2014

BUILDING BLOCKS FOR GROWTH

SEPHAKU HOLDINGS LTD

INTEGRATED ANNUAL REVIEW

AGANANG INTEGRATED PLANT – SEPHAKU CEMENT

LIMESTONE QUARRY AND CEMENT PLANT

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

A

SEPHAKU HOLDINGS INVESTMENTS

D

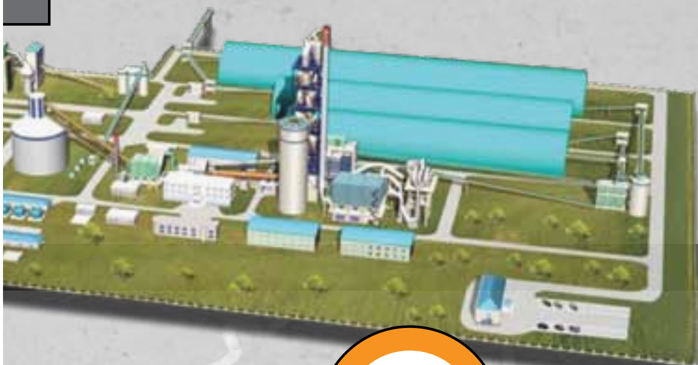
MÉTIER MIXED CONCRETE

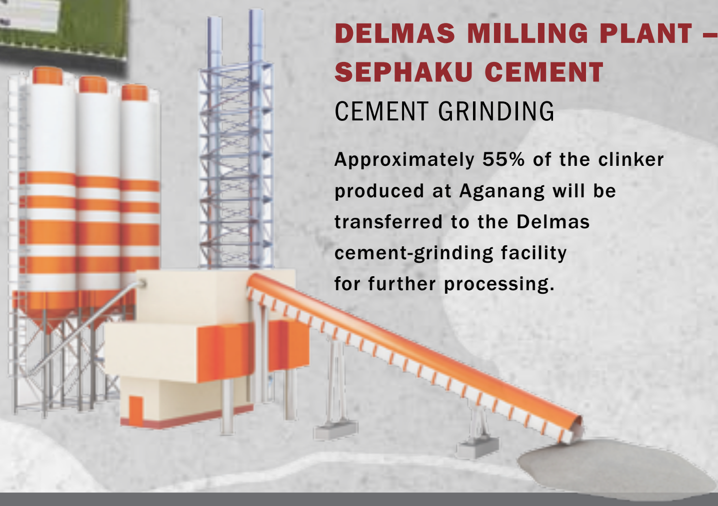
The core business of Métier is the manufacture and supply of quality ready-mixed concrete products for the residential, commercial and industrial markets in South Africa. Métier has achieved significant growth by positioning its business in markets that offer strong and growing demand for its products.

DWAALBOOM PROJECT – SEPHAKU CEMENT

LIMESTONE PROJECT

The company announced in April 2011 the establishment of a second major 3 000-tonne-per-day clinker and cement production facility near Dwaalboom, in Limpopo. Construction of the plant still to be determined.





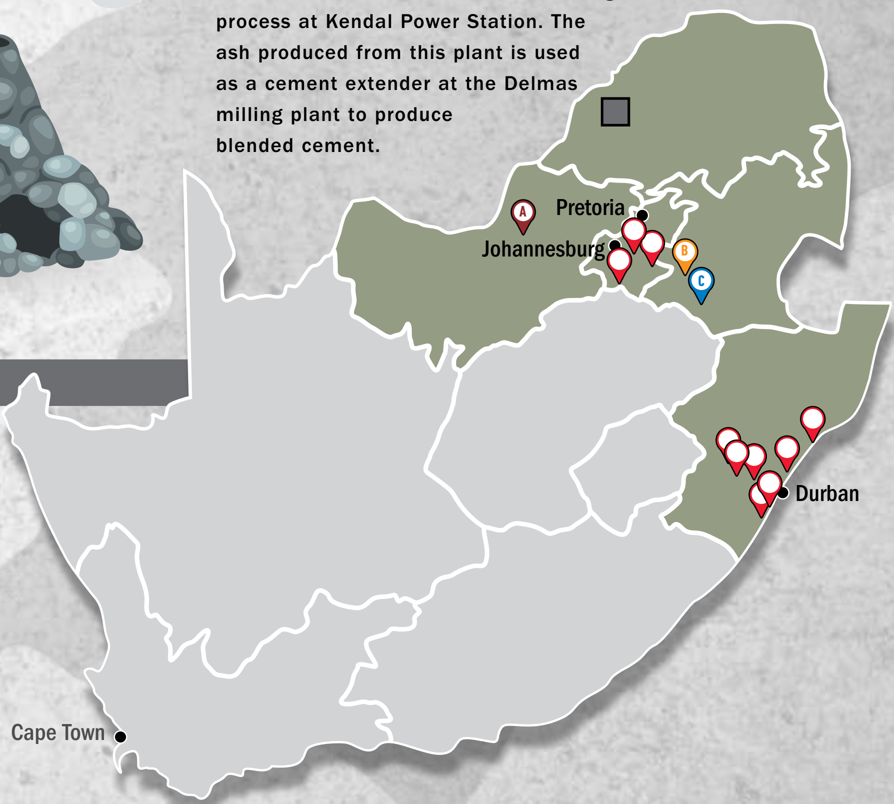
DELMAS MILLING PLANT – SEPHAKU CEMENT

CEMENT GRINDING

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

SEPHAKU ASH

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



Operations

- A Aganang cement plant
- B Delmas milling plant
- C Sephaku Ash
- D Métier Mixed Concrete
- Dwaalboom project

Sephaku Holdings Limited (SepHold) is a JSE-listed company with investments in the construction and building materials sector in South Africa.

SepHold's strategy is to generate income from its portfolio of investments in the production of cement and ready-mixed concrete, and realise value for shareholders.

CONTENTS

SEPHAKU HOLDINGS IS A BUILDING AND CONSTRUCTION MATERIALS COMPANY

1

AT A GLANCE

2

GROUP REVIEW

3

BUSINESS REVIEW MÉTIER

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4 5

BUSINESS REVIEW SEPHAKU CEMENT

CORPORATE GOVERNANCE

ABOUT THIS REPORT

The 2014 integrated report of Sephaku Holdings Limited (SepHold) consists of two volumes covering the period 1 April 2013 to 31 March 2014. The reporting period for the previous integrated report was 1 July 2012 to 31 March 2013 following the change in year-end from June to March in 2013. It is important to note that the financial results are therefore not comparable due to the different reporting periods.

The integrated report reflects the transformation of SepHold from an exploration and development company into an income-generating business. It reports on the core assets which comprise 100%-owned subsidiary Métier Mixed Concrete Proprietary Limited (Métier) and 36%-held associate Sephaku Cement Proprietary Limited (SepCem) which collectively with SepHold, will be referred to as the group. It is important to note that SepCem has a December year-end as a subsidiary of Dangote Cement Plc (Dangote). The equity-accounted loss of SepCem that has been included in these results therefore relates to SepCem's 2013 financial year. The report provides an overview of the environment in which the group operates, its business strategy and the material risks and opportunities that drive the strategy. It discusses operational, financial, environmental and social performance of the group, and how these contribute to value creation.

SepHold identifies material issues by analysing stakeholder concerns, business risks and opportunities, and how these impact the long-term sustainability of the group.

This integrated report represents the progress made in aligning the group with the King Report on Governance for South Africa 2009 (King III).

The group is also guided by standards and codes that govern specific areas, including the Department of Trade and Industry's Broad-based Black Economic Empowerment (B-BBEE) Codes of Good Practice.

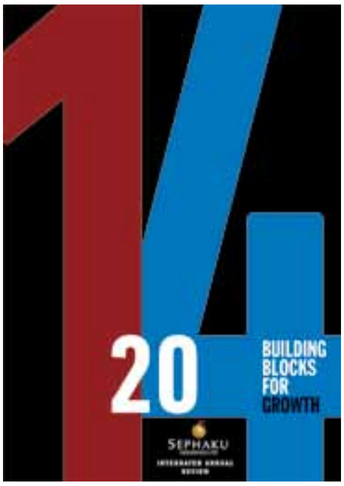
APPROVAL OF THE INTEGRATED REPORT

The board acknowledges its responsibility to ensure the integrity of the integrated report and confirms that it has reviewed the content of this report. The board believes that the report addresses the material issues and that it is a fair representation of the performance of the group.

FEEDBACK

Any comments, queries and suggestions on the content and form of the integrated report may be directed to Sakhile Ndlovu, investor relations officer: info@sepman.co.za.

SepHold's 2014 integrated report consists of two volumes;



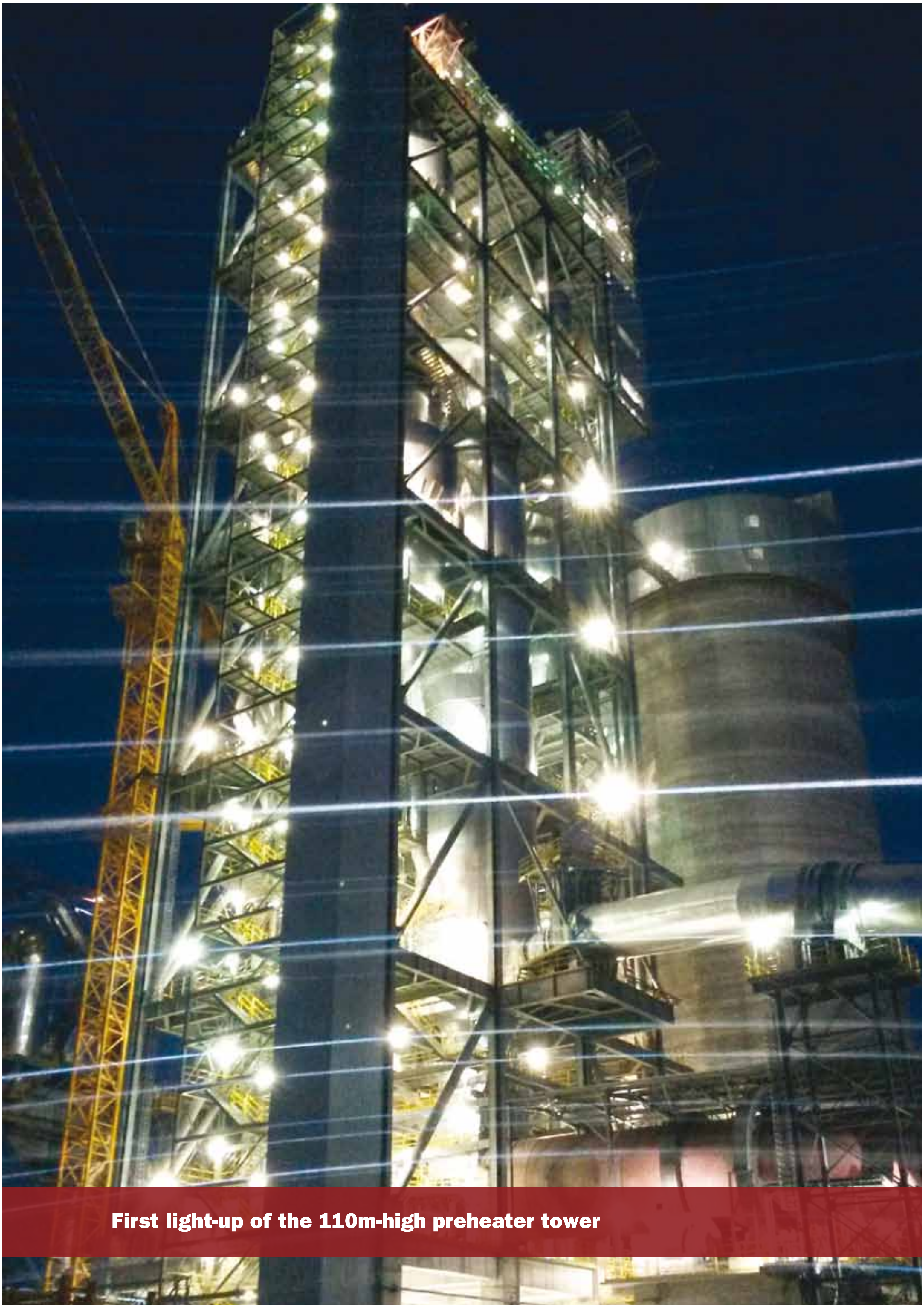
Integrated annual review

The integrated annual review as the initial volume provides an overview of the group highlighting key operational matters and performance reviews. The structure of this year's report is also different in that each of the issues relevant to the two major investments have been integrated in the relevant sections within the business review.

Annual financial statements

The statutory annual financial statements in the second volume have been prepared in accordance with:

- the International Financial Reporting Standards (IFRS);
- the requirements of the South African Companies Act, 71 of 2008 (Companies Act), as amended;
- JSE Listings Requirements; and
- recommendations of King III.



First light-up of the 110m-high preheater tower

1

AT A GLANCE


39041

COMPANY PROFILE

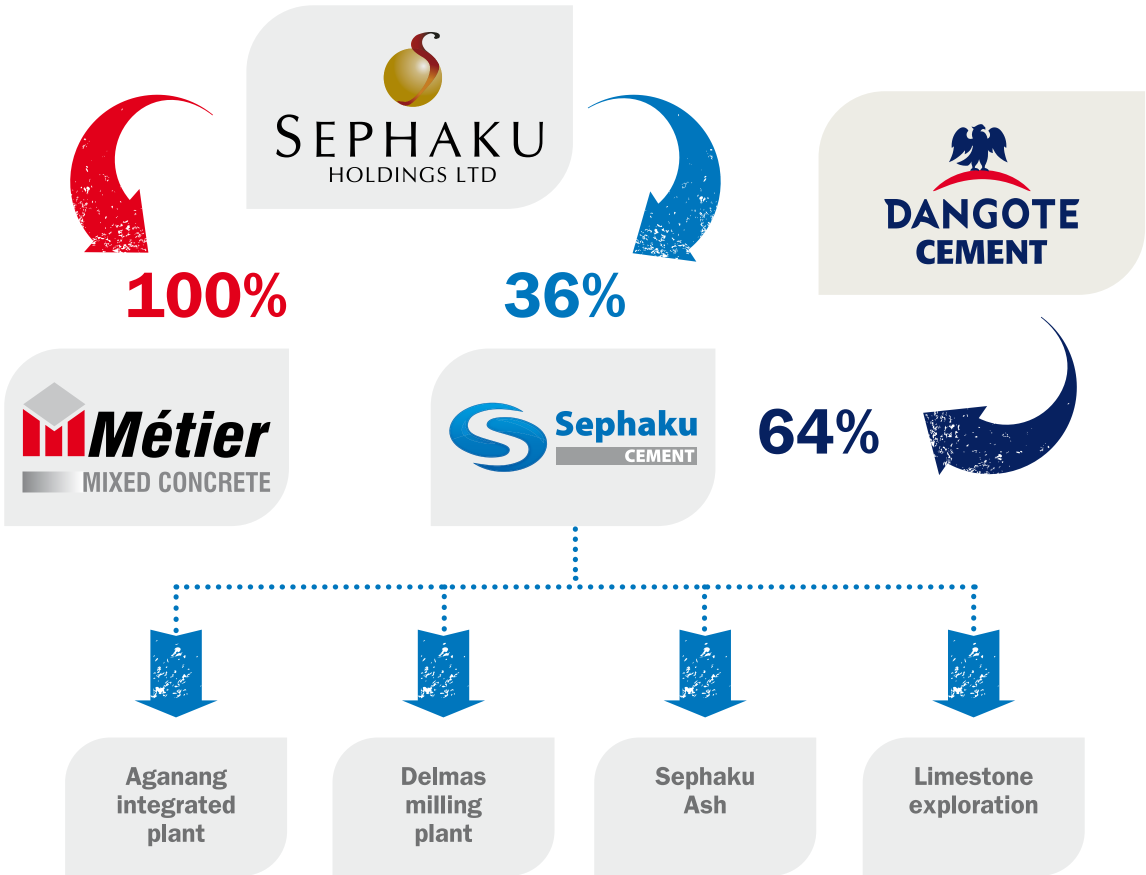
SEPHAKU
HOLDINGS LTD

SepHold is a JSE-listed holding company for investments in construction and building materials companies based in South Africa. The group has a valuable portfolio of assets in the cement and associated products sector. Presently, the principal business of SepHold's investments is the production of cement and ready-mixed concrete.

The core investments of SepHold are:

- 36% of SepCem, which has commenced production at its cement milling plant in the Mpumalanga province. The remaining 64% of SepCem is held by Dangote Cement Plc; and
- 100% of Métier, a mixed concrete producer, acquired in February 2013.

OPERATIONAL STRUCTURE



MÉTIER

Métier was acquired by SepHold on 28 February 2013 and is a supplier of ready-mixed concrete and related products. Métier is renowned as a specialist in the manufacture of premium high value concrete products that are customised to meet unique customer requirements.

SEPHAKU CEMENT

SepCem is the first new producer to enter the South African cement market since 1934 and comprises four components:

- Aganang integrated plant consists of a limestone quarry, a clinker production as well as cement milling plant;
- Delmas milling plant which started production of cement in January 2014;
- Sephaku Ash acquires and removes waste ash from the coal-burning process at Kendal Power Station. The ash produced by this plant is currently being used as a cement extender at Delmas; and
- Limestone exploration which focuses on developing the resource pipeline.

