BUILDING **BLOCKS** FOR GROWTH 2016

INTEGRATED ANNUAL REVIEW

SEPHAKU
HOLDINGS LTD

SEPHAKU HOLDINGS IS A BUILDING AND CONSTRUCTION MATERIALS COMPANY

Sephaku Holdings Limited (SepHold) is a JSE-listed company with investments in the building and construction materials sector in South Africa. SepHold's strategy is to create value for shareholders through active participation in its portfolio of investments to generate positive earnings and market share growth.

view this review online:
www.sephakuholdings.com

Sephaku at a glance

financial year ended 31 March 2016

OUR INVESTMENT PROPOSITION

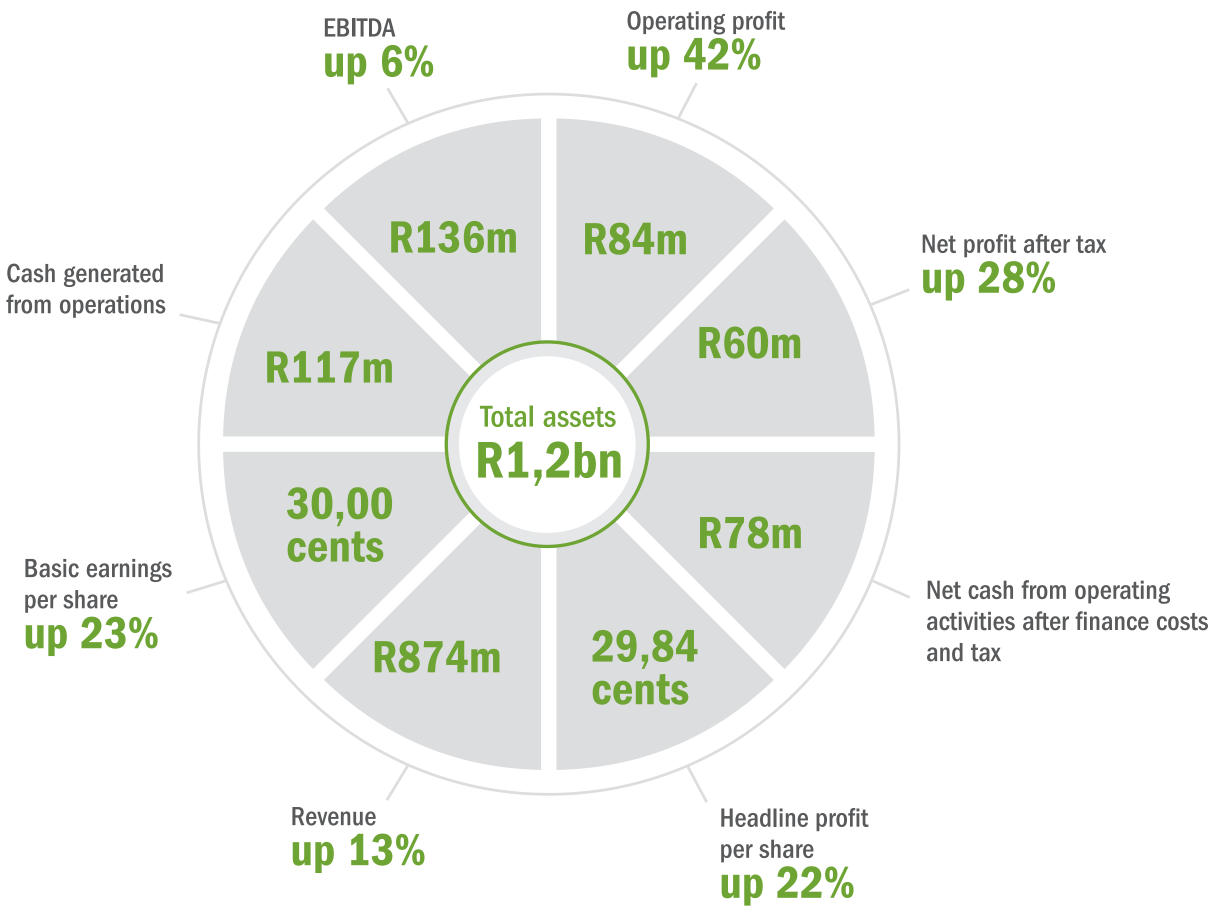
SepHold offers investors a portfolio of assets focused on the building and construction materials industry. The group has invested in new capacity in the cement production and related products sector in South Africa. SepHold is positioned to generate earnings growth and create value for shareholders from opportunities in these sectors that are contributors to infrastructure development.

OPERATIONAL PERFORMANCE

	Sales revenue	Fatalities	
MÉTIER MIXED CONCRETE	**R874 million** and EBITDA of **15%**	**0** AT ALL 11 PLANTS	Lost time injury rate **5,07**
CEMENT	**R2,3 billion** and EBITDA of **22%** by end of December 2015	**0** AT ALL 3 PLANTS	Lost time injury rates **0** DELMAS SEPASH **0,109 at** AGANANG

GROUP FINANCIAL PERFORMANCE

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016



OUR INVESTMENT PROPOSITION

The group's subsidiary (Métier) and associate (CEMENT) have a set of competitive advantages that will facilitate sustainable long-term growth:

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

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

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

Operational management with deep industry skills.

EBIT margin
at **11,6%**

EBIT margin
at **14,7%**

GROUP SHARE PRICE PERFORMANCE
AS AT 31 MARCH 2016

Number of shares in issue

201 908 654

Share price at year-end (cents)	Share price low (cents)	Share price high (cents)
450	**430**	**1 010**

Market capitalisation at year-end	Net assets value per share (cents)
R0,91bn	**451**

About this report

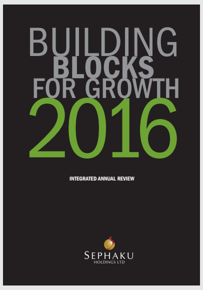
SCOPE AND BOUNDARY

The 2016 integrated annual review (the review) reports on the core assets of SepHold which comprise the 100%-owned subsidiary Métier Mixed Concrete Proprietary Limited (Métier or subsidiary) and the 36%-held associate Dangote Cement South Africa Proprietary Limited (CEMENT or associate), which collectively with SepHold are referred to as the group. CEMENT was formerly Sephaku Cement Proprietary Limited.

The review provides an overview of the environment in which the group operates, business strategy and the material risks and opportunities that drive the strategy. It also discusses the operational, financial, environmental and social performance of the group, and how these contribute to value creation.

The review covers the period 1 April 2015 to 31 March 2016. CEMENT has a 31 December year-end as a subsidiary of Dangote Cement Plc (DCP). The equity-accounted profit that has been included in these results relates to CEMENT's 2015 financial year and covers the period 1 January 2015 to 31 December 2015.

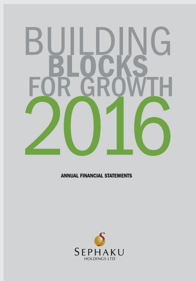
SepHold's 2016 integrated annual report consists of two documents:



Integrated annual review

The integrated annual review as the primary report provides an overview of the group and highlights operational matters and performance reviews. The review can be viewed online:

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



Annual financial statements

The annual financial statements consists of the statutory financial results and can be downloaded online:

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

The following supplementary information is also available on the website:

- King III checklist
- Corporate social investment (CSI) fact sheet

REPORTING REQUIREMENTS AND GUIDELINES

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

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

The group strives to comply with the reporting framework and guidelines.

APPROVAL OF THE INTEGRATED ANNUAL REVIEW

The board is responsible for overseeing the integrity and completeness of the integrated annual review and has applied their collective mind to the preparation and presentation of the review.

The board approved the 2016 integrated annual review on 17 August 2016, taking into consideration the completeness of the material matters it deals with and the reliability of data and information presented.

FEEDBACK

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

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 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 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.

2 BUSINESS OVERVIEW AND LEADERSHIP REVIEWS

Business overview

SEPHOLD IS A JSE-LISTED COMPANY THAT INVESTS IN BUILDING MATERIALS-FOCUSED BUSINESSES WITH THE GOAL TO CREATE VALUE FOR SHAREHOLDERS THROUGH ACTIVE PARTICIPATION IN OPERATIONS TO GENERATE POSITIVE EARNINGS AND MARKET SHARE GROWTH.

WHO WE ARE

SepHold subscribes to the values of respect, integrity, accountability, transparency and honesty. The board and management seek to balance the expectations of shareholders for reasonable capital growth while acting responsibly concerning the interests of other stakeholder groups. These stakeholders include shareholders, customers, employees, suppliers, communities, industry associations and government.

SepHold is guided by a Code of Ethics (the Code), which recognises that as a member of society, the group and people associated with the group have an obligation to act ethically. The Code provides the ethical base from which directors and employees conduct business relationships with stakeholders. Although management teams are entrusted by shareholders to look after the financial and social well-being of the company, employees have an important part to play in abiding by and living the company's values and ethics.

OUR KEY MILESTONES

2009 – SepHold listed on the JSE

2011 – Construction of CEMENT plants commenced

2013 – Acquisition of Métier

2014 – CEMENT started producing clinker and cement

2015 – Reached steady state capacity utilisation rate of 80% at CEMENT

DANGOTE CEMENT SOUTH AFRICA PROPRIETARY LIMITED (CEMENT)

Formerly Sephaku Cement Proprietary Limited

CEMENT's core business is the manufacturing, marketing and distribution of high-quality cementitious products to a spectrum of cement users. Its integrated cement plant in Aganang and grinding plant in Delmas have a combined production capacity of 2,8 million tonnes per annum. CEMENT has established itself as a well known brand in the supply of cement. It has achieved this through successfully penetrating the major retailers, numerous second-tier distributors and several bulk cement users, particularly ready-mix concrete manufacturers.

64% of CEMENT is held by Dangote Cement Plc (DCP), which is an 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 for further information on Dangote.

MÉTIER

Métier is a brand leader in the production of ready-mixed concrete, including specialised high-margin technical concretes and concrete pumping service. 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 to provide innovative service, quality and reliability based on the following four pillars:

- impress customers by offering superior service and products;
- inspire employees through a passion for concrete;
- support suppliers to actively contribute to Métier's success; and
- respect shareholders by offering value for their investment.

WHAT WE DO AND HOW WE DO IT

The business is founded on the principles of entrepreneurship, innovation, resilience and empowerment. The group has differentiated itself through the manufacturing of specialised and/or consistent quality products and superior service offering. The efficiency from the use of leading technologies, new infrastructure and industry skills have enabled us to achieve distinctive competitive advantages.

The chairman and the board play a pivotal role in strategic planning and establishing clear benchmarks to measure strategic objectives. The board views the growth of the group as its strategic focus area and continues to look for opportunities of backward or downstream integrations that will enhance shareholder value.

The achievement of steady state capacity use at CEMENT plants and the eleventh plant at Métier were the operational performance achievements. CEMENT's brands have been established in the consumer markets, making the associate one of the top cement producers in the country.

The efficiency from the use of leading technologies, brand-new infrastructure and industry skills have enabled us to achieve distinctive competitive advantages.

Business overview continued

The focus of creating shareholder value remains an objective for the group. SepHold continues to enhance the four value creation pillars on which sustainable earnings and growth can be achieved as detailed below.

1. **Technical skills and industry experience** are critical for implementing the group strategy, thereby understanding the building materials market dynamics so as to maximise profitability:
   - The group has skilled and experienced management with comprehensive industry knowledge and experience in cement and concrete manufacturing.
   - There is sufficient technical and project management skills at management levels that ensure the ability to:
     - bring targeted projects to account; and
     - produce high-quality consistent cements and specialised concretes.
   - The group has marketing and logistics management skills that have enabled the market entry of CEMENT into the South African cement supply market and expansion of Métier into the Gauteng concrete market.
   - Mentoring and training are in place to close any competence and knowledge gaps identified at lower management levels to ensure continuity of the founding management team's success. The performance management system is also structured to not only ensure, but motivate employees to align their output to stated business objectives.

2. **Leading technologies** that facilitate the production of high quality cement and mixed concrete:
   - CEMENT has modern, efficient cement plants with state-of-the-art equipment and infrastructure.
   - Métier's ability to manage logistics through technology to meet customer needs is a distinctive factor.

3. **Service excellence** is a distinguishing characteristic:
   - Métier has built brand equity through innovative specialised concretes and superior service offering.
   - CEMENT and Métier have established themselves as preferred suppliers, known for their ability to meet their customers' expectations.

4. **Strategic relationships and deal-making abilities** have contributed to the group positioning itself as one of the major 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 CEMENT.
   - The group has developed robust relationships with stakeholders including the retail distribution channel, communities, funders and suppliers.

Value creation pillars

Technical skills and industry experience

Leading technologies

Service excellence

Strategic relationships and deal-making abilities

SepHold's role is to provide strategic leadership in achieving the group's objectives by ensuring that the operations:

- produce high-quality products and implement effective marketing activities that **increase or maintain market share and maximise margins**;
- remain focused on the implementation of optimisation programmes to **improve cost efficiencies; and**
- adhere to their respective action plans to **strengthen their balance sheets** and **increase free cash flow**.

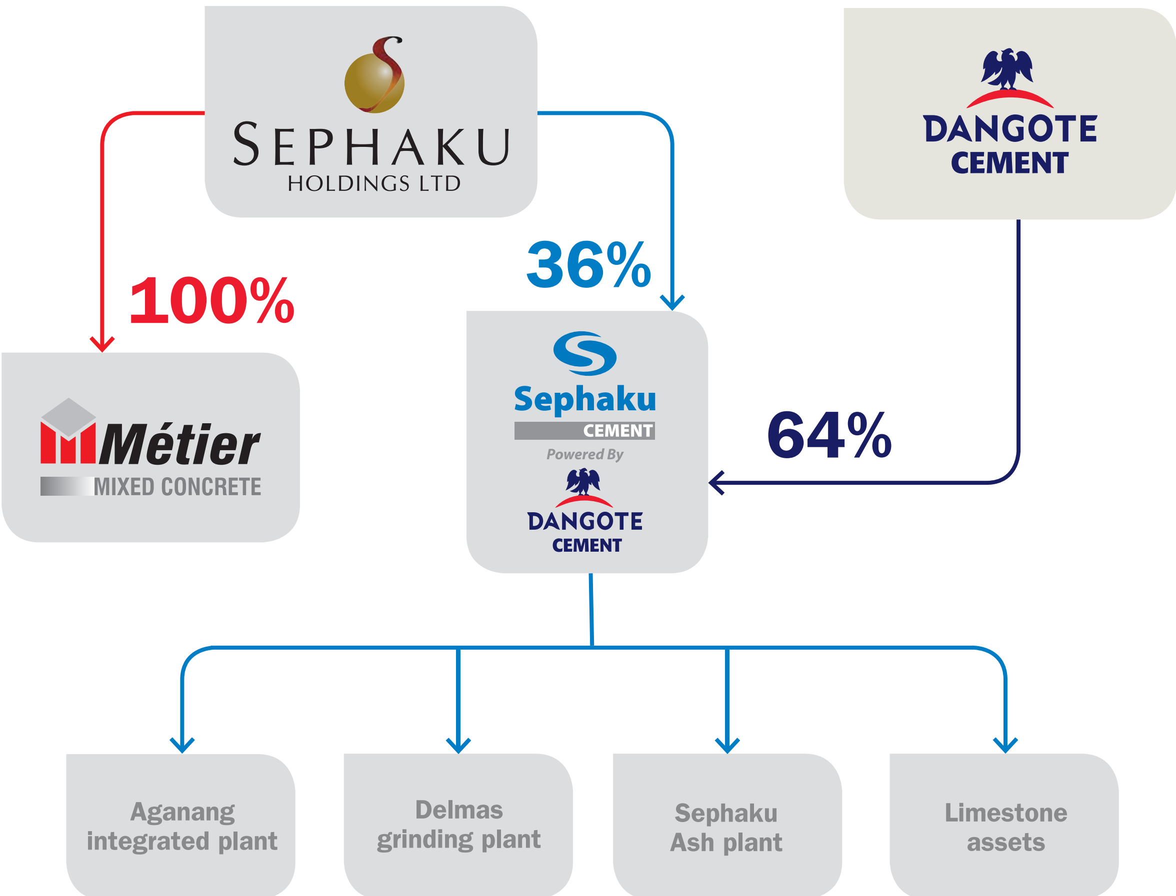
Strategic leadership

Strengthen balance sheets and increase free cash flow

Increase or maintain market share and maximise margins

Improve cost efficiencies

OPERATIONAL STRUCTURE



Business overview continued

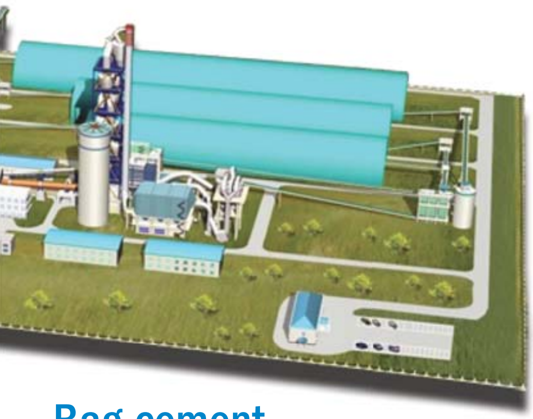
CEMENT
DWAALBOOM PROJECT

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.

