls and a strong focus on risk management. The board considered future trends as well as economic assumptions and identified key external trends, opportunities and risk that could have an impact on the group's growth ambitions.

The board of directors provides ethical leadership and is committed to good governance practices that add value to the business. The board oversees the risk, compliance and assurance practices and hold management to account for the responsible delivery of the strategy.

Each business area and every employee of the group is committed to the principles of good corporate governance and to applying the highest ethical standards in conducting business, being a good corporate citizen and generating sustainable levels of performance and returns on shareholders' investment.

We designed our board objectives to cover not only our strategic objectives, but also to capitalise on the benefits of being part of a broader group, the importance of running the business in an ethical and transparent way as well as the monitoring of our information technology (IT) strategy:

- We are cognisant of the need to work towards consistency of governance structures throughout the group.
- Reviews as a checkpoint for performance against strategy inform the forward-looking strategic and financial planning conducted during the board meetings.
- A great deal of the board's work is actively conducted through the committees and management.
- The governance structures, objectives and mandates facilitate our overall effectiveness and communication.
- In terms of responsible corporate citizenship, the board monitors progress with regard to ethical practices such as the treatment of customers by the operations through the social and ethics committee and has high levels of participation in conduct risk and training. The board has observed ongoing progress in this regard.
- The IT strategy is reviewed by the board to ensure this significant enabler of our business has adequate strategic focus.

SepHold 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. Shareholders are also referred to the King III compliance register included on the company's website for further information on the group's detailed analysis for the compliance to King III.

(www.sephakuholdings.com/our-business/corporate-governance/)



Board changes

Dr D Twist retired in accordance with SepHold's memorandum of incorporation. Having been involved with the company since inception and on the board since September 2006, Dr D Twist decided not to make himself available for re-election in order to commit to the company's unbundled projects.

Mr J Pitt was appointed as the alternative director to Mr MM Ngoasheng on 21 August 2014 and Mr CRDW de Bruin resigned on 21 April 2014.

The board and subcommittees

The SepHold board takes overall responsibility for the success of the group, supports the long-term sustainability of corporate capital, balanced economic, social and environmental performance, and creates and delivers sustainable shareholder value and consideration of legitimate stakeholder involvement. The board reviews and approves the strategic objectives and policies of the group while providing overall strategic direction within a framework of incentives and controls. It ensures that management strikes an appropriate balance between promoting long-term sustainable growth and delivering short-term performance.


The board delegates certain functions to various 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 regularly to align with best practice and to take the recommendations set out in King III into consideration. The chairpersons of these committees are, in conjunction with the board, elected by the members of each committee.

The audit and risk committee is chaired by an independent non-executive director who attends the annual general meeting (AGM) to respond to shareholder queries and holds office for no longer than five consecutive years, unless the remuneration and nomination committee and the board have sound reason to determine otherwise.

Governance review

Our board charter summarises our corporate governance practices, details matters reserved for the board and outlines the mandate for our board committees. It further defines the separate roles for the chairperson, the chief executive officer and elaborates on the board's expectations of the committee chairpersons and all directors.

Among others, the board specifically considered the following matters (as required by the Companies Act and the JSE Listings Requirements):

Board appointments	The appointment of directors to the board is a formal, transparent process and a matter for the board as a whole, assisted by the nomination committee. The nomination committee consists of a majority of independent non executive directors and is chaired by the board chairperson.
Board composition	The board comprises of nine directors, four of whom are executive, one non-executive and four independent non-executive directors. The board is satisfied that it has the requisite balance of skills, knowledge, experience and diversity to make it effective.
Group company secretary	<p>The group company secretary is responsible for the functions specified in chapter 88 of the Companies Act. The board conducted its annual assessment of the group company secretary in June 2015. It remains satisfied with the competency and experience of Jennifer Bennette as group company secretary. The board is of the opinion that an arm's length relationship has been maintained between its members and the company secretary.</p> <p>The group company secretary provides guidance to the board members on the execution of their duties and maintains her knowledge of developments in corporate governance best practice and regulation. All board members have unhindered access to the services of the group company secretary in all aspects of the board's mandate and the operations in the group.</p>
Going concern	The directors of the group are of the opinion that the business will remain a going concern in the 12-month period ahead. Their statement in this regard is contained in the directors' approval to the financial statements.
 Preparation of the annual financial statements and competency of the financial director	<p>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 65.</p> <p>Furthermore, the audit and risk committee has considered and satisfied itself of the appropriateness of the expertise, adequacy of the resources of SepHold's financial function as well as the experience of the responsible senior members of management.</p>