DANGOTE CEMENT

Dangote is Africa's leading cement producer with three plants in Nigeria and plans to expand into 13 other African countries. Dangote is a fully integrated quarry-to-customer producer with production capacity of 20,25 million tonnes in Nigeria and new operations beginning to come on-stream across the rest of sub-Saharan Africa. Dangote plans to have around 60 million tonnes of production, grinding and import capacity in sub-Saharan Africa by 2016.

Dangote is investing several billion dollars to build manufacturing plants and import terminals across Africa. Current plans are for integrated or milling plants in Cameroon, Ethiopia, Republic of Congo, Liberia, Senegal, South Africa, Tanzania, Kenya and Zambia, as well as Ivory Coast and Ghana, and import/packing facilities in Ghana and Sierra Leone.

Dangote was listed on the Nigerian Stock Exchange in October 2010.

GEOGRAPHIC FOOTPRINT

Operations

- Aganang cement plant
- Delmas milling plant
- Sephaku Ash
- Dwaalboom project
- Métier Mixed Concrete

Eastern region – KwaZulu-Natal

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

Northern region – Gauteng

- Johannesburg Office
- OR Tambo plant
- Sandton plant
- Chloorkop plant

Sephaku 42,5R cement from packer 2 at the Delmas milling plant

STRATEGIC SUMMARY

The group strategy is to generate income from its assets towards a goal of growth and to realise best value for shareholders through the production of cement and ready-mixed concrete in South Africa.

In recent years, the group has unbundled its investments in non-core assets and strengthened its focus on the building and construction materials industry, which it has identified as a long-term growth market in South Africa.

New cement production facilities developed by SepCem to serve the construction industry commenced production in 2014 in the Mpumalanga province of South Africa. SepCem is the only new cement producer to enter the domestic industry since 1934; as such, it has invested in the latest technology to ensure that its manufacturing facilities are competitive in an established industry by being more cost efficient and environmentally compliant.

The acquisition of Métier in February 2013 enables SepHold to benefit from current and potential synergies between Métier and SepCem.

BUSINESS MODEL

EXPLORATION

SepHold commenced business in 2006 as an HDSA-owned, mineral exploration company seeking opportunities brought about by changes in the Minerals and Petroleum Resources Development Act, 2002 (MPRDA). Limestone and fluorspar resources were quickly identified and proven as the most viable reserves in SepHold's portfolio. This resulted in SepHold unbundling all its non-core exploration assets into Incubex Limited in 2010.

DEVELOPMENT

The development of limestone into an integrated cement business progressed faster than the fluorspar project and a decision was made to unbundle fluorspar in order to create a focused cement business which would develop into a unique income-generating opportunity for its shareholders. The development phase consisted of recruiting an experienced leadership team, proving the viability, obtaining statutory approvals, raising the funding for the project and constructing the most efficient cement plant in South Africa. This phase is coming to an end during the 2014 calendar year when the cement plants come into operation.

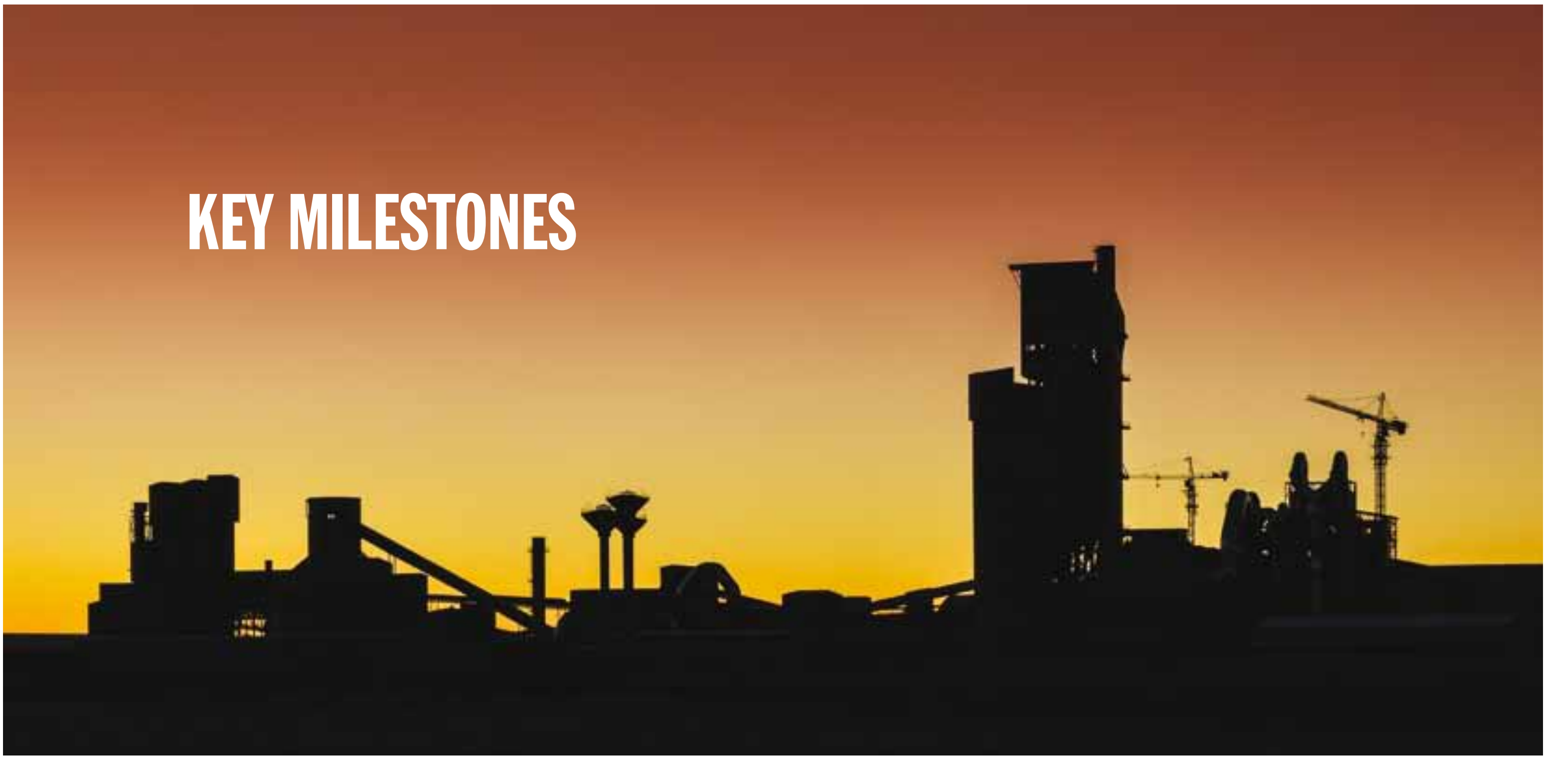
GROWTH

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

INCOME

The acquisition of Métier in 2013 started the new era for SepHold where the focus moved from development to income generation. Maximising income from SepHold's core investments in cement and ready-mixed concrete will be the sole focus over the next few years to ensure repayment of development debt as well as a dividend stream to its shareholders.

KEY MILESTONES



’09

- Listing on the Johannesburg Stock Exchange
- 155 805 362 shares issued

’10

- Unbundling of Incubex
- Sephaku Gold Holdings sold

’11

’12

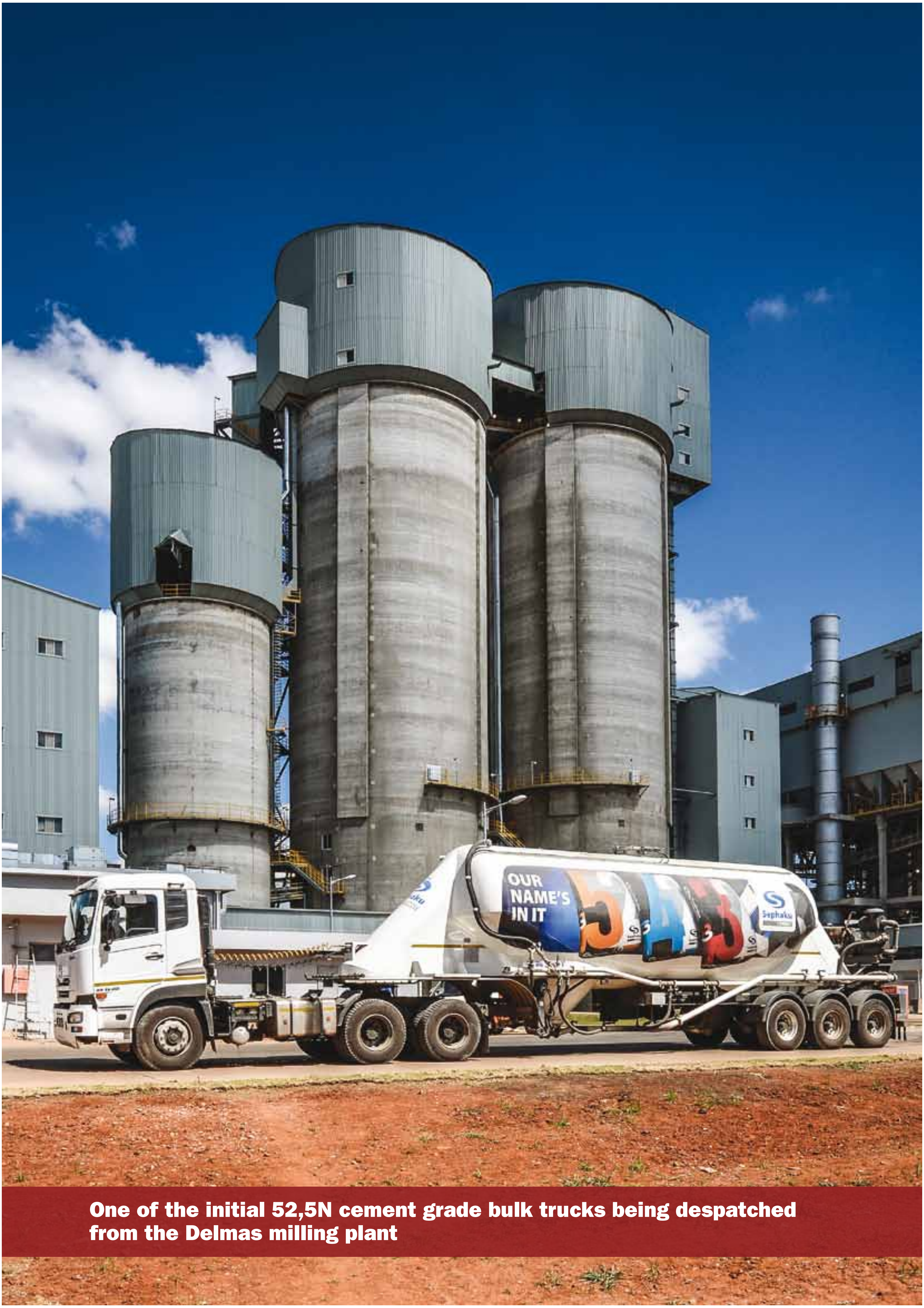
- African Nickel Holdings 26% sold
- Unbundling of SepFluor

’13

- Acquisition of Métier Mixed Concrete

’14

- Production of cement
- Growth in concrete market share



One of the initial 52,5N cement grade bulk trucks being despatched from the Delmas milling plant

INVESTMENT CASE

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

SepHold's subsidiary and associate have a unique set of competitive advantages that will facilitate sustainable long-term growth:

- Advanced production technology at the new SepCem plants supports this growth potential by allowing for more efficient and environmentally sustainable operations;
- A profitable and strategically aligned investment in the ready-mixed concrete sector through Métier contributes solid earnings and positive cash flow;
- A focused strategy on the cement production sector offers increasing opportunity for growth; and
- An experienced key operational management team that has 250 years of combined experience in cement production and 80 years in mixed concrete provides sound and knowledgeable leadership.

STAKEHOLDERS

SepHold recognises the role of stakeholders and the responsibility of the group towards those individuals or communities that are affected by the operations of SepCem and Métier. SepHold owes its existence to its founding stakeholders, who conceptualised and mobilised resources, and contributed financial, human and other capital to establish the company. The successful existence of the group requires the continued cooperation and support of all its stakeholders. It is therefore critically important that stakeholders have trust and confidence in the group. It is on this ethos that SepHold regularly engages with groups that can potentially have an impact on or be impacted by its business activities.

SepHold actively evaluates the group's engagement programmes and encourages a deliberate, consistent and systematic approach to dealing with all stakeholders.

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

Stakeholder	Issues	Engagement	Frequency
• Regulatory authorities (national, provincial and local) • Traditional authorities	• Project development status • General compliance • Health and safety during the construction phase	• Meetings • Written submissions	• Quarterly • Ad hoc
• Neighbouring communities • Landowners	• Project development status • Employment opportunities • Access to jobs • Need for support in managing agricultural activities likely to be impacted by mining activities • Implementation of community development initiatives	• Meetings • Focus group sessions • Written submissions	• Monthly • Ad hoc
• Business associates • Service providers • NGOs • Bargaining councils	• General community development initiatives such as skills development, small, medium and micro enterprise (SMME) development and support • Local procurement opportunities • Compliance with labour laws	• Meetings • Written submissions	• Quarterly • Ad hoc • On request
• Customers	• Compliance with Consumer Protection Act • Commitment to excellence in product quality and customer service	• Market research • Development of strategies per client	• Regular engagement
• Investors	• Cement market penetration rate being hampered by competitors • Protection of minority rights in the SepCem investment	• Roadshows • One on one meetings • Reporting	• Quarterly • On request

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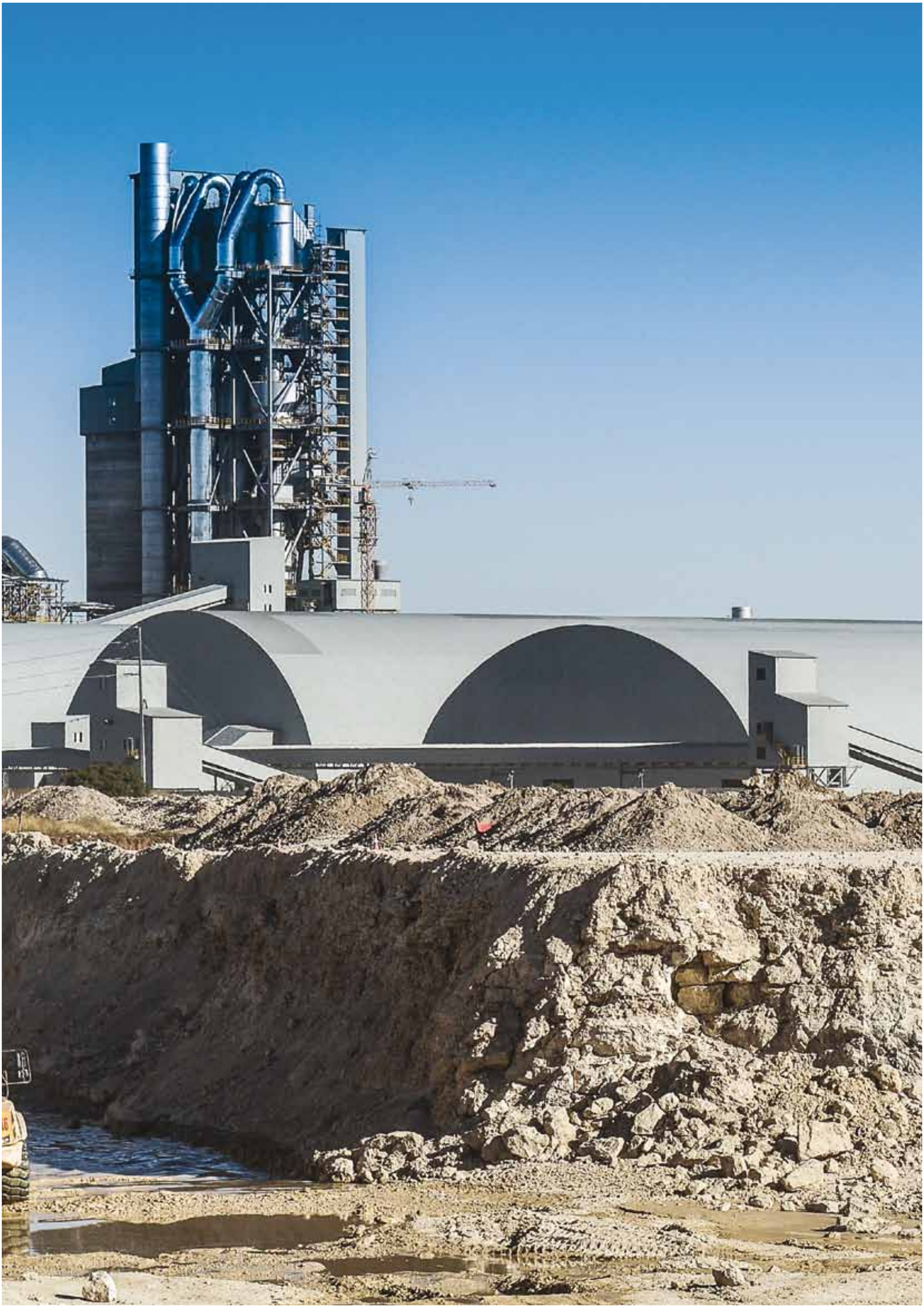
GROUP REVIEW



OPERATIONAL PERFORMANCE

- Construction of **one additional** Métier Mixed Concrete **plant** in Gauteng
- **Completion** of the construction **of** SepCem **plants, on budget and in time**
- Commencement of **cement production** at Delmas milling plant

SHARE PRICE PERFORMANCE

NUMBER OF SHARES IN ISSUE 189 872 979	**SHARE PRICE HIGH (CENTS)** 721
NUMBER OF SHAREHOLDERS 1 967	**SHARE PRICE LOW (CENTS)** 520
AVERAGE VOLUME PER MONTH 3 million	**SHARE PRICE AT YEAR-END (CENTS)** 673
AVERAGE VALUE TRADED PER MONTH (R) 18 million	**MARKET CAPITALISATION AT YEAR-END (R)** 1,3 billion
NET ASSET VALUE PER SHARE (CENTS) 393,8	

FINANCIAL PERFORMANCE

REVENUE
R571,5 million

EBITDA
R66,5 million

OPERATING PROFIT
R51,1 million

NET LOSS AFTER TAX
R2,8 million

HEADLINE LOSS PER SHARE
2,36 cents

TOTAL ASSETS
R1,1 billion

Load of Sephaku 42,5R high strength cement from Delmas plant to market

BOARD OF DIRECTORS

Brent Williams (50) Chairman – Independent non-executive director

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

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

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

Modilati Gustav Mahlare (58) Independent non-executive director and chairman of the audit committee and risk committee

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

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

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

Paul Mpho Makwana (43) Independent non-executive director

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

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

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

Moses Modidima Ngoasheng (57) 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.