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.



CEMENT AGANANG INTEGRATED PLANT

LIMESTONE QUARRY AND CEMENT PRODUCTION

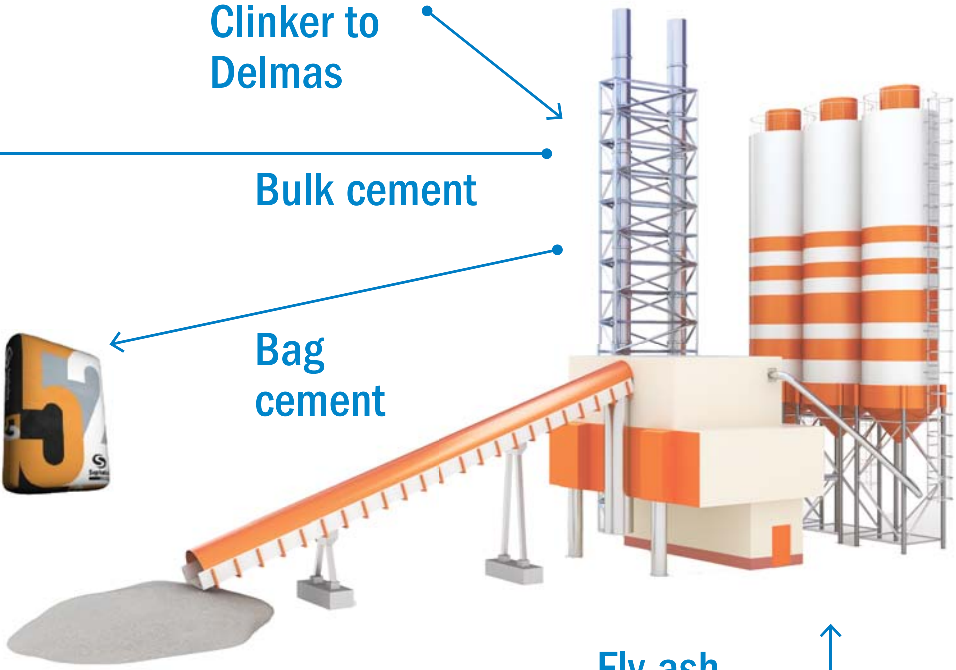
The Aganang plant consists of a limestone open cast quarry, a clinker and cement production plant. The operation mines the limestone raw material, processing it to clinker, grinding approximately 45% of the clinker and blending it with other components to produce the finished cement product in bag and bulk form. Aganang has the capacity to produce 1,5 million tonnes per annum of clinker and 1,4 million tonnes per annum of cement when fully commissioned.

Bag cement

Clinker to Delmas

Bulk cement

Bag cement



CEMENT DELMAS GRINDING PLANT

CEMENT PRODUCTION

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

Fly ash to Delmas

Building materials market

CEMENT SEPHAKU ASH PLANT

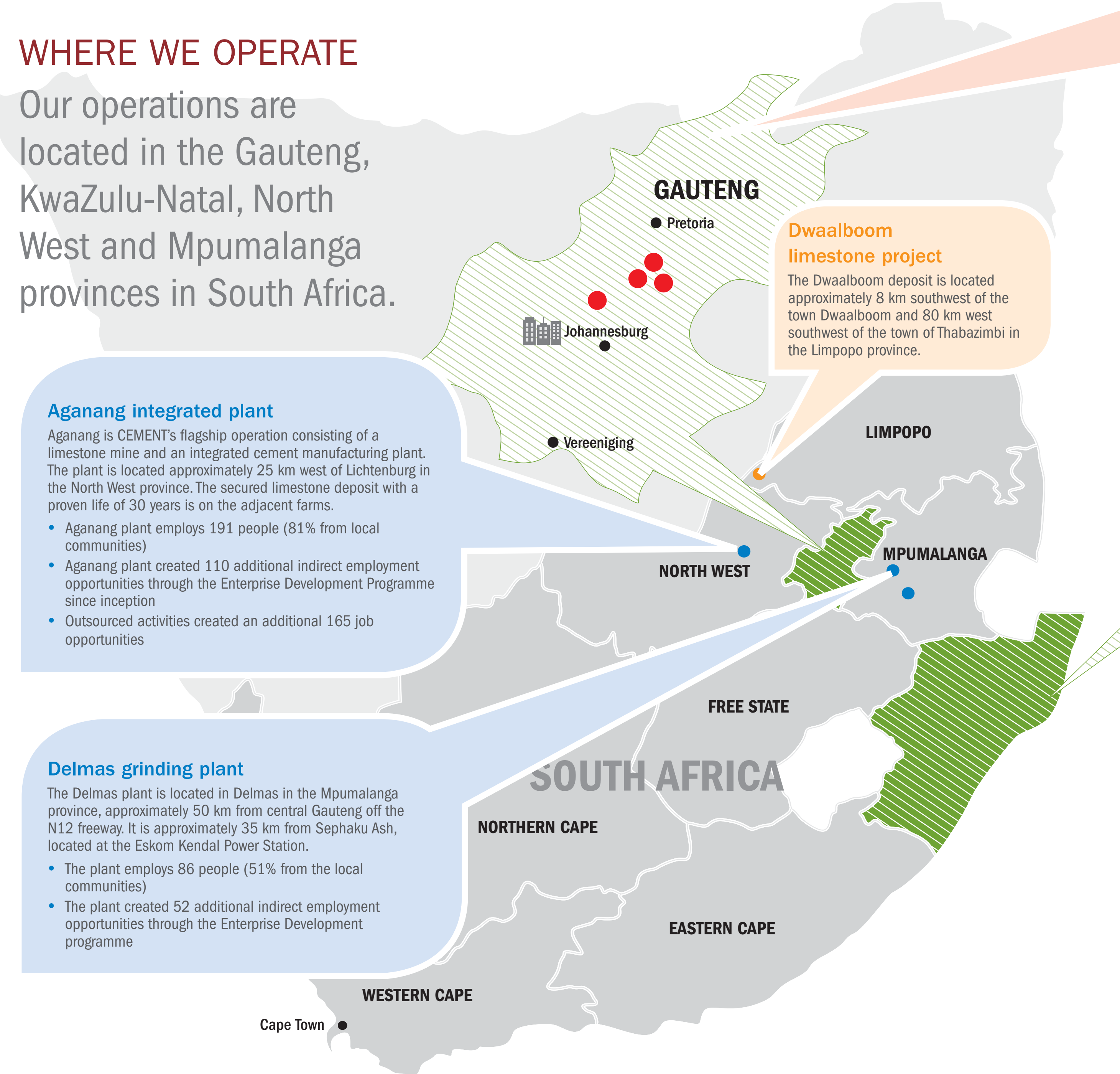
CEMENT has a fly ash processing plant contract with Eskom to acquire and remove waste ash from the coal-burning process at Kendal Power Station. The ash produced from this plant is used as a cement extender at the Delmas grinding plant to produce blended cement.

SEPHAKU holdings investments

Business overview continued

WHERE WE OPERATE

Our operations are located in the Gauteng, KwaZulu-Natal, North West and Mpumalanga provinces in South Africa.



Aganang integrated plant

Aganang is CEMENT'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 a proven life of 30 years is on the adjacent farms.

- Aganang plant employs 191 people (81% from local communities)
- Aganang plant created 110 additional indirect employment opportunities through the Enterprise Development Programme since inception
- Outsourced activities created an additional 165 job opportunities

Dwaalboom limestone project

The Dwaalboom 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.

Delmas grinding plant

The Delmas plant is located in Delmas in the Mpumalanga province, approximately 50 km from central Gauteng off the N12 freeway. It is approximately 35 km from Sephaku Ash, located at the Eskom Kendal Power Station.

- The plant employs 86 people (51% from the local communities)
- The plant created 52 additional indirect employment opportunities through the Enterprise Development programme

CEMENT OPERATIONS

- Aganang cement plant
- Delmas grinding plant
- Sephaku Ash plant

CEMENT PROJECTS

- Dwaalboom limestone project

MÉTIER MIXED CONCRETE OPERATIONS

Gauteng

Johannesburg Office

- OR Tambo plant
- Sandton plant
- Chloorkop plant
- Midrand plant

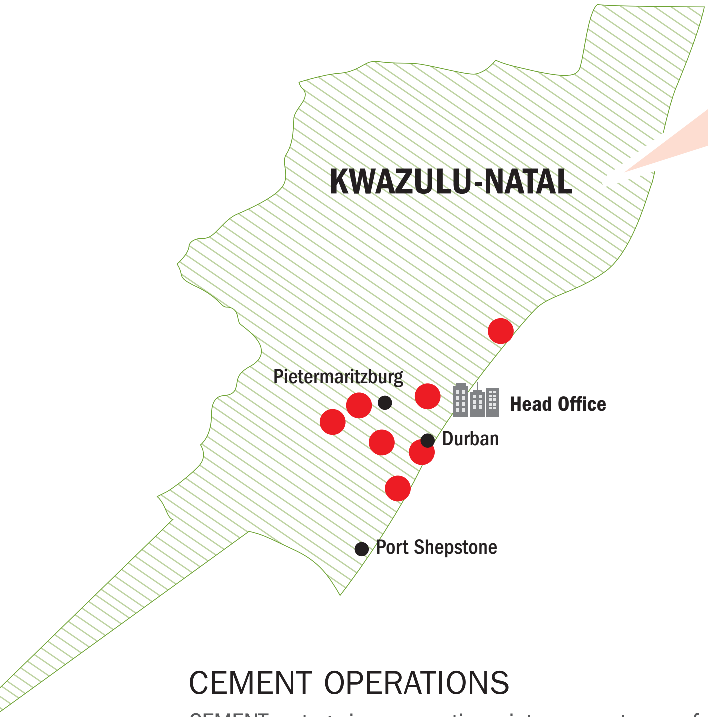
KwaZulu-Natal

Head Office

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

Gauteng Métier operations

- Métier employs 97 people (87% from local communities)



KwaZulu-Natal Métier operations

- Métier employs 146 people (97% from local communities)

CEMENT OPERATIONS

CEMENT categorises 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 limestone resource assets that are at various stages of development such as the Dwaalboom project.

CEMENT reached steady state production capacity (80%) in May 2015, and has sold various cement strengths into the Gauteng, Limpopo, Mpumalanga, North West and northern KwaZulu-Natal markets. In the 2015 financial year, between 75% – 80% of sales volumes was in bagged cement, with approximately 80% into the inland markets and 65% into the rural markets. CEMENT was also able to steadily increase the 42,5 strength class volumes to 40% of total sales by the end of December 2015. A share of the Gauteng bulk market has been attained through the Métier relationship.

The successful penetration of inland markets is an indication of solid strategic relationships with the distribution channels. This is coupled with a strong sales and marketing acumen to appropriately segment the market. CEMENT pioneered the prevailing market differentiation approach when it entered the market. Due to the segmented market, there is no overall price leader in the industry.

MÉTIER OPERATIONS

Métier categorises operations according to geographical location with the 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 an eight to 10-year construction activity outlook.

KwaZulu-Natal operations

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

Gauteng operations

The plant locations are positioned to access construction sites in the area. The regional administration office is in Midrand, approximately 40 km from Sandton.

Business overview continued

OUR MATERIAL MATTERS

Material matters are linked to risk management and primarily identified by the executive management. These matters are identified during interactions with stakeholders who include the shareholders, customers, suppliers, industry associations and government. Internal deliberations in our strategic interactions and independent research are other sources used to inform the identification and assessment of material matters. We continuously monitor the external environment for trends signalling opportunities and risks that could have an impact on our operations.

Material 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 strategic priorities by enhancing or hindering the business model; and
- the likelihood of them becoming more significant in the future and how they impact the business model.

GROUP MATERIAL MATTERS

The assessment below relates to the group's material matters. There are additional matters that only impact CEMENT and these have been listed separately as they are also considered to have a material impact on the group.

Material matter and affected strategic priority	Impact	Our response	Our focus for FY2017[1]
Supply/demand imbalance due to continuing poor macroeconomic growth prospects.			
Strategic priority • Increase or maintain market share. • Improve free cash flows.	• Increased downward pressure on margins as pricing competition intensifies, thereby eroding value. • Reduction in demand growth limiting ability to achieve and/or maintain targeted market share.	• Competent marketing employees and strong customer relationships have enabled CEMENT to penetrate the product markets. • Sales teams were strengthened to ensure successful execution of strategic plans to achieve targeted volumes. • Appointment of business development director at group level to identify value-add expansion opportunities within the building and construction materials industry. • CEMENT developed and started the implementation of optimisation programmes to improve cost efficiencies and margins.	• CEMENT to achieve the targeted EBITDA level between 25 and 30%. • Pursue regional segmented marketing approaches for cement supply. • Actively seek additional business and market opportunities.

[1] CEMENT reporting for FY 2017 will be for the calendar year ended December 2016.

Material matter and affected strategic priority	Impact	Our response	Our focus for FY2017[1]
Shortage of technical skills and industry knowledge.			
Strategic priority • Improve cost efficiency. • Increase or maintain market share.	• The effectiveness of the value creation processes could be limited or reduced. • Lack of successors who are adequately skilled or experienced to take over positions.	• Developed benchmarked remuneration structures and long-term retention incentive schemes to attract and retain skills. • Extensive surveys done to determine employee satisfaction levels at CEMENT. • Structured mentoring programmes for essential roles implemented. • Management development programmes implemented at CEMENT and Métier for targeted employees.	• Continue with implementation of the mentoring and executive development plans. • Training of identified employees in technical skills. • Ensure remuneration policies match and/or surpass industry norms.
Interest rate volatility.			
Strategic priority • Increase free cash flow.	• Debt and interest rate changes can potentially increase financial costs that will negatively impact the group earnings and available cash flow.	• Debt structures are reviewed at quarterly board meetings for Métier and CEMENT.	• CEMENT syndicated bank loan and interest rate is subject to renegotiation of terms • Métier acquisition bank loan structure to be reviewed.
Credit default risk.			
Strategic priority • Increase free cash flow.	• Failure of customers to meet their credit payments due to viability challenges as the macroeconomic constraints impact profitability.	• Improved collection and debtor management processes including robust customer credit approval procedures and credit guarantees. • Diligence in sales team to identify and or focus on high quality customers.	• Enhance credit approval processes to ensure minimal losses due to default. • Sales teams' performance management will include quality of revenue attained at Métier.

