2019

BUILDING BLOCKS FOR GROWTH

ANNUAL FINANCIAL STATEMENTS

SEPHAKU
HOLDINGS LTD

2019

ANNUAL FINANCIAL STATEMENTS

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

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

Issued
25 June 2019

CORPORATE INFORMATION

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

GREYMATTER & FINCH #11080

AUDIT AND RISK COMMITTEE REPORT

The information below constitutes the report of the audit and risk committee (the committee) for the 2019 financial year of Sephaku Holdings Limited (SepHold) and its subsidiaries. This report is in compliance with the Companies Act and the King IV Report on Corporate Governance™* for South Africa, 2016, recommendations.

1. MANDATE AND TERMS OF REFERENCE

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

2. COMPOSITION AND ATTENDANCE AT MEETINGS

For the financial year the committee comprised MJ Janse van Rensburg (chairperson), B Bulo, PM Makwana and B Williams (appointed 12 November 2018), each of whom are independent non-executive directors. PM Makwana resigned from his position as independent non-executive director and a member of the committee with effect from 1 October 2018. His resignation follows his appointment as a non-executive director and chairperson of another board which will require a significant portion of his time. The position was filled with the appointment of B Williams as a member of the committee on 12 November 2018. In addition, the chief executive officer and financial director are permanent invitees to meetings. The committee meets at least three times per annum and special committee meetings are convened as required.

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

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

3. STATUTORY DUTIES

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

The committee has performed the following statutory duties:

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

4. EXTERNAL AUDITOR

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

The committee agreed to the engagement letter, terms, audit plan and budgeted audit fees for the financial year ended 31 March 2019. This was done after consultation with executive management.

AUDIT AND RISK COMMITTEE REPORT (continued)

4. EXTERNAL AUDITOR (continued)

The external auditor is invited to and attends all committee meetings. Findings by the external auditor arising from his annual statutory audit is tabled and presented at a committee meeting following the audit. The external auditor has expressed an unqualified opinion on the annual financial statements for the year ended 31 March 2019. This will be presented at the annual general meeting.

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

5. INTERNAL FINANCIAL CONTROLS

The committee has reviewed:

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

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

6. ANNUAL FINANCIAL STATEMENTS

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

7. GOING CONCERN

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

8. EXPERTISE AND EXPERIENCE OF FINANCIAL DIRECTOR AND FINANCE FUNCTION

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

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

9. DUTIES ASSIGNED BY THE BOARD

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

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

10. INTERNAL AUDIT

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

11. RISK MANAGEMENT

The committee is responsible for the following:

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

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

The committee met with BDO South Africa Inc prior to the commencement of the audit to discuss the potential key audit matters.

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

- Goodwill impairment (group); and
- Investment in subsidiary (company).

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

The committee held a meeting on 21 June 2019 at which time they reviewed and recommended the annual financial statements for approval by the board of directors.

On behalf of the audit and risk committee

MJ Janse van Rensburg
Chairperson
25 June 2019

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Sephaku Holdings Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Sephaku Holdings Limited (the group) and company set out on pages 14 to 68, which comprise the consolidated and separate statements of financial position as at 31 March 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 31 March 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (Revised January 2018), parts 1 and 3 of the *Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors* (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the *International Ethics Standards Board of Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Consolidated financial statements: *Assessment of Goodwill for impairment* At 31 March 2019, the Group has goodwill with a carrying value of R223 421 981 recognised on the acquisition of the subsidiary in previous periods. In terms of IAS 36 – Impairment of Assets, management are required to perform an impairment test on goodwill at least annually, and are furthermore required to perform an impairment test if indicators of impairment are identified. As disclosed in Note 1.2 and Note 5 to the financial statements, goodwill is assessed using discounted cash flow models which include a number of key judgements and estimates. The most significant being the growth rates and discount rates applied to forecasted cash flows. We have determined this to be a key audit matter due to the judgement required by management in preparing a 'value-in-use' calculation to perform the impairment test. Forecasting future cash flows and applying an appropriate discount rate, inherently involves a high degree of estimation and judgement by management.	In considering the appropriateness of management's judgement used in the testing of goodwill for impairment, we performed the following audit procedures with the assistance of our internal valuation specialists: ● Reviewed the model for compliance with ISA 36 Impairment of Assets. ● Verified the mathematical accuracy and methodology appropriateness of the underlying model and calculations. ● Checked the accuracy and relevance of the input data provided by management based on our knowledge of the business and industry. ● Evaluated the cash flow projections and the process by which they were developed, compared the cash flows to the latest Board approved budgets, and assessed the historical accuracy and reasonableness of the budgeting process. ● Assessed the key growth rate assumptions by comparing them to historical results, economic and industry forecasts, and assessing the discount rate by reference to the cost of capital of the group. ● Performed a sensitivity analysis of the key assumptions in the model, considered the potential impact of reasonably possible downside changes in these key assumptions. ● Considered the adequacy of the Group's disclosures in Note 1.2 and Note 5 about those assumptions to which the outcome of the impairment test is most sensitive to the determination of the recoverable amount.

Key audit matter	How our audit addressed the key audit matter
Separate financial statements: *Investment in subsidiary (Note 1.2 and Note 7)* At 31 March 2019, the Company has an investment in a subsidiary. The cost of the investment amounts to R299 378 028. In accordance with IFRS, – IAS36 – Impairments of assets, the Company shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indicator exists the entity shall assess the recoverable amount. As disclosed in note 7 to the financial statements, reduced profitability and general economic downturn in the construction industry were identified as indicators of impairment in the current financial period. However, no impairment was necessary. We have determined this to be a key audit matter due to the judgement required by management in preparing a 'value-in-use' calculation to perform the impairment test. Forecasting future cash flows and applying an appropriate discount rate, inherently involves a high degree of estimation and judgement by management.	In considering the appropriateness of management's judgement used in the testing of the investment of subsidiary for impairment, we performed the following audit procedures with the assistance of internal valuation specialists: • Reviewed the model for compliance with ISA 36 Impairment of Assets. • Verified the mathematical accuracy and methodology appropriateness of the underlying model and calculations. • Checked the accuracy and relevance of the input data provided by management based on our knowledge of the business and industry. • Evaluated the cash flow projections and the process by which they were developed, compared the cash flows to the latest Board approved budgets, and assessed the historical accuracy and reasonableness of the budgeting process. • Assessed the key growth rate assumptions by comparing them to historical results, economic and industry forecasts, and assessing the discount rate by reference to the cost of capital of the group. • Performed a sensitivity analysis of the key assumptions in the model, considered the potential impact of reasonably possible downside changes in these key assumptions. • Considered the adequacy of the Group's disclosures in Note 1.2 and Note 7 about those assumptions to which the outcome of the impairment test is most sensitive to the determination of the recoverable amount.

OTHER INFORMATION

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

to the shareholders of Sephaku Holdings Limited

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of Sephaku Holdings Limited for 12 years.

BDO South Africa Inc

BDO SOUTH AFRICA INC
Registered Auditors

R Huiskamp
Director
Registered Auditor

25 June 2019

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

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

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

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

The directors have reviewed the group and company's cash flow forecast for the year to 31 March 2020 and, in light of this review and the current financial position, they are satisfied that the group has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The annual financial statements set out on pages 14 to 68 were approved by the board on 21 June 2019 and were signed on its behalf by:

NR Crafford-Lazarus
Financial director

Dr L Mohuba
Chief executive officer

Centurion, South Africa
25 June 2019

CERTIFICATE BY COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I declare that to the best of my knowledge, for the year ended 31 March 2019, Sephaku Holdings Limited has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act and that such returns are true, correct and up to date.

Acorim

Acorim Proprietary Limited
Company secretary

Centurion, South Africa
25 June 2019

DIRECTORS' REPORT

The directors submit their report for the year ended 31 March 2019.

1. REVIEW OF ACTIVITIES

Main business and operations

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

Group

Head office expenses reduction

In line with the constrained operating environment, SepHold executive management commenced the implementation of the head office expenses reduction plan. For instance, in October 2018, the company did not replace three directors following their resignation from the board and reduced executive management remuneration. The comparative annual expenses were 9% lower at R22,9 million from these initial savings achieved for the six months ended 31 March 2019. The non-cash portion was approximately 21% (R4,8 million) mainly constituting depreciation and option vesting expenses. Management has further committed to not increase their remuneration in FY 2020. The plan will result in expenses 25% lower than financial year (FY) 2018 (R25,3 million) by the end of FY 2020.

Métier Mixed Concrete

Sales volumes

The subsidiary's sales volumes marginally increased by 1% due to the declining construction activity and fierce competition. The KwaZulu-Natal volumes were 11% lower year on year but Gauteng volumes increased by 15% due to the mobile and 13th plants that were operational for three months and six months respectively. The strategic decision to increase plant footprint in the relatively high demand nodes of Pretoria supported Métier's volumes. On a like-for-like basis, excluding the new tonnage, the subsidiary's volumes decreased by 2,6%.

Profitability

Métier's gross profit was R320,5 million compared to R341,9 million mainly due to a 6,7% increase in cost of sales as a result of the additional plants and product mix against flat pricing. To support margins, management optimised production and logistics assets to align with prevailing demand. The subsidiary reduced the outsourced fleet by 16% to maximise the utilisation of owned fleets. Métier's low pricing environment against inflationary input costs and expenses resulted in a 55% decrease in net profit.

The subsidiary's EBITDA margin decreased to 6,2% (FY 2018: 10,9%), operating margin to 4,7% (FY 2018: 9,6%) and net profit to R21,5 million (FY 2018: R48,0 million).

Debtors management

Métier's market was characterised by numerous construction projects being suspended or terminated resulting in several incidences of business liquidation or rescue. To minimise customer defaults, the subsidiary continued to implement stricter credit terms including suspension of concrete supply for late remittances to ensure customer compliance. Insurance of debtors was obtained from CGIC during the current financial year and contributed favourably in the assesment of credit risk exposure under IFRS 9. All credit limits are reviewed regularly with strict adherence to those stipulated by the vetting institutions.

The subsidiary wrote off R4,5 million in bad debts for the year against a R6 million provision. To further mitigate against the incidence of defaults, Métier will increase the proportion of cash sales and expects the debtor profile to improve during calendar year (CY) 2020.

Debt management

Métier's term loan principal was reduced by 47% to R41 million (FY 2018: R76 million) in line with the group's stated priority of deleveraging the balance sheets. The subsidiary has two loan facilities with the same lender, one of which is a revolving credit facility for R100 million at a quarterly interest rate of JIBAR plus 400 bps. The revolving credit facility balance as at 31 March 2019 was R81,4 million. The final contractual payment for the term loan is scheduled for April 2020. The repayment of this amount over a period of 36 months to March 2023 has been agreed with the lenders in principle and will be finalised by 30 June 2019.