Dr Lelau Mohuba (57) Chief executive officer – executive director

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

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

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

Neil Robus Crafford-Lazarus (54) Financial director – executive director

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

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

Neil started his career in mining finance in 1988. Since then, he has held various senior positions in taxation, business development and corporate finance with companies such as Anglo American Corporation, Gencor and BHP Billiton. He also served as financial director of Xstrata SA Proprietary Limited between 1998 and 2005.

BOARD OF DIRECTORS CONTINUED

Rose Raisibe Matjiu (53) 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.

Kenneth John Capes (45) Executive director, managing director – Métier

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

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

Pieter Frederick Fourie (58) Non-executive director, chief executive officer – Sephaku Cement

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

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

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

Dr David Twist (60) Non-executive director

BSc (Hons) (Geology) (University of Reading), PhD (Geology) (University of Newcastle)

David was appointed a director of SepHold on 29 March 2011.

David completed his PhD in geology in 1980, whereafter he joined Impala Platinum Holdings Limited. He was a founding member of Platmin with Rudolph de Bruin, and is one of the founders of SepHold.

Christiaan Rudolph De Wet De Bruin (61) Non-executive director
(Resigned 21 April 2014)

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

Rudolph was appointed a director of SepHold on 19 June 2006 and resigned on 21 April 2014.

Rudolph practised as an advocate from 1977 to 1989. Since then he has concentrated on finding, acquiring and developing mineral exploration and mining projects in various African countries and was a founding member of the Platmin group. Rudolph left Platmin in 2006 and is one of the founders of SepHold.

COMPANY SECRETARY

Jennifer Bennette (51)

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

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

JOINT CHAIRMAN AND CEO'S REPORT

Brent Williams
Chairman

Dr Lelau Mohuba
Chief executive officer

CREATING VALUE FOR SHAREHOLDERS IS AT THE HEART OF SEPHOLD'S STRATEGY AND THE GROUP ENSURES THAT IT UNDERSTANDS ITS SHAREHOLDERS' INVESTMENT REQUIREMENTS

The 2013 financial year has been a watershed year in the history of the SepHold group, marking its transition from an exploration and development organisation into an income-generating business in the construction materials industry. The group achieved the important milestone of income generation from its ready-mixed concrete business acquired in 2013, and its focus in the year ahead will be maximising the financial performance of its core assets in cement and ready-mixed concrete.

SepHold established a number of key objectives in 2013 and it is pleasing to report to stakeholders that these were all successfully achieved:

- commencement of cement production at the Delmas plant in January 2014;
- commencement of commissioning of the Aganang plant;
- expansion of Métier into Gauteng; and
- consolidation of Métier's first full-year contribution, which constituted 100% of the group's revenue in the year under review.

We are confident that the Delmas plant is achieving its specified level of performance and that SepCem has entered a competitive market with significant comparative advantages that will sustain the achievement of its long-term growth objectives.

It is particularly gratifying to note that neither Delmas nor Métier had any fatalities during the 2014 financial year. Regrettably, there were two lost-time injuries at Aganang, though the plant's overall safety performance was still satisfactory, as reflected by its lost-time injury frequency rate of 0,109.

BUSINESS ENVIRONMENT

The sustained global economic downturn and challenges unique to the South African economy have a continuous impact on the domestic construction industry. The highly anticipated infrastructure investment by government has not materialised in any significant way and this has placed additional pressure on an already competitive industry.

While supply continues to exceed demand in the prevailing economic environment, we maintain our view that this position will begin to reverse in the next three to four years due to increasing demand for cement by both the private and public sectors. The domestic industry, like other developing economies with high levels of demand for infrastructure investment, tracks a growth trend marginally above GDP growth. In 2013, demand for cement grew by 5,3% compared to 3,1% compound growth in the period from 2010 to 2012.

STRATEGY

SepHold's strategy is to generate income and realise value for shareholders from investments in the construction materials industry.

The group's business model has evolved over the years as SepHold transformed from a historically disadvantaged South African (HDSA)-owned mineral exploration company that invested in a portfolio of industrial mineral assets to a focused cement business complemented by an established ready-mixed concrete producer, thereby generating immediate and future value for shareholders. The cement production business, SepCem, is the first new producer in the domestic cement industry in 80 years.

We are proud to be one of the numerous business successes of our 20-year democracy. We are particularly indebted to the compatriots whose unyielding sacrifice resulted in a new South Africa which is built on a foundation of freedom and democracy. We pay a special tribute to one of the greatest statesmen of our generation, Nelson Mandela, whose values culminated in a nation in which companies such as SepHold, that boast of diversity and empowerment, can exist.

Having identified cement as a growth market and unbundled its non-cement assets in 2010 and 2012, SepHold moved into the development phase of its strategy, investing in new capacity with advanced technology to ensure that its manufacturing facilities are able to compete successfully against established producers in a mature industry. A compelling investment rationale for cement, other than its growth prospects, is that cement plants, while capital intensive in the development stage, are robust and highly cash generative once operational. Margins are attractive and cash flow is healthy because SepCem owns its main raw material input, which is its limestone mines.

The acquisition of Métier in 2013 marked the beginning of the income and growth phases of SepHold's strategy. As a producer of quality ready-mixed concrete products for the residential, commercial and industrial markets in South Africa, Métier is a valuable complementary asset, offering a range of synergistic benefits, not least of which are a broader revenue base, earlier cash flows and the consequent generation of shareholder value. Métier also offers regional diversification in Gauteng and KwaZulu-Natal, and vertical integration as a consumer of cement and fly ash. In return, SepHold offers critical mass and capital to fund Métier's geographic expansion into Gauteng. Métier still operates as an independent, separately branded business, thereby ensuring that it maintains the competitive edge that motivated SepHold's decision to acquire it. Nonetheless, it benefits from the company-wide operating systems with which SepHold endows its businesses, including health, safety and environmental management. It also receives the significant benefit of the group's access to experienced industry leaders.

Creating value for shareholders is at the heart of SepHold's strategy and the group ensures that it understands its shareholders' investment requirements. An analysis of SepHold's shareholders indicated two distinct categories: firstly, those who identified a growth opportunity, invested early, and are likely to exit at an increased share price. The second category includes investors with a deeper insight into the cement industry and a longer-term view on its ability to deliver value. These investors support the bedding down and efficient management of existing assets, the repayment of debt, and the commencement of dividend payments that reflect the realisation of anticipated value.

In line with shareholders requirements, SepHold's main focus over the next few years will be maximising income from its core investments in cement and ready-mixed concrete to ensure a healthy dividend stream to shareholders.

EXECUTION OF STRATEGY

Cement plants commence operations

The Delmas cement producing plant in Mpumalanga dispatched its first delivery of SABS-specified bagged cement to customers on 13 January 2014 and the first bulk cement was dispatched on 16 January 2014. The Aganang plant, located between Lichtenburg and Mahikeng in the North West province, is SepCem's primary operation and consists of a

JOINT CHAIRMAN AND CEO'S REPORT CONTINUED

limestone open cast quarry, as well as a clinker and cement producing plant, which will mine the limestone raw material, process it to form clinker and blend approximately 45% of the clinker with other components to produce the finished cement product in bag and bulk form. The remaining 55% of clinker will be transferred to the Delmas plant for further processing.

When fully operational, Aganang has the capacity to produce approximately 1,8 million tonnes per annum (Mtpa) of clinker and 1,1Mtpa of cement. The Delmas plant has the capacity to supply 1,4Mtpa of cement. Aganang is targeted to produce clinker in July 2014 and the supply of own clinker will result in a significant reduction in production costs. Production volumes at both plants will be ramped up to maximum capacity in line with customer demand by mid-2015.

SepCem is well positioned with unique competitive advantages to compete successfully in the domestic cement market. The advantages include:

- efficient energy use of 95kWh per tonne compared to the industry average of 145kWh;
- the largest single kiln in the country (6 000 tonnes per day) ensuring consistent cement quality, particularly for bulk (technical) users;
- strategically positioned plants in relation to the source of raw materials providing a logistics cost advantage. The Delmas plant is located 34km from the extender source and the clinker from Aganang to Delmas is transported on the back haul of the coal supply from Mpumalanga; and
- inland pricing with better margins than coastal materials.

Market entry

As SepCem entered the final phase of construction in 2013, it intensified its market readiness campaign, conducting product testing, research and embarking on a client engagement drive in its targeted bag and bulk markets. To ensure that SepCem was able to fulfil its offering of consistent quality products and service excellence, an operational preparedness team was tasked with identifying the specific needs of key customers.

An important objective was to ensure a smooth entry into an established and competitive cement market. This required a determined effort to avoid undue price competition. While SepCem enjoys significant cost advantages as a result of its new state-of-the-art plants, it prices its products responsibly, placing a great deal of emphasis on technical and support service as a means of attracting and retaining customers in the long term.

SepCem targets 20% to 25% of the inland cement market, which would translate to a national market share of between 13% and 17%. The company's distribution networks include the major retailers that absorb a projected 60% of the bag market sales volumes with products already available in three of these retailers' outlets in Gauteng, Limpopo, North West and Mpumalanga. SepCem also focuses on a broader spectrum of second-and third-tier retailers. The initial focus in the bulk market was on existing customers of Sephaku Ash, to establish a base load of cement sales in this segment. As one of SepCem's ash and cement customers, Métier has also provided a valuable strategic partnership for in-application testing of SepCem's products.

By the end of February 2014, SepCem had achieved its projected sales targets, and while heavy rains in March all but halted sales, the trend was restored in April.

Geographically, with the Delmas plant strategically located close to its fly ash source and coal supply, and 50km from Gauteng, SepCem targets the Gauteng and surrounding North West, Limpopo, Free State and Mpumalanga provinces. SepCem transports its cement by road and the successful development of an efficient outsourced delivery function is a major element of the market readiness plan.

Métier enters expansionary growth phase

Métier delivered on its initial key objectives of its three-year growth plan, expanding into Gauteng and achieving a strong financial performance in its first full year as a subsidiary of SepHold. The company commenced operations at its third plant in Gauteng during this period and expanded its concrete transport and pumping capacity in line with increased volumes. Much of Métier's sales growth was attributable to its expansion into the lucrative Gauteng market, which now accounts for approximately 40% of its total sales.

MATERIAL ISSUES

SepHold defines material issues as threats or opportunities with the potential to have a fundamental impact on the group and its ability to generate sustainable value for shareholders.

Material issue	Mitigating/enhancing actions

Competitor reaction to new producers in the market
SepCem has entered an established and mature market with excess capacity and incumbents who have been preparing for a newcomer with significant financial and human capital.
 	
Métier has experienced increased competitiveness associated with its entry into the Gauteng market.
	- Comparatively higher levels of cost efficiency strengthen SepCem's competitive position
	- All areas of its business prepared to go to market and meet customer expectations
	  • Leveraging track record of excellent customer service to develop customer relationships
	- Strategy of responsible market entry to avoid aggressive reaction by competitors and develop a long-term sustainable presence.
	  • Maintaining price levels and avoiding engaging in a price war

Ensuring a competent skills base
The focus has shifted from construction to operationalisation; it has become necessary for SepCem to ensure it has adequate skills to operate the cement plants efficiently.
	- Specialist skills retained in executive team
	  • Succession plan still to be finalised
	- Local workforce recruited and trained in extensive skills to operate cement plant, including a deliberate skills transfer programme from Sinoma
	  • Additional 200 lower-skilled workers currently in training for Aganang
	- 50 Chinese engineers employed by Sinoma remain involved in final stages of commissioning and testing at Aganang

Delays in government infrastructure investment programme The 18 strategic integrated projects (SIPs) identified by the Presidential Infrastructure Coordinating Commission represent a significant opportunity to the construction and building material sectors. However, delays in the substantial implementation of the programme and limitations in the ability of the public sector to implement the programme present a threat to businesses that have invested in capacity to meet the increased demands.	- SepHold has not factored the infrastructure investment programme into its cement industry growth projections • However, implementation of the SIPs would provide significant growth impetus to the construction industry - SepHold supports calls for government commitment to the programme and the establishment of a combined government/construction initiative to facilitate implementation

CORPORATE GOVERNANCE

The board of directors of SepHold provides ethical leadership and oversees the overall process and structure of corporate governance. Each business area and every employee of SepHold, SepCem and Métier is responsible for acting in accordance with sound corporate governance practices.

The group is committed to the principles of good corporate governance, by applying the highest ethical standards in conducting business, being a good corporate citizen and generating sustainable levels of performance and returns on shareholders' investments.

SepHold constantly strives to integrate the key concepts of King III into its business processes and to adjust structures to comply with the provisions of the Companies Act.

BOARD OF DIRECTORS

It was with great sadness that we bade farewell to our friend and colleague Johannes Wilhelm (Wes) Wessels, who succumbed to a cardiovascular complication and passed away on 23 March 2014 at the age of 63. Wes served as an alternate director to Rudolph de Bruin and his contribution during his seven-year history with our group was vast – overseeing all legal transactions and business development matters, playing an instrumental role in the group's journey from exploration to income generation, and always willing to go the extra mile. We will miss this exceptional man dearly.

Kenneth Capes was appointed an executive director of SepHold on 29 July 2013, Jennifer Bennette resigned as an alternate director to Rose Matjiu on 21 August 2013 to maintain an arm's length relationship between herself as company secretary and the directors. Rudolph de Bruin resigned as director on 21 April 2014 having been a director of the company since inception as a co-founder. Mr De Bruin decided to retire so as to focus on the unbundled assets to which he wishes to dedicate his attention.

A board evaluation was performed by an independent third-party provider during the third quarter of 2013. The recommendations will be considered by the board and, where necessary, actioned through the office of the company secretary.

JOINT CHAIRMAN AND CEO'S REPORT CONTINUED

IN THE YEAR AHEAD, SEPCEM WILL FOCUS ON DELIVERING CONSISTENT QUALITY CEMENT PRODUCTS FROM THE AGANANG AND DELMAS PLANTS, OFFERING EXCELLENT SERVICE TO THE MARKET AND RAMPING UP CEMENT VOLUMES IN LINE WITH MARKET DEMAND

ACKNOWLEDGEMENTS

The significant milestones achieved in the past year have required an extraordinary commitment from all the people in the SepHold group and would not have been possible without them. We sincerely thank our colleagues on the board for their wise counsel, our leadership teams for the dedicated application of their experience and expertise, and all of our people for their significant contributions to our operational businesses and the corporate office.

We would also like to extend our appreciation to the communities with whom we share a mutually beneficial bond, our suppliers who are growing our business in partnership with us and our customers, without whom we would not exist. We look forward to developing valuable and enduring relationships with all our stakeholders in the years ahead.