BOARD AND GOVERNANCE OBJECTIVES CONTINUED

Roles and responsibilities as set out in the charter/mandates

Committee	Roles and responsibilities
Board	<ul style="list-style-type: none"> • Approval of SepHold's 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 and approving the terms of reference of board committees. • Determining, maintaining and monitoring policies and processes that seek to ensure the integrity of risk management and internal controls. • Communicating with shareholders, including approval of all circulars, prospectuses and major public announcements. • Approving the interim financial results, the integrated annual review and the annual financial statements (including the review of critical accounting policies and accounting judgements and an assessment of SepHold's position and prospects).
Executive committee	<ul style="list-style-type: none"> • Developing strategy and policy proposals for consideration by the operational boards and implementing the directives of the operational boards. • Developing and implementing strategy, operational plans, policies, procedures and budgets. • Monitoring operational and financial performance. • Assessing and controlling risk. • Overseeing operational activities. • Prioritising and allocating resources. • Monitoring competitive forces in each area of operation.
Audit and risk	<ul style="list-style-type: none"> • Nominating a registered, independent auditor and determining fees to be paid as well as the terms of engagement. • Determining and pre-approving any non-audit services that the auditor may provide. • Preparing a report for the annual financial statements that describes how the committee carried out its functions and whether it is satisfied of the auditor's independence. The committee can include commentary it considers appropriate on SepHold's accounting practices and the internal financial controls. • Dealing appropriately with any concerns or complaints relating to SepHold's accounting practices, the content or auditing of its financial statements and internal financial controls. • Making submissions to the board on any matters concerning accounting policies, financial control, and records and reporting. • Performing other functions determined by the 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.

Committee	Roles and responsibilities
Remuneration and nomination	<ul style="list-style-type: none"> • The remuneration and nomination committee is chaired by Mr MM Ngoasheng, an independent non-executive director. • The ordinary business of the remuneration and nomination committee will be to deal with those duties normally associated with a remuneration committee, including: <ul style="list-style-type: none"> – reviewing the performance of non-executive directors; and – approving remuneration policies for executive directors and SepHold's management. • On an ad hoc basis, the remuneration and nomination committee may discuss matters normally dealt with by a nominations committee (including director appointments, the appropriateness of the composition of the board and succession planning). When this occurs: <ul style="list-style-type: none"> – the chairman of the board, Mr B Williams, will attend and chair that portion of the meeting that deals with nomination aspects; and – it will be recorded in the minutes of the meeting that Mr B Williams, the chairman of the board, chaired the remuneration and nomination committee meeting for the purposes of nomination matters only.
Social and ethics	<p>Monitoring the group's activities regarding:</p> <ul style="list-style-type: none"> • maintaining good relations with consumers; • maintaining good relations with employees and achieving employment equity; • promoting and protecting the environment, health and safety; • preventing and combating bribery and corruption; • being a good corporate citizen, particularly efforts at protecting and advancing human rights, promoting equality and preventing unfair discrimination; and • extending the reach and impact of the group's values and ethics through the value chain.

GAI review

The Summary Governance result is obtained through the utilisation of the Governance Assessment Instrument (GAI), which is trademarked to the Institute of Directors Southern Africa (IoDSA), which compiled its content and rating capability.

The assessment criteria of the IoDSA web-based tool, the Governance Assessment Instrument, have been based on the practice recommendations of the King III report. These criteria are intended to assess quantitative aspects of corporate governance only, and not qualitative governance. For a detailed assessment of the qualitative criteria, shareholders are referred to the register on the company's website: <http://www.sephakuholdings.com/our-business/corporate-governance/>

EACH BUSINESS AREA AND EVERY EMPLOYEE OF THE GROUP IS COMMITTED TO THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE AND TO APPLYING THE HIGHEST ETHICAL STANDARDS IN CONDUCTING BUSINESS.