Dangote Cement South Africa (SepCem)

Sales volume

The low cement demand was exacerbated by the value added taxation and substantial fuel price increases in Q1 and Q4 CY 2018 respectively. These increases appear to have negatively impacted bagged cement end-users' purchasing power. Consequently, intense competition between the cement manufacturers, blenders and importers ensued during the year. SepCem's sales volumes were 6,4% lower year on year.

Revenue and profitability

Price increases were implemented in February and August 2018 resulting in 3,5% average increase per tonne. The effective increase was lower than targeted because of a higher volume proportion of bulk cement and intense competition in highly contested markets. SepCem's revenue decreased by 3,1% to R2,29 billion (2017: R2,37 billion) and the EBITDA margin was 20,1% (R461,5 million) compared to 21,3% (R504,2 million) for the period ended 31 December 2017.

DIRECTORS' REPORT (continued)

1. REVIEW OF ACTIVITIES (continued)

Dangote Cement South Africa (continued)

Revenue and profitability (continued)

The profit margins were further impacted by above inflation cost increases in inputs such as coal, electricity and fuel. Furthermore, due to the low quality of coal available to the local market, the associate had a higher than planned plant maintenance cost which contributed to the lower than targeted margins. SepCem has started various initiatives to eliminate and/or mitigate these challenges.

SepCem's net profit was R128,7 million mainly due to a R81,7 million tax credit that was granted in 2018 for the 2017 tax period. The 12L tax incentive provides for an energy efficiency tax allowance to be claimed at 98 c/kWh for the energy savings achieved against a set baseline. The associate achieved total energy saving of 307 GWh against the benchmark determined on the energy efficiency of a modern plant. On a like-for-like basis, the net profit was R46,9 million compared to R57,8 million in 2017.

Debt management

SepCem repaid R181,9 million of the project loan capital resulting in a balance of R1,65 billion at the end of December 2018. The total debt service was R379,4 million including interest expense of R197,5 million. The debt covenants continued to be under pressure during the year because of lower than targeted EBITDA. The Dangote Cement Plc shareholder loan increased to R474,0 million from R424,3 million accruing interest at JIBAR plus 400 bps. SepCem's cash balance at the beginning of the year was R413 million and the associate generated R483 million from its operations during the year ending with a cash balance of R508 million. This confirms that SepCem can adequately comply with its debt repayments and can enhance its cash generative capacity through higher cement prices.

Outlook

Building materials demand is expected to remain constrained because of the challenges for the government to stimulate the economy in the context of high sovereign debt and loss-making state-owned entities. The public sector has reduced infrastructure spending in an attempt to reign in debt and to enforce fiscal discipline.

Factors including lack of clarity on key policies, decreasing consumer discretionary income and lower demand for houses seem to have postponed private investment in infrastructure. Therefore, the outlook for the next 12 to 18 months for the construction industry is negative with stagnant growth. Management believes that this will start to show improvement after this period as confidence return to the market. With the plant expansion in Gauteng and the acquisition of the mobile plant, Metier is well positioned to return to previous levels of profitability with the increase in capacity.

Refer to note 9 of the annual financial statements for more details regarding Dangote Cement South Africa Proprietary Limited's financial results for the year ended 31 December 2018.

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

2. GOING CONCERN

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

3. EVENTS AFTER THE REPORTING PERIOD

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

4. AUTHORISED AND ISSUED STATED CAPITAL

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

In total, 1 873 354 (2018: 3 373 334) shares were issued during the year.

All the authorised and issued shares have no par value.

Refer to note 19 of the annual financial statements for further details on authorised and issued stated capital.

5. BORROWING LIMITATIONS

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

6. SHARE INCENTIVE SCHEME

Refer to note 20 of the annual financial statements for details about share-based payments during the financial year.

7. NON-CURRENT ASSETS

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

Additions to property, plant and equipment of the group amounted to R19 945 026 (2018: R14 915 358). Refer to note 4 of the annual financial statements for further details.

8. DIVIDENDS

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

9. DIRECTORS

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

Name	Position	Changes
B Williams	Chairperson – independent non-executive director	
PM Makwana	Independent non-executive director	Resigned 1 October 2018
MM Ngoasheng	Independent non-executive director	
MJ Janse van Rensburg	Independent non-executive director	
B Bulo	Independent non-executive director	
Dr L Mohuba	Chief executive officer	
NR Crafford-Lazarus	Financial director	
RR Matjiu	Non-executive director	Resigned 12 November 2018
KJ Capes	Executive director	Resigned 30 November 2018
PF Fourie	Non-executive director	
J Pitt	Alternate director to MM Ngoasheng	

10. SECRETARY

The secretary of the company is Acorim Proprietary Limited of:

Business address
13th Floor, Illovo Point,
68 Melville Rd, Illovo,
Sandton,
2196

Postal address
PO Box 41480
Craighall
2024

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

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

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

11. SUBSIDIARIES

Name of subsidiary	**Net income after tax 2019 R**	Net income after tax 2018 R
Métier Mixed Concrete Proprietary Limited	**9 456 371**	36 874 542
Sephaku Investment Holdings Proprietary Limited	**–**	(100)

Details of the company's investment in subsidiaries are set out in note 7 of the annual financial statements.

12. SPECIAL RESOLUTIONS

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

13. SHAREHOLDERS' INFORMATION

An analysis of shareholders and the respective percentage shareholdings appear in the shareholders' analysis section on page 69.

Beneficial shareholdings of directors, directors' associates and prescribed officers

	2019			2018		
Director/prescribed officer	**Direct**	**Indirect**	**Associates**	Direct	Indirect	Associates
DR L Mohuba	87 202	8 363 767	40 000	87 202	8 363 767	240 000
NR Crafford-Lazarus	2 362 078	–	–	2 342 078	–	–
RR Matjiu*	1 615 923	–	–	1 615 923	–	–
K Capes*	5 598 056	–	–	5 575 271	–	–
PF Fourie	–	5 433 559	–	–	5 433 559	–
	9 663 256	13 566 826	40 000	9 620 474	13 797 326	240 000

** Directors who resigned during the year.*

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

Directors' interests in share options

	2019							
	Opening balance number of share options	Exercise price R	Options exercised	Date exercised	Market price on exercise date	Options vested at year-end	Closing balance number of share options	Pre-taxation gain R
Dr L Mohuba								
Granted 29/06/2012	750 000	1,90	–		–	750 000	750 000	–
Granted 10/12/2014	400 000	6,80	–		–	266 667	400 000	–
Granted 31/03/2016	400 000	4,40	–		–	133 333	400 000	–
Granted 01/07/2017	475 000	3,00	–		–	–	475 000	–
NR Crafford-Lazarus								
Granted 29/06/2012	750 000	1,90	–		–	750 000	750 000	–
Granted 31/08/2012	750 000	1,90	–		–	750 000	750 000	–
Granted 10/12/2014	375 000	6,80	–		–	250 000	375 000	–
Granted 31/03/2016	400 000	4,40	–		–	133 333	400 000	–
Granted 01/07/2017	475 000	3,00	–		–	–	475 000	–
RR Matjiu								
Granted 29/06/2012	300 000	1,90	–		–	300 000	300 000	–
Granted 10/12/2014	125 000	6,80	–		–	83 333	125 000	–
Granted 31/03/2016	100 000	4,40	–		–	33 334	100 000	–
	5 300 000		–			3 450 000	5 300 000	–

13. SHAREHOLDERS' INFORMATION (continued)

	2018							
	Opening balance number of share options	Exercise price R	Options expired	Date expired	Market price on exercise date	Options vested at year-end	Closing balance number of share options	Pre-taxation gain R
Dr L Mohuba								
Granted 15/10/2010	715 000	R2,68	(715 000)	15/10/2017	–	–	–	–
Granted 29/06/2012	750 000	R1,90	–	–	–	750 000	750 000	–
Granted 10/12/2014	400 000	R6,80	–	–	–	133 333	400 000	–
Granted 31/03/2016	400 000	R4,40	–	–	–	–	400 000	–
Granted 01/07/2017	475 000	R3,00	–	–	–	–	475 000	–
NR Crafford-Lazarus								
Granted 15/10/2010	715 000	R2,68	(715 000)	15/10/2017	–	–	–	–
Granted 29/06/2012	750 000	R1,90	–	–	–	750 000	750 000	–
Granted 31/08/2012	750 000	R1,90	–	–	–	750 000	750 000	–
Granted 10/12/2014	375 000	R6,80	–	–	–	125 000	375 000	–
Granted 31/03/2016	400 000	R4,40	–	–	–	–	400 000	–
Granted 01/07/2017	475 000	R3,00	–	–	–	–	475 000	–
RR Matjiu								
Granted 15/10/2010	200 000	R2,68	(200 000)	15/10/2017	–	–	–	–
Granted 29/06/2012	300 000	R1,90	–	–	–	300 000	300 000	–
Granted 10/12/2014	125 000	R6,80	–	–	–	41 667	125 000	–
Granted 31/03/2016	100 000	R4,40	–	–	–	–	100 000	–
PF Fourie								
Granted 15/10/2010	550 527	R2,68	(550 527)	15/10/2017				–
	7 480 527		(2 180 527)			2 850 000	5 300 000	–

Refer to note 20 for more details on share options and the vesting conditions.