OUTLOOK

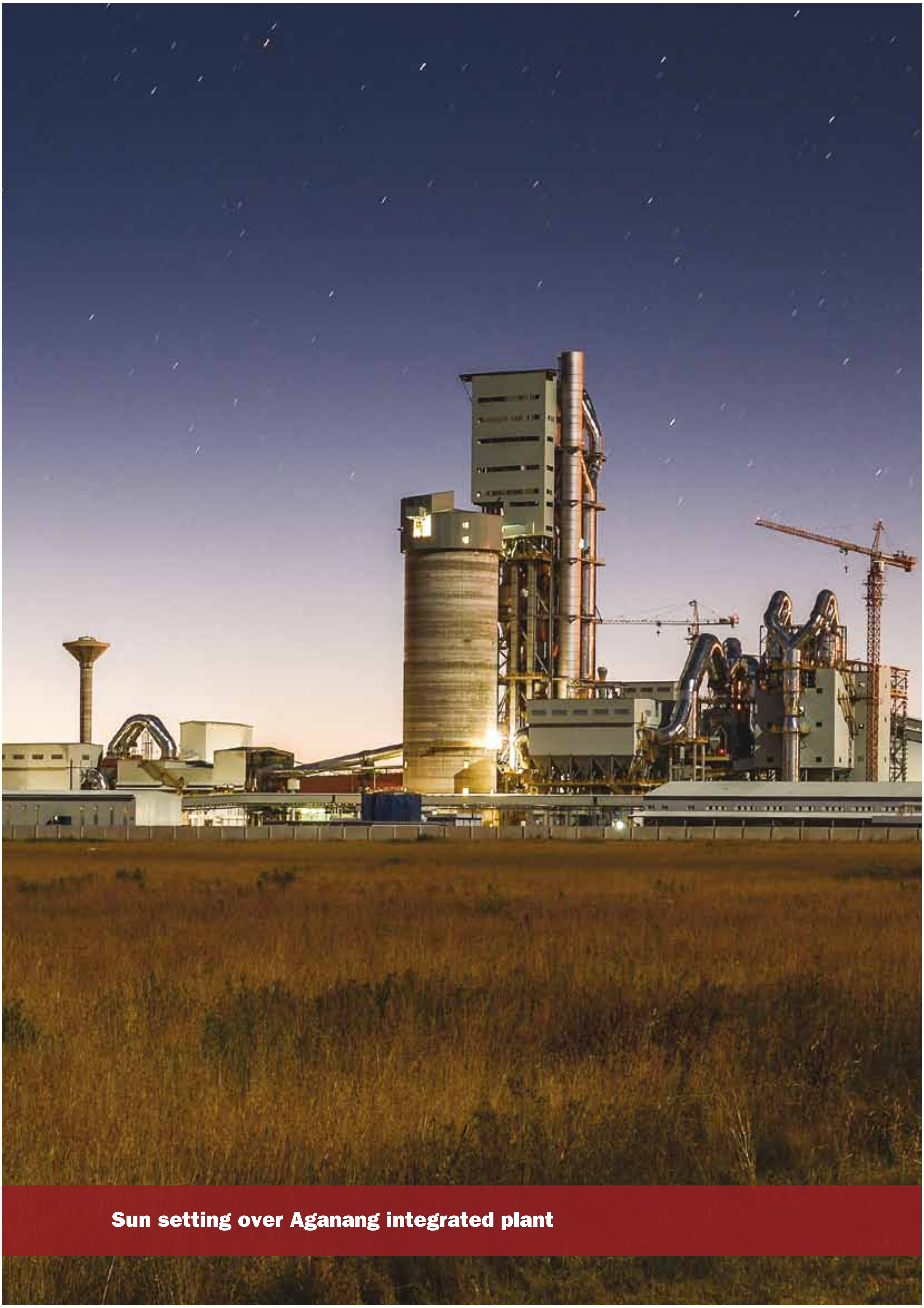
The outlook for the domestic cement market remains consistent with our projections and we maintain our view that there is significant future opportunity for the group in a growing cement market. The long-term sustainable growth rate for the cement industry is forecast at 4,5% per annum. Demand is expected to surpass potential supply by 2018.

SepHold enters this growing market with new, technologically advanced cement plants and a valuable business in the complementary ready-mixed concrete market. In the year ahead, SepCem will focus on delivering consistent quality cement products from the Aganang and Delmas plants, offering excellent service to the market and ramping up cement volumes in line with market demand. SepCem is expected to become profitable during the 2014 calendar year.

Métier will focus on maintaining its operational efficiency and strong financial performance in order to grow earnings.

Brent Williams
Chairman

Dr Lelau Mohuba
Chief executive officer



Sun setting over Aganang integrated plant

FINANCIAL DIRECTOR'S REPORT

Neil Crafford-Lazarus
Financial director

MÉTIER'S EBITDA AND OPERATING PROFIT INCREASED AS THE SUBSIDIARY SUCCESSFULLY EXPANDED ITS FOOTPRINT IN THE GAUTENG MARKET

The 2014 financial period saw the first full-year results since the change of year-end during the previous nine-month period and also included the Métier results for a full year, as opposed to a single month, at the end of the last financial year. SepCem's pre-production expenditure was also substantially higher as the company prepared itself to enter the market in January 2014. Comparative analysis with the previous financial period is therefore not meaningful at this stage of SepHold's reporting.

The strike at the world's top three platinum producers, already the longest in South Africa's history, together with the highest rainfall recorded in over 15 years in the Gauteng province did not contribute favourably to the launch of our new cement product in the region. The completion of the construction of the SepCem plants and expansion of Métier were the key highlights in the 12-month expansion period.

GROUP FINANCIAL REVIEW FOR THE YEAR

The group earned revenue of R571,5 million and EBITDA of R66,5 million for the year. SepHold incurred an operating loss of R18,7 million, of which R5,4 million relates to the IFRS 2 non-cash expenditure on the vesting of share options. Group finance costs amounted to R25,7 million, including a non-cash present value adjustment by SepHold of R6,9 million on the R125 million Métier purchase price payable on 1 December 2014. The balance of finance costs were incurred on the Métier acquisition debt and asset finance. Interest income for the group amounted to R2,7 million for the financial year. SepHold annually incurs overhead expenditure to ensure project funding and head-office support for ongoing projects. These have to date been funded by income from exploration assets that were disposed of in the past few years.

Métier earned revenue of R414,3 million and profit before taxation of R63,4 million for the 12 months ended 28 February 2013, based on its audited annual financial statements. For the 12 months ended 31 March 2014, their revenue increased to R571,5 million and profit before interest and taxation amounted to R75,5 million. This includes a once-off transaction cost amounting to R4 million, paid by Métier.

The operating profit from Métier was reduced by the SepHold operating loss of R18,7 million, the group net financing cost of R23 million, a R14,7 million loss attributable to SepCem and amortisation for the year of R5,6 million, resulting in a profit before taxation for the group of R13,4 million. Taxation for the group of R16,2 million includes Métier's taxation of R17,8 million and the reversal of deferred taxation on the amortisation of intangible assets of R1,6 million, resulting in a total group loss for the 2014 financial year of R2,8 million compared to the R16,3 million loss for the 2013 reporting period.

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

CONSTRUCTION OF SEPHAKU CEMENT PLANTS

The major milestone for SepCem at the end of the previous financial year was the closure of the debt and commencement of the loan drawdown. This resulted in the completion of the construction of the milling plant at Delmas and substantial progress made in the commissioning of the integrated cement manufacturing plant at Lichtenburg (Aganang) in the reporting period.

As anticipated, SepCem incurred a loss of R41 million for its year ended 31 December 2013 due to non-capital-related expenditure incurred in preparation for market entry and preparation to become a significant competitor in the wholesale and retail cement trade. SepHold's 36% equity-accounted loss amounted to R14,7 million. During SepCem's financial year plant assets to the value of R1,5 billion were capitalised, bringing the investment in the project to R3 billion. The Delmas plant that commenced production early in January 2014 was completed at a cost of R823 million and at year-end the investment in the Aganang project amounted to R1,97 billion, with production of clinker targeted for July 2014.

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

SepHold continues to believe that, through the new plants in Mpumalanga and the North West province and resulting local job creation, the investment benefits will extend to provincial and community development. The group will contribute particularly to the growing national housing and infrastructure requirements.

MÉTIER MIXED CONCRETE

Métier's first year as part of the Sephaku group

Métier continued operating from its seven plants in KwaZulu-Natal and completed the establishment of the second and third plants in Gauteng. The expansion resulted in additional concrete mixing trucks to the value of R32 million and increased plant infrastructure of R4,5 million. The additional capacity facilitated a growth in revenue of R157,2 million compared to Métier's prior 12-month results as at 28 February 2013 of R414,3 million. Métier's asset financing debt facility amounted to R94,2 million outstanding at year-end, while the acquisition debt facility of R150 million was drawn down to R80,4 million.

Purchase consideration and contingent liability

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

On the closing date of 28 February 2013, a cash payment of R110 million was made and five million SepHold shares at R6 and 11 111 111 SepHold shares at R9 per share were issued to the sellers of Métier. A final payment is due on 1 December 2014 and includes:

(i) a further cash payment of R125 million, which will be funded through acquisition finance; and

(ii) to the extent that the 11 111 111 shares issued, based on a 60-day volume-weighted average share price on 1 December 2014, are less than R100 million, SepHold shall issue additional consideration shares, to be calculated by dividing the shortfall by the future volume-weighted average share price.

Although the final date of payment has not yet been reached and the shortfall (if any) is unknown, IFRS requires that a contingency be disclosed for the potential liability. It is furthermore required that the fully diluted earnings per share based on the number of shares that would be issued at the year-end share price be expressed to compute the potential

FINANCIAL DIRECTOR'S REPORT CONTINUED

shortfall. These calculations are reflected in the financial statements and indicate a potential dilution on the total amount of shares in issue of 1,9%.

Métier acquisition, goodwill allocation and retrospective adjustment

Métier was acquired at the beginning of the final month of the 2013 financial year. Therefore, in accordance with IFRS 3 requirements, SepHold has a maximum period of 12 months from date of acquisition to complete the acquisition accounting of Métier. As a result, the previously recorded goodwill of R238 million has been retrospectively adjusted for the allocation of the purchase consideration to the identifiable intangible assets of R20,4 million and the consequential deferred taxation liability of R5,7 million. The remaining goodwill balance of R223 million relates to synergistic benefits including Métier's future revenue base, its management's expertise obtained and the vertical integration possibilities between Métier and SepCem. The statement of comprehensive income has been retrospectively adjusted at group level for amortisation net of deferred taxation of R377 330 for the single month following the acquisition.

PERFORMANCE OF SHARE PRICE

At the beginning of the previous financial year, the SepHold share price was at a historic low level after the unbundling of the SepFluor Limited shares in 2012. Subsequent to the unbundling, the share was trading between 260 cents and 300 cents per share. The SepFluor dividend *in specie* was valued at 59 cents per share and during the three months after unbundling the SepHold share price declined to 190 cents per share. Management embarked on an investor relations campaign to communicate the final phase in focusing the company, the finalisation of the debt funding for SepCem and the progress update on the construction process. Several visits to the plant sites were also undertaken.

This communication drive enhanced interest in the company, mainly because SepCem was approaching production with prospects of generating its first income in the foreseeable future. The share price improved from 190 cents to 700 cents within nine months, mainly due to higher volumes becoming available. This price movement placed SepHold within the top JSE performers during the first three months of the calendar year 2013. Following confirmation by the group in November 2013 that production at Delmas was to start in January 2014, the share price increased to 700 cents and settled between 650 and 680 cents per share for the remainder of the reporting period. Subsequently, the share price softened as the market considered typical risks for a developing company. The recent price levels of between 600 and 650 cents appear to be the range for the first half of the current financial year. The group ended the financial year with improved headline loss per share of 2,36 cents as compared to the restated loss of 9,42 cents at the 2013 financial year-end.

Neil Crafford-Lazarus
Financial director

CONDENSED CONSOLIDATED FINANCIAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2014

Statements of comprehensive income, financial position and cash flows were extracted directly from the audited annual financial statements, as included on pages 10, 11, 13 and 52 of the second volume of the integrated annual report.

STATEMENT OF COMPREHENSIVE INCOME

	GROUP	
	12 months ended 31 March 2014 (Audited) R	9 months ended 31 March 2013 (Restated) (Audited) R
Revenue	**571 544 796**	37 195 338
Cost of sales	**(319 156 121)**	(21 574 848)
Gross profit	**252 388 675**	15 620 490
Other income	**13 945 386**	356 081
Operating expenses	**(215 181 485)**	(36 349 368)
Operating profit/(loss)	**51 152 576**	(20 372 797)
Investment income	**2 693 264**	820 287
(Loss)/profit from equity-accounted investment	**(14 745 655)**	6 191 410
Finance costs	**(25 675 522)**	(1 949 268)
Profit/(loss) before taxation	**13 424 663**	(15 310 368)
Taxation	**(16 242 442)**	(994 461)
Loss for the year/period	**(2 817 779)**	(16 304 829)
Other comprehensive income/(loss)		
Items that will not be reclassified to profit or loss:		
Share of other comprehensive loss of associate	**–**	(1 207 663)
Other comprehensive loss for the period net of taxation	**–**	(1 207 663)
Total comprehensive loss for the year/period	**(2 817 779)**	(17 512 492)
Basic loss per share (cents)	**(1,49)**	(9,39)
Diluted loss per share (cents)	**(1,39)**	(8,93)
Headline loss per share (cents)	**(2,36)**	(9,42)
Diluted headline loss per share (cents)	**(2,20)**	(8,96)
Reconciliation of basic earnings to diluted earnings and headline earnings:		
Basic loss and diluted loss attributable to equity holders of the parent	**(2 817 779)**	(16 304 829)
Profit on sale of non-current assets	**(1 076 760)**	(50 029)
Profit on disposal of other financial assets held for sale	**(860 000)**	–
Total taxation effect of adjustments	**301 493**	–
Headline loss and diluted headline loss attributable to equity holders of parent	**(4 453 046)**	(16 354 858)
Reconciliation of weighted average number of shares:		
Basic weighted average number of shares	**188 987 697**	173 613 522
Dilutive effect of share options	**9 556 129**	4 646 656
Contingent issuable shares	**3 747 730**	4 297 210
Diluted weighted average number of shares	**202 291 556**	182 557 388

FINANCIAL DIRECTOR'S REPORT CONTINUED

CONDENSED CONSOLIDATED FINANCIAL RESULTS
AS AT 31 MARCH 2014

STATEMENT OF FINANCIAL POSITION

	GROUP	
	2014 Audited R	2013 (Restated) Audited R
Assets		
Non-current assets		
Property, plant and equipment	**129 180 045**	116 878 108
Goodwill	**223 421 981**	223 421 981
Intangible asset	**14 337 752**	19 914 643
Investment in associate	**616 388 706**	631 134 362
Other financial assets	**6 924 311**	9 805 298
	990 252 795	1 001 154 392
Current assets		
Inventories	**7 973 118**	6 730 225
Loans to group companies	**–**	337 058
Other financial assets	**6 648 582**	8 588 729
Trade and other receivables	**75 936 662**	60 600 275
Cash and cash equivalents	**26 001 268**	22 337 824
	116 559 630	98 594 111
Total assets	**1 106 812 425**	1 099 748 503
Equity and liabilities		
Equity		
Stated capital	**585 573 235**	580 590 616
Reserves	**17 624 536**	13 568 918
Retained income	**144 525 951**	145 987 793
	747 723 722	740 147 327
Liabilities		
Non-current liabilities		
Other financial liabilities	**142 576 783**	249 390 922
Operating lease liability	**1 640 263**	–
Deferred income	**1 577 232**	1 102 738
Deferred taxation	**13 555 933**	15 461 556
	159 350 211	265 955 216
Current liabilities		
Other financial liabilities	**140 907 240**	39 583 332
Current taxation payable	**1 192 809**	11 402 043
Operating lease liability	**336 348**	–
Trade and other payables	**56 994 212**	42 471 544
Deferred income	**307 883**	189 041
	199 738 492	93 645 960
Total liabilities	**359 088 703**	359 601 176
Total equity and liabilities	**1 106 812 425**	1 099 748 503
Net asset value per share (cents)	**393,80**	393,90
Tangible net asset value per share (cents)	**270,70**	267,37
Ordinary shares in issue	**189 872 979**	187 901 843

CONDENSED CONSOLIDATED FINANCIAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2014

STATEMENT OF CASH FLOWS

	GROUP	
	12 months ended 31 March 2014 Audited R	9 months ended 31 March 2013 Audited R
Cash flows from operating activities		
Cash generated from/(utilised in) operations	**84 437 984**	(21 570 600)
Interest income	**2 693 264**	820 287
Finance costs	**(17 939 091)**	(1 394 506)
Taxation (paid)/received	**(28 357 299)**	55 518
Net cash from operating activities	**40 834 858**	(22 089 301)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(40 706 776)**	(5 145 027)
Sale of property, plant and equipment	**4 929 319**	87 719
Acquisition of shares in wholly owned subsidiary	**–**	(89 200 006)
Acquisition costs	**–**	(4 110 902)
Proceeds on disposal of other financial assets	**5 760 244**	–
Net loans advanced	**1 932 773**	1 396 508
Government grant received	**831 895**	–
Net cash from investing activities	**(27 252 545)**	(96 971 708)
Cash flows from financing activities		
Proceeds on share issue	**2 970 737**	–
Proceeds from other financial liabilities	**123 848 444**	116 178 705
Repayment of other financial liabilities	**(137 075 108)**	–
Decrease in loans with group companies	**337 058**	590 992
Net cash from financing activities	**(9 918 869)**	116 769 697
Total cash and cash equivalents movement for the year/period	**3 663 444**	(2 291 312)
Cash and cash equivalents at the beginning of the year/period	**22 337 824**	24 629 136
Total cash and cash equivalents at the end of the year/period	**26 001 268**	22 337 824

3

BUSINESS REVIEW MÉTIER


Métier
Métier
P
03
Métier

Métier
MIXED CONCRETE

SERVICE
QUALITY
RELIABILITY

7 plants in KwaZulu-Natal

3 plants in Gauteng

The core business of Métier is the manufacture and supply of quality ready-mixed concrete products for the residential, commercial and industrial markets in South Africa.

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

BUSINESS REVIEW MÉTIER MIXED CONCRETE

MISSION

Innovative service, quality and reliability – RIGHT NOW

VISION

- **IMPRESS our customers by offering superior service and products**
- **INSPIRE our staff through our passion for concrete**
- **SUPPORT our suppliers to actively contribute to the Métier Way**
- **RESPECT our shareholders by offering value for their investment**

Métier performed commendably in the 2014 financial year, reporting solid growth in sales in its new Gauteng markets and delivering on key objectives of its expansionary growth plan, which formed the basis of its acquisition by SepHold in 2013.

Reporting for the first full year as a 100% subsidiary of SepHold, Métier achieved revenue growth of 38% to R571,5 million largely as a result of the growing acceptance and expansion of its market share in Gauteng. Sales volumes accelerated in the final quarter of the financial year as demand for cement strengthened. High-value concrete sales contributed 29% to revenue. Sales volumes in KwaZulu-Natal remained static and there was a shift in the market from industrial warehousing to commercial developments, with the bulk of Métier's order book in the province attributable to private sector customers.

Despite increasing price competition, operating profits grew by 18% to R75,5 million, reflecting the contributions of high-value concretes, which enable Métier to achieve above-average margins, and excellent customer service backed by high levels of operational efficiency.