[1] *CEMENT reporting for FY 2017 will be for the calendar year ended December 2016.*

Business overview continued

CEMENT MATERIAL MATTERS

The following material matters are unique to CEMENT:

Material matter and affected strategic priority	Impact	Our response	Our focus for FY2017[1]
Cement price competition as a new manufacturer introduces 1 million tonnes per annum capacity.			
Strategic priority • Secure market share. • Maximise margins.	• Continued reduction in margins as aggressive pricing prevails in the market due to increased competition.	• Proactive channel management and engagement to ensure achievement of targeted sales volumes. • Agility in market responsiveness to ensure enhanced customer satisfaction and repeat purchases.	• Optimising plant efficiencies, raw materials sourcing and logistics to enhance competitiveness.
Management of local communities' expectations to ensure sustainable business and community upliftment objectives.			
Strategic priority • Improve cost efficiency.	• Reduction of household income due to macro-economic downturn increasing community demands for employment and enterprise development opportunities. • Disruptions to operations due to protests at Aganang and Delmas plants.	• Senior management involved in the strategic management of main stakeholder relationships. • A stakeholder team regularly engages with local community leadership structures and government authorities.	• Engagement to continue at provincial, municipal and community levels. • Fulfil agreed enterprise development initiatives. • Identify additional opportunities for community involvement in the value creation process through enterprise development and employment.
Ensuring plant reliability and availability at Aganang integrated plant.			
Strategic priority • Increase or maintain market share. • Maximise margins.	• Potential interruptions in the manufacturing process can adversely impact sales volumes.	• Operational and maintenance routines have been optimised to ensure early detection of plant performance anomalies.	• Continuous review of the strategic storage requirements.

[1] *CEMENT reporting for FY 2017 will be for the calendar year ended December 2016.*

OUR ENGAGEMENT ETHOS

The group promotes and supports a culture of 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 material matters and performance information to providers of financial capital.

2. To **partner with communities and 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 in which we operate.
   - 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, and treated fairly and with dignity at all times.

4. To establish **robust and mutually beneficial relationships** with customers through open communication to better understand and effectively deliver on their requirements.

We adapt our engagement process to the needs of our stakeholders.

Business overview continued

The table highlights the key stakeholder concerns that relate to the group:

Stakeholder and why we engage	Concerns raised	How we are addressing the concerns
Investors		
Investors require accurate, regular and complete information to enable the valuation of the group assets. Investors contribute to the funding of the group and are the principal owners of the business.	• Industry excess production capacity and competitor activity. • Intensified price competition. • Ability to achieve and maintain targeted profitability margins. These concerns influence the strategic priority: • Secure market share. • Increase free cash flow. • Maximise margins. • Improve cost efficiency.	• Strengthened the sales teams to ensure successful execution of strategic plans to achieve targeted volumes. • CEMENT has achieved targeted capacity utilisation and market share. • Developed and started the implementation of optimisation programmes to improve cost efficiencies and improve margins.
Employees		
Employees are essential to the success and sustainability of the business by providing their skills and competence. We promote a culture of healthy lifestyles and strive to establish a safe working environment for employees that in turn, ensures high levels of productivity.	• Career development and growth opportunities. • Performance-related incentives and rewards. • Employment security. These concerns influence the strategic priority: • Improve cost efficiency.	• Conducted climate survey at CEMENT to determine employee concerns and inform the engagement processes. • Management development programme at Métier as a component of succession planning. • Developed benchmarked remuneration structures to attract and retain skills. • Succession planning and biannual performance reviews.
Organised labour		
Organised labour engages with the operations to ensure that employee matters are afforded adequate attention and also participates in creating an environment conducive for optimal productivity.	• Access to employees. • Finalising the collective agreement for organisational rights at CEMENT. These concerns influence the strategic priority: • Improve cost efficiency. • Maximise margins.	• Limited activity of organised labour in the group has not diminished the priority placed on the importance of engagement. • Unions expected to be more prominent in the next financial year. • Extensive engagement with unionists and employees to enable a smooth transition into collective bargaining discussions.
Customers		
In a competitive environment it is essential to attract and retain quality customers who are an element of sustainability. It is our commitment to ensure that distributors' and end-users' needs are understood and catered for.	• Consistent supply. • Competitive pricing. • Merchandising support. • Timely delivery of product and aftersales support. These concerns influence the strategic priority: • Secure market share. • Maximise margins.	• The strategic location of the Métier plants ensures that the product is delivered timeously and cost-effectively. • Meticulous sourcing of raw materials ensures consistent product quality for cement and mixed concrete. • Consistent product supply achieved through implementation of regular plant maintenance and monitoring to ensure a high rate of plant availability and early detection of performance anomalies. • Consistent product supply enhanced through increased product storage facilities. • Regular training of sales teams ensures effective merchandising and after sales support.

Stakeholder and why we engage	Concerns raised	How we are addressing the concerns
Communities		
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.	• 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. These concerns influence the strategic priority: • Improve cost efficiency.	• The enterprise development programme has transformed 17 small businesses in Aganang and Delmas. • A broad-based empowerment company was established in 2014 to partner with Sephaku Development, a CEMENT mineral resources mining and management entity. The benefit to the community will be the earnings achieved in the extraction of limestone for the Aganang plant. • Approximately 97% of the employee complement at Métier are from local communities.
Suppliers and contractors		
Suppliers and contractors are critical in ensuring the achievement of our strategic objectives. Procurement through the enterprise development programme at CEMENT positively impacts the local economies where plants are located.	• Alignment of suppliers and contractors to business objectives such as employment equity practices. • Sustainability and growth of demand in contracting industry. • Pricing and cost management. • Payment terms. These concerns influence the strategic priority: • Improve cost efficiency. • Maximise margins.	• Regular engagement with suppliers and contractors has enabled the group to monitor and effectively manage the supply chain. • Achievement of targeted and potential growth of sales volumes has strengthened the relationship with suppliers and enhanced negotiation power. The group is considered a significant customer and is able to negotiate for preferential pricing and payment terms.
Government		
Local authorities ensure that the group is well informed on the regulatory requirements and primarily influence our legal licence to operate. Local authorities also influence economic development projects.	• Support for community upliftment projects such as schools and clinics. • Information and/or clarity on the business model and general company performance. These concerns influence the strategic priority: • Improve cost efficiency.	• We engage with regulators on performance against licensing requirements. • Environmental management performance at the operations is monitored to ensure compliance. • Social and labour plan targets were largely achieved at CEMENT. • Transformation through employment equity is a focus area and monitored at board level.
Industry associations		
Industry associations are a platform that present the pertinent matters of concern to the regulators. They ensure that the association members are updated on the relevant regulatory matters. They also provide information on prevailing global trends on new technology.	• Proposed carbon tax legislation. • Threat of imports. • Acute technical skills shortage. These concerns influence the strategic priority: • Increase market share. • Maximise margins.	• CEMENT has submitted the carbon emission analysis report to legislators and awaits finalisation on the appropriate tax framework for the cement sector. • Since January 2016, imports have been reduced through the finalisation of tariffs on dumped cement from Pakistan. • Retention and training programmes are in place to acquire and retain skills.

Joint chairman's and CEO's report

Brent Williams
Chairman

Dr Lelau Mohuba
Chief executive officer

Our focus is not exclusively on year-on-year performance, but on being a long-term investment that continually increases value generation.

WHY SEPHOLD?

Our value-creation pillars include cutting edge technology which facilitates the production of high-quality cement and mixed concrete. There is also no capital leakage into outdated infrastructure or systems, with employees who have the skills and experience to expertly navigate our competitive landscape. Coupled with our entrepreneurial spirit, this means we continuously look for opportunities to grow and enhance our value creation.

A SNAPSHOT OF THE 2016 FINANCIAL YEAR

We focused on attaining growth and higher-quality earnings. However, despite recording significant growth in revenues, margins were under pressure due to lower pricing experienced in a contested building materials sector.

Following the commissioning of CEMENT plants and the establishment of Métier's eleventh plant, we are pleased to state that we achieved 28% earnings growth in the 2016 financial year. Revenue for Métier increased from R775 million to R874 million and CEMENT's increased from R919 million to R2,3 billion as a result of achieving and maintaining steady state production capacity from May 2015 to December 2015.

MÉTIER

Subdued overall demand from the construction industry and increased competition resulted in prices remaining flat on a year-on-year basis. Inevitably, margins declined slightly due to weaker prices. This downward pressure on profitability was exacerbated by inconsistent payments from a significant government contract, which resulted in a six-week supply stoppage in the first half of the financial year. This challenging operating environment required Métier to prioritise cost management and the production of high-value concretes to assist margins.

The additional output from the eleventh plant and increased activity at pumping services division were largely responsible for Métier's revenue growth.

CEMENT

Our associate performed impressively in a competitive landscape, ramping up production output to an annualised steady state utilisation rate of 80% by May 2015. CEMENT's sales volumes increased by 162% with approximately 80% attributable to core inland markets.

We are proud to say that the Sephaku Cement product brands were further entrenched in the market as demonstrated by the 150% revenue growth. We had a focus in supplying the rural markets, which constituted 65% of the sales volume in a market that has become skewed towards bagged cement. Up to 80% of our sales volume was supplied in bags, with the 20% balance into bulk users such as Métier and other mixed concrete producers.

Unfortunately, we experienced an average cement price decline of 2,5% per tonne. This was mainly due to competition which was intensified by a new entrant increasing the industry capacity by 1 million tonnes per annum.

The earnings and margins at Aganang integrated plant were impacted in the first half of the year due to a six-week kiln downtime. The kiln was originally stopped for a two-week planned maintenance period in March 2015, during which our technical team identified a latent defect in a critical component. The plant has now operated uninterrupted since April 2015, and our clinker storage capacity has been increased as contingency for the unlikely event that another extended stoppage might occur.

STRATEGY

Métier and CEMENT each have their own strategies and as a holding company, SepHold provides overall strategic direction. The group's focus includes

- producing high-quality products;
- increasing or maintaining our market share;
- maximising margins, through optimisation and enhancing cost efficiencies; and
- strengthening our balance sheets and increasing free cash flow.

Our strategic plans are continuously tested, evaluated and tweaked to adapt to a dynamic operating environment. Our focus is not exclusively on year-on-year performance, but on being a long-term investment that continually increases value generation. Over the past three years, we have established our vision. We are now able to drive on our optimisation initiatives, innovation efforts and applying the lessons we have learned.

Joint chairman's and CEO's report continued

MATERIAL FOCUS AREAS

MACROECONOMIC GROWTH PROSPECTS

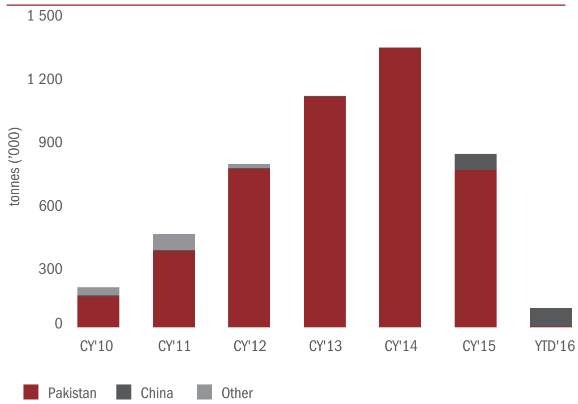
We are pleased to report the industry sales volumes continued to increase beyond expected levels at 3,3%[1] year-on-year including the import volumes. Furthermore, the sales volume growth for the local manufacturers was at 7,7%[1] excluding imports which, although a positive outcome, was dampened by aggressive price competition. Growth was aligned with our past assertions that the informal and less measurable portion of cement demand is flourishing. The market includes the small to medium scale projects such as home refurbishments, municipal infrastructure and roads. This growth was unexpected because the building materials sector is considered to be cyclical and, therefore, demand forecasts have historically been linked to GDP growth rates.

The introduction of the International Trade Administration Commission (ITAC) tariffs reduced the imported volumes by 37% in the year ended December 2015, to approximately 820 thousand tonnes. This resulted in an increased demand for locally produced cement in the associates' coastal market of KwaZulu-Natal, which is the second largest market after Gauteng at circa 2,1 million tonnes per annum. The imposition of the final ITAC tariffs and the increased rand dollar foreign exchange rate has almost eliminated the importation of dumped cement from Pakistan. Our CEMENT marketing team continues to monitor the situation in KwaZulu-Natal, which constitutes approximately 20% of our sales.

Our research has also revealed that the sector has approximately 17 million tonnes per annum (mtpa) efficient production capacity against demand of approximately 14 mtpa. Competitors with older, inefficient capacity were either reported or observed reducing this excess capacity to improve efficiencies.

Generally, the cement pricing landscape continues to be dynamic and highly differentiated geographically. Strong competition and excess production capacity continued to keep prices low, thereby negatively impacting margins. Paradoxically, due to our sales volume growth, operational efficiencies and state-of-the-art plants, we produced results that were an improvement from the previous financial year, albeit below market expectations for this year.

Annual imports by origin



Source: CEMENT, SARS.

We have also seen success in our marketing and sales efforts. Our demographic-specific marketing facilitates improved customer service while assisting in the identification of market trends and the successful execution of sales strategies. CEMENT largely focused on achieving the steady state volumes and attaining market share goal during the production ramp-up phase. To enhance competitiveness, the associate commenced an optimisation programme during the final six months of the financial year, and we have come closer to the targeted impact of the improved processes.

HUMAN RESOURCES

The great value of employee skills, expertise and experience means that we place an emphasis on employee retention, incentives and succession planning. Our focus has been on ensuring our remuneration structures are developed in such a way as to retain employees and to ensure that long-term incentive schemes are in place. This year, we dedicated resources to set up processes that will facilitate the unionisation of our employees at CEMENT. We welcome this new phase and look forward to having good working relationships with the trade unions.

[1] *Levitt Kirson – National Cementitious Sales Statistics for South Africa for the year ended December 2015; SARS.*

GOVERNANCE FOCUS AREAS

The board remains committed to upholding good corporate governance in all business dealings. Our focus included ensuring that management retention, succession, remuneration and incentive structures received the requisite attention at operational and SepHold level.

The board has also been providing guidance in resolving some of our communities' continued challenges. We particularly highlight our community projects which are managed through the enterprise development programme. These projects focus on the upliftment and empowerment of community members in the areas in which we operate. However, some of these projects depend on the collaboration of external stakeholders such as local authorities, and we are working towards resolving any remaining issues.

The board also continues to actively evaluate further growth opportunities in the drive to enhance value for stakeholders.

LEADERSHIP CHANGES

Two of the three founding directors of Métier, namely Wayne Witherspoon and Richard Thompson did not renew their employment contracts, which ended on 31 March 2016. These changes were anticipated and their positions were promptly filled as part of our succession planning. We thank Wayne and Richard for their unwavering commitment and invaluable contribution to Métier's exceptional success.

We welcome Jürgens du Toit to the board of Métier. We are pleased to say that his experience and expertise have already contributed to our continued success.

We are sad to bid Gustav Mahlare, who has served as a member of the board since January 2009, farewell. Gustav is the chairman of the audit and risk committee and has led impeccably over three terms. Unfortunately, he will not be eligible for re-election at the annual general meeting in September 2016, which will mark the end of his tenure. Gustav's attention to detail and extensive knowledge will be sorely missed. We wish him the best in his future endeavours and promise to continue to uphold his high financial management standards.

OUTLOOK

The 2016 financial year has shown us that while times may be difficult, we are able to weather the storm. It has also shown us that there is no place for complacency. Innovation, resilience and an entrepreneurial spirit are prerequisites if we plan to successfully consolidate our place within the market.

We believe in South Africa's future and actively look for new growth opportunities. Through expansion and synergistic opportunities in our sector, we can introduce new assets that will minimise the risk profile while strengthening the group and enabling it to become more competitive.

We also intend to ensure that employee unionisation goes as smoothly as possible as we transition into this new phase.