STATEMENTS OF FINANCIAL POSITION
as at 31 March 2019

	Notes	GROUP 2019 R	GROUP 2018 R	COMPANY 2019 R	COMPANY 2018 R
ASSETS					
Non-current assets					
Investment property	3	**–**	–	**18 503 897**	18 427 525
Property, plant and equipment	4	**147 059 791**	143 665 110	**91 166**	103 098
Goodwill	5	**223 421 981**	223 421 981	**–**	–
Intangible asset	6	**573 510**	2 867 551	**–**	–
Investments in subsidiaries	7	**–**	–	**299 378 029**	299 378 029
Investment in joint ventures	8	**120 552**	120 552	**–**	–
Investment in associate	9	**812 201 874**	765 870 275	**683 689 159**	683 689 159
Other financial assets	11	**10 918 381**	8 459 008	**10 918 381**	8 459 008
Operating lease asset		**–**	–	**1 469 511**	1 105 338
Long-term loans	14	**–**	2 000 000	**–**	2 000 000
Other investments	15	**2 000 000**	–	**2 000 000**	–
		1 196 296 089	1 146 404 477	**1 016 050 143**	1 013 162 157
Current assets					
Inventories	16	**18 154 356**	16 829 437	**–**	–
Loans to group companies	10	**–**	–	**10 249**	10 249
Current tax receivable		**1 175 731**	–	**–**	–
Trade and other receivables	17	**100 849 007**	133 331 514	**215 424**	326 256
Cash and cash equivalents	18	**2 823 868**	10 510 169	**–**	337 984
		123 002 962	160 671 120	**225 673**	674 489
Total assets		**1 319 299 051**	1 307 075 597	**1 016 275 816**	1 013 836 646
EQUITY AND LIABILITIES					
Equity					
Stated capital	19	**648 003 095**	644 443 723	**648 003 095**	644 443 723
Reserves		**14 351 157**	12 025 844	**14 351 157**	12 025 844
Retained income		**422 969 425**	378 928 819	**202 917 164**	213 012 820
		1 085 323 677	1 035 398 386	**865 271 416**	869 482 387
Liabilities					
Non-current liabilities					
Loans from group companies	10	**–**	–	**11 936 886**	12 625 620
Other financial liabilities	21	**81 014 556**	121 353 224	**–**	–
Deferred income	22	**877 557**	1 555 444	**–**	–
Deferred taxation	13	**21 772 407**	21 022 839	**–**	–
		103 664 520	143 931 507	**11 936 886**	12 625 620
Current liabilities					
Loans from group companies	10	**–**	–	**130 891 608**	128 278 008
Other financial liabilities	21	**40 721 110**	39 781 797	**–**	–
Current taxation payable		**–**	307 491	**–**	–
Operating lease liability		**4 085 158**	4 090 842	**–**	5 684
Trade and other payables	23	**80 096 267**	76 192 231	**3 445 474**	3 444 947
Deferred income	22	**677 887**	677 887	**–**	–
Bank overdraft	18	**4 730 432**	6 695 456	**4 730 432**	–
		130 310 854	127 745 704	**139 067 514**	131 728 639
Total liabilities		**233 975 374**	271 677 211	**151 004 400**	144 354 259
Total equity and liabilities		**1 319 299 051**	1 307 075 597	**1 016 275 816**	1 013 836 646
Net asset value per share (cents)	41	**521,25**	501,79		
Tangible net asset value per share (cents)	41	**413,75**	392,51		

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2019

		GROUP		COMPANY	
	Notes	2019 R	2018 R	2019 R	2018 R
Revenue	25	835 823 568	830 686 042	8 400 000	8 400 000
Rental income from investment property		–	–	3 673 869	3 673 869
Cost of sales	26	(515 275 407)	(488 756 744)	–	–
Gross profit		320 548 161	341 929 298	12 073 869	12 073 869
Other operating income	27	2 999 418	4 732 869	1 303 264	205 307
Operating expenses		(308 852 077)	(292 334 309)	(21 965 642)	(22 985 204)
Operating profit/(loss)	28	14 695 502	54 327 858	(8 588 509)	(10 706 028)
Investment income	29	2 532 411	4 749 191	1 459	1 336
Profit from equity-accounted investment	9	46 331 599	20 819 672	–	–
Finance costs	30	(16 489 095)	(22 032 115)	(1 508 606)	(1 170 690)
Profit/(loss) before taxation		47 070 417	57 864 606	(10 095 656)	(11 875 382)
Taxation	31	(3 029 811)	(13 697 584)	–	–
Profit/(loss) for the year		44 040 606	44 167 022	(10 095 656)	(11 875 382)
Other comprehensive income/(loss)					
Items that will not be reclassified to profit or loss:					
Revaluation reserve on land of associate written back		–	(1 207 663)	–	–
Total comprehensive income/(loss) for the year		44 040 606	42 959 359	(10 095 656)	(11 875 382)
Total comprehensive income/(loss) attributable to:					
Equity holders of the parent		44 040 606	42 959 359	(10 095 656)	(11 875 382)
		44 040 606	42 959 359	(10 095 656)	(11 875 382)
Basic earnings per share (cents)	41	21,21	21,60		
Diluted earnings per share (cents)	41	21,19	21,49		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2019

	GROUP					
	Stated capital R	Revaluation reserve (relating to land of associate) R	Equity-based share option reserve R	Total reserves R	Retained income R	Total equity R
Balance at 31 March 2017	635 403 188	(1 207 663)	20 469 750	19 262 087	329 214 333	983 879 608
Profit for the year	–	–	–	–	44 167 022	44 167 022
Other comprehensive income for the year	–	1 207 663	–	1 207 663	–	1 207 663
Total comprehensive income for the year	–	1 207 663	–	1 207 663	44 167 022	45 374 685
Issue of shares	9 040 535	–	–	–	–	9 040 535
Employees' share option scheme	–	–	(8 443 906)	(8 443 906)	5 547 464	(2 896 442)
Balance at 31 March 2018	644 443 723	–	12 025 844	12 025 844	378 928 819	1 035 398 386
Profit for the year	**–**	**–**	**–**	**–**	**44 040 606**	**44 040 606**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**44 040 606**	**44 040 606**
Issue of shares	**3 559 372**	**–**	**–**	**–**	**–**	**3 559 372**
Employees' share option scheme	**–**	**–**	**2 325 313**	**2 325 313**	**–**	**2 325 313**
Balance at 31 March 2019	**648 003 095**	**–**	**14 351 157**	**14 351 157**	**422 969 425**	**1 085 323 677**
Notes	19	9	20			

	COMPANY				
	Stated capital R	Equity-based share option reserve R	Total reserves R	Retained income R	Total equity R
Balance at 31 March 2017	635 403 188	20 469 750	20 469 750	219 340 739	875 213 677
Profit for the year	–	–	–	(11 875 382)	(11 875 382)
Other comprehensive loss for the year	–	–	–	–	–
Total comprehensive profit for the year	–	–	–	(11 875 382)	(11 875 382)
Issue of shares	9 040 535	–	–	–	9 040 535
Employees' share option scheme	–	(8 443 906)	(8 443 906)	5 547 463	(2 896 443)
Balance at 31 March 2018	644 443 723	12 025 844	12 025 844	213 012 820	869 482 387
Loss for the year	**–**	**–**	**–**	**(10 095 656)**	**(10 095 656)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**
Total comprehensive loss for the year	**–**	**–**	**–**	**(10 095 656)**	**(10 095 656)**
Issue of shares	**3 559 372**	**–**	**–**	**–**	**3 559 372**
Employees' share option scheme	**–**	**2 325 313**	**2 325 313**	**–**	**2 325 313**
Balance at 31 March 2019	**648 003 095**	**14 351 157**	**14 351 157**	**202 917 164**	**865 271 416**
Notes	19	20			

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2019

	Notes	GROUP 2019 R	GROUP 2018 R	COMPANY 2019 R	COMPANY 2018 R
Cash flows from operating activities					
Cash generated from/(utilised in) operations	32	66 574 487	47 455 351	(6 468 173)	(7 635 415)
Interest income		2 532 411	4 749 191	1 459	1 336
Finance costs	30	(16 200 978)	(21 298 838)	(185 506)	(29 987)
Taxation paid	33	(3 763 466)	(12 472 313)	–	–
Net cash from/(utilised in) operating activities		49 142 454	18 433 391	(6 652 220)	(7 664 066)
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(19 945 027)	(14 915 358)	(41 590)	(23 390)
Disposal of property, plant and equipment	4	3 668 768	4 314 861	–	–
Loans repaid		1 100 000	650 837	1 100 000	650 837
Investment increase in joint venture		–	(40 754)	–	–
Net cash (utilised in)/from investing activities		(15 176 259)	(9 990 414)	1 058 410	627 447
Cash flows from financing activities					
Proceeds on share issue	19	–	6 149 397	–	6 149 397
Repayment of other financial liabilities	34	(39 687 472)	(55 534 494)	–	–
Advances of loans (to)/from group companies		–	–	525 394	(100)
Net cash (utilised in)/from financing activities		(39 687 472)	(49 385 097)	525 394	6 149 297
Total cash and cash equivalents movement for the year		(5 721 277)	(40 942 120)	(5 068 416)	(887 322)
Cash and cash equivalents at the beginning of the year		3 814 713	44 756 833	337 984	1 225 306
Total cash and cash equivalents at the end of the year	18	(1 906 564)	3 814 713	(4 730 432)	337 984

ACCOUNTING POLICIES

for the year ended 31 March 2019

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with IFRS of the International Accounting Standards Board (IASB), the Companies Act of South Africa No 71 of 2008, the JSE Listings Requirements, and the South African Institute for Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African rand. Accounting policies that refer to "consolidated or group", apply equally to the company financial statements where relevant.

As a result of the adoption of the new and amended standards and interpretations in issue that were effective for the first time in the current reporting period, a number of new policies were introduced. However, the adoption of these new and amended standards and interpretations did not have a material impact on the annual financial statements in the current period. Refer to note 2.1 for details of standards adopted in the current period.

The accounting policies are in terms of IFRS and are consistent with the previous year, except for the change in the new or revised accounting standards and interpretations of those standards that were adopted.

1.1 Consolidation

Basis of consolidation

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

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

Business combinations are accounted for using the acquisition method as the acquisition date, ie when control is transferred to Sephaku Holdings Limited. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

Investment in associates and joint ventures

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

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

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

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

1.2 Significant judgements and sources of estimation uncertainty

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

Trade and other receivables

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

The group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The group uses its historical experience, external indicators and forward looking information to calculate the expected credit losses using a provision matrix. During the curent year, the majority of the group's trade debtors were insured which had an impact on the calculation of the expected credit loss.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (continued)

1.2 Significant judgements and sources of estimation uncertainty (continued)

Loans receivable

Definition of default

The loans are considered to be in default when there is evidence that the borrower is in significant financial difficulty such that it will have insufficient funds to repay the loan on demand. This is assessed based on a number of factors including various liquidity and solvency ratios.

Significant increase in credit risk assessment

This assessment is performed qualitatively by reference to the borrower's cash flow and liquid asset position. The risk that the borrower will default on a demand loan depends on whether the borrower has sufficient cash or other liquid assets to repay the loan immediately (meaning that the risk of default is very low, possibly close to 0%) or it will not (meaning that the risk of default is very high, possibly close to 100%).

Credit impaired indicators

The loans are considered to be credit impaired if they meet the definition of a defaulted loan.

Options granted

Management used the Black Scholes model and the Binomial valuation model as specified in note 20 to determine the fair value of the options at issue date. Additional details regarding the estimates are included in note 20.