Maintaining the gross profit margin at its 2013 level without reducing prices to gain market share was an important focus area during the year, and it was achieved. Another key performance indicator that Métier monitors is margin over materials and delivery, which unlike the gross profit margin measures performance after delivery. A small decline in this margin was largely offset by increased volumes.

Métier supplying concrete at a construction site in Durban

KEY MANAGEMENT

Kenneth Capes (45) Managing director

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

Richard Thompson (46) Finance director

South African Institute of Professional Accountants (SAIPA)

Richard spent 15 years with Stock Owners Co-operative Limited where he ultimately became a member of the executive committee. Richard was then appointed as the managing director of Meadow Meats Proprietary Limited and spent the following several years consulting and marketing the products within the wildlife industry. Richard co-founded Métier in 2004. He is responsible for administrative and financial aspects of the business.

Wayne Witherspoon (47) Operations director

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

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

Glen Talmage (43) Commercial manager, Northern Region

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

Gregg Hollins (43) Commercial manager, Eastern Region

NDip (Civil Engineering) (Technikon Natal)

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

Ceri Rayne (33) Human resources manager, Eastern Region

BSocSci (Hons) (University of KwaZulu-Natal) BCom (University of Natal, Durban), LDP (University of South Africa – School of Business Leadership)

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

MAINTAINING THE GROSS PROFIT MARGIN AT ITS 2013 LEVEL WITHOUT REDUCING PRICES TO GAIN MARKET SHARE WAS AN IMPORTANT FOCUS AREA DURING THE YEAR, AND IT WAS ACHIEVED

OPERATIONAL HIGHLIGHTS FOR THE YEAR

- Expansion into Gauteng
  - Métier commenced supplies to Gauteng customers from its new Chloorkop concrete mixing plant on time and within budget in April 2013, adding increased capacity and the ability to service customers effectively
  - This follows the opening of plants in Sandton in 2011 and OR Tambo in 2012 and increases the company's total number of plants to ten, including seven in KwaZulu-Natal. Métier's sales in Gauteng now account for 40% of its total sales, reflecting the extent to which Métier has grown its Gauteng market from a zero base
- Expansion of concrete mixer fleet size by 18% to transport additional volumes and acquisition of an additional concrete boom pump
  - Métier supplies product to customers with a fleet of branded concrete mixers, 55% of which are owned and the balance outsourced
- Major contract awards include the supply of 50 000m³ of concrete for the new Watercrest shopping mall in Waterfall (KwaZulu-Natal), the supply of 20 000m³ for the new regional FNB head office in Ridgeside (KwaZulu-Natal) and 15 000m³ for the Atterbury office development at Waterfall Estate (Gauteng)
- A growing number of higher-margin projects and repeat orders contributed to growth in the Gauteng market

STRATEGY

Métier has achieved significant growth by positioning its business in markets that offer strong and growing demand for its products. The key elements that contribute to Métier's ability to achieve margin growth are excellent solutions-driven customer service, a product mix that combines standard with premium specialised concrete products that can be customised to meet specific requirements. Métier is also a respected and visible brand. Customer service remains Métier's key differentiator and is supported by operational processes that enable it to achieve one of its most critical functions of on-time delivery.

In 2015, Métier will enter the final year of a three-year growth plan to expand aggressively within South Africa, while maintaining the strong historic presence in KwaZulu-Natal. Métier's expansion in Gauteng has proceeded according to plan and the business is considering opportunities for further expansion in the province. Although expansion beyond KwaZulu-Natal and Gauteng is not yet a strategic priority, Métier tenders for contracts in other provinces in South Africa by setting up batching operations at its clients' construction sites where mutual value is created.

BUSINESS REVIEW MÉTIER MIXED CONCRETE CONTINUED

Accountability for delivery of strategy

Métier ensures accountability for the delivery of its strategic objectives by granting managers access to budgeting processes and rewarding performance against set targets. These are limited to a maximum of three, namely profitability, growth in manufacturing and delivery capacity, and employee development. These targets ensure that the management team focuses on the broad strategy, rather than just those elements that are subject to performance management.

To also ensure alignment to the group's objectives, SepHold is represented by four of its executives on the Métier board of directors.

RISK MANAGEMENT

Métier has identified the following key potential risks to the delivery of its growth strategy and the measures to mitigate them:

Risk	Measures to mitigate the risk
Competitive environment A change in the behaviour of competitors in response to constrained economic conditions and new producer in the market is exacerbating price competition.	• Build customer relationships by leveraging track record of quality product offering and customer service excellence • Focus on maintaining gross profit margins by balancing high-margin and high-volume workload • Maintain pricing model and make every attempt to avoid engaging in price wars
Cash flow constraints Vulnerability in the construction industry has increased the risk of bad debts.	• Strengthen credit management policy • Tightening of credit terms • Provision for bad debt

HUMAN CAPITAL

Employees

Métier's managing director and key employees have more than 80 years' combined experience within the ready-mixed concrete market. During the financial year, Métier had an employee complement of 216, including a relatively significant representation of concrete technologists within a full-service technical division that collaborates with a commercial team to deliver solutions to clients. Other key business functions include operations, maintenance and administration.

Métier workforce profile (February 2014)

	2013			New employees			Employees resigned			Current		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
White	22	10	32	–	–	–	–	1	1	22	9	31
African	133	5	138	11	1	12	3	–	3	141	6	147
Coloured	3	1	4	–	–	–	–	–	–	3	1	4
Indian	29	6	35	–	–	–	1	–	1	28	6	34
Total	**187**	**22**	**209**	**11**	**1**	**12**	**4**	**1**	**5**	**194**	**22**	**216**

Typical Métier plant infrastructure

BUSINESS REVIEW MÉTIER MIXED CONCRETE CONTINUED

Headcount	Male				Female				Total
Employee category	**Black**	**Indian**	**Coloured**	**White**	**Black**	**Indian**	**Coloured**	**White**	
Executive management	–	–	–	2	–	–	–	1	3
Senior management	–	2	1	15	–	–	–	–	18
Middle management	4	12	2	4	–	–	1	4	27
Junior management	13	10	–	1	5	6	–	4	39
Semi-skilled labour	73	4	–	–	1	–	–	–	78
Unskilled labour	51	–	–	–	–	–	–	–	51
Total permanent employees	**141**	**28**	**3**	**22**	**6**	**6**	**1**	**9**	**216**
Total employees	**141**	**28**	**3**	**22**	**6**	**6**	**1**	**9**	**216**

Métier's employee complement has grown significantly in recent years to accommodate the expansion strategy and while this has placed pressure on a relatively small business, it has been carefully managed. Plans to retain key employees are being developed.

To ensure that it has the skills required to support growth, Métier has developed a personal development plan, which identifies training needs. Métier invested R472 000 (2013: R292 000) in training during the year and has budgeted expenditure of R840 000 on skills development in the 2015 financial year. Apart from legislated training in the areas of safety and environmental management, the company identifies individuals for development and promotion and relies on the Cement and Concrete Institute to train the majority of its employees.

Métier complies with the Employment Equity Act, 35 of 1998 (EE Act) and the Broad-Based Black Economic Empowerment Act, 53 of 2003 (B-BBEE Act). Métier received level 5 B-BBEE contributor certification in July 2013. However, the company faces the risk of reverting to a level 7 certification when amendments to the Codes of Good Practice are changed in 2015.

Community upliftment programmes

Beneficiary	Description	Value of donation
Lungisisa Inlela Village	Donation of concrete for the development of a new village in Verulam Aimed at placing vulnerable children in a family environment	R195 390
Restoration of Hope Ministries – Ingane Yami Children's Village, Shongweni	Construction of 25 homes for 150 abandoned children, living with a carefully selected house mother. Other buildings include a hall, crèche and plan is ultimately to build a school	R86 518
The Domino Foundation	Empowers the neediest communities with feeding, skills development, childcare and infant early development	R75 000
Highbury/Thuthukisa Early Childhood Development Teachers' Training Initiative	Early childhood development (ECD) teacher training initiative for young student teachers from local disadvantaged ECD schools and crèches	R70 000

Lungisisa Inlela Village beneficiaries

Highbury/Thuthukisa Early Childhood Development Teachers' Programme

The Domino Foundation beneficiaries

HEALTH, SAFETY AND ENVIRONMENTAL MANAGEMENT

Métier reported no fatalities or any lost-time safety incidents during the year. All Métier operations conduct a quarterly environmental, health and safety audit. Results are recorded and action plans developed.

Métier complies with the Occupational Health and Safety Act, 85 of 1993. Safety teams are appointed to promote a safe working environment and enforce safety rules and procedures at the operations. All employees are trained in safety procedures and attend regular toolbox talks to reinforce key safety messages. Safety training is conducted at all project sites.

Delivery vehicles represent a peculiar potential safety risk of tipping over due to the high centre of gravity of the mixer unit and the nature of construction sites. An extensive programme has been introduced to mitigate this risk based upon driver training called 'King of the Road' which utilises a live tracking system to monitor and measure driver performance. This system is used for real-time delivery monitoring with additional benefits such as safety features, on-time delivery and reduction of fuel costs.

Métier believes that good stewardship avoids, minimises and mitigates the negative environmental impact of its operations. Any environmental concerns raised by communities are addressed immediately by the executive management. Testing has been done at specific operations to ensure compliance and to address any community concerns regarding specific operations. A comprehensive study was undertaken by SRK Consulting to assess Métier's compliance with standard environmental requirements in South Africa. An environmental management plan was developed for each operation based on the findings of the study and is currently used by each operation.

ANY ENVIRONMENTAL CONCERNS RAISED BY COMMUNITIES ARE ADDRESSED IMMEDIATELY BY THE EXECUTIVE MANAGEMENT

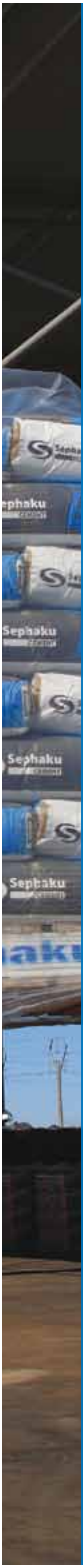
Noise, dust and slimes pollution was identified as the most material environmental concerns at Métier plants. Systems to filter dust are installed in silos while water and slimes are recycled at all operations.

Métier has had no environmental infringements during the financial year and has not incurred any fines.

LOOKING AHEAD

Métier will focus on maintaining its operational efficiency and financial performance in order to grow revenue.


Sephaku
Linde



4

BUSINESS REVIEW SEPHAKU CEMENT

Sephaku CEMENT

BORN IN THE NEW SA

1,1 million tonnes of cement per annum to be produced at Aganang

1,4 million tonnes of cement per annum to be produced at Delmas

Sephaku Cement is a 64% owned subsidiary of Dangote Cement Plc and an associate company of JSE-listed Sephaku Holdings.

This South African integrated clinker and cement producer has an operational cement milling plant in Delmas, Mpumalanga and a 6 000-tonnes-per-day clinker facility near Lichtenburg in the North West province. Competitiveness and cost efficiency lies in the state-of-the-art technology which underpins the Sephaku Cement plants.

BUSINESS REVIEW SEPHAKU CEMENT

THROUGHOUT THE CONSTRUCTION PHASE, A DEDICATED OPERATIONAL PREPAREDNESS TEAM HAS ENSURED THAT SEPCEM MEETS ITS TARGETS FOR COMPLETION AND MARKET READINESS

The 2014 financial year marked the successful completion, commissioning and entrance of the Delmas milling plant into the domestic cement market. The Aganang clinker plant was successfully commissioned and clinker production is targeted for July 2014.

SepCem focused on completing the construction phase of the two plants and this was achieved on schedule and within budget. Critical elements in the construction phase included the factory acceptance testing, delivery and installation of imported mechanical equipment, and the installation and connection of electricity supply from the national grid.

The focus then shifted to the commissioning of the plants and the commencement of commercial production. Throughout the construction phase, a dedicated operational preparedness team has ensured that SepCem meets its targets for completion and market readiness.

STRATEGY

The SepCem strategy is to stabilise and optimise its production capacity to ensure the low cost advantage offered by new plants with advanced technology. SepCem intends to penetrate the domestic cement market in a responsible manner that enables it to fulfil its promises of:

- high product quality, exceptional service and first-class technical support to customers; and
- sustainable growth in profitability to shareholders.

SepCem has made significant progress in the operationalisation and execution of its strategy during the financial year.

KEY MANAGEMENT

Pieter Frederick Fourie (58) CEO – Sephaku Cement
BCom (Accounting), Executive Development Programme (PRISM) for Global Leaders (Switzerland)
Pieter has extensive experience in the cement industry and assumed his position as chief executive officer of SepCem in May 2007.

Duncan Leith (48) Executive manager commercial
BCom (University of South Africa), Young Managers Programme (INSEAD, France), MBA (GIBS)
Duncan has experience in the commercial aspects of the cement industry, having worked for Lafarge for 10 years. He also spent three years with the Imperial group before joining SepCem in 2007.

Duan Claassen (46) Executive manager operations
BEng (Metallurgical Engineering) (University of Pretoria), Young Managers Programme (INSEAD, France), MDP (Duke University, USA)
Duan completed his graduate engineer training at De Beers before joining Blue Circle Cement. He was involved with Blue Circle Cement's integration into Lafarge in 1996. He subsequently worked for PPC before joining SepCem in 2008.

Heinrich de Beer (47) Executive manager projects
BEng Mechanical (PUCHE), MDP (PUCHE), LDP (GIBS)
Heinrich started his career as a project engineer and maintenance manager at Mittal (Iscor) before joining Lafarge, where he held various positions. Heinrich joined SepCem in 2008.

Gay de Witt (45) Chief financial officer
BCom (Hons) (University of Pretoria), CTA (University of South Africa), CA(SA) (SAICA)
Gay has experience in a number of fields, ranging from finance and operations to risk management. She previously worked for Clover Danone before joining SepCem in 2009.

Puseletso Makhubo (41) Executive manager organisational performance
BAdmin (Hons) (Industrial Psychology), MDP (University of KwaZulu-Natal, formerly University of Durban Westville), Master in Business Leadership (University of South Africa)
Puseletso has experience in human resource management in the financial and manufacturing sectors. She previously held key positions in Nedcor Electronic Banking and Lafarge Gypsum before joining SepCem in 2008.

Jennifer Bennette (51) Company secretary
Jennifer has been employed by various legal practices as a paralegal. She was previously company secretary for the Platmin group, joined SepHold in 2008 and SepCem in 2010 as company secretary.

Loesche cement mill at Delmas plant capable of producing 160 tonnes per hour

BUSINESS REVIEW SEPHAKU CEMENT CONTINUED

In the 2013 integrated report SepCem identified the following key strategic objectives:

Strategic objective	Delivery against strategy
Completion of the construction of Delmas and Aganang plants on time and within budget	Achieved
Becoming the lowest-cost producer in South Africa in the short to medium term by leveraging plant, logistics and energy efficiency	Significant progress
Preparing for market entry post-production and ramp-up	Achieved
Achieving a national market share of 13 – 17% at targeted margins	Not yet measurable

Detailed performance achieved against these key strategic objectives is described below:

Completion of the construction of Delmas and Aganang plants on time and within budget

Delmas

Electricity supply was installed and connected to the Eskom substation on site at the Delmas cement milling plant in Mpumalanga in October 2013, signalling the start of cold commissioning, which is a process in which all sections of the plant are started and operated without material. In November 2013, the clinker was delivered to site and hot commissioning commenced. The first test cement batch was produced in December 2013, and on 6 January 2014, production of SABS-specified cement commenced. The first delivery of SABS-specified bagged cement was dispatched to customers on 13 January 2014, and the first bulk cement on 16 January 2014.

The cement mill exceeded the required levels of performance against guaranteed performance criteria in the production testing conducted in February 2014.

The Delmas plant has the capacity to supply 1,4Mtpa of cement and has cement silo storage capacity for 22 000 tonnes of bulk product. Production volumes will be ramped up in line with customer demand.

Aganang

The Aganang plant located between Lichtenburg and Mahikeng in North West is SepCem's primary operation. This operation consists of a limestone open cast quarry and an integrated cement production plant to mine the limestone and process it to form clinker. Approximately 45% of the clinker produced will be blended with other raw materials to produce the finished cement product in bag and bulk form. The remaining 55% of clinker will be transferred to the Delmas plant for further processing into the different strengths of cement.

Electrical power was connected in December 2013, followed by cold commissioning in February 2014 and hot commissioning commenced in March 2014. The plant is targeted to produce clinker in July 2014. Aganang has the capacity to produce approximately 1,8Mtpa of clinker and 1,1Mtpa of cement when fully commissioned. It has a kiln that is almost double the average size of the incumbents, its silo offers storage capacity for 50 000 tonnes of clinker and its pre-blended stockpiles cover 2,5 hectares, the equivalent size of five rugby fields.

Mining activities commenced at the limestone quarry in November 2013, with the preparation of the initial mining area, construction of the haul roads and the stockpiling of limestone.

Sephaku Ash

Sephaku Ash, a division of SepCem, focused on preparing its operation, during the financial year, to supply increased volumes of fly ash as an extender to various blenders including the Delmas plant and achieved a 20% improvement in its operational efficiencies. Sephaku Ash was established in 2009 following the successful conclusion of a nine-year supply agreement with Eskom to acquire and remove ash from Eskom's Kendal Power Station. Negotiations with Eskom to extend the ash contract by another five years are at an advanced stage and a positive decision is expected in due course. Sephaku Ash is located at the power station and has the capacity to produce 800 000 tonnes of ash per annum, which sells under two brands – HardAsh and SmartAsh.