In the short to medium term, CEMENT will continue to focus on achieving high-quality earnings by optimising the logistics function between plants and markets. The associate will also optimise the production efficiencies to reduce the operating costs. The optimisation programme will ensure that the four operational areas, namely distribution, raw materials, production and sales are improved. We believe that the optimisation of these functions will, over time, improve the EBITDA margin by five to seven per cent and enable CEMENT to remain a strong competitor in all markets.

Métier will continue to explore viable expansion opportunities to enable it to grow its footprint and earnings in South Africa. This growth will be informed by prevailing market conditions and the strategic positioning that gives Métier its advantage. The subsidiary anticipates continued competitive pressures and will be focusing on controlling costs while striving for the service excellence that continues to be Métier's strength.

APPRECIATION

We depend on stakeholders' continued support to thrive. We thank employees, suppliers, the communities in which we operate, the government bodies that facilitate operations, and management for their dedication, hard work, investment and continued faith in the group. Finally, we would like to express our appreciation to Alhaji Aliko Dangote for his continued support in our partnership.

Brent Williams
Chairman

Dr Lelau Mohuba
Chief executive officer

Financial director's report

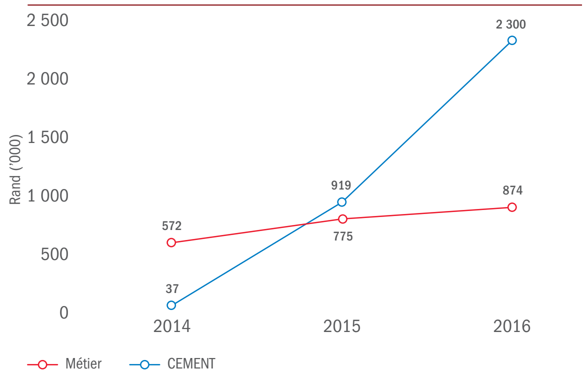
Neil Crafford-Lazarus
Financial director

CEMENT had a year of two halves, with the first six months' focus being the attainment of the targeted volumes and market share.

INCREASED REVENUES

The year was defined by CEMENT reaching steady state capacity utilisation at both plants. CEMENT's revenue increased by 150% from R919 million to R2,3 billion as it ramped up and maintained capacity utilisation from May 2015 to December 2015. The group revenue increased by 13% from R775,4 million to R874,3 million mainly from Métier's operational performance.

Revenue profile



The revenue profile graph clearly demonstrates CEMENT's successful entry into the market.

Basic earnings per share increased by
5,57 CENTS PER SHARE TO 30,00 CENTS
(2015: 24,43 cents per share)

Headline earnings per share increased by
5,41 CENTS PER SHARE TO 29,84 CENTS
(2015: 24,43 cents per share)

The competitive landscape in the building materials sector resulted in cement prices remaining largely flat year-on-year. The ready mixed concrete sector also had increased price competition as the construction industry remained constrained. Furthermore, Métier had a six-week stoppage at one of its plants due to inconsistent payment by a customer. Métier has established a more effective schedule with customers and has since received all payments timeously.

CEMENT's earnings at Aganang were impacted in the first half of the year due to unplanned kiln downtime.

MARGINS UNDER PRESSURE

Margins at both companies were under pressure with Métier's EBITDA margin decreasing from 17,9% (R139,1 million) to 15,1% (R132,3 million) and the operating margin decreasing from 14% (R108,9 million) to 11,6% (R101,7 million).

CEMENT reported EBITDA of R505,5 million, an increase to 21,9% (FY2014: 14,1%); EBIT increased from R59,5 million (6,5%) to R336,9 million (14,7%) for the financial year ended December 2015. The associate's profit after tax was R50,4 million and the resultant 36% equity accounted earnings were R18,2 million in the consolidated group earnings.

Group profit after tax increased from R47,2 million to R60,4 million, a 28% increase year-on-year. However, the 2015 financial year included non-cash IFRS adjustments with a net effect of R26,9 million that would make the comparative normalised earnings R20,2 million.

STATEMENT OF COMPREHENSIVE INCOME REVIEW

The focus for the 2016 financial year was on achieving earnings growth and quality.

MÉTIER

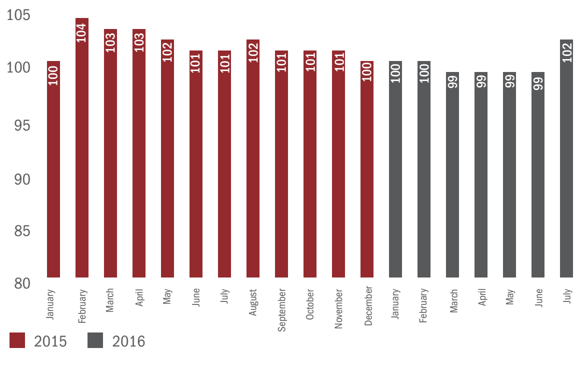
Management's cost management efforts were focused on reducing quality testing costs and recycling costs. The cost of sales increased from 56% (R434,4 million) to 60% (R523,5 million). The subsidiary improved operating expenses slightly from 31,2% to 30,3%, thereby reducing the impact of price competition.

The 34% decrease in SepHold's overhead expenses represented a normal year with the elimination of the settlement adjustment for the contingency consideration.

CEMENT (EQUITY ACCOUNTED INVESTMENTS)

CEMENT had a year of two halves, with the first six months' focus being the attainment of the targeted volumes and market share. In the second half, CEMENT initiated the optimisation programme as the focus was translated to earnings quality. Cost management efforts to reduce the impact of competitive pricing contributed to the improvement of the gross profit margin by 9,2% to 22,4%.

Indexed bag cement pricing on rand per tonne basis



Net asset value increased by
31,20 CENTS PER SHARE TO 450,99 CENTS PER SHARE
(2015: 419,79 cents)

NO DIVIDENDS were declared or paid to shareholders during the reporting period

Financial director's report continued

Although pricing was comparatively flat, CEMENT had an average 5% decline in the Gauteng market, which is considered the largest demand market at circa 4 million tonnes per annum (tpa). Due to the highly segmented market structure, the associate's effective regional pricing indexed to January 2015 was recorded at between 92 and 111 in June 2016. CEMENT increased pricing in July 2016, which is largely expected to stick in most if not all, markets.

The optimisation programme is expected to enhance CEMENT's competitiveness and to start yielding targeted cost efficiencies in the second half of the 2016 calendar year. The programme will ensure that the four operational areas, namely distribution, raw materials, production and sales are optimised. The optimisation of these functions is expected to collectively improve the EBITDA margin by five to seven percent in the foreseeable future. The five percent margin improvement is anticipated to filter through without the necessity for capital expenditure or price increases.

STATEMENT OF FINANCIAL POSITION AND CASH FLOW REVIEW

Highlights

8,7%
reduction in the financial liabilities as the group continued to reduce the Métier acquisition debt.

7,4%
increase in the net assets value from **419,79** cents to **450,99** cents.

DEBT MANAGEMENT IN THE ASSOCIATE

CEMENT's finance costs increased by 135% from R112,9 million to R265,5 mainly as a result of interest payments towards the R2,4 billion plant construction debt. The principal payments started in February 2016, with the initial instalment of approximately R85 million made on 1 February 2016. To relieve the pressure on the ratios linked to debt covenants, particularly the debt service ratio, SepHold and Dangote Plc injected R135 million on 1 August 2016. SepHold's total contribution commensurate to its equity portion was R48,7 million, which was drawn from its available cash balance.

Available cash at 31 March 2016 increased by 28,6% from R70,9 million to R91,2 million, mainly due to a 10,6% increase in net operating cash flow from R70,9 million to R78,5 million as a result of increased earnings.

The investing cash outflow increased by 31% year-on-year due to increased expenditure on buildings that constituted 35% of the outflow compared to 1,6% in the comparative period. The investment in operational vehicles at Métier contributed approximately 58% of the net outflow.

CONTINUED EARNINGS QUALITY AND GROWTH

DCP announced its results on 26 April 2016 for their 2016 financial year's first quarter ended 31 March 2016. Following on from this, CEMENT revenue was recorded at R519 million compared to R521 million for the comparative period, in spite of a 3% sales volume increase. These quarterly results will be accounted for in the interim financial results for the six months ending 30 September 2016.

SepHold will continue to actively evaluate growth opportunities in the building materials sector through the expansion of current operations, backward and downstream acquisitions.

To enhance margins in the short to medium term, CEMENT is determined to achieve higher pricing in all markets while pursuing its optimisation programme. Our analysis has revealed that the prevailing prices are unsustainable for most of the producers. Therefore, we believe that our expectation of price increases is realistic. Métier will continue with cost management efforts as it expands its footprint in Gauteng with its twelfth plant by the end of the 2017 financial year.

Neil Crafford-Lazarus
Financial director

SUMMARISED CONSOLIDATED FINANCIAL RESULTS

for the year ended 31 March 2016

Statements of comprehensive income, financial position and cash flows were extracted directly from the audited annual financial statements, but have not themselves been audited, as included on pages 12, 13 and 16 of the second volume of the integrated annual report.

The directors take full responsibility and confirm that this financial information has been correctly extracted from the underlying annual financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	GROUP		COMPANY	
	2016 R	2015 R	**2016 R**	2015 R
Revenue	**874 253 138**	775 425 242	**–**	–
Cost of sales	**(523 460 452)**	(434 430 692)	**–**	–
Gross profit	**350 792 686**	340 994 550	**–**	–
Other income	**15 593 937**	9 999 177	**20 135 719**	5 628 274
Operating expenses	**(282 137 148)**	(291 705 645)	**(34 188 053)**	(51 774 480)
Operating profit/(loss)	**84 249 475**	59 288 082	**(14 052 334)**	(46 146 206)
Investment income	**8 127 000**	2 167 996	**562 461**	41 924
Profit from equity-accounted investment	**18 154 066**	35 924 506	**–**	–
Finance costs	**(28 270 848)**	(25 321 027)	**(565)**	(4 843 760)
Profit/(loss) before taxation	**82 259 693**	72 059 557	**(13 490 438)**	(50 948 042)
Taxation	**(21 839 218)**	(24 898 186)	**–**	–
Profit/(loss) for the year	**60 420 475**	47 161 371	**(13 490 438)**	(50 948 042)
Total comprehensive income/(loss) for the year	**60 420 475**	47 161 371	**(13 490 438)**	(50 948 042)
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent	**60 420 475**	47 161 371	**(13 490 438)**	(50 948 042)
Non-controlling interest	**–**	–	**–**	–
	60 420 475	47 161 371	**(13 490 438)**	(50 948 042)
Basic earnings per share (cents)	**30,00**	24,43		
Diluted earnings per share (cents)	**28,97**	23,59		

Financial director's report continued

SUMMARISED CONSOLIDATED FINANCIAL RESULTS
for the year ended 31 March 2016

STATEMENT OF FINANCIAL POSITION

	GROUP		COMPANY	
	2016 R	2015 R	**2016 R**	2015 R
Assets				
Non-current assets				
Investment property	**–**	–	**17 525 129**	4 542 326
Property, plant and equipment	**134 180 789**	128 787 297	**198 366**	208 290
Goodwill	**223 421 981**	223 421 981	**–**	–
Intangible assets	**7 455 631**	10 896 692	**–**	–
Investments in subsidiaries	**–**	–	**209 967 288**	209 967 288
Investment in associate	**670 467 278**	652 313 212	**635 117 284**	635 117 284
Operating lease asset	**–**	–	**603 747**	380 236
	1 035 525 679	1 015 419 182	**863 411 814**	850 215 424
Current assets				
Inventories	**12 244 871**	8 965 203	**–**	–
Loans to group companies	**–**	–	**4 149**	4 149
Other financial assets	**12 987 551**	12 504 391	**12 987 551**	12 504 391
Current tax receivable	**–**	933 668	**–**	–
Trade and other receivables	**110 971 487**	110 752 506	**1 688 533**	302 183
Cash and cash equivalents	**91 231 432**	70 914 266	**6 282 682**	15 238 092
	227 435 341	204 070 034	**20 962 915**	28 048 815
Total assets	**1 262 961 020**	1 219 489 216	**884 374 729**	878 264 239
Equity and liabilities				
Equity				
Stated capital	**632 950 155**	631 127 028	**632 950 155**	631 127 028
Reserves	**18 910 771**	15 685 391	**20 118 434**	16 893 054
Retained income	**258 730 837**	197 907 280	**90 034 225**	103 121 581
	910 591 763	844 719 699	**743 102 814**	751 141 663
Liabilities				
Non-current liabilities				
Loans from group companies	**–**	–	**12 540 678**	–
Other financial liabilities	**231 309 499**	248 672 308	**–**	–
Deferred income	**1 866 813**	2 379 952	**–**	–
Deferred taxation	**15 978 858**	14 778 323	**–**	–
	249 155 170	265 830 583	**12 540 678**	–
Current liabilities				
Loans from group companies	**–**	–	**127 256 696**	125 000 000
Other financial liabilities	**18 208 333**	24 750 000	**–**	–
Current taxation payable	**1 283 129**	–	**–**	–
Operating lease liability	**2 756 653**	1 806 319	**–**	–
Trade and other payables	**80 452 834**	81 869 477	**1 474 541**	2 122 576
Deferred income	**513 138**	513 138	**–**	–
	103 214 087	108 938 934	**128 731 237**	127 122 576
Total liabilities	**352 369 257**	374 769 517	**141 271 915**	127 122 576
Total equity and liabilities	**1 262 961 020**	1 219 489 216	**884 374 729**	878 264 239
Net asset value per share (cents)	**450,99**	419,79		
Tangible net asset value per share (cents)	**337,68**	304,86		

SUMMARISED CONSOLIDATED FINANCIAL RESULTS

for the year ended 31 March 2016

STATEMENT OF CASH FLOW

	GROUP		COMPANY	
	2016 R	2015 R	**2016 R**	2015 R
Cash flows from operating activities				
Cash generated from/(utilised in) operations	**117 037 155**	114 192 061	**(10 809 577)**	(13 232 469)
Interest income	**8 127 000**	2 167 996	**562 461**	41 924
Finance costs	**(28 270 848)**	(19 632 742)	**(565)**	(1 000)
Tax paid	**(18 421 887)**	(25 802 273)	**–**	–
Net cash from/(utilised in) operating activities	**78 471 420**	70 925 042	**(10 247 681)**	(13 191 545)
Cash flows from investing activities				
Purchase of property, plant and equipment	**(36 589 744)**	(30 437 943)	**(47 696)**	(221 272)
Disposal of property, plant and equipment	**999 999**	618 158	**–**	–
Purchase of investment property	**–**	–	**–**	(491 191)
Net loans advanced	**514 320**	1 606 002	**514 320**	1 606 002
Government grant received	**–**	1 436 787	**–**	–
Net cash (utilised in)/from investing activities	**(35 075 425)**	(26 776 996)	**466 624**	893 539
Cash flows from financing activities				
Proceeds on share issue	**825 647**	16 514 952	**825 647**	16 514 952
Proceeds from other financial liabilities	**28 237 894**	130 000 000	**–**	–
Repayment of other financial liabilities	**(52 142 370)**	(28 750 000)	**–**	–
Settlement of deferred vendor loan	**–**	(117 000 000)	**–**	–
Decrease in loans with group companies	**–**	–	**–**	8 000 000
Net cash (utilised in)/from financing activities	**(23 078 829)**	764 952	**825 647**	24 514 952
Total cash and cash equivalents movement for the year	**20 317 166**	44 912 998	**(8 955 410)**	12 216 946
Cash and cash equivalents at the beginning of the year	**70 914 266**	26 001 268	**15 238 092**	3 021 146
Total cash and cash equivalents at end of the year	**91 231 432**	70 914 266	**6 282 682**	15 238 092


CM 121
CM 120

3 BUSINESS REVIEWS: MÉTIER MIXED CONCRETE

Business review: Métier Mixed Concrete

COMPANY OVERVIEW

Métier has honed skills in production, marketing and delivery of ready-mixed concrete products to its customer base. The expertise in concrete technology is an advantage that has enabled Métier to supply contracts with products such as those used in the construction of water treatment and storage infrastructure. Métier's combination of technical expertise and customer service lends itself to providing customers with value-added services above the industry norm.