Impairment testing of goodwill and investment in subsidiaries

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

The following assumptions have been applied when reviewing goodwill impairment:

- A growth rate of 5,24% (2018: 6%) was applied and cash flows were discounted at a pre tax rate of 17,93% (2018: 17,93%), which is the estimated cost of capital as it relates to Métier.
- Asset values were based on the carrying amounts for the financial period.
- Future profits were estimated using historical information and approved three-year budgets.
- Sales growth/gross margins were based on historical achievement/known future prospects.
- Costs were assumed to grow in line with expansion and expected inflation.
- Cash flows have been extended into perpetuity at the growth rates noted above as management has no reason to believe the company will not continue past the budget period.

Estimation of useful lives and residual values

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

The useful life of the intangible asset is assessed, at a minimum, on an annual basis, or when there are indicators present that there is a change from the previous estimate. Estimates of the useful life of the intangible asset are based on the remaining customer contractual period of three months (2018: 15 months). Due to subsequent delays, the contract will only be completed in September 2019.

1.3 Investment property

Investment property is held at fair value.

Subsequent to initial measurement, investment property is measured at fair value.

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

1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost.

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

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

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (continued)

1.4 Property, plant and equipment (continued)

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

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

Item	Average useful life
Land	Land is not depreciated as it has an indefinite useful life.
Buildings	30 years
Plant and machinery	15 years
Furniture and fixtures	6 years
Motor vehicles	5 years
Office equipment	5 years
Computer equipment	3 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period.

The depreciation charge for each period is recognised in profit or loss.

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

1.5 Intangible asset

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

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

Due to the Métier acquisition during 2013, the Vulindlela Development Association customer contract was signed for a five-year period. This contract was extended on 31 December 2013 to a seven-year period. On 25 June 2016, the contract was further extended to an eight-year contract period, this resulted in a change in accounting estimate. Amortisation is provided to write down the Vulindlela Development Association customer contract classified as an intangible asset on a straight-line basis over the contractual period. Any amendments to the contract period are accounted for as a change in accounting estimate in line with IAS 8. The residual value for the contract is nil.

1.6 Investments in subsidiaries

Company annual financial statements

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

1.7 Investment in joint ventures

Company annual financial statements

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

1.8 Investment in associate

Company annual financial statements

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

1.9 Financial instruments

IFRS 9 current year

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9 *Financial Instruments*.

Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows:

Financial assets which are equity instruments are:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income (this designation is not available to equity instruments which are held for trading or which are a contingent consideration in a business combination).

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (continued)

1.9 Financial instruments (continued)

IFRS 9 current year (continued)

Financial assets which are debt instruments:
- Amortised cost (this category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income (this category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss (this classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss (this classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Derivatives which are not part of a hedging relationship:
- Mandatorily at fair value through profit or loss.

Financial liabilities:
- Amortised cost; or
- Mandatorily at fair value through profit or loss (this applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss (this classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the group are presented below:

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:
- Amortised cost;
- Fair value through profit or loss (FVTPL); and
- Fair value through other comprehensive income (FVOCI).

In the periods presented, the group does not have any financial assets categorised as FVOCI.

The classification is determined by both:
- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (continued)

1.9 Financial instruments (continued)

IFRS 9 current year (continued)

Subsequent measurement

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Fair value determination

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

Impairment of financial assets

IFRS 9's impairment requirements use more forward looking information to recognise expected credit losses – 'the expected credit loss (ECL) model'. This replaces IAS 39's incurred loss model. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and trade receivables that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the group first identifying a credit loss event. Instead, the group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectibility of the future cash flows of the instrument.

In applying this forward looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1);
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2); and
- Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date.

12-month expected credit losses are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument.

Previous financial asset impairment under IAS 39

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

Trade and other receivables

The group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The group uses its historical experience external indicators and forward looking information to calculate the expected credit losses using a provision matrix. The group assesses impairment of trade receivables on a collective basis. Since they possess shared credit risk characteristics, they have been grouped based on the days past due. Refer to note 17 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (continued)

1.9 Financial instruments (continued)

IFRS 9 current year (continued)

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below. The group's financial liabilities include borrowings and trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges are included within finance costs or finance income.

Trade and other payables

Trade and other payables are classified as financial liabilities at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are classified as financial instruments at amortised cost.

Bank overdraft and other financial liabilities

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

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

IAS 39 comparatives

Classification

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

- Loans and receivables; and
- Financial liabilities measured at amortised cost.

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

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments. The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Subsequent measurement

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

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

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

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

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

1.9 Financial instruments (continued)

IAS 39 comparatives (continued)

Impairment of financial assets

At each reporting date, the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

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

Loans to shareholders

These financial assets are classified as loans and receivables.

Trade and other receivables

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

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

Trade and other receivables are classified as financial assets.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Transaction costs are included in the initial value recognised. Trade and other payables are classified as financial liabilities at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Cash and cash equivalents are classified as financial assets.

Bank overdrafts and borrowings

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

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

1.10 Taxation

Current taxation assets and liabilities

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

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

ACCOUNTING POLICIES (continued)

for the year ended 31 March 2019

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (continued)

1.10 Taxation (continued)

Deferred taxation assets and liabilities

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

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

Taxation expenses

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

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

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

1.11 Leases

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

Operating leases – lessor

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

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

Operating leases – lessee

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

1.12 Inventories

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

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

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

1.13 Impairment of assets

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

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

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

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

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

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (continued)

1.13 Impairment of assets (continued)

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

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

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

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

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

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

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

1.14 Share-based payments

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

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

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

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

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

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

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

1.15 Employee benefits

Short-term employee benefits

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

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

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

1.16 Government grants

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

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (continued)

1.16 Government grants (continued)

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

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

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

1.17 Revenue from contracts with customers

IFRS 15 Revenue from Contracts with Customers *current year*

Revenue arises mainly from the sale of a variety of standard and specialised high-value concrete products to the construction industry. To determine whether to recognise revenue, the group follows a five-step process:
(1) Identifying the contract with a customer.
(2) Identifying the performance obligations.
(3) Determining the transaction price.
(4) Allocating the transaction price to the performance obligations.
(5) Recognising revenue when the performance obligations are satisfied.

The group often enters into transactions involving a range of the group's products and services. The main source of revenue being the manufacture and supply of quality ready-mixed concrete products for the residential, commercial and industrial markets in South Africa. In all cases, the total transaction price for a contract is allocated among the various performance obligations based on their relative standalone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Sales of concrete products are recognised at a point in time and management services are recognised over time.

The group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the group satisfies a performance obligation before it receives the consideration, the group recognises either a contract asset or a receivable in its statement of financial position.

IAS 18 Revenue *prior year*

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

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

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

1.18 Borrowing costs

Borrowing costs of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs not directly attributable to the acquisition, construction or production of a qualifying asset are expensed.

1.19 Operating segments

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and relevant to its operations:

Standard/interpretation	Effective date: Years beginning on or after
IFRS 9 *Financial Instruments*	1 January 2018
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018

Effects of changes in accounting policies

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

When adopting IFRS 9, the group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement and impairment are recognised in retained earnings.

The adoption of IFRS 9 has impacted the following areas:

- The classification and measurement of the group's financial assets. The impact of this resulted in additional disclosure.
- The impairment of financial assets applying the expected credit loss model. This affects the group's trade receivables. For contract assets arising from IFRS 15 and trade receivables, the group applies a simplified model or recognising lifetime expected credit losses as these items do not have a significant financing component. Refer to note 17.

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9. There was no material impact on the group other than the new disclosure on accounting policies 1.9 *Financial instruments* and notes 11, 17 and 38 of the financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* and the related Clarifications to IFRS 15 *Revenue from Contracts with Customers* (hereinafter referred to as IFRS 15) replace IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and several revenue-related interpretations. The new standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 January 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

There was no material impact on the group other than the new disclosure on accounting policies 1.17 *Revenue from contracts with customers* and notes 25 and 27 of the financial statements.

2.2 Standards and interpretations not yet effective

The list of standards and interpretations below only reflects those which are expected impact the group. The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 April 2019 or later periods:

IFRS 16 Leases

Company as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short-term leases or leases where the underlying asset has a low value, which are expensed on a straight-line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.

2. NEW STANDARDS AND INTERPRETATIONS (continued)

2.2 Standards and interpretations not yet effective (continued)

IFRS 16 Leases *(continued)*

- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any remeasurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and remeasured for reassessments or modifications.
- Remeasurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is remeasured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is remeasured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee remeasures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee remeasures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from the other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 *Leases*.

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

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

The estimated impact of implementing this standard as at and for the year ended, 31 March 2019 would be:

- Recognition of right-of-use assets in the statement of financial position – R54,0 million;
- Recognition of lease liabilities in the statement of financial position – R53,4 million;
- Recognition of depreciation on the right-of-use assets in the statement of comprehensive income – R11,1 million;
- Recognition of interest expense on the lease liabilities in the statement of comprehensive income – R6,5 million; and
- Reduction in operating expense in the statement of comprehensive income – R17,6 million

3. INVESTMENT PROPERTY

	COMPANY					
	2019			2018		
	Cost R	Accumulated fair value adjustment R	Fair value R	Cost R	Accumulated fair value adjustment R	Fair value R
Investment property	**18 503 897**	**–**	**18 503 897**	18 427 525	–	18 427 525

Reconciliation of investment property	Opening balance R	Additions R	Total R
2019			
Investment property	**18 427 525**	**76 372**	**18 503 897**
2018			
Investment property	18 427 525	–	18 427 525

The construction of the building was completed during FY 2017. The additions during the current year related to the settlement of the final retention payment due to a supplier. Based on current similar properties on the market in the same corporate park, management is of the opinion that the carrying value of the investment property is not materially different from the fair value after the completion of the building and that the fair value has not changed from the fair value as at reporting date.

Pledged as security

The land is pledged as security for the R2 million Absa overdraft facility of SepHold (refer to note 21).