Delivering within budget

The plants were funded by investments totalling R3,2 billion. The investments included equity funding of R1,2 billion from SepHold and Dangote and debt funding of approximately R2 billion from Standard Bank and Nedbank. In addition, Dangote provided a standby facility of R265 million, which was used during the year and by the end of the SepCem financial year had been drawn down to R147 million. The plants were completed within budget and did not require any additional funding. Repayment of the debt funding will commence in January 2016.

SepCem incurred a loss of R40,9 million relating to overhead costs and marketing development costs. A penalty clause, was enforced against Sinoma due to a delay at Aganang as reported in the past financial year. SepCem is expected to contribute profit to the group in the 2014 calendar year.

Becoming the lowest-cost producer In South Africa in the short to medium term by leveraging plant, logistics and energy efficiency

The new plants have been designed using German-engineered Loesche mills and other key equipment from European suppliers to maximise operational efficiency and competitiveness, while limiting the environmental impact.

The following design output has been guaranteed and achieved at Delmas:

	Guaranteed	Achieved
Cement mill throughput (t/h OPC @ 3200 Blaine)	155	213
Cement mill power cons (kWht @ 3200 Blaine)	22,6	20,03

Other salient technical efficiencies of SepCem plants include:

- Water management
  - Aganang plant is located in a water scarce region. The kiln line has been uniquely designed to use ambient air instead of the traditional gas conditioning tower for cooling of the preheater exhaust gases
  - Water consumption will be at 151 litres/tonne of cement-in-bin, compared to similar plants that consume >250 litres/tonne
- Energy consumption:
  - Vertical milling technology (cement, raw meal and coal) will reduce power consumption
  - High levels of energy efficiency at 95kWh/tonne compared to industry average of approximately 145kWh/tonne
  - Heat consumption at 755kcal/kg clinker compared to industry average of above 900kcal/kg clinker
- Environmental management
  - Low dust emissions of 30mg/Nm³ compared to up to 100mg/Nm³ for older plants
  - Lowest carbon footprint due to optimal coal consumption and high extension ratio

The table below further illustrates SepCem's efficiency advantages relative to incumbents

	Aganang	Delmas	Sephaku Cement Total	Competitor A	Competitor B
Tonnes of clinker per day	6 000	–	6 000	5 700	7 400
Kiln lines	1	–	1	2	3
Cement per hour (I OPC @ 3200 Blaine)	155	155	310	–	–
Employees	195	70	195	230	460
Tonnes of clinker per employee	31	–	31	25	16
Tonnes of clinker per line	6 000	–	6 000	2 850	2 467

Preparing for market entry post-production and ramp-up

In the period leading up to market entry, the operational readiness team focused on product testing, market positioning, pricing and brand building.

One of the main focus areas was to ensure that SepCem was able to offer customers products of consistent and higher quality to those already available in the market. SepCem entered the bagged cement market with two strengths, namely Sephaku 32,5R and Sephaku 42,5R, both of which have a higher early strength, than similar products currently supplied by most competitors. The technical bulk market is supplied with the 42,5R and 52,5N with the latter aimed at the higher end of the technical market, specifically where rapid times and high early strength are required.

Market research was conducted and informed a client engagement drive, which targeted customers in the bag and bulk markets, as follows:

Bag (retail) market – is expected to account for up to 60% of sales in line with the industry norm. SepCem has engaged at the highest levels with the large merchant retailers, and has successfully negotiated significant presence within their branches. To this end, SepCem's products are widely available in the retailers' various stores. Progress was also made with the second tier of the bag market, which includes mid-size resellers and a number of large independent groups.

Bulk (technical) market – initial entry has been with existing customers of Sephaku Ash to establish a base load of cement sales in this segment. Furthermore, Métier, also one of SepCem's largest ash customers, will potentially absorb a portion of SepCem's capacity. With product acceptance a critical factor in market entry, Métier also provides a valuable strategic partnership for in-application testing of SepCem's products.

To ensure that customers achieve the best value from their cement, SepCem offers a value-driven approach backed by product testing and special mix design support provided by the technical laboratory at the Delmas plant. This approach has raised SepCem's profile and succeeded in translating a number of its ash customers to its cement database. Unfortunately, the good progress in securing initial base load sales was hampered by the heaviest South African rainfall season in 15 years during February and March 2014.

BUSINESS REVIEW SEPHAKU CEMENT CONTINUED

Geographically, with the Delmas plant strategically located close to its fly ash source and coal supply, and 50km from Gauteng, SepCem targets the Gauteng, North West, Limpopo and Mpumalanga provinces. SepCem transports its cement by road and therefore, the development of an efficient outsourced delivery function has been a major element of the operational preparedness plan. SepCem has contracted with five major transporters to provide this critical service. Several systems and plans have been developed to increase loading efficiency at the plants, which will contribute significantly to the efficient customer service promise.

The competitive environment has changed over the past year, with existing producers adjusting their product ranges and prices, and introducing competitive new products in response to SepCem's anticipated entrance. SepCem enjoys significant cost advantages as a result of its new state-of-the-art plants and has priced its products competitively; notwithstanding competitive pricing, the focus is biased towards delivery and technical service as a means to retain customers in the long term.

Achieving an inland market share of 13 – 17% at targeted margins

SepCem targets a market share of 20% to 25% in its inland markets, resulting in 13% to 17% nationally. Its performance in this regard will only be measurable towards the end of the 2014 calendar year as it ramps up volumes.

HUMAN CAPITAL

Developing an adequately skilled workforce to build and operate cement plants has been and will continue to be a significant challenge in an environment where there is a severe shortage of skills and experience, particularly in cement and process or heavy engineering.

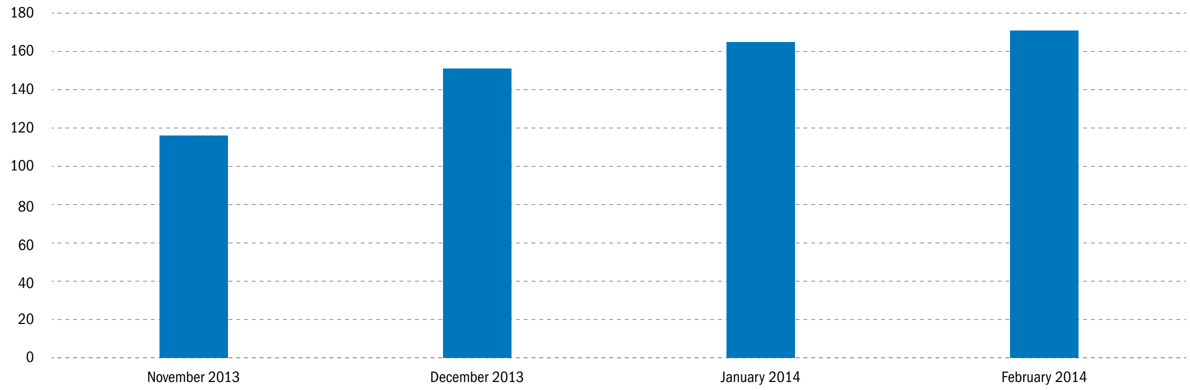
Nevertheless, SepCem has, over the past three years, assembled a specialist and experienced executive team to guide it through its planning, system development, construction, commissioning and market development phases. The executive team's focus and function has now shifted to the ongoing operation maintenance of the plants and market penetration.

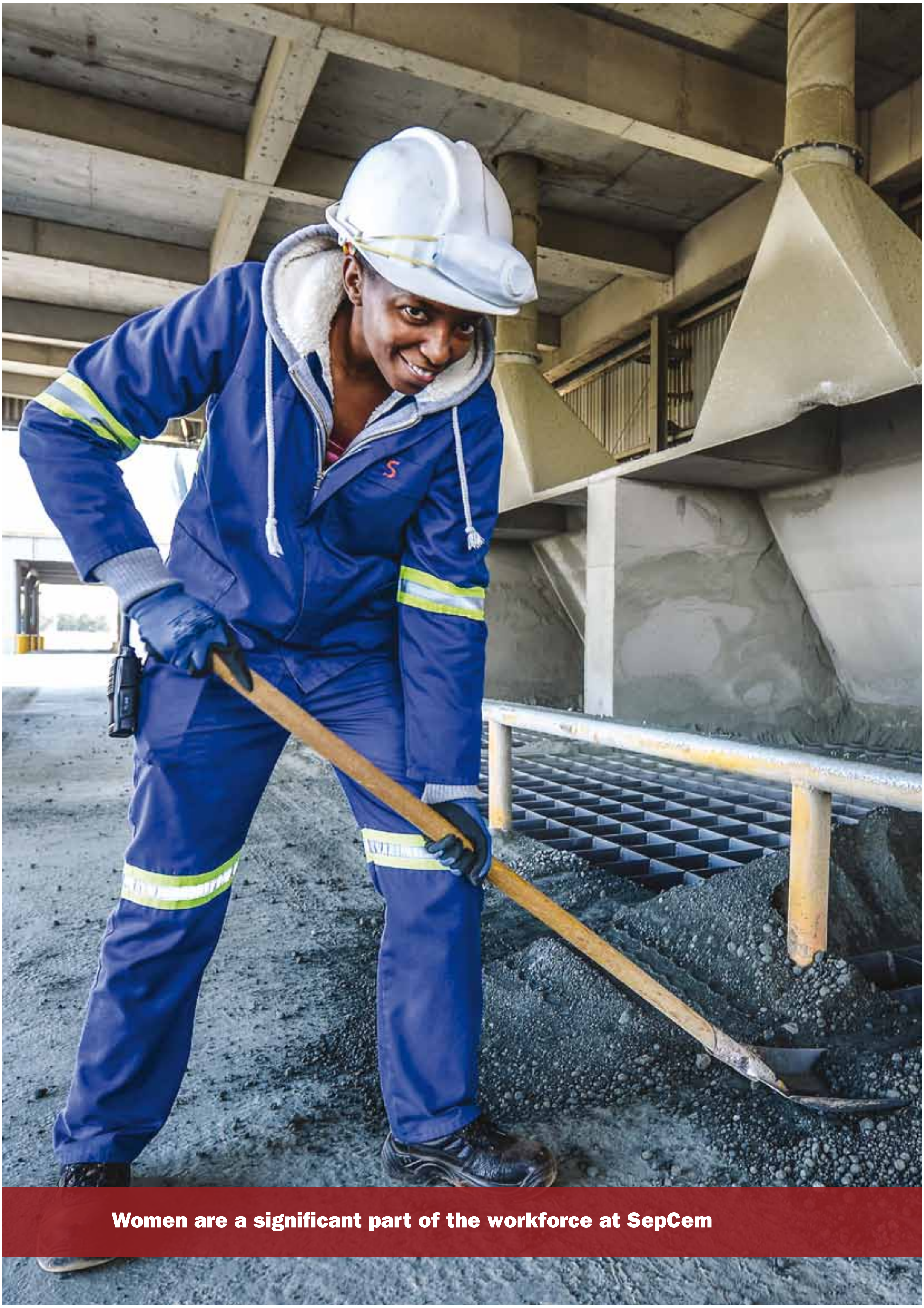
Owing to the skills shortages in South Africa, an agreement was concluded with Sinoma – the Chinese contractor that designed, built and commissioned Aganang and Delmas – to employ its own skilled workforce on the condition that Sinoma would further employ and transfer skills to a minimum ratio of three Chinese workers to one local worker. The agreement also stipulated that the Chinese workers must be repatriated as soon as the specific stage of the project involving their particular discipline was completed. A total of 1 760 Chinese workers were employed at different stages of the project and to date 1 000 workers have returned to China while 760 are still employed between the two sites. During the reporting period, there were 108 Chinese workers at Delmas for the final project stage and 652 workers at Aganang for the final construction activities and commissioning of the plant. More than 50% of the South African workforce was recruited from the local community with the majority of these people being first-time employees at the beginning of the project. They subsequently acquired basic construction skills at respective sites and received commensurate certification.

SepCem has consistently recruited and trained local workers, and has an employee complement of 201 adequately skilled permanent employees to operate the cement plants, and a fixed-term contractor complement of 27 for the construction of the Aganang plant. Of the 201 permanent jobs, 50% are from the Victor Khanyi and Ditsobotla local communities. Approximately 600 indirect jobs will be sustained by subcontractors and suppliers to the plants.

Furthermore, SepCem has embarked on a one-year programme to train an additional 200 lower-skilled workers in anticipation of increasing workloads as volumes ramp up. The average age of the company's employees is 34,6 years.

SepCem employee complement (2014)





Women are a significant part of the workforce at SepCem

BUSINESS REVIEW SEPHAKU CEMENT CONTINUED

Skills development

In its past financial year, SepCem spent R1,6 million on employee training and development, equivalent to approximately 2,5% of the total SepCem payroll. The company's expenditure targets for training and development over the next four years are based on an estimated 3% of annual payroll.

SepCem's extensive skills development programme ranges from adult basic education and training (ABET) to improved literacy and numeracy, learnerships, internships and mentorships. Portable skills plans for workplace qualifications are also in place, as are bursary schemes to support talented individuals at a tertiary education level.

EMPLOYMENT EQUITY (EE)

SepCem complies with the EE Act. An EE policy is in place to ensure compliance with applicable legal requirements. The existing EE committee established in 2012 is regularly reviewed to align it with the requirements of the EE Act and the current members of the EE committee will be trained in July 2014. Details of the EE status of SepCem are outlined in the table below:

Employment equity (EE) and black representation (BR) as at February 2014

Occupational levels	Target %	Actual EE %	Actual BR %	African			Coloured			Indian			White			Total		
				M	F	T	M	F	T	M	F	T	M	F	T	M	F	T
Executive management	60	43	14	–	1	1	–	–	–	–	–	–	4	2	6	4	3	7
Senior management	60	43	26	4	1	5	–	1	1	–	1	1	13	3	16	17	6	23
Professional/middle management	75	79	66	9	3	12	–	–	–	3	1	4	5	3	8	17	7	24
Skilled (junior management)	80	90	83	27	16	43	–	2	2	1	2	3	6	4	10	34	24	58
Semi-skilled	100	100	100	13	10	23	–	–	–	1	–	1	–	–	–	14	10	24
Unskilled	100	100	100	25	9	34	–	–	–	1	–	1	–	–	–	26	9	35
Total				**78**	**40**	**118**	**–**	**3**	**3**	**6**	**4**	**10**	**28**	**12**	**40**	**112**	**59**	**171**
Fixed-term contractors				3	1	4	–	–	–	–	–	–	15	1	16	18	2	20
Learnerships				6	–	6	–	–	–	–	–	–	–	–	–	6	–	6
Total				**87**	**41**	**128**	**–**	**3**	**3**	**6**	**4**	**10**	**43**	**13**	**56**	**136**	**61**	**197**

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

SepCem's board approved a proposal to establish a B-BBEE non-profit company (NPC) called Torosesha for the benefit of the communities adjacent to the Aganang plant and resolved to issue 15% of the shareholding of Sephaku Development Proprietary Limited (Sephaku Development) to this NPC. Torosesha was registered and incorporated with the following directors representing SepCem: Pieter Fourie, Rose Matjiu, Puseletso Makhubo and Robert Matye. The next step will involve the election of community representatives. Torosesha will ensure SepCem's compliance with the Minerals and Petroleum Resources Development Act, 28 of 2002, (MPRDA) for 2014.

SepCem achieved level 2 B-BBEE contributor certification in November 2013.

HEALTH, SAFETY AND ENVIRONMENTAL MANAGEMENT

Statutory requirements for health, safety and environmental management and community engagement are strictly complied with on operational sites.

Safety and health

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

There were no major incidents and the lost-time injury frequency rate for SepCem's operations for the year ended 31 December was 0,109 at Aganang, 0,53 at Delmas and zero at Sephaku Ash.

SepCem applies a wellness framework to promote a healthy lifestyle for all employees and to assist those who experience personal or work-related difficulties to ensure optimal performance of each individual.

Environmental management

SepCem's business strategy takes into account water and energy efficiency and the mitigation of carbon emissions. The Aganang and Delmas plants have been designed to limit their environmental impact.

SEPCEM'S BUSINESS STRATEGY TAKES INTO ACCOUNT WATER AND ENERGY EFFICIENCY AND THE MITIGATION OF CARBON EMISSIONS

However, in instances where there are specific environmental risks to any of its operations, mitigation measures are outlined in the related environmental management programme, which has been approved by the Department of Mineral Resources (DMR).

Through extensive stakeholder engagement, a database has been established of the potential environmental risks and concerns. Dust and noise pollution, water consumption and waste management were identified as the main environmental concerns at both plants.