Métier has continued to expand its footprint in Gauteng, with the next batch plant planned for the 2017 financial year. This will bring the total complement to 12 plants. The standardised Métier plant configuration continues to ensure consistent quality product supply, irrespective from which plant the concrete has been manufactured.

OPERATING ENVIRONMENT

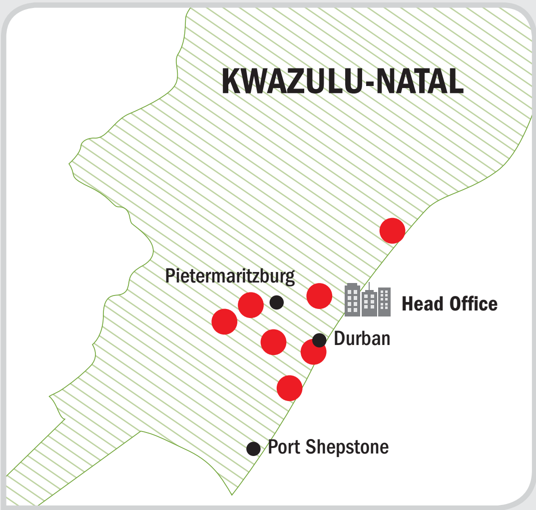
The two regions in which Métier operates have experienced increased pricing pressure as the number of supply contracts dwindles. Métier has remained competitive while maintaining good operating margins through actively employing technical abilities and various cost reduction processes.

The mixed concrete sector has seen an increased number of independent manufacturers due to the low barriers to entry. However, Métier is equipped to defend market position through an operating model that combines innovation, entrepreneurship and excellent customer service. The operating environment is expected to continue being competitive for this sector as the economic growth forecasts decline. The subsidiary will monitor the competitive landscape to ensure that it responds effectively to any significant movements.

The challenges across Métier's markets are as follows:

- Increasing input costs:
  - The inflationary pressures continue to increase input costs which, coupled with a decrease in concrete pricing, have a negative impact on margins. Métier has engaged with suppliers to ensure that, where possible, the price increases are kept to a minimum. A review of some suppliers was done and will continue to ensure prices and quality are kept in line.
- Downward pressure on pricing and margins:
  - Intense competition has increased pricing competition especially from those players that are vertically integrated with cement and/or aggregates manufacturers. Métier continues to find ways of developing solutions for clients, which supports higher margin products. However, current market conditions are expected to continue.
  - A number of new independent players entered into the market which, together with stagnant market volumes, further contributes to price pressures.
- Inconsistent performance from raw material suppliers:
  - Métier is exploring alternative suppliers to minimise the impact of non-delivery for critical raw materials sand, stone, admixtures and cement.

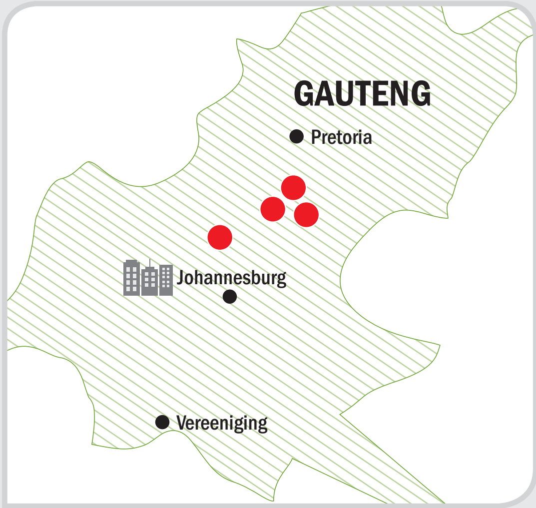
The detail on the regional markets below demonstrates how Métier has proactively and successfully dealt with these operational challenges.



Eastern region

The region broadly covers an area of 19 500 km² in the KwaZulu-Natal province from Natal Midlands to the North and South Coasts.

Métier generally supplies numerous small to medium contracts at any given time and considers an eight to 10-year investment horizon in the construction of its plants. The region has continued to supply a large state-assisted housing project which is estimated to continue for an additional three years. Although there have not been significant infrastructure projects in the region, there have been several local municipality projects for the purification and storage of water.



Northern region

The region covers an area of 1 750 km² in the Gauteng province from Pretoria to the South of Johannesburg.

Métier completed its new main operational premises that include an equipped workshop. A laboratory was constructed at the premises that will contribute to Métier's supply promise of consistent and customised products, and reliability of the concrete and technical support to customers. The laboratory will also provide a service that was previously outsourced, resulting in the reduction of testing costs by 10%. Furthermore, targeted employees will be trained and developed through this laboratory to strengthen the technical skills base.

Business review: Métier Mixed Concrete continued

PERFORMANCE OVERVIEW

Highlights

Revenue increase
13%

Established a central
workshop and laboratory in Gauteng.

Métier's revenue increased approximately 13% from R775 million to R874 million. This is largely due to the additional output from the 11th plant that commenced production in September 2014 and increased revenue in its pumping services division. The subdued 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 assist margins.

The EBITDA margins decreased from 18% (R139 million) to 15% (R132 million) and the operating margin from 14% (R109 million) to approximately 12% (R102 million). This margin reduction was due to increased price competition and the stoppage of supply into a government contract due to inconsistent payment.

HUMAN CAPITAL

The *'Métier Way'* is an operational ethos that motivates employees to continually implement innovative solutions in their functions. It shapes and provides impetus to the entrepreneurial culture by urging employees to be more sensitive and responsive to the needs of their customers. The *'Métier Way'* reinforces the cornerstones of the brand which are service, quality and reliability.

Métier continues to actively promote the *'Métier Way'* to ensure that the intangible cultural elements, such as uncompromising service to external and internal customers, is propagated. It also emphasises and rewards a solutions-driven environment in which employees take initiative, ownership and accountability of issues to ensure that they are dealt with urgently.

EXECUTIVE COMMITTEE

Two of the three founding directors, Wayne Witherspoon and Richard Thompson, did not renew their employment contracts that ended on 31 March 2016. The third co-founder and current managing director, Kenneth Capes, has been appointed as the chief executive officer of Métier. Kenneth has also increased his area of responsibility in the group to assist SepHold with growth strategy as the business development director. Métier has appointed Jürgens Du Toit as the managing director. Their experience is detailed on page 37.

These management changes were anticipated and the handover of responsibilities was done proactively to ensure a smooth transition.


Métier
MIXED CONCRETE
CM 121
Métier
MIXED CONCRETE
AXOR
3535
CM 43
NP 203-986

Business review Métier Mixed Concrete continued

EXECUTIVE COMMITTEE

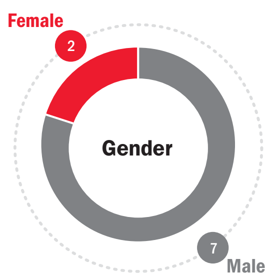
TENURE

6 to 9 years	4
2 to 5 years	2
Less than 1 year	3

EXPERIENCE AND SKILLS

- Over 90 years combined experience in mixed concrete manufacturing
- Concrete technologists
- Quarrying and mining experience

DIVERSITY



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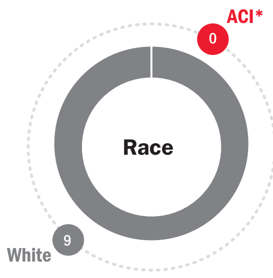

*ACI – African, Coloured and Indian

1. Kenneth John Capes
Managing director
Appointed chief executive officer 31 March 2016

Kenneth has extensive experience in the ready-mixed concrete and aggregates industry. Kenneth spent 20 years in a building materials entity, 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.

2. Jürgens Du Toit
Managing director
Appointed 1 March 2016
National Diploma in Civil Engineering (Technikon Pretoria)

Jürgens has obtained a wealth of experience in the mining and building materials industries over the past 24 years. He has held senior management positions in several aggregates and ready-mix businesses in South Africa, Botswana and Lesotho.

3. Richard Thompson
Financial director
Resigned 31 March 2016
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 several years consulting and marketing the products within the wildlife industry. Richard co-founded Métier Mixed Concrete in 2007. He was responsible for administrative and financial aspects of the business.

4. Wayne Witherspoon
Operations director
Resigned 31 March 2016
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 was responsible for the operational aspect of the business, including production, maintenance and logistics facilities. He was one of the founding directors of Métier in 2007.

5. Gregg Hollins
Regional manager, eastern region
National Diploma in 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.

6. Glen Talmage
Regional manager, northern region
National Higher Diploma in Civil Engineering (Technikon Witswatersrand)

Glen has extensive experience in the ready-mixed concrete and aggregates industry and 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.

7. Stacey Venter
Financial manager
Appointed 1 October 2015
BAcc (Rhodes University), Chartered Accountant (SA)

Stacey is a qualified chartered accountant with five years commercial management experience. She has accounting, tax and financial experience from eight years with KPMG. Stacey is responsible for all administrative and financial aspects of the business taking over from Richard Thompson.

8. Ceri Rayne
Human resource manager
BSocSci (Hons) (University of KwaZulu-Natal), BSocSci (University of Natal, Durban), Cert: Retail Management (UNISA) and Cert: Practical Labour Law (UCT)

Ceri has extensive experience in human resources gained from eight years with the Foschini Retail Group. She joined Métier with a focus on training, human development, employee performance and talent management. Ceri joined Métier in 2013.

9. Doug Thring
National maintenance manager
Appointed 1 November 2015
BScHons (Environmental Management) (University of Natal, Durban), NHD: Civil Engineering (Technikon Natal)

Doug has extensive experience in construction and project management gained from over 26 years with Bosch & Associates Consulting Engineers; Murray & Roberts and his own construction business. His focus is on new projects and maintenance management taking over from Wayne Witherspoon.

Business review: Métier Mixed Concrete continued

EMPLOYEE OVERVIEW

Métier's employee complement increased by 4,3% from 233 to 243 as summarised below.

	At 31 March 2015			New employees			Employees dismissed			At 31 March 2016		
	M	F	T	M	F	T	M	F	T	M	F	T
White	26	10	36	6	3	9	4	2	6	28	11	39
African	151	6	157	39	3	42	34	–	34	156	9	165
Coloured	3	1	4	1	–	1	–	1	1	4	–	4
Indian	29	7	36	2	–	2	2	1	3	29	6	35
Total	**209**	**24**	**233**	**48**	**6**	**54**	**40**	**4**	**44**	**217**	**26**	**243**

Métier is committed to the transformation charter and complies with the Employment Equity Act, 55 of 1998 (EE Act) and the Broad-Based Black Economic Empowerment Act, 53 of 2003 (B-BBEE Act). Métier was awarded level 6 B-BBEE contributor certification in October 2015. The subsidiary is committed to improving this B-BBEE level and continues to review its business processes to enhance the rating. Métier is a responsible corporate citizen determined to align with the broader government empowerment agenda.

Training and development

Métier is focused on succession and career planning initiatives that place emphasis on personal growth and leadership development. Due to the industry sector in which it operates, it is important for Métier to retain the requisite skills to support the execution of its strategy.

Skills breakdown

	Male				Female				
Employer category	Black	Indian	Coloured	White	Black	Indian	Coloured	White	Total
Executive management	–	–	–	3	–	–	–	2	5
Senior management	1	5	2	13	–	–	–	–	21
Middle management	8	12	–	7	1	1	–	2	31
Junior management	15	10	2	5	7	5	–	7	51
Semi-skilled labour	74	2	–	–	–	–	–	–	76
Unskilled labour	58	–	–	–	1	–	–	–	59
Total permanent employees	**156**	**29**	**4**	**28**	**9**	**6**	**–**	**11**	**243**

Nurturing of requisite skills takes place through strategically aligned training and development programmes. Métier invested R824 488 (2015: R692 000) in training, an increase of 20%. A total of 153 employees were trained, with 65 being employees of colour. Legislative and compliance-related training constituted the main focus area of training, with 101 employees attaining certification in areas including health and safety. The other 52 employees attended training that addressed leadership, supervisory and people management skills.

In addition, an employee educational assistance policy was put in place. The policy seeks to encourage employees to further their education in the field of study relevant to their respective positions and/or Métier's strategic direction. Applications are assessed and employees who are aligned to the policy objectives are awarded financial assistance.

Métier also engaged a leadership coaching organisation to train a selected number of employees at management level who have shown potential for senior management roles. The programme will take place over a period of 13 months. The main objectives of the programme are to:

- train and develop employees for change management in business processes;
- provide an opportunity for fledgling management to learn and grow; and
- ensure that the right employees are in the right roles.

To date, the programme has significantly improved the executives' interrelations and the ability to deal with complex business matters.

HEALTH AND SAFETY

The health and safety policy focuses on the structure of the safety system, training, incident recording and legislation. Métier strives to comply with the Occupational Health and Safety Act, 85 of 1993 at operations. Métier had zero fatalities (2015: 0) and 15 lost time safety incidents (2015: 14) that resulted in 810 hours of lost time. All incidents were minor and the affected employees have fully recovered.

Métier's commitment to a zero harm working environment is demonstrated by several awareness and safety training initiatives which include the extensive use of toolbox talks. These regular talks deal with general safety and compliance matters with an emphasis on those that relate to commonly experienced incidents such as the misuse of equipment and tools. Safety induction is mandatory for new employees and refresher sessions are regularly done at sites during which safety procedures are reinforced.

NATURAL CAPITAL

Métier believes that good stewardship avoids, minimises and mitigates the negative environmental impact of operations.

Métier regularly consults with the relevant authorities to deal with environmental matters such as plant water run-off to ensure that the impact to the surrounding areas is minimised. Most of the batch plant run-off water is currently recycled for use in production to avoid affecting surrounding areas.

STRATEGIC OUTLOOK

Métier will continue to explore viable expansion opportunities to enable it to grow its footprint and earnings in South Africa. This growth will be informed by prevailing market conditions and the strategic positioning that places Métier at an advantage to competitors. We anticipate continued competitive pressures and will be focusing on controlling costs while striving for service excellence – which continues to be Métier's strength.


Sephaku
CEMENT
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OUR NAME'S IN IT
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4 BUSINESS REVIEWS: DANGOTE CEMENT SOUTH AFRICA

Business review: Dangote Cement South Africa

COMPANY OVERVIEW

Dangote Cement South Africa Proprietary Limited (CEMENT or associate)[1] is a cement producer with modern manufacturing technologies and skills in the critical functions including production and sales. CEMENT's main business activity is the manufacturing, marketing and distribution of quality cementitious products to a broad spectrum of users and consumers.

CEMENT is a subsidiary of DCP and the latter's value creation process has contributed to the associate's successful entry into the competitive and constrained South African building materials sector. The sector is linked to the cyclical construction industry, which has been negatively impacted by the weak economic performance and low growth forecasts.

The translation of strategy into action plans that are measurable is a continuous process. The CEMENT communication meeting forums continue to be used as a tool to communicate and drive performance for departments. These communication structures are used to ensure synergies across different functional areas for the purpose of meeting stakeholder's expectations. An innovative feedback process of continuous performance improvement through transparent communication is in place to enhance employee participation.

CEMENT'S KEY ENABLERS[2]

Careful selection of markets

A factor in the selection of a market to construct a plant is the age and size of the incumbents' plants. DCP's strategy is to deploy larger and/or more efficient modern plant(s) in markets with small or older plants. For example, the Aganang integrated plant with modern technologies introduced high efficiencies in a market with average plant age of 36 years.