Other disclosures

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

3. INVESTMENT PROPERTY (continued)

	GROUP		COMPANY	
	2019 R	2018 R	2019 R	2018 R
Total straight-lined rental income from investment property	–	–	3 673 869	3 673 869
Details of property				
Erf 398 Randjespark Ext 121				
– Purchase price: 10 December 2013	–	–	4 017 750	4 017 750
– Additions since purchase	–	–	76 372	–
– Capitalised expenditure	–	–	14 409 775	14 409 775
	–	–	18 503 897	18 427 525

4. PROPERTY, PLANT AND EQUIPMENT

GROUP

	2019			2018		
	Cost/ valuation R	Accumulated depreciation R	Carrying value R	Cost/ valuation R	Accumulated depreciation R	Carrying value R
Land	6 736 296	–	6 736 296	6 736 296	–	6 736 296
Buildings	14 433 910	–	14 433 910	14 357 537	–	14 357 537
Plant and machinery	104 028 558	(42 816 497)	61 212 061	92 108 297	(38 111 520)	53 996 777
Furniture and fixtures	1 004 537	(698 840)	305 697	968 981	(593 365)	375 616
Motor vehicles	160 496 265	(97 126 349)	63 369 916	165 953 182	(98 409 517)	67 543 665
Office equipment	24 966	(19 278)	5 688	24 966	(14 285)	10 681
Computer equipment	4 077 141	(3 080 918)	996 223	3 349 821	(2 705 283)	644 538
Total	290 801 673	(143 741 882)	147 059 791	283 499 080	(139 833 970)	143 665 110

COMPANY

	2019			2018		
	Cost/ valuation R	Accumulated depreciation R	Carrying value R	Cost/ valuation R	Accumulated depreciation R	Carrying value R
Furniture and fixtures	143 177	(105 034)	38 143	143 177	(81 171)	62 006
Office equipment	24 966	(19 278)	5 688	24 966	(14 285)	10 681
Computer equipment	183 300	(135 965)	47 335	141 710	(111 299)	30 411
Total	351 443	(260 277)	91 166	309 853	(206 755)	103 098

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	GROUP				
Reconciliation of property, plant and equipment	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
2019					
Land	6 736 296	–	–	–	6 736 296
Buildings	14 357 537	76 373	–	–	14 433 910
Plant and machinery	53 996 777	12 008 167	(66 532)	(4 726 351)	61 212 061
Furniture and fixtures	375 616	35 556	–	(105 475)	305 697
Motor vehicles	67 543 665	6 948 743	(3 210 854)	(7 911 638)	63 369 916
Office equipment	10 681	–	–	(4 993)	5 688
Computer equipment	644 538	876 187	(5 134)	(519 368)	996 223
	143 665 110	19 945 026	(3 282 520)	(13 267 825)	147 059 791
2018					
Land	6 736 296	–	–	–	6 736 296
Buildings	14 357 537	–	–	–	14 357 537
Plant and machinery	54 382 544	3 760 730	–	(4 146 497)	53 996 777
Furniture and fixtures	303 076	181 758	–	(109 218)	375 616
Motor vehicles	66 325 391	10 643 720	(2 384 540)	(7 040 906)	67 543 665
Office equipment	15 674	–	–	(4 993)	10 681
Computer equipment	677 311	329 150	–	(361 923)	644 538
	142 797 829	14 915 358	(2 384 540)	(11 663 537)	143 665 110

	COMPANY			
Reconciliation of property, plant and equipment	Opening balance R	Additions R	Depreciation R	Total R
2019				
Furniture and fixtures	62 006	–	(23 863)	38 143
Office equipment	10 681	–	(4 993)	5 688
Computer equipment	30 411	41 590	(24 666)	47 335
	103 098	41 590	(53 522)	91 166
2018				
Furniture and fixtures	85 868	–	(23 862)	62 006
Office equipment	15 674	–	(4 993)	10 681
Computer equipment	50 480	23 390	(43 459)	30 411
	152 022	23 390	(72 314)	103 098

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Construction of the building (for the property included in the financial statements at a carrying value of R14 433 910 as at 31 March 2019), was completed during FY 2017. There is additional expenditure for the financial year of R76 373 (2018: Rnil). The residual value of the building is considered to be in excess of the cost thereof, as such no depreciation has been processed on the building.

Pledged as security

All movable assets are pledged as security for other financial liabilities as per note 21. Land and buildings of R18 503 897 (2018: R18 427 252) are pledged as security for the R2 million Absa overdraft facility of SepHold.

	GROUP		COMPANY	
Details of land and buildings	**2019 R**	2018 R	**2019 R**	2018 R
Portion 0 of Erf 233, Phoenix Industrial Park				
– Purchase price: 12 June 2009	**2 400 000**	2 400 000	**–**	–
– Capitalised expenditure	**266 309**	266 309	**–**	–
	2 666 309	2 666 309	**–**	–
Erf 398 Randjespark Ext 121				
– Purchase price: 10 December 2013	**4 017 750**	4 017 750	**–**	–
– Capitalised expenditure (land)	**52 237**	52 237	**–**	–
– Capitalised expenditure (building)	**14 433 910**	14 357 537	**–**	–
	18 503 897	18 427 524	**–**	–

5. GOODWILL

	GROUP					
	2019			2018		
	Cost R	**Accumulated impairment R**	**Carrying value R**	Cost R	Accumulated impairment R	Carrying value R
Goodwill on acquisition of subsidiary	**223 421 981**	**–**	**223 421 981**	223 421 981	–	223 421 981

Reconciliation of goodwill	**Opening balance R**	**Total R**
2019		
Goodwill	**223 421 981**	**223 421 981**
2018		
Goodwill	223 421 981	223 421 981

Impairment testing

In accordance with IAS 36 *Impairment of Assets*, goodwill is reviewed annually for impairment, or more frequently if there is an indication that goodwill might be impaired. The decline in profitability of Metier over the last two years focused the attention on the Goodwill assessment. Management believes that trading results are representative of the cycle in which construction and a number of other industries currently find themselves in. It is also envisaged that this might still continue for a period of up to 18 months. Based on this a three year forward looking model was used in assessing the current position. The company assets and key employees are all well positioned to return to prior levels of turnover and profitability once the cycle recovers.

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

6. INTANGIBLE ASSET

	GROUP					
	2019			2018		
	Cost/ valuation R	Accumulated amortisation R	Carrying value R	Cost/ valuation R	Accumulated amortisation R	Carrying value R
Customer contract	**20 438 713**	**(19 865 203)**	**573 510**	20 438 713	(17 571 162)	2 867 551

Reconciliation of intangible asset	Opening balance R	Amortisation R	Total R
2019			
Customer contract	**2 867 551**	**(2 294 041)**	**573 510**
2018			
Customer contract	5 161 591	(2 294 040)	2 867 551

Amortisation and change in accounting estimate

The carrying value of the intangible asset was amortised over the 27 months that was remaining of the eight-year extended contract period during the prior year. The remaining period of amortisation at year-end is three months.

Impairment testing

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

7. INVESTMENTS IN SUBSIDIARIES

	COMPANY			
Name of company	% holding	Cost R	Accumulated impairment R	Carrying amount R
2019				
Sephaku Investment Holdings Proprietary Limited	**100,00**	**1**	**–**	**1**
Métier Mixed Concrete Proprietary Limited	**100,00**	**299 378 028**	**–**	**299 378 028**
		299 378 029	**–**	**299 378 029**
2018				
Sephaku Investment Holdings Proprietary Limited	100,00	1	–	1
Métier Mixed Concrete Proprietary Limited	100,00	299 378 028	–	299 378 028
		299 378 029	–	299 378 029

Subsidiaries are shown at carrying amounts, net of impairment. All subsidiaries are registered and operate within South Africa. Reduced profitability and general economic downturn in the construction industry were identified as indicators of impairment. The same assumptions were applied as with the test for Goodwill impairment in the performance of an impairment test on the investment. The fact that the industry is cyclical and at the bottom of the curve while Metier remains profitable supports managements view that this can quickly be turned around if infrastructure spend picks up and bearing in mind that debt is reducing by R36 million per year. Therefore no impairment was necessary.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
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8. JOINT ARRANGEMENTS

Joint ventures

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

	GROUP			
Name of company	**% ownership interest 2019**	% ownership interest 2018	**Carrying amount 2019 R**	Carrying amount 2018 R
Cato Ridge Quarry Proprietary Limited	**50,00**	50,00	**120 552**	120 552

SepHold, on behalf of the group, entered into a joint venture agreement during the prior year. Umhlali Quarry Proprietary Limited transferred 50% of its interest in Cato Ridge Quarry Proprietary Limited as per the signed quarry agreement. The percentage ownership interest is equal to the percentage voting rights in this case. There were no additional costs incurred during the year under review.

9. INVESTMENT IN ASSOCIATE

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

Summary of group's interest in associate	**2019 R**	2018 R
Company level: Cost of investment in associate	**635 117 284**	635 117 284
Proportional increase in investment	**48 571 875**	48 571 875
Equity-accounted earnings – prior years	**80 973 453**	60 153 782
Equity-accounted earnings – current year	**46 331 599**	20 819 671
Revaluation reserve relating to land of associate – written back due to change in accounting policy	**1 207 663**	1 207 663
Group level: Carrying value of investment in associate	**812 201 874**	765 870 275

During the prior year, the group decided to change the accounting policy for land and buildings to the historical cost basis. This is in line with Dangote Cement South Africa Proprietary Limited who adopted this change in FY 2017. The result of this was the write back of the revaluation reserve of R1 207 663 relating to the land of the associate arising during FY 2012.

During 2017, Dangote Cement PLC and SepHold contributed R134 921 875 in equity to relieve pressure on the debt covenants. During the prior financial year, 6 938 839 shares at R7,00 per share were issued to SepHold and 12 335 715 shares at R7,00 per share issued to Dangote Cement PLC regarding the 2017 year contribution.

9. INVESTMENT IN ASSOCIATE (continued)

Since the debt service ratio was 1,225 during 2017 instead of the required 1,3, negotiations were entered into with Nedbank to reshape the payment profile. This was successfully completed during the second half of 2017 and required a further R95 million contribution by shareholders. Dangote Cement PLC made this contribution and in terms of the relationship agreement, SepHold will have to contribute 36% of this on demand or face dilution of approximately 1,2 percentage points. The shareholders are still in agreement with regard to the postponement of the timing of the repayment or dilution. SepHold has a potential liability of R34,2 million or a dilution in investment.