Technologically advanced production processes at the SepCem plants

BUSINESS REVIEW SEPHAKU CEMENT CONTINUED

Project-specific environmental concerns raised and mitigation measures
Aganang integrated cement plant

Concern	Potential sources	Mitigation measures
Dust		
Reduced air quality	Vehicle dust from unpaved roads	Environmentally friendly dust suppression measures employed.
	Fine dust particles from crushers and materials handling transfer points throughout process	Dust extraction points installed.
	Drilling and blasting	Dust monitoring conducted by environmental control officer.
	Stack emissions	Bag houses installed at all stacks. Continuous monitoring of particulate matter.
	Fall-out dust buckets	Dust monitoring conducted monthly, PM10 monitoring on a quarterly basis, dust suppression daily.
Noise		
Increased overall noise levels around the mine and the plant during construction and operation	General construction and processing activities	Noise mufflers and silencers implemented wherever possible. Engagement channel opened for residents to give specific feedback.
Visual presence		
Although SepCem acknowledges the adverse aesthetic impact of the plant, the light and activity generated by the plant's presence is likely to contribute positively to security in the area. Furthermore, the Aganang plant is one of three in the area.		
Water consumption		
Water requirements may reduce available supply for local farmers and residents	Borehole	The dry process will be employed at the operations. Kiln exhaust gas will be cooled with ambient air, and the mine and plant will use 750 m^3/day, considerably less than the industry norm for plants of a similar size. Mine and plant supply to be sourced from boreholes, drilled on the property for this purpose. Water monitoring conducted monthly and report submitted to Department of Water Affairs.
Biodiversity		
There is no material risk to any areas of high or sensitive biodiversity within the mine or processing plant area. It has historically been used for cattle grazing and has been severely overgrazed. A thorough study of the area was conducted and reported in the Environmental Management Plan. While threats to biodiversity are not considered material for this operation, SepCem remains committed to regular environmental audits by a suitably qualified person. Should any red-listed species be identified, SepCem will endeavour to relocate such species appropriately. A biodiversity action plan will be developed within two years of full production.		
Surface water quality		
Studies have confirmed that, due to the absence of any well-defined or perennial drainage lines or water courses within the project area, the limestone mine and cement factory will not have a direct impact on the quality of surface water run-off.		
Excess run-off of dirty water from plant	Storm water flooding	Storm water berms and control structures constructed to prevent storm water run-off.
	Flatness of area and single drainage catchment body: Springbok Pan	Dirty water emanating from plant footprint will be channelled into dedicated dams and reservoirs that will prevent contact with clean water.
		Regular monitoring by environmental control officer.
Waste management		
Management and disposal of waste	Hydrocarbons from wash bays Diesel dispensing station Laboratory effluent Alternative raw material	Waste disposal certificates available. Waste management plan in place. Waste manifests available on record. Waste selection made separately at a waste site. Procedures in place for waste generation, classification and disposal. For the construction phase of the project, a waste site was established where all the necessary sorting was conducted. During operational phase, separation will be done at source.

Delmas cement milling (grinding) plant

Concern	Potential sources	Mitigation measures
Ground water quality and quantity		
Contamination due to leakage	Hydrocarbon effluent from wash bays Diesel dispensing station Fly ash storage	Use of materials, fuels and chemicals will be controlled and stored in a secure facility.
Storm water management		
Contamination of storm water run-off	Hydrocarbons from vehicle wash bays Spillage at fly ash handling facilities Spillage at diesel dispensing station	All spillages from any potential contaminants will be safely and immediately removed and disposed of at an appropriate site.
Waste water		
Disposal of waste water	Dirty water from plant footprint	Discharged to municipal sewage treatment system as interim measure, while water use licence application is in process.
		Water monitoring conducted monthly and report submitted to Department of Water Affairs.
Biodiversity		
Excavation and clearance of site, and building of plant	Dirty water from plant footprint	Development was restricted to the proposed site. Noise was kept to a minimum to reduce the impact of the development on the fauna residing on the site. Natural wetland vegetation left undisturbed where possible. Biodiversity action plan to be developed within two years of full production.
Dust		
Reduced air quality	Dust pollution from vegetation clearance, earthworks and increased traffic	Major haul routes within the operating area paved, where possible. Suppression measures implemented in unpaved areas.
	Fugitive dust emissions from materials-handling operations	Ambient dust deposition rates continuously monitored, with monitoring stations positioned at the nearest industrial and residential receptors, as well as at the source.
	Emissions from the plant	Bag filters.
Waste management		
Management and disposal of waste	Hydrocarbons from wash bays Diesel spillage at dispensing station Laboratory effluent Fly ash	Waste disposal certificates available. Waste management plan in place. Waste manifests available on record. Waste selection made separately at a waste site. Procedures in place for waste generation, classification and disposal. For the construction phase of the project, a waste site was established where all the necessary sorting was conducted. During operational phase, separation will be done at source.

BUSINESS REVIEW SEPHAKU CEMENT CONTINUED

COMMUNITY ENGAGEMENT

SepCem has adopted a community policy on the rights of local communities that is aligned with international best practice relating to resettlement and compensation. By working in partnership with communities, SepCem can develop an understanding of the impact its operations may have on the livelihood of adjacent communities, and how to manage the short-term and long-term risks. This strategy is supported by a number of management systems dealing with impact assessment, community engagement processes, and social investment.

In October 2013, Sephaku Development signed an agreement with the communities of Springbokpan and Verdwaal for access to the mining area to commence with mining operations. Sephaku Development has committed to provide alternative grazing land as a long-term plan to address the loss of access to grazing land due to the mining operations.

In the interim, the company has provided the affected livestock farmers with temporary access to certain portions of the farms Klein Westerford 78 IO and portion 1 and 13 of Bethlehem for grazing purposes.

Community development

Sephaku Development supports a number of community development initiatives in line with the approved social and labour plan for Aganang. The details of the progress achieved to date are contained in the table below.

Community development initiatives – Aganang

Initiative	Planned	Progress to date	Comments
Adult basic education and training (ABET)	Support for ABET facilities at the communities to meet SepHold's minimum entry requirements of matric, ABET Level 4, or NQF1	• Supply of learner support materials, furniture, career development to five government ABET centres at local communities • Support to Grade 11 and 12 maths and science learners at the Greater Itsoseng community area	• To offer 20 local contract employees ABET training by the end of 2014 based on the outcome of the recognition of prior learning assessment at the construction of the Aganang plant
Learnerships	Learnerships or artisan training opportunities	• 12 learners from local communities offered training to become fitters and electricians • 10 learners passed their trade test and are now qualified artisans • Six learners employed in the Aganang engineering department in 2014	• Two learners to complete programme by mid 2014 • An intake of two employees from the local communities to be trained as artisans from June 2014 • Expenditure to date: R3,2 million
Core business training	Development of a training programme during operational phase	• SepCem and the mining contractor (MCC Group) to offer training and development to 80 community members in mobile machine operation and workshop assistance • MCC will recruit from this pool of learners	• Training commenced in January 2014 and will be completed by June 2014 ahead of the recruitment process • Expenditure to date: R450 000
Portable skills	• Implementation of portable skills programme: – vehicle operators (10) – leadership and interpersonal skills (25) – small business management skills (25) – personal financial skills (25) – plumbing and brick-laying (50)	• 50 trained on Code 10 and Code 14 driver's licence for recruitment at mining operations – 30 obtained driver's licences in 2013 and additional 20 will complete the programme in the 2014 calendar year • 30 trained in leadership development and life skills • 25 trained in basic scaffold (10) and basic engineering (15) in 2012 and 2013. All received SETA accredited certificates. • Eight trainees employed as laboratory technicians and operators at Aganang from February 2014	• Portable training to equip young people with skills required at plant or mining operations • Additional 20 people to be trained on pallet manufacturing, business management and baking • 20 people to be recruited by the bakery and pallet and replacement centres by July 2014 • Expenditure to date: R516 000
Bursary and internship plan	Bursaries for four students and internship opportunities	• Four students awarded full-time bursaries for engineering at national universities since 2011 • Employed three young community members as trainees in risk management, organisational performance and community development	• 2014 bursary programme focused on students doing second year and above • New intake to focus on technical training at FET colleges to create a pool of learners for future artisan-training programme • Expenditure to date: R275 964

Local economic development projects supported by SepCem

Project	Motivation	Implementation status	Budget estimate
Springbokpan clinic	No healthcare facilities at affected communities who have been using a mobile clinic	• Completed refurbishment of the Springbokpan clinic in December 2013 and handed over the facility to the community for use by the Department of Health	R700 000
Verdwaal community centre	No facilities to support community including lack of primary healthcare and other social services	• Project commenced in November 2013 and will be completed in July 2014	R900 000
Bakery	To support job creation and improve food security in the local communities	• Agreement with Butterfield Holdings to supply equipment and manage the project • Project to be operational by August 2014 and will create up to 15 jobs at full production • Employee trust scheme to be established to provide long-term incentive to project beneficiaries	R1 464 000
Pallet repair and replacement	To supply the plant with pallets and create employment and empowerment of local people	• Project aligned with the start of Aganang operations and will create 18 sustainable jobs • Employee trust scheme established to provide long-term incentive to project beneficiaries	R1 600 000

Chief executive officer of SepCem, Mr P Fourie (right), handing over the keys to the Springbokpan clinic in April 2014 to Mr W Pitso, the headman of Springbokpan (left)

BUSINESS REVIEW SEPHAKU CEMENT CONTINUED

RISK MANAGEMENT

SepCem has an oversight process to ensure effective risk management and accountability. Strategic and operational risk matrices are monitored bimonthly.

Strategic risks

Strategic risks are defined as those that have the potential to cause significant financial loss, fundamentally undermine SepCem's competitive position and adversely impact its reputation.

The key potential strategic risks for SepCem, and measures to mitigate them, are:

Risk	Measures to mitigate the risk
Raw materials such as magnetite and bottoms ash reclassified as hazardous waste, requiring licensing under National Environmental Management: Waste Act, 59 of 2008	• Aganang basic assessment in process • Participating in industry discussions with the director general of the Department of Trade and Industry (dti) to establish potential impact and possible mitigation
Unforeseen interest rate increases beyond those built into forecasted plans	• Interest hedging is continually assessed at board meetings
Requirement for specialised transport to deliver product to customers	• Delivery system is 100% outsourced • Contracts have been concluded with five service providers
Eskom's inability to provide dedicated power to plants	• Risk low due to relatively lower industry power consumption • Generators in place to protect equipment
Competitor responses	• Strategy to enter market responsibly to avoid aggressive reaction by incumbents and develop a long-term sustainable presence • Higher levels of cost-efficiency provide a competitive advantage
Regulatory environments: Competition Act, 89 of 1998 (CA), Consumer Protection Act, 68 of 2008 (CPA), and Protection of Personal Information Act, 4 of 2013 (PoPI), these acts affect SepHold as a wholesale supplier of cement	• All executives and customer-facing employees have received CA compliance training and will attend biannual refresher courses; a document is being published to reinforce compliance; and a commercial executive was tasked with overseeing compliance • As a predominantly wholesale supplier, SepCem does not ordinary sell directly to customers, but in the event that this occurs, standard terms and conditions of supply have been redrafted to take the CPA into consideration • SepCem is planning a programme for internal training on PoPI, an institutional compliance audit, development of a privacy policy, and a system of monitoring ongoing compliance
Impact of regulatory uncertainty in mining industry on mining licence	• Remains a potential risk SepCem uses its secured limestone deposits on the Stiglingspan and Verdwaal farms west of Lichtenburg to operate the Aganang and Delmas plants • A revised lease agreement has been submitted to the Minister of Mineral Resources for approval • Conclusion of land access agreements with the Stiglingspan and Verdwaal farm communities, Kopano and the Department of Land Affairs, has enabled SepCem to proceed with mining activities
Obtaining community leader support for operations	• SepCem has adopted a community policy based on partnership and aligned with international best practice on the rights of local communities relating to resettlement and compensation • This approach is supported by a number of management systems dealing with impact assessment, community engagement processes and social investment • New B-BBEE arrangement will benefit the community who will represented as trustees

Operational risks

The key potential operational risks for SepCem, and measures to mitigate them, are:

Risk	Actions to mitigate the risk
Scarcity of water supply to site	♦ Lower water consumption at 151 litres/tonne of cement-in-bin compared to similar plants which consume over 250 litres/tonne ♦ Kiln line uniquely designed to use ambient air instead of gas conditioning tower for cooling ♦ Mine and plant supply from boreholes
Shortage of technically skilled human resources, particularly with cement processing skills or heavy engineering	♦ Specialist skills retained in executive team • Succession plan still to be finalised ♦ Local workforce recruited and trained in extensive skills to operate cement plant, including a deliberate skills transfer programme from Sinoma • Additional 200 lower-skilled workers currently in training for Aganang. ♦ 50 Chinese engineers employed by Sinoma remain involved in final stages of commissioning and testing at Aganang
Retention of key skills	♦ Executive leaders have been retained as a result of positive working experience ♦ SepCem has implemented a succession plan ♦ A long-term retention plan still to be finalised
The risk of a single power source at Aganang plant	♦ Planning is underway for Eskom to install a ring network to double the source of power due to be completed in 2016
Regulatory hurdles that may result in licences not being granted or renewed timeously	♦ Appropriate intervention to provide technical capacity and support in environmental matters at local and provincial levels

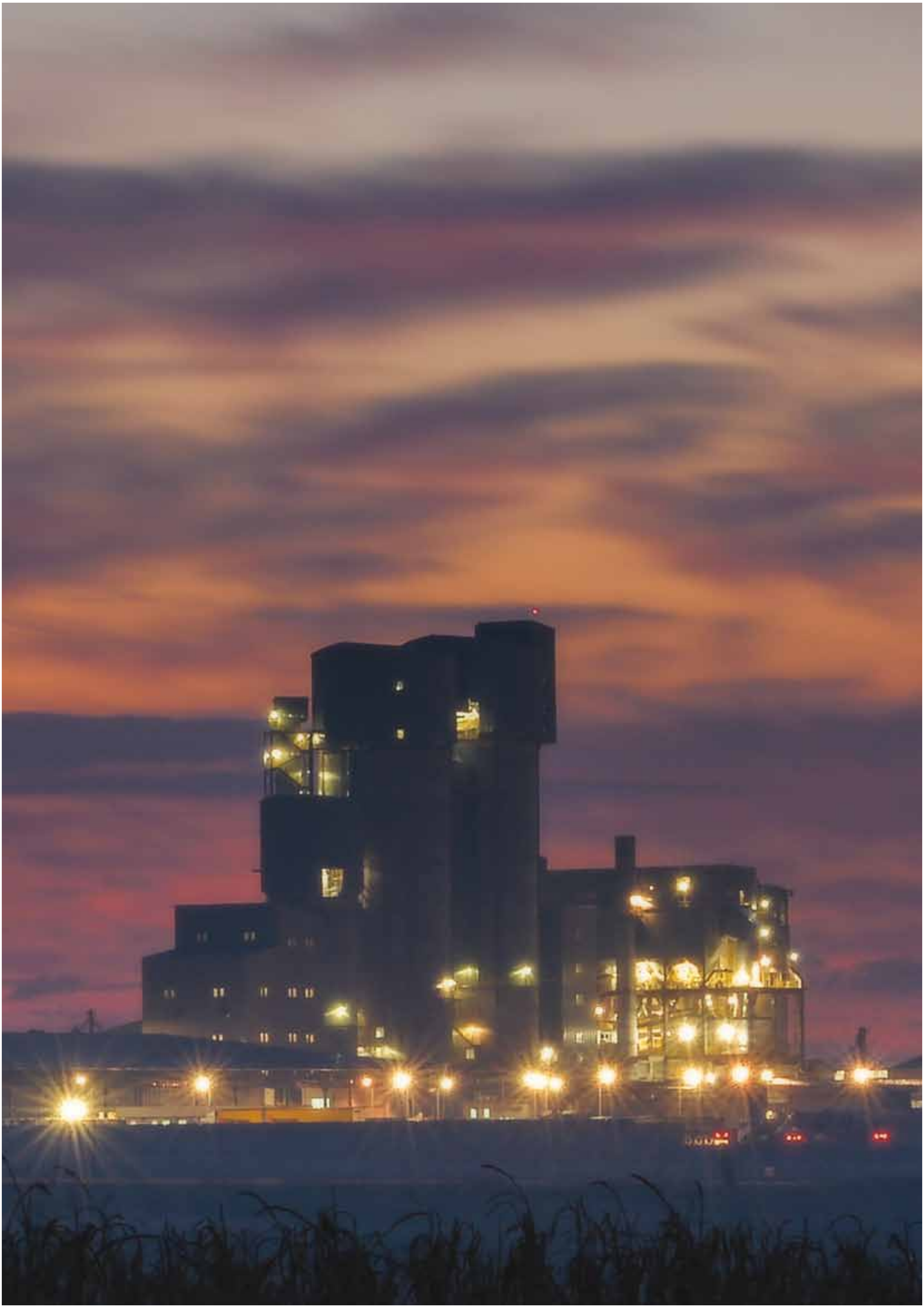
LOOKING AHEAD

Based on extensive company research and analysis, the long-term sustainable growth rate for the cement industry is forecast to be 4,5% per annum. The industry sales for 2014 are projected to grow by 3% to 4% based on an assumed GDP rate of 2,4%.

South Africa, excluding Botswana, Lesotho, Namibia and Swaziland (BLNS countries), consumed approximately 12,6 million tonnes of cement in 2013. The estimates for the BLNS countries are circa 0,6 million tonnes, which including South Africa results in a total of 13,2 million tonnes. The capacity of the current producers amounts to approximately 14,5Mtpa based on the active kilns of the incumbents and is expected to increase to approximately 17 million tonnes by 2016 with the introduction of the SepCem production capacity of 2,5 million tonnes. Demand is expected to surpass potential supply by 2018. Once the industry is operating at full capacity, the opportunity will be created for additional capacity to be introduced into the industry.

The main market drivers of growth in the industry include residential housing, backlogs in affordable housing and related bulk infrastructure projects to increase capacity in, among others, water, sanitation and power. There is also a dire need to maintain and upgrade current national transport systems, specifically the secondary road infrastructure network. While an increase in building plans in 2013 confirms growth in the construction industry, the implementation of government's infrastructure development programme, which would introduce additional growth impetus, remains slow.

The commencement of clinker production in Aganang in July 2014 will enable the Aganang and Delmas plants to focus on delivering consistent quality cement products, offer excellent service to the market and ramp up volumes in line with market demand.