BOARD AND GOVERNANCE OBJECTIVES CONTINUED

Overall score

AAA

Completeness meter

100%

Scoring key

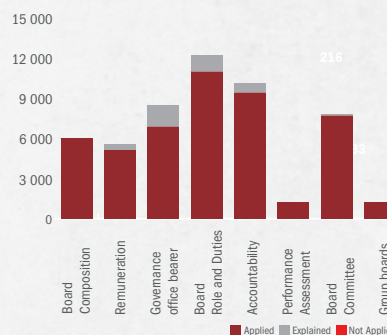
AAA	- Highest application
AA	- High application
BB	- Notable application
B	- Moderate application
C	- Application to be improved
L	- Low application

Application meter

Status	Category	Score
	Board composition	AAA
	Remuneration	AAA
	Governance office bearers	AAA
	Board role and duties	AAA
	Accountability	AAA
	Performance assessment	AAA
	Board committees	AAA
	Group boards	AAA

Weighting graphic

Weighting Graphic



http://www.iodsa-gai.co.za/gai/Reports/Public/JSE_ListingRequirements.aspx?L=003d0f1e-7ba5-488e-a6d5-71ecd559fcb1#Chapter243

Disclaimer:

The assessment criteria of the web-based tool, the Governance Assessment Instrument (GAI), have been based on the practice recommendations of the King III report. These criteria are intended to assess quantitative aspects of corporate governance only and not qualitative governance. As such, the results are proposed to serve as an indication of the structures, systems and processes in place and are not intended to include an indication of the governance culture of an entity.

The responsibility for the input of data in order to attain a result through the use of this is that of the user and the entity in respect of which the user subscription has been granted.

The Global Platform for Intellectual Property (Pty) Ltd (TGPIPI), nor the IoDSA, as Licensor of the content of the GAI, makes no warranty or representation as to the accuracy or completeness of either the assessment criteria or the results. Neither TGPIPI, nor the IoDSA, nor any of its affiliates, nor the software developer shall be held responsible for any direct, indirect, special, consequential or other damage of any kind suffered or incurred, as a result of reliance on the results produced through the use of the GAI.

Composition and attendance

Members	Board	Audit and risk committee	Remuneration and nomination committee	Social and ethics committee
Total number of meetings	4	3	1	1
B Williams (chairperson, independent)	3	3		C 1
Dr L Mohuba (CEO, executive)	4	EO 3	EO 1	
NR Crafford-Lazarus (financial director, executive)	4	EO 3	EO 1	
RR Matjiu (executive)	2			1
PF Fourie (non-executive)	4			1
MM Ngoasheng (independent)	2		C 0	
Dr D Twist (resigned 21 August 2014)	1			
MG Mahlare (independent)	4	C 3	1	
PM Makwana (independent)	4	3	C*1	
KJ Capes (executive)	4			1
J Bennette (company secretary)	4	3	1	1

C - Committee chairperson

C* - Mr Makwana acted as chairperson of this meeting in the absence of Mr Ngoasheng, the elected committee chairperson

EO - Ex-office member



Métier truck at the Waterfall Mall
construction site in Midrand, Gauteng.

BOARD AND GOVERNANCE OBJECTIVES CONTINUED

BOARD OF DIRECTORS



Brent Williams

Chairman – Independent non-executive director

BA (University of Cape Town), BProc (University of Western Cape), LLM (Harvard University Law School), DLA Piper Harvard Leadership Program (Harvard Business School)

Brent was appointed a director and chairman of SepHold on 3 March 2012.

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



Modilati Gustav Mahlare

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

BCom (Accounting) (University of Fort Hare), BCompt (Hons) (University of South Africa)

Gustav was appointed a director of SepHold on 29 January 2009.

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

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's Executive Development Programme

Mpho was appointed a director of SepHold on 11 January 2013.

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



Moses Modidima Ngoasheng

Independent non-executive director

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

Moss was appointed a director of SepHold on 1 February 2008.

Moss was instrumental in developing the industrial policy of the African National Congress and was economic advisor to President Thabo Mbeki from 1995 to 2000. He serves on a number of boards including SA Breweries and Dimension Data.



Justin Pitt

Alternate director to Moses Modidima Ngoasheng

BCom BAcc (Wits), CA(SA), CFA, Member of South African Institute of Chartered Accountants and Association for Investment Management and Research

Justin was appointed as an alternate director of SepHold on 21 August 2014.