Impairment testing

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

The net asset value of the associate is R1 624 828 550 (2018: R1 496 269 042) as indicated below:

Summary of group interest in Dangote Cement South Africa Proprietary Limited and its subsidiaries	**2019* R**	2018* R
Non-current assets	**3 277 241 222**	3 295 208 712
Current assets	**896 605 658**	819 849 860
Total assets	**4 173 846 880**	4 115 058 572
Total equity	**1 624 828 550**	1 496 269 042
Non-current liabilities	**(1 903 059 030)**	(2 108 266 538)
Current liabilities	**(645 959 300)**	(510 522 992)
Total liabilities	**(2 549 018 330)**	(2 618 789 530)
Revenue for the period	**2 292 157 090**	2 365 548 412
Cost of sales	**(1 852 356 625)**	(1 853 935 209)
Gross profit	**439 800 465**	511 613 203
Operating profit	**280 615 454**	333 294 740
Investment income	**26 492 846**	13 988 113
Finance costs	**(250 658 856)**	(268 462 161)
Profit before taxation	**56 449 444**	78 820 692
Taxation (expense)/income	**72 248 404**	(20 988 270)
Profit after taxation for the period	**128 697 848**	57 832 422
Total comprehensive income for the period	**128 697 848**	57 832 422

* *Dangote Cement South Africa Proprietary Limited has a December year-end to align with Dangote Cement PLC's year-end. In line with the requirements of IAS 28, the year-end results of Dangote Cement South Africa Proprietary Limited as at 31 December 2018 have been included in these financial statements.*

10. LOANS TO/(FROM) GROUP COMPANIES

	GROUP		COMPANY	
Subsidiary	**2019 R**	2018 R	**2019 R**	2018 R
Métier Mixed Concrete Proprietary Limited The loan is unsecured, bears interest at a fixed rate of 8% effective 31 March 2016, and will be repaid over the next 10 years in equal monthly instalments. The instalments for the current and prior year of R188 058 per month were not paid. It is envisaged that SepHold will settle the outstanding instalments in a lump sum during the next financial year.	**–**	–	**(17 303 100)**	(15 903 628)
Métier Mixed Concrete Proprietary Limited The loan is unsecured, interest-free and is repayable on demand.	**–**	–	**(125 000 000)**	(125 000 000)
Métier Mixed Concrete Proprietary Limited The loan is unsecured and interest-free. The loan is a short-term loan with the intention to repay this within 12 months.	**–**	–	**(525 394)**	–
Sephaku Investment Holdings Proprietary Limited The loan is unsecured, interest-free and is repayable on demand. If there is an expected credit loss allowance it is assumed immaterial.	**–**	–	**10 249**	10 249
	–	–	**(142 818 245)**	(140 893 379)

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

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Current assets	**–**	–	**10 249**	10 249
Non-current liabilities	**–**	–	**(11 936 886)**	(12 625 620)
Current liabilities	**–**	–	**(130 891 608)**	(128 278 008)
Total	**–**	–	**(142 818 245)**	(140 893 379)

11. OTHER FINANCIAL ASSETS

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Other long-term financial assets				
Union Atlantic Minerals Limited (previously Miranda Mineral Holdings Limited)	**1 073 054**	1 073 054	**1 073 054**	1 073 054
Cross Company Management Proprietary Limited (CCM)	**9 845 327**	7 385 954	**9 845 327**	7 385 954
The loans are unsecured, interest-free and are repayable on demand.				
The CCM loan is in default as there is not sufficient cash in the company to repay the loan on demand. However, the loan is supported by shares in companies that were funded through the application of funds made available. Management has assessed the value of these underlying shares and are satisfied that the loan would be recoverable in full in the foreseeable future.				
	10 918 381	8 459 008	**10 918 381**	8 459 008
Non-current assets				
At amortised cost	**10 918 381**	8 459 008	**10 918 381**	8 459 008

The maximum exposure to credit risk at the reporting date is the carrying value of each class of loan mentioned above.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 31 March 2019

12. FINANCIAL ASSETS BY CATEGORY

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

	GROUP			
2019	**Assets at amortised cost R**	**Assets at fair value R**	**Non-financial instruments* R**	**Total R**
Other financial assets	**10 918 381**	**–**	**–**	**10 918 381**
Trade and other receivables	**100 266 577**	**–**	**582 430**	**100 849 007**
Cash and cash equivalents	**2 823 868**	**–**	**–**	**2 823 868**
Other investments	**–**	**2 000 000**	**–**	**2 000 000**
	114 008 826	**2 000 000**	**582 430**	**116 591 256**

2018	Assets at amortised cost R	Non-financial instruments* R	Total R
Other financial assets	8 459 008	–	8 459 008
Trade and other receivables	132 631 456	700 058	133 331 514
Cash and cash equivalents	10 510 169	–	10 510 169
Long-term loans	2 000 000	–	2 000 000
	153 600 633	700 058	154 300 691

* *Non-financial instruments of the group consist of prepayments of R539 175 (2018: R648 797) and value added taxation of R43 255 (2018: R51 261).*

	COMPANY			
	Assets at amortised cost R	**Assets at fair value R**	**Non-financial instruments R**	**Total R**
2019				
Loans to group companies	**10 249**	**–**	**–**	**10 249**
Other financial assets	**10 918 381**	**–**	**–**	**10 918 381**
Trade and other receivables	**–**	**–**	**215 424**	**215 424**
Other investments	**–**	**2 000 000**	**–**	**2 000 000**
	10 928 630	**2 000 000**	**215 424**	**13 144 054**

2018	Assets at amortised cost R	Non-financial instruments R	Total R
Loans to group companies	10 249	–	10 249
Other financial assets	8 459 008	–	8 459 008
Trade and other receivables	–	326 256	326 256
Cash and cash equivalents	337 984	–	337 984
Long-term loans	2 000 000	–	2 000 000
	10 807 241	326 256	11 133 497

13. DEFERRED TAXATION

	GROUP		COMPANY	
	2019 R	2018 R	2019 R	2018 R
Deferred taxation asset/(liability)				
Property, plant and equipment	**(25 405 780)**	(24 243 629)	–	–
Income received in advance and s24C allowances	**1 104 649**	586 075	–	–
Expected credit loss allowance	**345 464**	1 260 000	–	–
Accrual for leave pay	**450 502**	423 797	–	–
Accrual for management bonus	**338 034**	300 491	–	–
Intangible assets	**(160 583)**	(802 914)	–	–
Operating lease accrual	**1 555 307**	1 453 341	–	–
Total deferred taxation liability	**(21 772 407)**	(21 022 839)	–	–
Reconciliation of deferred taxation asset/(liability)				
At the beginning of the year	**(21 022 839)**	(19 696 446)	–	–
Originating temporary difference on property, plant and equipment	**(1 162 151)**	(3 296 014)	–	–
Originating temporary difference on income received in advance and s24C allowance	**518 574**	88 247	–	–
Originating temporary difference on accrual for leave pay	**26 705**	100 420	–	–
Originating temporary difference on expected credit loss allowance	**(914 536)**	1 050 000	–	–
Originating temporary difference on prepayments	**–**	119 997	–	–
Reversing temporary difference on accrual for management bonus	**37 541**	(168 986)	–	–
Originating temporary difference on intangible assets	**642 331**	642 332	–	–
Originating temporary difference on operating lease accrual	**101 968**	137 611	–	–
	(21 772 407)	(21 022 839)	–	–
Unrecognised deferred taxation asset				
Relating to unrecognised taxation losses	**116 546 728**	108 155 414	**116 546 728**	**108 155 414**

14. LONG-TERM LOANS

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Incubex Minerals Limited	**–**	2 000 000	**–**	2 000 000

SepHold entered into a delegation agreement on 28 April 2016 with African Nickel Holdings Proprietary Limited and Incubex Minerals Limited to settle the African Nickel Holdings Proprietary Limited debt for the right to receive 50 000 000 notional shares at a share price of R0,04 in Miranda Mineral Holdings Limited. The shares were issued during the year to Cross Company Management, nominee of SepHold, as per the agreement.

15. OTHER INVESTMENT

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Union Atlantic Minerals Limited (previously Miranda Minerals Holding Limited)	**2 000 000**	–	**2 000 000**	–

During the year, Miranda Minerals Holding Limited issued 50 000 000 shares at R0,04 per share to Cross Company Management Proprietary Limited on behalf of SepHold. This was due to the delegation agreement as per note 14 to settle the African Nickel Holdings Proprietary Limited loan of R2 000 000.

The table below analyses assets carried at fair value. The different levels are defined as follows:

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

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

Level 3 applies inputs which are not based on observable market data.

	GROUP		COMPANY	
Level 3	**2019 R**	2018 R	**2019 R**	2018 R
Union Atlantic Minerals Limited (previously Miranda Minerals Holding Limited)	**2 000 000**	–	**2 000 000**	–

There is no available information regarding the share price of the shares in Union Atlantic Minerals Limited (previously Miranda Minerals Holding Limited). The last price before suspension of trade on the stock exchange of R0.04 per share was used as the fair value. The company still owns prospecting rights on which prospecting was done and are in a position to extract value from these. Until the suspension is lifted, the focus of current management, it remains difficult to assess what value the market will place on these.

16. INVENTORIES

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Raw materials	**10 096 633**	9 241 437	**–**	–
Diesel	**2 654 126**	2 098 560	**–**	–
Production supplies	**153 693**	623 240	**–**	–
Spare parts	**5 249 904**	4 866 200	**–**	–
	18 154 356	16 829 437	**–**	–

Inventory pledged as security

Inventory is pledged as security for other financial liabilities as per note 21.

17. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Financial instruments				
Trade receivables	**98 546 425**	130 888 707	**3 141**	–
Deposits	**1 720 152**	1 742 749	**46 538**	46 538
Non-financial instruments				
Prepayments	**539 175**	648 797	**122 490**	228 457
Value added taxation	**43 255**	51 261	**43 255**	51 261
	100 849 007	133 331 514	**215 424**	326 256

All amounts are short term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Trade and other receivables pledged as security

Trade and other receivables of Métier of R100 633 583 (2018: R133 005 263) are pledged as security for other financial liabilities as per note 21.

Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the company only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers as well as external bureau data (where available). Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers are continuously monitored.

Insurance of debtors was obtained from CGIC during the current financial year and contributed favourably in the assessment of credit risk exposure under IFRS 9.

A loss allowance is recognised for all trade receivables in accordance with IFRS 9 *Financial Instruments*, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The company measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. The expected credit loss was reached after taking into account the fact that the debtors are insured. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

The estimation techniques explained have been applied for the first time in the current financial period as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

The company's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles.