New quarry, easier mining

Competitive advantage begins with securing a limestone resource and opening a new quarry that gives access to shallower depths, thereby saving on mining costs. The quarry at Aganang is approximately 1 km from the plant with shallow, single bench limestone at depths of seven to nine metres. The quarry extracts 2,5 million tonnes of limestone to produce 1,46 million tonnes of clinker.

Efficient plants

The plants are essentially standardised in design to reduce the cost of construction. Plants have the latest production technology and are highly efficient on a per tonne basis. Modern technology has enabled CEMENT to manufacture a good quality and strong brand of cement at a lower cost than competitors.

Efficient kilns

The use of large modern rotary kilns equipped with pre-heaters and a pre-calciner that use the exhaust gases from the kiln presents a recycling system that enables CEMENT to reduce the cost of production and minimise carbon emissions inherent in the cement manufacturing process. The Aganang kiln is paired with a four-stage preheater, and is the single-largest kiln in South Africa with a capacity of 6 000 tonnes of clinker produced per day. The energy efficiency of CEMENT's core operations are at 97,5 kWh/tonne of cement.

Efficient grinding, better cement

Plants are designed with the latest vertical rolling mill technology to grind clinker and other additives into cement. This technology enables CEMENT to produce strong and rapid-setting cement that is experiencing increasing demand across South Africa and need for expediency increases. The Aganang integrated plant has three vertical mills namely the raw, coal and cement mills. The vertical mills are generally 20% to 30% more efficient than the standard ball mills that are prevalent in the competitors' plants.

Good emissions control

DCP plants are designed to perform at a higher standard than the stated European requirements to restrict emission levels in terms of dust, noise and other forms of pollution.

As environmental legislation tightens in Africa, competitors with old, inefficient and environmentally unfriendly plants will probably invest significantly in improvements or retire the worst performing plants. To date the Aganang and Delmas plants have recorded emissions well below the guaranteed 30 mg/Nm^3.

Strong focus on quality

DCP plants are equipped with the latest quality control systems that ensure the excellence of the final product from the quarry to the cement grinders. Quality control commences after the limestone has been crushed. The crushed limestone and other raw materials are scanned by gamma ray analysers to ensure a consistent, high quality mix that is homogenised. Product samples are automatically collected at different points of the production line and delivered to the on-site robot-controlled laboratory for analysis.

[1] CEMENT has a December year-end as a subsidiary of Dangote. It has been renamed from Sephaku Cement (Pty) Limited.

[2] Based on company research, publicly available information and the DCP Integrated Report 2015.

OPERATING ENVIRONMENT

Industry cement sales tonnes for South African producers increased by 7,7% to 12,9 million for the calendar year 2015 on a year-on-year basis, as reported by Levitt Kirson, Business Services DFK Limited[1]. There was an overall increase of 3,3% in sales volumes to approximately 13,8 million including 820 thousand tonnes (2014: 1,3 mt) of imports. Imports from Pakistan decreased by 37% for the calendar year, mainly due to the tariffs imposed by the International Trade Administration Commission (ITAC), provisionally in May 2015, and conclusively in December 2015.

The market is progressively skewed towards bagged cement compared to bulk cement as demand increases in the retail market and activity is limited in the infrastructure sector. Gauteng province is the most robust bulk market and remains contested through competitive pricing, resulting in low margins. Gauteng represents the largest cement demand market estimated at 4 mtpa. Pricing has generally become dynamic and is differentiated geographically with producers focusing on improving efficiencies and marketing efforts.

A new entrant entered the market in December 2015, and has secured a supply contract with one of the four major retailers. The entrant has an integrated plant with one million tonnes capacity.

Furthermore, the South African construction industry is transforming from being dominated by the major construction companies to having numerous second and third tier businesses. Based on CEMENT's research, this transformation has been largely influenced by the macroeconomic downturn that is conducive for companies that have the ability to accept small construction projects. In addition, a deliberate government campaign to promote the small enterprises with a particular emphasis on black economic empowerment has resulted in the proliferation of construction companies, particularly for government upgrade projects such as provincial schools.

Challenges

The operational challenges are as follows:

- Increased price competition particularly in the significant inland markets such as Gauteng:
  - CEMENT has developed several strategies to defend market share while enhancing sales and marketing skills.
- Increased community expectations placing a high demand on the available resources:
  - Identification of the appropriate leaders to engage with has been challenging. However, CEMENT has managed to create various engagement platforms to address the community concerns such as the availability of grazing land.
  - The social enterprise programmes have strengthened CEMENT's social licence to operate and relationships with the local traditional leadership.
- Increased competition for critical skills:
  - A succession and retention plan has been developed and is being implemented.

[1] *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.*

Business review: Dangote Cement South Africa continued

PERFORMANCE OVERVIEW

Highlights

Sales volume growth
in a highly competitive market.

Presence in the major inland
markets distributed by the major retailers.

Good track record
in retaining critical skills and management.

CEMENT performed satisfactorily in a competitive environment and ramped up production to annualised steady state production by May 2015. Our integrated plant in Aganang and grinding plant in Delmas were at 70% and 90% capacity use, respectively, by December 2015.

CEMENT sales volumes increased by 162%, with approximately 80% attributable to core inland markets and up to 80% supplied into the bag market. We continued to advance our share of the market with a strong focus on the rural markets that constituted 65% of the sales volume for the year ended December 2015. The Gauteng market remains contested, with high volume demand but lower margins. The import tariffs finalised in December 2015 have increased supply opportunities for CEMENT in the coastal market of KwaZulu-Natal. Unfortunately, we experienced an overall sales price decline of 2,5%, mainly caused by lower prices in the bulk market and flat average bag prices that remained at 2014 levels.

CEMENT is firmly anchored as one of the major cement producers in South Africa, with revenue increasing by 150% to R2.3 billion (2014: R919 million) and the EBITDA margin increasing to 22% (2014: 14%) for the year ended December 2015. The net profit of R50,4 million equates to an equity accounted profit of R18,2million contribution to SepHold for the financial year ended 31 March 2016.

CEMENT FY 2016 first quarter revenue decreased by 0,5% to R519 million (2014: R521 million). These quarterly results will be accounted for in the SepHold interim financial results for the six months ending 30 September 2016.

PLANT OVERVIEW

Delmas

The operation continues to supply the main inland markets that include Gauteng, Mpumalanga and KwaZulu-Natal. The plant is positioned to service these major markets at the lowest cost due to the well-crafted logistics advantage of sourcing the raw materials at highly competitive prices and proximity to these markets.

Aganang

The operation supplies the North West, Limpopo and Free State. Aganang has been producing for over 18 months, and the focus now is the optimisation programme. The refinements that are being implemented will ensure the long-term sustainability of the production processes and the procurement of raw materials.

OPTIMISATION PROGRAMME

CEMENT was largely focused on achieving the steady state volumes and attaining market share goal. To enhance competitiveness, the associate commenced an optimisation programme during the final six months of 2015, which is expected to start yielding the targeted cost efficiencies in the second half of 2016.

The programme will ensure that the four operational areas, namely distribution, raw materials, production and sales, are optimised. The optimisation of these functions will collectively improve the EBITDA margin by five to seven percent in the foreseeable future and enable CEMENT to remain a formidable competitor in all its markets.

HUMAN CAPITAL

CEMENT remains committed to creating an environment that inspires and enables employees to perform optimally in their operational functions.

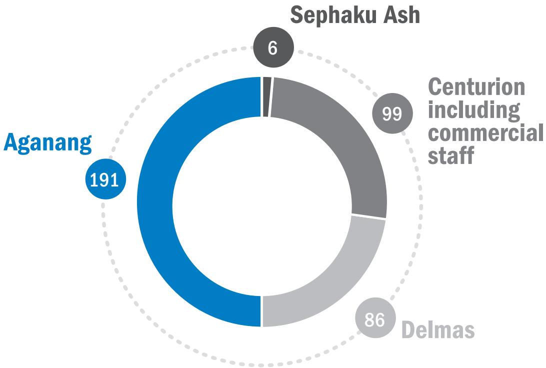
EMPLOYEE OVERVIEW

The CEMENT employee complement as at December 2015 was 382 (2014: 345).

CEMENT experienced employee turnover of 10% mainly of individuals who had been in the associate for a period of less than two years in the skilled and semi-skilled category. The turnover was below 5% for the category who have been with the company for four to six years as well as professional and middle management level. Reasons for employment termination were relocation, flexible working hours, more lucrative remuneration and career growth prospects.

Several initiatives to minimise employee turnover were developed and implemented. CEMENT initiated the long-term retention scheme with the purpose to attract and retain employees. A climate survey was administered across the organisation with the aim of obtaining detailed information on employee satisfaction. The participation rate was satisfactory and the associate has started to address the matters that require attention.

Staff distribution



Business review: Dangote Cement South Africa continued

EXECUTIVE COMMITTEE

A 360° assessment tool was also administered on management to establish leadership effectiveness and to identify any developmental initiatives required. The assessment revealed that CEMENT has competent managers who understand the organisation strategy and who are committed to achieving the business objectives.

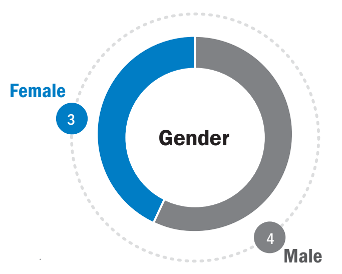
TENURE

0 to 6 years	1
6 to 9 years	6

EXPERIENCE AND SKILLS

- Key management with approximately 250 years' combined experience in cement manufacturing and technology
- Sales, marketing and channel management skills

DIVERSITY



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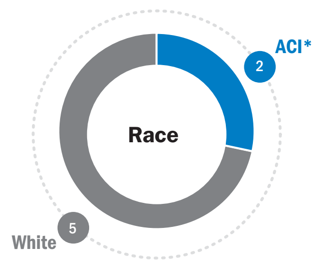


*ACI – African, Coloured and Indian

1. 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 CEMENT in May 2007.

2. Gay de Witt

Chief financial officer

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

Gay has experience in several fields, ranging from finance, operations to risk management. She previously worked for Clover Danone before joining CEMENT in 2009.

3. 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 CEMENT in 2008.

4. 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 CEMENT in 2008.

5. Jennifer Bennette

Company secretary

Jennifer has been employed by various legal practices as a paralegal. She was previously company secretary for the Platmin group. Jennifer joined SepHold in 2008 and CEMENT in 2010 as company secretary.

6. 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 positions in Nedcor Electronic Banking, Development Bank and Lafarge Gypsum before joining CEMENT in 2008.

7. Suleiman Oladapo Olarinde

Finance director

BSc (Hons) Econ (Ahmadu Bello University, Nigeria), FCA (Fellow of the Institute of Chartered Accountants of Nigeria)

Suleiman started his career with the then Price Waterhouse. He joined the Dangote Group in 1991 as Head of Internal Audit and Financial services.

Suleiman is employed by Dangote Industries Limited (Nigeria) as executive director (Finance). He is currently on a fixed contract at Dangote Cement South Africa as the finance director. Suleiman has over 32 years' experience and has retired as a member of several boards in the Dangote group.

Business review: Dangote Cement South Africa continued

SKILLS DEVELOPMENT AND TRAINING

CEMENT recognises the long-term benefits of up-skilling employees and to this effect invested approximately R4 million on employee training, which represents 2,1 % of the 2015 financial year's payroll costs. CEMENT's expenditure targets for training and development over the next four years continues to be 3% of the annual payroll. The skills development programme includes disability learnerships, internships and mentorships. Portable skills training for workplace qualifications such as mobile operators were implemented. The training and development programmes were complemented by bursary schemes to support talented individuals with their tertiary level studies.

EMPLOYMENT EQUITY

CEMENT is dedicated to creating a non-discriminatory working environment in which employees are treated with dignity and respect regardless of background, race, gender or disability. The associate supports the principle of employment, development and advancement of historically disadvantaged South Africans and acknowledges that a lack of skills remains a barrier in the industry. It is CEMENT's goal to achieve equitable representation of designated groups at all employment levels.

CEMENT has a five-year equity employment plan that is informed by the Department of Trade and Investment's B-BBEE Codes of Good Practice, Mining Charter and the Employment Equity Act. CEMENT's employment equity committee is trained to ensure that its members have the competence to ensure the business complies with relevant labour legislations. This committee meets on a quarterly basis to review progress on plans and objectives set.

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

Occupational levels	African			Coloured			Indian			White			Total			Target %	Actual EE %	Actual Black %
	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T			
Executive management	–	1	1	–	–	–	–	–	–	3	2	5	3	3	6	40	50	16
Senior management	3	–	3	2	–	2	–	1	1	9	1	10	14	2	16	60	43	38
Middle management	14	5	19	1	–	1	3	2	5	13	6	19	31	13	44	75	70	57
Skilled (junior management)	54	28	82	4	1	5	1	5	6	19	8	27	78	42	120	80	84	77
Semi-skilled	38	28	66	1	1	2	–	–	–	1	–	1	40	29	69	100	98	97
Unskilled	101	25	126	–	–	–	1	–	1	–	–	–	102	25	127	100	100	100
Total	**210**	**87**	**297**	**8**	**2**	**10**	**5**	**8**	**13**	**45**	**17**	**62**	**268**	**114**	**382**		**88**	**84**
Fixed-term contractors	4	3	7	–	–	–	–	–	–	3	2	5	7	5	12			
Learnerships	10	4	14	–	–	–	–	–	–	–	–	–	10	4	14			
Total	**224**	**94**	**318**	**8**	**2**	**10**	**5**	**8**	**13**	**48**	**19**	**67**	**285**	**123**	**408**			

HEALTH AND SAFETY

There were no fatalities and the lost-time injury frequency rates for CEMENT's operations for the year ended 31 December 2015 remained static at 0,109 (2014: 0,109) at Aganang, zero (2014: zero) at Delmas and zero (2014: zero) at Sephaku Ash.

CEMENT is committed to the prevention of injuries and to ensuring that the well-being of employees is monitored through a health and safety monitoring system. There is regular auditing and monitoring of the system to ensure that there is compliance to all requisite safety rules. Protection of employees and persons who are not employees is a priority for operational management. There is a clear allocation of responsibility, accountability and management of processes that present potential hazards. The health and safety objectives are reviewed regularly, particularly on how to deal with identified potential risks and impacts.

CEMENT continues to apply the wellness framework, Employee Assistance Programme (EAP), to promote a healthy lifestyle for employees and to assist those failing to achieve their tasks due to personal and or work-related challenges. The programme-related services have been extended to families, as CEMENT believes that an effective and healthy employee is supported by an equally healthy family.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

CEMENT was awarded a level 4 B-BBEE contributor certificate in April 2015. However, due to the increase in the compliance targets on ownership, skills development, employment equity and procurement, this level will be challenging to sustain going forward. In terms of the revised codes, the company is required to achieve a minimum level of 40% on these targets, otherwise the B-BBEE rating is automatically demoted by one level. Although CEMENT does not anticipate that it will achieve these targets in the short to medium term particularly on the ownership parameter, the associate remains committed to improving its B-BBEE rating. CEMENT will explore various ways to enhance the ownership parameter.

Torosesha, the broad-based empowerment structure that was established in 2014, still has to finalise the election of two community directors to participate on its board. The election process was suspended due to illegal protests by the community over various matters including employment creation in the area. CEMENT engaged the Department of Rural Development and Land Reform who have committed to intervene on the impasse to enable CEMENT to finalise the structure by the end of 2016.

Torosesha currently holds 15% ordinary shares in Sephaku Development Proprietary Limited (SepDev), which is a subsidiary of CEMENT, and is expected to generate income from mining activities. This income will be used to implement community development initiatives. The directors of Torosesha will be responsible for identifying how the income inflow from SepDev is utilised in line with its memorandum of incorporation for the benefit of communities of Verdwaal and Springbokpan.