Justin co-founded Safika Resources and QuestCo in 2002 and is currently the managing director of Safika Resources.



Dr Lelau Mohuba

Chief executive officer – executive director

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

Lelau was appointed a director and founding Chairman of SepHold on 3 February 2005 and became CEO on 28 March 2012.

Lelau retired as a medical practitioner in 2001 after a 22-year career. His commercial career began in 2002 and since then he has served in various capacities in several entrepreneurial endeavours.



Neil Robus Crafford-Lazarus

Financial director – executive director

BCompt (University of the Free State), BCompt (Hons) (University of South Africa), CA(SA)

Neil was appointed a director and CEO of SepHold on 1 June 2007 and became financial director on 28 March 2012.

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 BHP Billiton. He also served as financial director of Xstrata SA Proprietary Limited between 1998 and 2005.



Rose Raisibe Matjiu

Executive director, corporate and social development

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

Shibe was appointed a director of SepHold on 23 August 2005.

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 South African Women in Mining and the Business Women's Association.

BOARD AND GOVERNANCE OBJECTIVES CONTINUED

BOARD OF DIRECTORS CONTINUED



Kenneth John Capes

Executive director, managing director – Métier

Kenneth was appointed a director of SepHold on 29 July 2013.

Kenneth has extensive experience in the ready-mixed concrete and aggregates industry. Kenneth spent 20 years at Lafarge South Africa, holding various management positions. He was directly involved in the development of the ready-mixed concrete and quarrying business as a general manager. Kenneth's extensive knowledge, expertise and passion for concrete manufacture led him to be a co-founder of Métier Mixed Concrete in KwaZulu-Natal in 2007.



Pieter Frederick Fourie

Non-executive director, chief executive officer – Sephaku Cement

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

Pieter was appointed a director of SepHold on 20 November 2009.

Pieter has extensive experience in the cement industry and assumed the position of chief executive officer of SepCem in May 2007.

COMPANY SECRETARY



Jennifer Bennette

Jennifer was appointed an alternate director to Shibe on 3 February 2005 and resigned on 21 August 2013.

She was appointed company secretary of SepHold in 2008 and SepCem in 2010. Jennifer was previously employed by various legal practices as a paralegal, including company secretary for the Platmin group.

Further required disclosures are set out below:

Division of responsibility	<p>There is a clear division of responsibilities at board level, in particular between the roles of the chairperson and chief executive officer (CEO).</p> <p>The SepHold board is chaired by an independent non-executive director.</p> <ul style="list-style-type: none"> • The chairperson is responsible for providing leadership to the board, overseeing its efficient operation and ensuring effective corporate governance practices. • The CEO is responsible for implementing and maintaining the strategic direction of SepHold and ensuring that the day-to-day affairs of the operations are appropriately supervised and controlled.
Induction training and evaluation	<p>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 SepHold. Professional development and training is provided through regular updates on changes and proposed changes to laws and regulations affecting SepHold or its businesses.</p> <p>A board evaluation was performed in-house by the chairperson during the fourth quarter of the 2014 calendar year. The recommendations were considered by the board and, where necessary, actioned through the office of the company secretary.</p>
Directors' rotation	<p>In accordance with SepHold's MOI, directors (excluding executive directors) are subject to retirement by rotation and re-election by shareholders at least every three years. Retiring directors can be re-elected immediately by the shareholders at the AGM.</p> <p>Dr David Twist was on rotation to retire at the AGM held on 21 August 2014 and did not avail himself for re-election. Accordingly, David Twist resigned as a non-executive director.</p> <p>Mpho Makwana retires at the next AGM to be held on 21 September 2015 and has made himself available for re-election.</p>
Conflicts of interest	<p>Board members disclose their interests in material contracts involving SepHold, directorships they hold that may pose potential conflicts of interest, and their shareholding in SepHold. Directors recuse themselves from making decisions that could in any way be affected by vested interests.</p>
Share dealings	<p>Directors, officers, participants and employees who may have access to price-sensitive information are precluded from dealing in SepHold shares during closed periods, which include the lead-up to the release of interim and final results as well as sensitive periods.</p> <p>Details of share dealings by directors are disclosed to the board and the JSE through the Stock Exchange News Service (SENS). Written requests to trade in SepHold shares by directors, prescribed officers and senior personnel, as well as the requisite approval to trade in SepHold shares, outside of closed periods, are kept on record at the SepHold offices.</p>
Donations to political parties	<p>SepHold did not make any donations to political parties during the financial year.</p>
Communication	<p>The board is committed to honest, open and regular communication with all stakeholders on financial and non-financial matters. SepHold 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.</p> <p>All executive and non-executive directors are required to attend the meetings. The AGM provides an opportunity for the chairperson to present to the shareholders a report on current operations and developments and enables the shareholders to question and express their views about SepHold's business.</p>