5

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

The board of directors of SepHold provides ethical leadership and oversees the overall process and structure of corporate governance. Each business area and every employee of SepHold, SepCem and Métier is committed to the principles of good corporate governance and to applying the highest ethical standards in conducting business, being a good corporate citizen and generating sustainable levels of performance and returns on shareholders' investment.

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

Shareholders are also referred to the King III compliance register included on the company's website for further information on the group's detailed analysis for the compliance to the King III Code. (www.sephakuholdings.co.za/ourbusiness/corporategovernance).

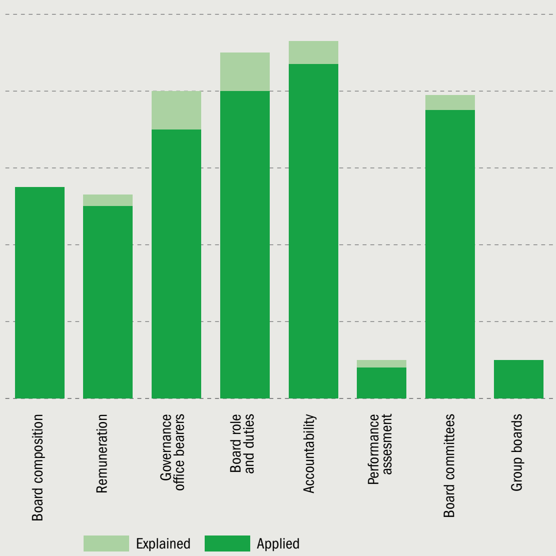
Summary governance result – overall (current review)

The Summary Governance result based on the Institute of Directors South Africa's (IoDSA) tool, the Governance Assessment Instrument (GAI).

Overall score
AAA

Completeness meter
100%

Weighting graphic



Application meter

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

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

The assessment criteria of the IoDSA web-based tool, the Governance Assessment Instrument, have been based on the practice recommendations of the King III report. These criteria are intended to assess quantitative aspects of corporate governance only, and not qualitative governance. For a detailed assessment of the qualitative criteria, shareholders are referred the register on the company's website. Full disclaimer at www.iodsa-gai.co.za

THE BOARD AND SUBCOMMITTEES

The SepHold board supports the long-term sustainability of corporate capital, balanced economic, social and environmental performance and due consideration of legitimate stakeholder involvement. SepHold has a unilateral board that takes overall responsibility for the success of the group and acts in the best interest of SepHold and its stakeholders.

The board comprises ten directors, four of whom are executive, two 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.

The board delegates certain functions to various board committees on which independent non-executive, executive and non-executive directors play an active and pivotal role. All committees operate under board-approved terms of reference, which are reviewed and updated regularly to align them with best practice and to take the recommendations set out in King III into consideration. The chairmen of these committees are, in conjunction with the board, elected by the members of each committee.

The audit and risk committee is chaired by an independent non-executive director who attends the annual general meeting (AGM) of SepHold 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.

Roles and responsibilities

Committee	Charter or mandate	Roles and responsibilities
Board	Yes	♦ Approval of SepHold's strategy and annual budget ♦ Overseeing operational performance and management ♦ Ensuring that there is adequate succession planning at senior levels ♦ Overseeing director selection, orientation and evaluation ♦ Approval of major capital expenditure or disposals, material contracts, material acquisitions and developments ♦ Reviewing and approving the terms of reference of board committees ♦ Determining policies and processes that seek to ensure the integrity of risk management and internal controls ♦ Maintaining and monitoring the systems of internal control and risk management ♦ Communicating with shareholders, including approval of all circulars, prospectuses and major public announcements ♦ Approving the interim financial results, the integrated report and the annual financial statements (including the review of critical accounting policies and accounting judgements and an assessment of SepHold's position and prospects)
Executive committee	Yes	♦ Developing strategy and policy proposals for consideration by the various boards and implementing the directives of the various boards ♦ Developing and implementing strategy, operational plans, policies, procedures and budgets ♦ Monitoring operational and financial performance ♦ Assessing and controlling risk ♦ Overseeing operational activities ♦ Prioritising and allocating resources ♦ Monitoring competitive forces in each area of operation
Audit and risk	Yes	♦ Nominating a registered and independent auditor and determining fees to be paid and terms of engagement ♦ Determining any non-audit services that the auditor may provide and pre-approving these ♦ Preparing a report for the annual financial statements for that financial year, describing how the audit and risk committee carried out its functions, stating whether the audit and risk committee is satisfied that the auditor was independent of SepHold, and commenting in any way the committee considers appropriate on the financial statements, the accounting practices and the internal financial control of SepHold ♦ Dealing appropriately with any concerns or complaints relating to the accounting practices and audit of SepHold, the content or auditing of SepHold's financial statements, and the internal financial controls of SepHold ♦ Making submissions to the SepHold board on any matters concerning accounting policies, financial control, records and reporting ♦ Performing other functions determined by the SepHold board, including the development and implementation of a policy plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within SepHold
Remuneration and nomination	Yes	♦ Reviewing the composition of the SepHold board ♦ Identifying and making recommendations to the board regarding the appointment of new directors ♦ Ensuring that appropriate succession plans are in place for the board and senior management ♦ Reviewing the performance of non-executive directors ♦ Approving remuneration policies for executive directors and senior management of Sephaku Holdings
Social and ethics	Yes	Monitoring the group's activities regarding: ♦ Maintaining good relations with consumers ♦ Maintaining good relations with employees and achieving employment equity ♦ Promoting and protecting the environment, health and safety ♦ Preventing and combating bribery and corruption ♦ Being a good corporate citizen, particularly efforts at protecting and advancing human rights, promoting equality and preventing unfair discrimination ♦ Extending the reach and impact of the values and ethics through the business partners and supply chain

CORPORATE GOVERNANCE REPORT CONTINUED

Attendance registers

Board

Name	27 June 2013	21 August 2013	18 November 2013	18 March 2014
B Williams (chairman)	✓	✓	✓	✓
Dr L Mohuba	✓	✓	✓	✓
NR Crafford-Lazarus	✓	✓	✓	✓
RR Matjiu	✓	✓	×	✓
PF Fourie	✓	×	✓	✓
MM Ngoasheng	×	✓	×	✓
CRDW de Bruin (resigned 21 April 2014)	✓	✓	✓	✓
Dr D Twist	✓	✓	✓	✓
MG Mahlare	✓	✓	✓	✓
PM Makwana	✓	✓	✓	×
KJ Capes (appointed 29 July 2013)	–	×	✓	✓
J Bennette (company secretary)	✓	✓	×	✓

Audit and risk committee

Name	Qualification	12 June 2013	13 August 2013	8 November 2013	12 March 2014
MG Mahlare (chairman)	BCom (Accounting), BCom (Hons)	✓	×	✓	✓
B Williams	BA, BProc, LLM, DLA	×	✓	✓	✓
PM Makwana	BAdmin (Hons), EDP	✓	✓	✓	✓
NR Crafford-Lazarus *(ex officio)*	BCom (Hons), CA(SA)	✓	✓	✓	✓
Dr L Mohuba *(ex officio)*	MBChB	✓	✓	✓	✓
J Bennette (company secretary)		✓	✓	✓	✓

Remuneration and nomination committee

Name	14 August 2013	18 March 2014
MM Ngoasheng (chairman)*	✓	✓
PM Makwana	✓	×
CRDW de Bruin (resigned 21 April 2014)	✓	✓
Dr L Mohuba (*ex officio* member)	✓	✓
NR Crafford-Lazarus (*ex officio* member)	✓	✓
J Bennette (company secretary)	✓	✓

** When matters are discussed at this committee which are ordinarily dealt with by a nominations committee (such as board appointments), the chairman of the board, Mr B Williams, chairs that portion of the meeting. It is minuted appropriately that Brent Williams chaired the committee for purposes of nomination matters only.*

Social and ethics committee

Name	27 June 2013	13 August 2013	12 March 2014
B Williams (chairman)	✓	✓	✓
JW Wessels	✓	✓	✓
RR Matjiu	✓	✓	✓
PF Fourie (appointed 13 August 2013)	–	✓	✓
KJ Capes (appointed 13 August 2013)	–	✓	✓
J Bennette (company secretary)	✓	✓	✓

Division of responsibility

There is a clear division between the roles of the chairman and chief executive officer (CEO). The SepHold board is chaired by an independent non-executive director.

- The chairman is responsible for providing leadership to the board, overseeing its efficient operation and ensuring effective corporate governance practices.
- The CEO is responsible for implementing and maintaining the strategic direction of SepHold and ensuring that the day-to-day affairs of the operations are appropriately supervised and controlled.

Induction, training and evaluation

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

A board evaluation was performed by an independent third-party provider during the third quarter of 2013. The recommendations made will be considered by the board and, where necessary, actioned though the office of the company secretary.

Directors' rotation

In accordance with SepHold's memorandum of incorporation (MOI), directors (excluding executive directors) are subject to retirement by rotation and re-election by shareholders at least every three years. Retiring directors can be re-elected immediately by the shareholders at the annual general meeting. Brent Williams and David Twist retire at the next annual general meeting to be held on 21 August 2014. Brent Williams stands for re-election at this meeting.

Conflicts of interest

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

Company secretary

All directors have full and timely access to all information that may be relevant to the proper discharge of their duties and obligations. Where appropriate, the directors may also consult with independent professionals and advisors, at SepHold's expense.

The company secretary is responsible for the functions specified in chapter 88 of the Companies Act, including that all meetings of shareholders, directors and board subcommittees are properly recorded. The board confirmed that it has annually considered and satisfied itself with the competence, knowledge, qualifications and experience of the company secretary, who has been evaluated by all the directors.

The board is of the opinion that an arm's length relationship has been maintained between the members of the board and the company secretary. This is supported by the fact that with effect from 21 August 2013, Ms J Bennette resigned as an alternate director and is therefore no longer a director of the company.

Share dealings

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

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

Donations to political parties

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

Communication

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

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

CORPORATE GOVERNANCE REPORT CONTINUED

RISK IDENTIFICATION AND ANALYSIS IS STRUCTURED AROUND SEPCEM AND MÉTIER

RISK REPORT

The board recognises the importance of an effective risk management process and acknowledges that it is responsible and accountable for ensuring that adequate procedures and processes are in place. Both SepCem and Métier have approved a formally documented audit and risk management policy as recommended by King III. This policy clearly sets out: the responsibilities of employees, management, the risk committee and the board; the definition of risk and risk management; risk management objectives; the board's risk approach and philosophy; the risk management process and structures. In terms of the policies, the risk committee serves an oversight role in respect of risk management.

Risk management

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

Risk identification and analysis

The board is satisfied that SepCem and Métier have and maintain an effective ongoing risk assessment process, consisting of risk identification, risk quantification and risk evaluation. This risk 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 risk assessments is provided to the audit and risk committee and the board with a realistic perspective of key risks and other material risks that the companies face.

Risk identification and analysis is structured around SepCem and Métier. A follow-up of the main risks selected by SepCem and Métier on the basis of their risk mapping is submitted to the audit and risk committee. An in-depth analysis was performed on the main risk areas identified and action plans have been developed and are progressively implemented. As part of management's cycle, strategic reviews of all operational units are conducted periodically by the heads of the operational units. These strategic reviews include an analysis of the main risks to which the operational entities are exposed.

Material losses

The group incurred no material losses during the financial year.

Risk appetite and tolerance

The board considers risk management as achieving an appropriate balance between realising opportunities for gains while minimising adverse impacts.

The board is satisfied that no member of management within the organisation has exceeded his or her authority or acted contrary to the board's stated risk appetite and in so doing, has exposed the group to unnecessary risk during the financial year and up to the date of this report.

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

The audit and risk committee has considered and has satisfied itself of the appropriateness of the expertise and experience of the financial director, Mr Neil Crafford-Lazarus, whose *curriculum vitae* appears on page 21.

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

Pallets of Sephaku 32,5R cement at Delmas milling plant

CORPORATE GOVERNANCE REPORT CONTINUED

REMUNERATION REPORT

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

The guiding principles of the remuneration policy are:

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

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

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

- appropriately compensates employees for services they provide to the company;
- provides a flexible and competitive remuneration structure that:
  - is referenced to appropriate benchmarks;
  - reflects market and industry practices;
  - is tailored to the specific circumstances of SepHold, so as to attract, motivate and retain highly skilled employees;
- aligns remuneration practices with the business strategy, objectives, values and long-term interests of the company;
- ensures equitable remuneration to help facilitate the deployment of people around the business;
- complies with all relevant legal requirements; and
- ensures variable remuneration payment is aligned with the company performance, both on divisional and individual level.

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

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

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

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

Directors' and management remuneration

Directors' emoluments are set out in note 37 in the annual financial statements on pages 47 to 48. Beneficial shareholding of directors and associates, and directors' interests in share options are disclosed in the directors' report on pages 8 and 9.

SOCIAL AND ETHICS REPORT

In line with the Companies Act and the regulations, SepHold established a social and ethics committee in 2012.

The committee comprises no fewer than three members who are directors of SepHold and at least one director is a non-executive director.

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

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

The committee also monitors activities of the operating companies regarding:

- social and economic development, including SepHold's standing in terms of the goals and purposes of:
  - the 10 principles set out in the United Nations Global Company Principles;
  - the OECD recommendations regarding corruption;
  - the EE Act;
  - the Broad-Based Black Economic Empowerment Act, 53 of 2003;
- good corporate citizenship, including:
  - promotion of equality, prevention of unfair discrimination, and measures to address corruption;
  - contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed;
  - record of sponsorship, donations and charitable giving;
  - the environment, health and public safety, including the impact of the activities and of its products or services;
  - consumer relationships, including the policies and record relating to advertising, public relations and compliance with consumer protection laws; and
  - labour and employment matters.
- reviewing the adequacy and effectiveness of engagement and interaction with its stakeholders;
- considering substantive national and international regulatory developments, overseeing their operationalisation and practice in the fields of social and ethics management;
- reviewing and approving the policy and strategy pertaining to the programme of corporate social investment;
- determining clearly articulated ethical standards (code of ethics), and ensuring that measures are taken to achieve adherence to these in all aspects of the business, thus achieving a sustainable ethical corporate culture;
- monitoring that management develop and implement programmes, guidelines and practices congruent with the social and ethics policies;
- reviewing the material risks and liabilities relating to the provisions of the code of ethics, and ensuring that such risks are managed as part of the risk management programme; and
- reviewing the performance in implementing the provisions of the code of ethics.

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

The social and ethics committee held three meetings in 2013 and provided a summary of its meetings to the SepHold board for review. At these meetings, major incidents are reported and performance updates presented to ensure that the group operates in a socially responsible manner.

Community engagement

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

The strategy is to:

- work in partnership with communities;
- understand how the operations will affect the livelihood of adjacent communities and the responsibilities of all parties involved; and
- manage short- and long-term community risks.

This strategy is supported by a number of management systems dealing with impact assessment, community engagement processes and community social investment.

Corporate social investment

A number of engagements have taken place during the financial year by SepCem and Métier. More information on some of these actions can be found in the Business Review on pages 36 to 64.

Employment practices

Non-discrimination

The group complies with the EE Act. The employment equity (EE) committee meetings are held annually with the focus to review the employment equity principles, goals and plans to achieve a representative workforce at all occupational levels. A continuous analysis and assessment of employment practices, policies and procedures is executed to ensure that barriers are identified timeously to ensure progress on adherence to the plan and set targets.

CORPORATE GOVERNANCE REPORT CONTINUED

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

Labour relations

The group is committed to the labour rights principles in line with national legislation and International Labour Organisation (ILO) core conventions. This includes the right to freedom of association and collective bargaining, the eradication of child and forced labour, and non-discrimination. The companies do not tolerate any form of unfair discrimination, inhumane treatment, forced labour, child labour, harassment or intimidation in the workplace.

Freedom of association and collective bargaining

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

Anti-corruption

The group adheres to the highest ethical principles in the way it conducts its business. The group supports its employees to ensure that they work consistently in an ethical, honest and legal manner. The following policies and procedures are in place to support this approach:

- Employees have access to a whistleblowing telephone hotline, which is available 24 hours a day throughout the year. The hotline is anonymous and is available in all 11 of South Africa's official languages. Information reported is passed to a designated senior executive who decides how it should be followed up; and
- The ethics policy and code of conduct are personally handed to employees who acknowledge receipt of the ethics policy by signature.

Notices have been placed in public places encouraging employees to report suspicion of fraud, theft and other elements of dishonest acts in the workplace. Employees are also encouraged to report behaviour that includes:

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

THE GROUP AIMS TO PROMOTE STRONG RELATIONSHIPS WITH THE COMMUNITIES IN WHICH IT OPERATES AND WILL SEEK REGULAR ENGAGEMENT ABOUT ISSUES WHICH MAY AFFECT THEM

Respect for human rights

The group views community engagement as a business imperative and an integral element of its vision and values. The group aims to promote strong relationships with the communities in which it operates and will seek regular engagement about issues which may affect them.

Safety management

The group plans to achieve and maintain the highest standards of safety at its operations as outlined in the health and safety policy and these address the following areas, among others:

- Behavioural safety
- Accidents, incidents and non-conformances
- Emergency preparedness and response
- Training, awareness and competence

Typical hazards associated with the construction of SepCem's cement factory include working at heights, noisy and dusty environments, and the use of heavy machinery and electrical apparatus.

The bulk cement silos at Delmas with a combined capacity of 22 000 tonnes

CORPORATE INFORMATION

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PM Makwana°
MM Ngoasheng°
Dr L Mohuba* (chief executive officer)
NR Crafford-Lazarus* (financial director)
RR Matjiu*
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° Independent

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