Business review: Dangote Cement South Africa continued

NATURAL CAPITAL

CEMENT is committed to the highest standard of environmental performance and the principles of sustainable development. The environmental policy commitment includes:

- Aligning the environmental goals and objectives with the business strategy.
- Development, implementation and maintenance of an environmental management system that is aligned with the broader business principles and standards.
- Development of employees to completely manage and be accountable for excellence in environmental performance in their areas of responsibility.
- Continually improving environmental performance by measuring and reviewing the effectiveness of and compliance to the environmental management system.
- Allocation of appropriate resources to achieve targets and undertake periodical reporting of performance to regulatory authorities.
- Demonstrated understanding of environmental accountability and leadership at all levels of management.
- Planning, design and closure of operations in a manner that enhances sustainable development.

Highlights

Integrated Water Use Licence was issued by Department of Water and Sanitation for the Delmas grinding plant following robust engagement with the authorities.

Delmas operation is a listed activity and was **issued with an atmospheric emission licence.**

The waste directorate in the Department of Environmental Affairs (DEA) **authorised a waste management licence** variation for the **Aganang integrated plant.**

Both plants developed and **implemented monitoring programmes** in accordance with the requirements of their water use licences and other environmental authorisations.

There were no **significant environmental incidents.**

CEMENT subscribes to best practice in environmental stewardship and believes in minimising and or mitigating the negative environmental impacts at every stage of the cement manufacture value chain that begins during the mining of limestone.

ENVIRONMENTAL MANAGEMENT STRATEGY AND COMPLIANCE

CEMENT'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 have limited environmental impact. Several mitigation measures were developed for identified potential risks such as dust and noise pollution. Water consumption and waste generation are monitored and measured periodically, in line with legislative requirements. To ensure the achievement of these strategic objectives, CEMENT has appointed an environmental performance manager.

We operate in an industry where many of our activities are highly regulated by laws governing the environment. Compliance with environmental norms and standards is integral to CEMENT operational management. The company strives to comply with requisite regulation and improving compliance to environmental legislation remains an area of focus. Our operations conform to environmental standards and other requirements, such as site permits, to operate. Monitoring programmes have been developed to ensure that Aganang and Delmas plants comply with the following permits:

- Environmental Management Programme (EMPR);
- Atmospheric Emission Licence (AEL);
- Integrated Water Use Licence (IWUL); and
- Waste Management Licence (WWL).

In the instances where new regulations are being considered, CEMENT ensures that it actively participates in the processes to craft the legislation.

CHALLENGES

The planned community forums on environmental matters had limited success due to a lack of buy-in from the community leaders. Therefore, CEMENT has begun enhancing stakeholder identification and engagement planning process. The associate is working with the community to ensure the implementation of the engagement plan.

Key challenge	Response
Compliance with regulatory requirements Environmental management plans for specific areas such as carbon emissions and energy efficiency have not yet been fully developed.	CEMENT is conducting a detailed study to identify projects that will minimise greenhouse gas emissions (GHG). The main goal is to reduce contribution to adverse climate change. This approach will enable CEMENT to appropriately respond to the climate change policy approaches being rolled out by the Department of Environmental Affairs in collaboration with National Treasury.
Water use licence compliance The licence was issued with inconsistencies in the compliance conditions which were acknowledged by the Department of Water Affairs.	CEMENT is actively engaging with the Department of Water and Sanitation and has requested that the department amend the current generic and/or incomplete conditions of the licence.
Establishment of environmental management systems Following the ramp-up period, it is pertinent to establish systems that will enable the management of the environmental matters as the plants operate at steady state.	CEMENT conducted a gap analysis to identify the strengths and weaknesses in the operational properties that would limit the application of environmental management best practices. The company has begun the development of systems to enable the implementation of the ISO 14001 standard in the long term.

Business review: Dangote Cement South Africa continued

Carbon tax

CEMENT has calculated potential annual emissions for both plants for cement production and fuel combustion from non-metallic minerals for the years 2014 – 2020. The company has also calculated the total GHG emissions for the company in CO_2 equivalents using the global warming potentials from the UN Intergovernmental Panel on Climate Change's (IPCC's) Third Assessment Report. The submissions made by the company to date are being reviewed by the relevant authorities.

CEMENT has been actively involved in the consultative processes of establishing the appropriate tax regime. There are several factors that are still to be finalised to determine the reporting structure to be utilised. Our efforts are driven by CEMENT's voluntary reporting commitments under the Association for Cement Manufacturing Producers' 'Cement Sustainability Initiative'.

OPERATING LICENCES

Air emissions

CEMENT has recorded remarkable results due to technology that enables the plants to perform well. For instance, the air emissions recorded to date have been less than 30 mg/Nm^3 for dust. Aganang plant was originally issued with the Provisional Atmospheric Emission Licence, which was converted into full AEL in July 2016.

Continuous emission monitors for the kiln and cooler stack have been installed at Aganang. The commissioning of these monitors is scheduled for the end of August 2016. The installation of these monitors allows the plant to regularly monitor and track various pollutants as required by emission minimum standards.

Water stewardship

CEMENT recognises the importance of contributing to the current water security measures and has adopted a holistic approach to water stewardship. A closed loop process has been employed at the plants, coupled with a strong focus on water efficiency and pollution prevention measures. The plants have been issued with Integrated Water Use Licences by the Department of Water Affairs.

Waste Management

There has been good progress in obtaining a waste licence for the Aganang plant. This will allow CEMENT to focus on utilising less energy-intensive materials such as by-products from the steel, energy and other industries. This can translate to a significant saving in energy consumption and a reduction in the carbon footprint.

Non-process waste management at the plants entails the effective monitoring of three phases namely sorting, recycling and disposal. The sorting of waste has been a challenge and to this end, CEMENT continues to identify opportunities to improve the process at both plants.

COMMUNITIES

CEMENT is committed to a policy of active community engagement and to making a sustainable contribution to the communities in which it operates.

SOCIAL AND LABOUR PLAN

The Mineral and Petroleum Resources Development Act (MPRDA) places a regulatory requirement on every mining operation to develop a five-year social and labour plan (SLP) that is approved by the Department of Mineral Resources (DMR) prior to the granting of a mining right. The SLP is a strategic, planning and implementation document consisting of a variety of targets and strategies to promote socio-economic growth and development. It also promotes employment and the advancement of the social and economic welfare of historically disadvantaged South Africans within the workforce and the local community.

SepDev's mining right was granted in 2008, paving the way for the implementation of its initial five-year SLP (2008 – 2013). The SLP's initial, approved amendments were on local economic development projects following further community engagement in 2014. CEMENT is in the process of completing the new SLP to cover the period 2017 – 2021.

COMMUNITY UPLIFTMENT

Enterprise and supplier development

CEMENT is committed to providing meaningful contributions to qualifying small, medium and micro sized entities (SMMEs), with the aim of creating sustainable business models run by competent individuals. The Enterprise and Supplier Development Programme (EDP) is aimed at developing emerging enterprises; in particular those located in local communities where the associate operates. CEMENT continues to subscribe to the ethos that job creation and supporting the development of SMMEs are major factors in the sustainability of local economies and communities.

To this end, there have been 162 total direct jobs created by the EDP beneficiaries through their partnership with CEMENT at both Aganang and Delmas.

In support of this, expenditure of R36 million was made towards the Enterprise Development beneficiaries representing 3% of CEMENT's total procurement spent. CEMENT supported several of these SMMEs through payments of grants (management fees), payment of invoices within 15 days, facilitation of access to funding, training, coaching and mentorship to ensure their sustainability. Refer to the case studies on pages 56 and 57.

To enhance the sustainability of the EDP transport beneficiaries, CEMENT awarded long-term contracts on 10 August 2016. Furthermore, the associate will continue to target first-time black business owners to participate in the supply chain.

Community skills development

CEMENT offered skills development opportunities in line with the social and labour plan.

Item	Progress to date
Graduate Training Programme	• Seven unemployed local graduates in technical and engineering fields enrolled in a graduate training programme supported by a partnership with Mining Quantifications Authority (MQA). MQA provides financial resources for the trainees and CEMENT provides a practical and structured mentorship programme.
Woman Development Programme	• Three women at Aganang are participating on CEMENT's Woman Development Programme to accelerate their career into management roles. This initiative is being implemented in partnership with Dyna Training Centre.
Apprentice training and learnerships	• Section 18.1 Artisan Training Programme is progressing well, with the two selected employees from local communities expected to graduate by the end of 2016.
Bursaries and internships	• Six students (2014: four students) were awarded full-time bursaries for engineering studies at different universities in South Africa for 2015. • CEMENT employed five disabled youth on a learnership programme with the intention of affording them permanent employment when suitable positions are available.
Educational support	• CEMENT is currently funding extra mathematics and science education programmes at Tswelelopele High School at Itsoseng.
Other business training	• The training of 15 people for the bakery and pallet projects at Aganang was postponed to 2016, to align with the completion of the bakery project. • Both the bakery and pallet making projects are expected to be operational by November 2016.

Business review: Dangote Cement South Africa continued

Key challenges

Key challenge	Response
Acquisition of alternative grazing land for the Aganang mining operations	The mining area, which has already been cordoned off, has resulted in approximately 2 000 ha of grazing land being inaccessible to livestock farmers from Springbokpan and Verdwaal communities. CEMENT has been in discussions with the affected communities since 2012, to determine a mutually beneficial solution to the inevitable loss of grazing land due to the mining operations. Although the associate has presented several alternatives, the preferred solution is for CEMENT to provide pasture with similar or improved grazing capacity. In June 2015, the CEMENT board approved a proposal for the purchase of land for use by the communities as substitution for the land cordoned off for mining operations. Discussions are currently under way with various land owners to acquire alternative grazing land. In the interim, CEMENT continues to provide the affected livestock farmers temporary access to specific portions of two farms with a combined size of 739 ha for grazing purposes.
Community protests	**Aganang community protests** A group of 37 youth from Springbokpan and Verdwaal communities trespassed onto the restricted mining area in March 2015, gaining unauthorised access to portions of the Aganang plant. They were arrested and charged with trespassing and intimidation. The youth were protesting on the following matters that have been or are being addressed: • Limited employment and training opportunities at the mine and cement plant for individuals without Grade 12. • Allocation of additional SMME development opportunities. • Illegitimacy of community leadership structures engaging with CEMENT. • Perceived limited participation of the community in the empowerment structures. • Payment for surface use to be directed to the community and not government's special trust account (D-Account) as prescribed in terms of the National Traditional Leadership and Governance Framework Act, 41 of 2003. The leadership of the Springbokpan and Verdwaal communities through Department of Culture, Arts and Traditional Affairs (DCATA) requested CEMENT to withdraw charges to enable further engagement on the issues raised by the protesters. CEMENT has continued with informal engagement and is working with DCATA to set up a community meeting during 2016. **Delmas community protests** A week-long community protest, also in March 2015, impacted businesses in the Delmas area as workers were prevented from going to work. Representatives of the South African National Civic Organisation (SANCO) further mobilised members of the community to protest at the gates of the Delmas plant in June 2015. They demanded additional employment and supply opportunities for local SMMEs. The Executive Mayor of Victor Khanye Local Municipality, Councillor EN Makhabane, intervened and the matter was successfully resolved.
Deterioration of the access road	The access roads to and from the Aganang plant are currently heavily degraded. This has been exacerbated by the high density of haulage traffic between the Aganang area and Litchenburg town from the cement producers in the area. The degraded road surfaces present a risk to community road users, especially during evenings when visibility is significantly reduced. Discussions and a tender process are currently under way with the Department of Public Works and Roads regarding the upgrade of the access road. The department has advised that a contractor will be appointed in October 2016, following a thorough tender process.

STRATEGIC OUTLOOK

The strategic medium-term priorities continue to be focused on the optimisation programme as follows:

1. **Raw materials:** Continuous improvement in the sourcing and use of raw materials.
2. **Sales drive:** Refining customer segmentation and providing cost-effective customised service.
3. **Logistics optimisation:** Rationalisation of sales volumes and the renegotiation of rates.
4. **Production efficiency:** Mastering the production process and improving plant reliability.

Case studies

NEW ERA COMMERCE PROPRIETARY LIMITED (NEW ERA)

The foundation

New Era was founded by Thokozane Mangana, an entrepreneur with a passion for logistics from a young age, who grew up in Mpumalanga. Thokozane registered for a Bachelor of Science degree in Computer Science and was offered a bursary by the Investec Study Trust. Unfortunately, due to illness, he was unable to continue with his studies for a year and Investec had to rescind his bursary.

Thokozane re-registered for a Bachelor of Commerce in Logistics in 2005, and during this time he formally established New Era Commerce while still a student. He again received a bursary, from Sasol, to study for an honours degree while working within the logistics department. Thokozane continued to work in logistics roles in various organisations.

Speaking about the experience of starting and managing a business, Thokozane said, “Starting a new business was not easy. We had a fairly steep learning curve at the beginning in terms of compliance and other administrative requirements. This did not hinder me and my business partner from applying for selected tenders that were most aligned to our skills set and service offering.”

Enters CEMENT

Business at New Era experienced transformation when Thokozane was selected to participate in the EDP with CEMENT. The company experienced accelerated growth in revenue and profit.

New Era is categorised as an established SMME that is not necessarily mentored but offered supply opportunities. “We are looking at advancing through large contracts that create sustainability,” reiterated Thokozane. “The EDP has enabled us to negotiate with the bank to add capacity – to me, that’s by far the best.” New Era has benefited from the EDP through growth in productive assets such as the new trucks secured since the inception of the partnership.

New Era truck arriving at Delmas grinding plant with raw materials.

Thokozane emphasised: “Stable volumes are imperative for the growth of a small business such as ours, so we are extremely pleased about the potential of more raw materials volumes from CEMENT and a longer-term contract, obviously depending on our performance.” Having predictable loads enables growth and gives the business financial credibility. New Era currently has 15 tipper trucks and six flatbeds with a revenue of approximately R25 million per annum. The management team is motivated, skilled and subscribes to governance best practises. “I am grateful for the skills in the current executive team which range from engineering and logistics to financial management. We believe in transparency and prudent management of our business which has contributed to our resounding success,” said Thokozane. New Era has started considering expansion opportunities into materials handling, waste management and plant hire which are natural extensions of the logistics focus.

An opportunity to give back

Thokozane has been inspired by CEMENT’s entrepreneurial flair and growth trajectory. He believes that his sincere appreciation of the opportunity awarded to New Era by CEMENT should be propagated by also engaging in business mentorship activities. As such, Thokozane has invested his personal resources in mentoring a car wash business called TBOS.

Where to from here?

Thokozane believes in identifying purpose and then pursuing it. He is determined to grow the business’s capacity in providing world-class logistics services. “I don’t want the company to be a sinking ship,” retorted Mangana. As a parting shot, Thokozane said, “If you look at CEMENT, their growth inspires us. If CEMENT has done it, we can too. Their growth is my growth.”

Thokozane Mangana

CIVILKOX TRADING ENTERPRISE PROPRIETARY LIMITED (CIVILKOX)

From the street corner to the commercial kitchen

In 2007, Tshepo Tefo had to find a way of making money as the sole breadwinner in his family. He decided that selling fried chicken portions such as giblets, and mixed vegetables, would provide sustainable income to cater for their daily requirements.

What started off as a means of survival soon became a passion when he realised that he had gained a consistent customer base. From the streets of Itsoseng, Tshepo developed a clear understanding of the market and became the preferred supplier of cooked and raw chicken portions in his community. Having insight into the target market enabled Tshepo to offer smaller affordable portions and a flavour that appealed to the local palate.

"It was easier to choose chicken as the meat of choice because it has a narrow grade range and doesn't consume too much fire," explained Tshepo when questioned on his choice of menu. He soon caught the attention of other local traders who attempted to emulate his model but failed to take away his market share because they did not understand the nuances of the customer base.

When CEMENT started the stakeholder engagement process, Tshepo decided to formalise the business and registered Civilkox in 2013.