RISK REPORT

The board recognises the importance of an effective risk management process and acknowledges that it is responsible and accountable for ensuring that adequate procedures and processes are in place. The group companies have approved formally documented risk management policies as recommended by King III.

These policies clearly set out:

- the responsibilities of employees, management, the risk committee and the board;
- the definition of risk and risk management;
- risk management objectives; and
- the board's risk approach and philosophy; the risk management process and structures. In terms of the policies, the audit and risk committee serves an oversight role in respect of risk management.

RISK MANAGEMENT

To ensure the sustainability of its business and to meet the risk tolerance and risk appetite targets defined by the board, the executive committees of SepHold, SepCem and Métier have developed and implemented a policy and plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, and the related internal control, compliance and governance processes within the companies. To assist it in the discharge of its duties and responsibilities in respect of risk management, the board has appointed an audit and risk committee to review the risk management progress of the companies, the effectiveness of risk management activities, the key risks facing the companies, and the responses to address these key risks.

Risk identification and analysis

The board is satisfied that SepCem and Métier have and maintain an effective ongoing risk assessment process, consisting

of risk identification, risk quantification and risk evaluation. This assessment process identifies risks and measures their potential impact and likelihood. A systematic, documented, formal risk assessment is conducted at least once a year and is continually reviewed, updated and applied. The output of the assessments is provided to the audit and risk committee and the board to provide a realistic perspective of material risks that the companies face.

The risk reports as prepared by the SepCem and Métier executive management are submitted to the SepHold audit and risk committee. An in-depth analysis is then performed on the identified risk areas to develop action plans that are progressively implemented. Strategic reviews of all operational units are conducted periodically by the heads of the operational units. These strategic reviews include an analysis of the main risks to which the operational entities are exposed.

Material losses

The group incurred no material losses during the financial year.

Risk appetite and tolerance

The board considers risk management as achieving an appropriate balance between realising opportunities for gains while minimising adverse impacts. The board is satisfied that no member of management within the organisation has exceeded his or her authority or acted contrary to the board's stated risk appetite and in so doing, has exposed the group to unnecessary risk during the financial year and up to the date of this report.

REMUNERATION REPORT

SepHold's remuneration practices reflect the dynamics of the market and context in which it operates. Remuneration plays a critical role in attracting and retaining high-performing individuals. Remuneration is also used to reinforce, encourage and promote superior performance and achievement of organisational goals. The group's remuneration management is market-related through market surveys and benchmarks which are applied to maintain the system.

The board is responsible for making decisions regarding the remuneration of directors and the CEO who, in turn, is responsible for decisions relating to total guaranteed remuneration and incentives of all employees. The remuneration committee receives these recommendations and subsequently advises the board on remuneration practices. The committee makes recommendations on long-term employee incentives and submits all policy amendments to the board for approval.

SepHold 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. Key principles of the framework are to ensure that SepHold:

- appropriately compensates employees for services they provide to the company;
- provides a flexible and competitive remuneration structure that:
 - is referenced to appropriate benchmarks;
 - reflects market and industry practices; and
 - is tailored to the specific circumstances of SepHold, so as to attract, motivate and retain highly skilled employees;
- aligns remuneration practices with the business strategy, objectives, values and long-term interests of the company;

- ensures equitable remuneration to help facilitate the deployment of people around the business;
- complies with all relevant legal requirements; and
- ensures variable remuneration payment is aligned with the company performance, both on divisional and individual level.

Positioning of the total guaranteed package is 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. With increased experience, learning and performance, the total guaranteed package will be adjusted based on the outcomes performance reviews.