17. TRADE AND OTHER RECEIVABLES (continued)

	GROUP					
	Current R	More than 30 days past due R	More than 60 days past due R	More than 90 days past due R	More than 120 days past due R	Total R
At 31 March 2019 the lifetime expected credit loss provision for trade receivables is as follows:						
Gross carrying amount	67 158 551	26 785 468	1 865 894	772 420	3 609 164	100 191 496
Less: Insured debtors	42 186 182	23 012 122	724 284	263 659	168 693	66 354 940
Gross carrying value uninsured trade receivables	24 972 369	3 773 346	1 141 609	508 761	3 440 471	33 836 556
Less: Specific allowance	–	–	–	–	1 189 051	1 189 051
	24 972 369	3 773 346	1 141 609	508 761	2 251 420	32 647 505
Expected credit loss rate	0,48%	0,89%	4,11%	9,38%	14,02%	
Lifetime expected credit loss (excluding value added taxation)	104 232	29 202	40 800	41 497	274 478	490 209
Total expected credit loss (including specific allowance)						1 679 260
As at 1 April 2018 the expected credit loss provision for lifetime trade receivables is as follows:						
Gross carrying amount*	80 532 323	35 035 888	6 895 340	4 035 728	10 389 428	136 888 707
Less: Specific allowance	–	–	–	–	4 023 884	4 023 884
	80 532 323	35 035 888	6 895 340	4 035 728	6 365 544	132 864 823
Expected credit loss rate	0,18%	0,34%	1,58%	3,61%	5,39%	
Lifetime expected credit loss (excluding value added taxation)	339 083	273 526	248 595	332 062	782 850	1 976 116
Total expected credit loss (including specific allowance)						6 000 000

* *During the prior year, none of the trade receivables were insured. Due to the introduction of credit insurance in the current year only uninsured debtors were considered for the expected credit loss provision. The expected credit loss provision rate increased year on year due to the deterioration of the economy but this was balanced by the insurance cover.*

17. TRADE AND OTHER RECEIVABLES (continued)

Credit risk disclosure for comparatives under IAS 39

The following sections provide comparative information for trade and other receivables which have not been restated. The information is provided in accordance with IAS 39 *Financial instruments: Recognition and Measurement*.

Credit quality of trade and other receivables

Management has made an assessment of the debts neither past due nor impaired and are satisfied with the credit quality of these debtors, as all such debts are expected to be recovered without default. The credit quality of trade and other receivables can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than three months past due are not considered to be impaired.

At 31 March 2019, R32 857 169 (2018: R15 320 496) was past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
One month past due	**26 609 692**	6 895 340	**–**	–
Two months past due	**1 865 894**	4 035 728	**–**	–
Three months past due	**772 420**	3 049 649	**–**	–
More than three months past due	**3 609 164**	1 339 779	**–**	–

Subsequent to the reporting date, R24 986 942 of the amounts one month past due, R818 691 of the amounts two months past due, R688 331 of the amounts three months past due and R746 982 of the amounts more than three months past due have been collected. After taking the subsequent receipts into account, R5 612 786 is still outstanding in the past due not impaired category. An amount of R1 679 260 has been raised as an expected credit loss allowance based on the simplified method in terms of IFRS 9. These amounts have not been impaired as management has received sufficient security from debtors in the form of personal sureties, cessions of book debt, cessions of retentions, company cross-guarantees and surety bond over a property over and above the cover introduced through CGIC.

Trade and other receivables – allowance for impairment

As at 31 March 2019, trade and other receivables of R1 679 260 (2018: R6 000 000) were provided for.

	GROUP		COMPANY	
Reconciliation of allowance for impairment of trade and other receivables	**2019 R**	2018 R	**2019 R**	2018 R
Opening balance	**6 000 000**	1 000 000	**–**	–
Amounts written off as uncollectible	**(4 594 014)**	–	**–**	–
Provision for impairment	**273 274**	5 000 000	**–**	–
Closing balance	**1 679 260**	6 000 000	**–**	–

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.

18. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Cash and cash equivalents consist of:				
Cash on hand	**114 000**	101 500	**–**	–
Bank balances	**2 709 868**	10 408 669	**–**	337 984
Bank overdraft	**(4 730 432)**	(6 695 456)	**(4 730 432)**	–
	(1 906 564)	3 814 713	**(4 730 432)**	337 984
Current assets	**2 823 868**	10 510 169	**–**	337 984
Current liabilities	**(4 730 432)**	(6 695 456)	**(4 730 432)**	–
	(1 906 564)	3 814 713	**(4 730 432)**	337 984

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

SepHold has an available overdraft facility of R12 000 000 (Nedbank: R10 000 000 and Absa: R2 000 000). Métier has an available Standard Bank overdraft facility and a general short-term banking facility of R21 990 000.

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
The total amount of undrawn overdraft and term loan facilities available for future operating activities and commitments	**27 259 523**	17 294 544	**5 269 523**	2 000 000

Credit facilities are secured as per note 21.

19. STATED CAPITAL

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Authorised				
1 000 000 000 ordinary shares with no par value				
Issued – ordinary shares with no par value				
206 342 821 (2018: 202 969 487) shares at the beginning of the period	**644 443 723**	635 403 188	**644 443 723**	635 403 188
1 873 354 (2018: 3 373 334) shares issued during the period	**3 559 372**	9 040 535	**3 559 372**	9 040 535
208 216 175 (2018: 206 342 821) shares at the end of the period	**648 003 095**	644 443 723	**648 003 095**	644 443 723

The total number of 1 873 354 shares for a value of R1,90 issued during the current year was related to share options. A total number of 2 294 551 shares issued during the prior year at a value of R2,68 for a cash amount of R6 149 397 relates to share options that were exercised by employees and directors (refer to note 20). Of the issued share capital, a number of 2 582 200 shares relate to unsold exercisable shares at a value of R1,90 (1 873 354 shares) and R2,68 (708 846 shares).

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

20. SHARE-BASED PAYMENTS

	Number	Weighted exercise price R	Total value R
Share options granted on 15 October 2010	10 000 000	2,68*	26 800 000
Exercised in 2014	(304 333)		
Exercised in 2015	(1 950 666)		
Exercised in 2016	(298 639)		
Exercised and expired in 2017	(1 102 502)		
Exercised and expired in 2018	(6 343 860)		
Outstanding at 31 March 2018	–		
Outstanding at 31 March 2019	–		
Share options granted on 29 June 2012	3 500 000	1,90	6 650 000
Exercised in 2015	(750 000)		
Exercised in 2016	(13 313)		
Exercised and expired in 2017	(113 333)		
Outstanding at 31 March 2018	2 623 354		
Exercised in 2019	–		
Outstanding at 31 March 2019	2 623 354		
Share options granted on 31 August 2012	1 500 000	1,90	2 850 000
Exercised in 2015	(250 000)		
Exercised in 2016	–		
Exercised in 2017	(500 000)		
Outstanding at 31 March 2018	750 000		
Exercised in 2019	–		
Outstanding at 31 March 2019	750 000		
Share options granted on 10 December 2014	1 565 000	6,80	10 642 000
Exercised in 2016	–		
Resignation prior to vesting in 2017	(100 000)		
Outstanding at 31 March 2018	1 465 000		
Exercised in 2019	–		
Outstanding at 31 March 2019	1 465 000		
Share options granted on 31 March 2016	1 630 000	4,40	7 172 000
Exercised in 2018	–		
Outstanding at 31 March 2018	1 630 000		
Outstanding at 31 March 2019	1 630 000		
Share options granted on 30 June 2017	1 905 000	3,00	5 715 000
Exercised in 2019	–		
Outstanding at 31 March 2019	1 905 000		
Total outstanding at 31 March 2018	8 373 354		
Total outstanding at 31 March 2019	8 373 354		
Total exercisable at 31 March 2018	3 861 687		
Total exercisable at 31 March 2019	4 893 354		

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

20. SHARE-BASED PAYMENTS (continued)

Information on options granted on 15 October 2010

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

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

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

As the options have vested in full, no staff costs related to equity-settled share-based payment transactions were recognised in 2019.

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

Information on options granted on 29 June 2012

On 29 June 2012, 3,5 million American-style share options with an exercise price of R1,90 were granted, of which 2 623 354 (2018: 2 623 354) are still outstanding at year-end. These options vest over a five-year period on the anniversary of the grant of the third, fourth and fifth year and expire on 29 June 2019. No option premium was paid on the date of the grant.

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

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

As the options have vested in full, no staff costs related to equity-settled share-based payment transactions were recognised in the current period (2018: R67 360). During the prior year, R28 869 related to directors and key management personnel.

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

Information on options granted on 31 August 2012

On 31 August 2012, 1,5 million American-style share options with an exercise price of R1,90 were granted, of which 750 000 (2018: R750 000) are still outstanding at year-end. These options vest over a five-year period on the anniversary of the grant of the third, fourth and fifth year and expire on 31 August 2019. No option premium was paid on the date of the grant.

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

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

As the options have vested in full, no staff costs related to equity-settled share-based payment transactions were recognised in the current period (2018: R83 861). During the prior year, R83 861 related to directors and key management personnel.

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

20. SHARE-BASED PAYMENTS (continued)

Information on options granted on 10 December 2014

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

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

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

A total staff cost of R703 478 related to equity-settled share-based payment transactions were recognised in 2019 (2018: R1 270 799), of which R432 171 (2017: R780 695) related to directors and key management personnel.

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

Information on options granted on 31 March 2016

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

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

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

A total staff cost of R844 115 (2018: R844 114) related to equity-settled share-based payment transactions was recognised in 2019, of which R530 809 (2018: R530 808) related to directors and key management personnel.

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

Information on options granted on 1 July 2017

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

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

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

A total staff cost of R777 721 (2018: R583 290) related to equity-settled share-based payment transactions was recognised in 2019, of which R469 490 (2018: R352 117) related to directors and key management personnel.

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

General share options information

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

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

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

21. OTHER FINANCIAL LIABILITIES

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Held at amortised cost				
Standard Bank – Facility A This loan bears interest at the variable JIBAR plus a margin of 4%, which is currently 11,15% and is repayable in varying instalments with the final payment being made 15 April 2020. Interest payments are made quarterly in arrears.	**81 466 301**	81 720 277	**–**	–
Standard Bank – Facility B This loan bears interest at the variable JIBAR plus a margin of 3,49%, which is currently 10,475% and is repayable in variable instalments with the final payment being made 15 April 2020. The instalments are repayable monthly over a period of three years and include payments of the interest and capital portions.	**40 721 110**	80 408 582	**–**	–
Capitalised transaction costs Transaction costs of the above loans are capitalised and released to operating expenses over the term of the loan.	**(451 745)**	(993 838)	**–**	–
	121 735 666	161 135 021	**–**	–

21. OTHER FINANCIAL LIABILITIES (continued)

The Standard Bank loans are secured as follows:

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

Total term lending facilities are R120 721 110 (2018: R180 408 582).