Encountering competition

Civilkox was initially contracted on a temporary basis to supply meals to the night shift employees. Praise of his culinary skills soon filtered to the day shift employees, who then requested that Civilkox supply them with meals and replace a seasoned, well-resourced competitor. Tshepo was eventually awarded the full catering services for the Aganang integrated plant.

He immediately secured the services of two chefs, a driver and several assistants to serve the employees. Tshepo's transition from being a one-man entity to an employer was not without its challenges, ranging from sourcing of inputs to employment contracts, negotiation with the banks and strategic planning. Tshepo decided to volunteer as part of the operations team for a hotel in Mahikeng to understand how to manage a restaurant and in particular, how to manage the stock, administration and operations.

"It was a difficult balance, volunteering and running the business, because I was called daily to deal with crises such as providing fuel to the driver. I realised that I had to find a way to not always take the office with me wherever I went," explained Tshepo.

Establishment of a catering chain

Tshepo has opened two traditional food outlets in the Northern Cape and Itsotseng in the North West province, serving strictly locally recognised meals. He has benefited from inclusion in the EDP through bookkeeping and marketing training.

"The CEMENT relationship has added a lot of value into my life and brought stability that is not always available through the over-the-counter businesses I also run. My net worth has grown a lot and I have managed to complete the construction of my own house. I have even started farming and I am pleased that I can provide a future for my two daughters. I have built a legacy for my children," said Tshepo.

Impacting the next generation of entrepreneurs

Tshepo has started a Facebook page called Entrepreneur Street that he uses to mentor small enterprises. He is also normally invited by the local National Youth Development Agency (NYDA) to mentor fledgling entrepreneurs.

Tshepo is a sterling example of how an entrepreneur can overcome his challenging circumstances. He is aspiring to start a franchise in hospitality and has established his first guest house within a mining community. Tshepo has also begun the planning of a butchery partnership chain and he intends to supply the livestock to be sold in all outlets.

Tshepo Tefo (centre) with his employees.

5 CORPORATE GOVERNANCE REPORT

Corporate Governance Report

GOVERNANCE FRAMEWORK

BOARD

The SepHold board of directors provides ethical leadership and is committed to good governance practices that add value to the business.

AUDIT AND RISK COMMITTEE

The committee assists the board by advising and making submissions on financial reporting, oversight of the risk management process and internal financial controls. The committee also advises on the external and internal audit functions, statutory and regulatory compliance of the company.

SOCIAL AND ETHICS COMMITTEE

The committee is primarily responsible for maintaining good relations with consumers and employees, achieving employment equity as well as promoting and protecting the environment, health and safety.

REMUNERATION AND NOMINATION COMMITTEE

The committee is responsible for decisions relating to total guaranteed remuneration and incentives of all employees. The committee makes recommendations on long-term employee incentives and submits all policy amendments to the board for approval.

The committee discusses matters normally dealt with by the nominations committee, including director appointments, the appropriateness of the composition of the board, and succession. The chairman (Brent Williams) attends committee meetings to chair the portion that deals with nomination aspects.

The chairman of the board, and the board, play a pivotal role in strategic planning and establishing clear benchmarks to measure the company's strategic objectives. The chairman and the company secretary ensure that a sound structure and governance framework that will enhance good corporate governance, improve internal controls and company performance, is consistently in place.

The board ensures the existence of the necessary committee structures, with clear terms of reference that assist the committees in discharging responsibilities and upholding the company's ethics. This is cascaded down the group to ensure that the business is conducted with structure so as to ensure that management can operate effectively.

GOVERNANCE OBJECTIVES

SepHold recognises the principles of good corporate governance and open, comprehensive business practices, as being essential to protect the interests of stakeholders. Therefore, SepHold is committed to upholding good corporate governance in business dealings in respect of shareholders and other stakeholders.

SepHold's efforts are focused on ensuring that sound leadership, sustainability and good corporate citizenship is included in business structures, policies and practices.

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

SepHold has designed the board objectives to cover strategic elements, to capitalise on the benefits of being part of a broader group. The objectives consider the importance of running the business in an ethical, transparent manner and the monitoring of the information technology (IT) strategy.

STATEMENT OF COMPLIANCE

SepHold strives to integrate the concepts of King III into business and to adjust structures and processes to comply with the provisions of the Companies Act to ensure continued good governance. The board holds the view that SepHold is compliant with King III and the JSE Listings Requirements. For further information on the group's detailed analysis, shareholders are referred to the King III compliance register included on the company's website (www.sephakuholdings.com/our-business/corporate-governance).

THE SEPHOLD BOARD

The board is SepHold's highest decision-making body and is responsible for corporate governance. The board operates on the understanding that sound governance practices and ethical leadership are fundamental to earning the trust of stakeholders. This is critical to sustaining performance and preserving shareholder value.

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. For further detail regarding SepHold's strategy, refer to pages 8 and 9.

The board also delegates authority to the executive directors to manage the business and affairs of SepHold. The board monitors and reviews the delegated authorities, to align with best practice and to take the recommendations set out in King III into consideration, on a regular basis.

THE BOARD CHARTER

The board operates under an approved charter, which regulates the way business is conducted in line with the principles of sound corporate governance. The board charter is aligned to principles recommended by King III, details the powers of the board and provides that the board has ultimate accountability and responsibility for the group's performance and affairs. The charter summarises corporate governance practices and, among others, defines the separate roles for the chairperson, the chief executive officer and elaborates on the board's expectations of the committee chairpersons and directors.

BOARD APPOINTMENTS

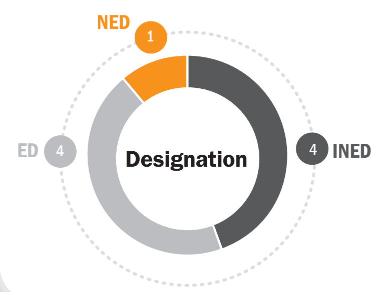
The appointment of board directors is a formal, transparent process and a matter for the board as a whole, assisted by the nomination committee. The nomination committee consists of a majority of independent non-executive directors and is chaired by the board chairperson.

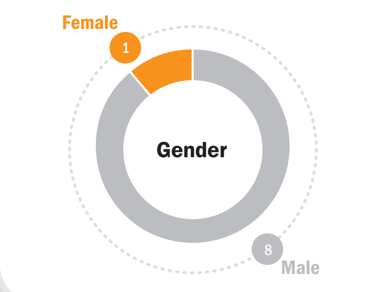
There have been no changes to the board during SepHold's financial year ended 31 March 2016.

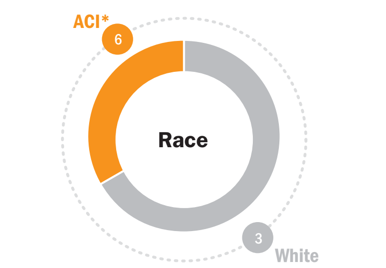
Corporate governance report continued

BOARD COMPOSITION

The board comprises 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.







*ACI – African, Coloured and Indian

TENURE	
>10 years	2
6 to 9 years	4
2 to 5 years	3

EXPERIENCE AND SKILLS

- Ready-mixed concrete and aggregates
- Concrete and cement manufacture
- Mining
- Mining finance
- Taxation
- Business development
- Corporate finance
- Social development and upliftment
- Retail management
- Economics and international politics
- Medicine and healthcare
- Investment management and research
- Internal audit
- Corporate governance
- Risk management
- Management consulting
- Corporate and commercial law
- Mergers and acquisitions
- Asset management

BOARD EVALUATION AND CHANGES

During April/May 2016, Acorim Proprietary Limited (Acorim) conducted an assessment of the performance and effectiveness of the SepHold board, its committees, the executive and non-executive directors, the chairman, chief executive officer and financial director.

The assessment monitored the board's effectiveness as a team, how well the committees function and discharge their duties as stated in the respective charters/terms of reference, the commitment and performance of individuals and trends in responses to questions.

The results identified that the board was effective and performed well. Sufficient evidence of effectiveness exists, while some aspects meet the board's expectations and others may require development.

The board is aware that an aspect which requires development is the need for greater gender diversity. The board has also identified the need to further strengthen SepHold's long-term strategic planning, related KPIs and succession planning. SepHold's risk management model and risk appetite are being reviewed by SepHold management and the board to ensure it is appropriate for the current external environment in which the company operates.

BOARD MEETINGS

Board meetings are held four times a year. The agenda and relevant supporting documents are distributed to directors before each board meeting. During the meeting, the appropriate executive director explains and motivates business items where decisions are required to be taken by the board.

BOARD AND COMMITTEE COMPOSITION

Director	Designation	Board	Audit and risk committee	Remuneration and nomination committee	Social and ethics committee	Director up for rotation
Brent Williams	INED	**Chairperson**	Member	**Chairperson***	**Chairperson**	
Shibe Matjiu	ED	Member			Member	
Kenneth Capes	ED	Member	Invitee		Member	
Pieter Fourie	NED	Member	Invitee		Member	
Gustav Mahlare	INED	Member	**Chairperson**	Member		**Not available for re-election
Mpho Makwana	INED	Member	Member	Member		
Moss Ngoasheng	INED	Member		**Chairperson**		Available for re-election
Lelau Mohuba	ED	Member	Member (Ex Off)	Member (Ex Off)	Invitee	
Neil Crafford-Lazarus	ED	Member	Member (Ex Off)	Member (Ex Off)		

ED – executive director

NED – non-executive director

INED – independent non-executive director

* *Brent Williams chairs committee meetings for portions that deal with nomination aspects.*

** *Gustav Mahlare has been on the board since January 2009, and served three terms as chairman of the audit and risk committee. He is therefore, in terms of the memorandum of incorporation, not eligible for re-election.*

MEETING ATTENDANCE

	Board	Audit and risk committee	Remuneration and nomination committee	Social and ethics committee
Brent Williams	4/4	1/2		1/1
Shibe Matjiu	3/4			1/1
Kenneth Capes	4/4			1/1
Pieter Fourie	3/4	1/2		1/1
Gustav Mahlare	4/4	2/2	3/3	
Mpho Makwana	3/4	3/3	3/3	
Moss Ngoasheng	3/4		1/3	
Lelau Mohuba	4/4		3/3	1/1
Neil Crafford-Lazarus	4/4	3/3	3/3	

Corporate governance report continued

BOARD OF DIRECTORS

INDIVIDUAL DIRECTORS

1. Brent Williams
Chairman and 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.

2. 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.

3. 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.

4. 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.

5. 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.

6. Dr Lelau Mohuba
Chief executive officer and 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.

7. Neil Robus Crafford-Lazarus
Financial director and 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.

8. 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.

9. Kenneth John Capes
Executive director, CEO (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 in a building materials entity, 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.

10. Pieter Frederick Fourie
Non-executive director, chief executive officer (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 CEMENT in May 2007.

Board of directors

Independent non-executive directors

1 Brent Williams
2 Modilati Gustav Mahlare
3 Paul Mpho Makwana
4 Moses Modidima Ngoasheng

Alternate director

5 Justin Pitt

Executive directors

6 Dr Lelau Mohuba
7 Neil Robus Crafford-Lazarus
8 Rose Raisibe Matjiu
9 Kenneth John Capes
10 Pieter Frederick Fourie

Corporate governance report continued

Directors' remuneration

Directors' emoluments are set out in note 33 in the annual financial statements on pages 55 and 56. The full annual financial statements can be downloaded from the company website. Beneficial shareholding of directors and associates, and directors' interests in share options are disclosed in the directors' report on pages 9 to 11.

The board approved performance indicators to measure and review management's performance. The performance indicators, which SepHold will be measuring and reviewing going forward, are headline earnings per share; performance of SepHold in relation to underlying subsidiaries; people and regulatory performance in relation to the its licence to operate.

Company secretary

Jennifer Bennette resigned as company secretary of SepHold with effect from 31 August 2015 and Acorim Proprietary Limited was appointed as Company Secretary with effect from 1 September 2015.

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

The company secretary acts as secretary to board appointed committees.

The board is satisfied that Acorim represented by Megan Paris (LLB, admitted attorney) has the required knowledge, skill and discipline to perform the functions and duties of the company secretary. The board has concluded that Acorim maintains an arms-length relationship with the company and its board.

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

RISK MANAGEMENT

SepHold views the aversion of risk as central to its strategy of increasing shareholder value. The chief executive officer and financial director are the drivers of risk management. The board and the audit and risk committee further assist with identifying, evaluating and mitigating risk areas identified by the chief executive officer and financial director. SepHold's material matters and risk areas are closely aligned. Refer to page 14 for further detail on material matters. This process will be re-evaluated as per the board evaluation recommendations.

To ensure the sustainability of business and to meet the risk tolerance and risk appetite targets defined by the board, the executive committees of SepHold, CEMENT 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 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 risks facing the companies, and the responses to address these risks.

Risk identification and analysis

The board is satisfied that CEMENT 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 encounter.

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 their 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.

SEPHOLD'S SUBCOMMITTEES

The board delegates certain functions to various committees in which independent non-executive, executive and non-executive directors play an active and pivotal role. The board committees facilitate the discharge of board responsibilities and provide in-depth focus on specific areas such as remuneration, nomination and social and ethics matters.

In discharging duties, the board delegates authority to committees and individuals through clearly defined terms of reference, which it reviews regularly. The board maintains effective control through a well-developed governance framework that provides for the delegation of authority. The chairpersons of these committees, in conjunction with the board, are elected by the members of each committee.

AUDIT AND RISK COMMITTEE

The audit and risk committee is an independent statutory committee appointed by the shareholders to fulfil the obligations contained in the Companies Act, the requirements contained in King III and SepHold's memorandum of incorporation. It also executes further duties delegated to the audit and risk committee by the board.

The committee has specific statutory duties to shareholders. In terms of the Companies Act, the committee also assists the board by advising and making submissions on financial reporting, oversight of the risk management process and internal financial controls, external and internal audit functions and statutory and regulatory compliance of the company. The role of the audit and risk committee is described in its charter.

Committee's composition and attendance of meetings

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

Responsibilities of the committee

The audit and risk committee is responsible for the following:

- 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 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 annual 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.
- Overseeing the internal and external audit processes.

The audit and risk committee has considered and 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.

The audit and risk committee has also considered and satisfied itself of the appropriateness of the expertise, adequacy of the resources of SepHold's financial function and the experience of the responsible senior members of management.

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.

Corporate governance report continued

REMUNERATION AND NOMINATION COMMITTEE

The remuneration and nomination committee is a committee appointed by the board to fulfil the obligations contained in the Companies Act, the requirements contained in King III and SepHold's memorandum of incorporation. It also executes further duties delegated to the remuneration and nomination committee by the board. The role of the remuneration and nomination committee is described in its charter.

Committee charter

The remuneration and nomination committee operates under a board-approved charter, which regulates the way business is conducted in line with the principles of sound corporate governance. The charter is aligned to principles recommended by King III and details the role and responsibilities of the committee.

Responsibilities of the committee

The board is responsible for making decisions regarding the remuneration of directors and the chief executive officer who, in turn, is responsible for decisions relating to total guaranteed remuneration and incentives of 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 policy amendments to the board for approval.

SOCIAL AND ETHICS COMMITTEE

The social and ethics committee is a statutory committee appointed by the board to fulfil the obligations contained in the Companies Act, the requirements contained in King III and SepHold's memorandum of incorporation. It also executes further duties delegated to the social and ethics committee by the board. The role of the social and ethics committee is described in its charter.

SepHold established a social and ethics committee in 2012, in line with the Companies Act. 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 operates under a board-approved charter, which regulates the way business is conducted in line with the principles of sound corporate governance. The charter is aligned to principles recommended by King III and details the role and responsibilities of the committee.

The responsibilities of the committee

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 making efforts to protect and advance human rights, promote equality and prevent unfair discrimination; and
- extending the reach and impact of the values and ethics through the business partners and supply chain.

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.

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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