The table below is a summary of the performance measurement criteria:

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

The table below summarises the main components of the reward package for all SepHold employees. SepCem, as a subsidiary of Dangote, applies a different reward framework.

Objective and practice	Award size and performance period
Guaranteed pay	
<ul style="list-style-type: none"> • Remunerate above the market and industry average for key positions. • Remunerate market-related salaries for all other positions. • Review total guarantee annually and set on 1 March. 	<ul style="list-style-type: none"> • 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	
<ul style="list-style-type: none"> • To motivate employees and incentivise delivery of performance over the financial year period. • The appropriateness of measures and weightings are reviewed annually to ensure on-going support of the strategy. • The annual bonus is paid in cash in July each year for performance over the previous financial year. 	<ul style="list-style-type: none"> • Performance over the financial year is measured against targets set in the balanced scorecards. • Target bonus (15%, 30% and 50%) of the total guaranteed pay aligned with the level of a position as defined in the performance management policy.
Long-term incentive	
<ul style="list-style-type: none"> • To motivate and incentivise delivery over the long term. • Award levels and framework for determining vesting to ensure continued support of the company strategy. 	<ul style="list-style-type: none"> • Performance over three financial years is measured against targets for the performance period.

As the group becomes firmly established as a manufacturer of building materials, the reward structure will be reviewed to reflect the phase of commercial activity in the 2016 financial year.

Non-executive director remuneration *Elements and purpose*

We aim to attract and retain suitably skilled and experienced non-executive directors. An appropriate level of competitive remuneration is required to reward them appropriately for their time and expertise.

Non-executive directors are remunerated by way of an annual fee paid in recognition of membership of the board and its committees.

Non-executive directors, including the group chairperson, are not eligible to receive any other employment benefits or performance-related remuneration or any form of compensation for loss of office.

The fee structure is reviewed periodically and benchmarked annually to ensure proposed fees are appropriate against the external market and support the attraction and retention of high-quality non-executive directors. Proposed fees are subject to shareholder approval at the AGM each year.

Fee structure 2015 – annual fee	R
Chairperson of the board	320 000
Independent non-executive	240 000
Proposed fee structure 2016 – annual fee	
Chairperson of the board	350 000
Independent non-executive	262 500

Directors' and management remuneration

Directors' emoluments are set out in note 34 in the annual financial statements on pages 45 – 46. Beneficial shareholding of directors and associates, and directors' interests in share options are disclosed in the directors' report on pages 6 and 9.

SOCIAL AND ETHICS REPORT

In line with the Companies Act and the regulations, SepHold established a social and ethics committee in 2012. The committee comprises no fewer than three members who are directors of SepHold and at least one director who is a non-executive director.

The social and ethics committee focuses its efforts on the operating companies by:

- maintaining good relations with consumers;
- maintaining good relations with employees and achieving employment equity;
- promoting and protecting the environment, health and safety;
- preventing and combating bribery and corruption;
- being a good corporate citizen, particularly efforts at protecting and advancing human rights, promoting equality and preventing unfair discrimination; and
- extending the reach and impact of the values and ethics through the business partners and supply chain.

The committee also monitors activities of the operating companies regarding:

1. Social and economic development, including SepHold's position and/or status in terms of the goals and purposes of:
 - the 10 principles set out in the United Nations Global Company Principles;
 - the OECD recommendations regarding corruption;
 - the EE Act; and
 - the Broad-Based Black Economic Empowerment Act, 53 of 2003.
2. Good corporate citizenship, including:
 - promotion of equality, prevention of unfair discrimination, and measures to address corruption;
 - contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed;
 - record of sponsorship, donations and charitable giving;
 - the environment, health and public safety;
 - including the impact of the activities and of its products or services;

- consumer relationships, including the policies and record relating to advertising, public relations and compliance with consumer protection laws; and
 - labour and employment matters.
3. Reviewing the adequacy and effectiveness of engagement and interaction with its stakeholders;
 4. Considering substantive national and international regulatory developments and overseeing their operationalisation and practice in the fields of social and ethics management;
 5. Reviewing and approving the policy and strategy pertaining to the programme of corporate social investment;
 6. Determining clearly articulated ethical standards (code of ethics), and ensuring that measures are taken to achieve adherence to these in all aspects of the business, thus achieving a sustainable ethical corporate culture;
 7. Monitoring that management develop and implement programmes, guidelines and practices congruent with the social and ethics policies;
 8. Reviewing the material risks and liabilities relating to the provisions of the code of ethics, and ensuring that such risks are managed as part of the risk management programme; and
 9. Reviewing the performance in implementing the provisions of the code of ethics.

The social and ethics committee held one meeting for the financial period 31 March 2014 to 31 March 2015 and provided a summary of its meetings to the SepHold board for review. At these meetings, major incidents are reported and performance updates presented to ensure that the group operates in a socially responsible manner.

The social and ethics committee reports to shareholders at the AGM. The chairperson of the committee will attend the AGM to report back to shareholders.



Students from surrounding Itsoseng community participating in the SepCem sponsored winter school at Tswelelopele High School.

Area of focus	Description
Community engagement	
Strategy	<ul style="list-style-type: none"> • Work in partnership with communities; • understand how the operations will affect the livelihood of adjacent communities and the responsibilities of all parties involved; and • manage short and long-term community risks. <p>This strategy is supported by a number of management systems dealing with impact assessment, community engagement processes and community social investment.</p>
Corporate social investment	A number of engagements have taken place during the financial year by the group. More information on some of these actions can be found in the Business Review on pages 36 to 55.
Human rights	The group views community engagement as a business imperative and an integral element of its vision and values. The group aims to promote strong relationships with the communities in which it operates and will seek regular engagement about issues which may affect them.
Employee engagements	
Non-discrimination	<p>The group complies with the EE Act. An EE committee representing all levels of employees was elected. The EE committee meetings are held annually with the focus to review the employment equity principles, goals and plans to achieve representative workforce at all occupational levels. Treating employees equally is imperative to the business. The group aims to achieve and exceed set targets in line with the B-BBEE and mining charter requirements.</p> <p>Plan and programme is 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.</p>
Labour relations	SepCem's management recognises the need to engage with the employees at all levels and has adopted the Sephaku Communication Meeting forums (SEPCOMS) as a platform to discuss operational, people and organisational issues in a focused manner in order to enhance the execution of company objectives and to effectively address and deal with employee issues. Over and above these communication structures the company has a grievance procedure to be used by employees when they have a grievance or complaint relating to his/her working conditions.
Freedom of association and collective bargaining	<p>The group's commitment to respecting 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. Approximately 30% of Aganang employees have affiliated with labour movement.</p> <p>Sephaku Cement has commenced discussions with respective union officials to conclude a recognition/collective agreement pertaining to organisational rights.</p>

SOCIAL AND ETHICS REPORT CONTINUED

Area of focus	Description
Employee engagements	
Anti-corruption	<p>The group adheres to the highest ethical principles in the way it conducts its business. The group supports its employees to ensure that they work consistently in an ethical, honest and legal manner. The following policies and procedures are in place to support this approach:</p> <ul style="list-style-type: none"> • employees have access to a whistle-blowing telephone hotline, which is available 24 hours a day throughout the year. The hotline is anonymous and is available in all 11 of South Africa's official languages. Information reported is passed to a designated senior executive who decides how it should be followed up; and • the ethics policy and code of conduct are personally handed to employees who acknowledge receipt of the ethics policy by signature. <p>Notices have been placed in public places encouraging employees to report suspicion of fraud, theft and other elements of dishonest acts in the workplace. Employees are also encouraged to report behaviour that includes:</p> <ul style="list-style-type: none"> • 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. <p>The company plans to put notices on all company vehicles and delivery vehicles to invite the public to report bad driving, theft, bribery and corruption-related incidents.</p>
Safety management	<p>The group plans to achieve and maintain the highest standards of safety at its operations as outlined in the health and safety policy and these address the following areas, among others:</p> <ul style="list-style-type: none"> • behavioural safety; • accidents, incidents and non-conformances; • emergency preparedness and response; and • training, awareness and competence.



CORPORATE INFORMATION

DIRECTORS

B Williams* (chairman)

MG Mahlare*

PM Makwana*

MM Ngoasheng*

J Pitt*#

Dr L Mohuba° (chief executive officer)

NR Crafford-Lazarus° (financial director)

RR Matjiu°

KJ Capes°

PF Fourie

° Executive

* Independent

Alternate

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Registered auditors

BANKERS

Nedbank

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