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Non-current liabilities				
At amortised cost	**81 014 556**	121 353 224	**–**	–
Current liabilities				
At amortised cost	**40 721 110**	39 781 797	**–**	–
	121 735 666	161 135 021	**–**	–

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

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22. DEFERRED INCOME

No government grants relating to assets were received during 2019. These grants are recognised as deferred income, and released to operating profit over the average useful lives of the assets, which are seven years. The total recognised in operating profit for 2019 amounts to R677 887 (2018: R677 886).

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Movement for the period:				
Opening balance	**2 233 331**	2 911 217	**–**	–
Received during the year	**–**	–	**–**	–
Amortisation	**(677 887)**	(677 886)	**–**	–
Closing balance	**1 555 444**	2 233 331	**–**	–
Non-current liabilities	**877 557**	1 555 444	**–**	–
Current liabilities	**677 887**	677 887	**–**	–
	1 555 444	2 233 331	**–**	–

23. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Financial instruments				
Trade payables	**60 078 529**	62 100 899	**2 040 511**	1 818 157
Credit cards	**10 569**	9 370	**10 569**	9 370
Other payables	**1 468 327**	–	**–**	–
Accrued expenses	**3 870 580**	4 106 961	**178 358**	296 128
Sundry suppliers	**1 114 591**	646 436	**–**	–
Accrued audit fees	**445 000**	405 000	**445 000**	405 000
Non-financial instruments				
Accrual for salary-related expenses	**196 103**	341 359	**196 103**	341 359
Accrued bonus	**1 782 196**	1 648 121	**574 933**	574 933
Deposits received	**10 559 161**	5 249 379	**–**	–
Value added taxation	**571 211**	1 684 706	**–**	–
	80 096 267	76 192 231	**3 445 474**	3 444 947

Fair value of trade and other payables

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

24. FINANCIAL LIABILITIES BY CATEGORY

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

	GROUP		
	Financial liabilities at amortised cost R	Non-financial instruments* R	Total R
2019			
Other financial liabilities	**121 735 666**	**–**	**121 735 666**
Trade and other payables	**66 987 596**	**13 108 671**	**80 096 267**
Bank overdraft	**4 730 432**	**–**	**4 730 432**
	193 453 694	**13 108 671**	**206 562 365**
2018			
Other financial liabilities	161 135 021	–	161 135 021
Trade and other payables	67 268 666	8 923 565	76 192 231
Bank overdraft	6 695 456	–	6 695 456
	235 099 143	8 923 565	244 022 708

* *Non-financial instruments for the group consist of an accrued bonus of R1 782 196 (2018: R1 648 121), value added taxation of R571 211 (2018: R1 684 706), deposits received of R10 559 161 (2018:R5 249 379) and accrual for salary-related expenses of R196 103 (2018: R341 359).*

	COMPANY		
	Financial liabilities at amortised cost R	Non-financial instruments R	Total R
2019			
Loans from group companies	**142 828 494**	**–**	**142 828 494**
Trade and other payables	**2 674 438**	**771 036**	**3 445 474**
	145 502 932	**771 036**	**146 273 968**
2018			
Loans from group companies	140 903 628	–	140 903 628
Trade and other payables	2 528 653	916 294	3 444 947
	143 432 281	916 294	144 348 575

25. REVENUE

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Goods transferred at a point in time	**835 823 568**	830 686 042	**–**	–
Services transferred over time	**–**	–	**8 400 000**	8 400 000
	835 823 568	830 686 042	**8 400 000**	8 400 000

26. COST OF SALES

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Raw materials consumed net of rebates	**515 275 407**	488 756 744	**–**	–

27. OTHER OPERATING INCOME

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Discount received	**51 741**	644 002	**–**	–
Recoveries from subsidiary	**–**	–	**1 303 264**	205 307
Profit on sale of assets	**386 248**	1 930 319	**–**	–
Government grants	**677 887**	677 887	**–**	–
Other sundry income	**1 883 542**	1 480 661	**–**	–
	2 999 418	4 732 869	**1 303 264**	205 307

28. OPERATING PROFIT/(LOSS)

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Operating profit/(loss) for the period is stated after accounting for the following:				
Operating lease charges				
Lease rentals on operating lease	**(15 795 329)**	(15 057 414)	**(364 173)**	(285 855)
Profit on sale of property, plant and equipment	**386 248**	1 930 319	**–**	–
Amortisation on intangible assets	**(2 294 041)**	(2 294 041)	**–**	–
Depreciation on property, plant and equipment	**(13 267 826)**	(11 663 536)	**(53 522)**	(72 314)
Employee costs	**(96 481 118)**	(91 326 086)	**(16 319 067)**	(18 453 863)
Auditor's remuneration	**(867 931)**	(816 003)	**(457 931)**	(423 503)

29. INVESTMENT REVENUE

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Interest revenue				
Bank	**1 126 838**	3 073 084	**1 459**	1 336
Interest on customer accounts	**1 405 573**	1 676 107	**–**	–
	2 532 411	4 749 191	**1 459**	1 336

30. FINANCE COSTS

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Group companies	**–**	–	**1 323 100**	1 140 703
Bank	**177 807**	29 987	**177 807**	29 987
Late payment of tax	**–**	2 281	**–**	–
Other financial liabilities	**15 481 078**	21 457 754	**7 699**	–
Capitalised transaction costs	**542 093**	542 093	**–**	–
	16 200 978	22 032 115	**1 508 606**	1 170 690

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31. TAXATION

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Major components of the taxation expense				
Current				
Local income taxation – current period	**2 280 244**	12 371 189	**–**	–
Deferred				
Originating and reversing temporary differences	**749 567**	1 326 395	**–**	–
	3 029 811	13 697 584	**–**	–
Reconciliation of the taxation expense				
Reconciliation between accounting profit and taxation expense				
Profit/(loss) before taxation	**47 070 417**	57 864 606	**(10 095 656)**	(11 875 382)
Taxation at the applicable taxation rate of 28%	**13 179 717**	16 202 090	**(2 826 784)**	(3 325 107)
Taxation effect of adjustments on taxable income				
Non-deductible items and exempt income	**(34 456)**	10 677	**–**	6 581
Taxable temporary difference not recognised as deferred tax liability	**(195 496)**	(173 872)	**(195 496)**	(173 872)
Deferred taxation not raised on assessed taxation loss	**2 371 192**	2 694 588	**2 371 192**	2 694 560
Profit from equity-accounted investments	**(12 972 849)**	(5 829 508)	**–**	–
Fines	**8 775**	3 345	**–**	–
Donations	**59 862**	30 448	**–**	–
Government grant	**(189 808)**	(189 808)	**–**	–
Share options	**651 088**	797 838	**651 088**	797 838
Capitalised finance and transaction costs	**151 786**	151 786	**–**	–
	3 029 811	13 697 584	**–**	–

No provision has been made by the company for 2019 or 2018 taxation as the company has no taxable income. The estimated taxation loss available for set-off against future taxable income for the company is R117 244 927 (2018: R108 776 384).

32. CASH GENERATED FROM/(USED IN) OPERATIONS

	GROUP		COMPANY	
	2019 **R**	2018 R	**2019** **R**	2018 R
Profit/(loss) for the year	**47 070 417**	57 864 606	**(10 095 656)**	(11 875 382)
Adjustments for:				
Depreciation and amortisation	**15 561 866**	13 957 576	**53 522**	72 314
(Profit)/loss on sale of non-current assets	**(386 248)**	(1 930 319)	**–**	–
Profit from equity-accounted investments	**(46 331 599)**	(20 819 672)	**–**	–
Interest received	**(2 532 411)**	(4 749 191)	**(1 459)**	(1 336)
Finance costs	**16 489 095**	22 032 115	**1 508 606**	1 170 690
Movements in operating lease assets and accruals	**(5 684)**	(10 226)	**(369 857)**	(501 695)
Bad debts written off	**–**	50 000	**–**	50 000
Deferred income	**(677 887)**	(677 887)	**–**	–
Share options recorded against salary expense	**2 325 313**	2 849 424	**2 325 313**	2 849 424
Changes in working capital:				
Inventories	**(1 324 919)**	142 643	**–**	–
Trade and other receivables	**32 482 508**	(11 778 377)	**110 830**	(54 202)
Trade and other payables	**3 904 036**	(9 475 341)	**528**	654 772
	66 574 487	47 455 351	**(6 468 173)**	(7 635 415)

33. TAXATION PAID

Balance at the beginning of the year	**(307 491)**	(408 615)	**–**	–
Current taxation for the period recognised in profit or loss	**(2 280 244)**	(12 371 189)	**–**	–
Balance at the end of the period	**(1 175 731)**	307 491	**–**	–
	(3 763 466)	(12 472 313)	**–**	–

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

Reconciliation of liabilities arising from financing activities	**Opening balance R**	**Imputed and accrued interest R**	**Total non-cash movements R**	**Cash flows R**	**Closing balance R**
2019					
Other financial liabilities measured at amortised cost	**161 135 021**	**288 117**	**288 117**	**(39 687 472)**	**121 735 666**
2018					
Other financial liabilities measured at amortised cost	215 936 239	733 276	733 276	(55 534 494)	161 135 021

35. COMMITMENTS

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Operating leases – as lessee (expense)				
Minimum lease payments due by Métier Mixed Concrete Proprietary Limited				
– Within one year	**12 859 336**	11 707 156	**–**	–
– In second to fifth year inclusive	**39 152 404**	49 052 130	**–**	–
– Later than five years	**13 209 487**	33 685 678	**–**	–
	65 221 227	94 444 964	**–**	–

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

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Minimum lease payments due by Sephaku Holdings Limited to Dangote Cement South Africa Proprietary Limited				
– Within one year	**24 866**	100 969	**24 866**	100 969
– In second to fifth year inclusive	**–**	–	**–**	–
	24 866	100 969	**24 866**	100 969

Operating lease payments represent rentals payable by SepHold for its offices. The lease expired on 31 July 2018 and was renewed on 1 August 2018 on a month-to-month basis, but no longer than 31 July 2021. The escalation rate for the current lease is 7,25% per annum. No contingent rent is payable.

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Operating leases – as lessor (income)				
Minimum lease payments due				
– Within one year	**–**	–	**(3 442 084)**	(3 309 696)
– In second to fifth year inclusive	**–**	–	**(15 201 353)**	(14 616 685)
– Later than five years	**–**	–	**(8 543 155)**	(12 569 907)
	–	–	**(27 186 592)**	(30 496 288)

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

36. RELATED PARTIES

Relationships

Subsidiaries	Refer to note 7
Associate	Refer to note 9
Shareholder with significant influence	Dangote Industries Limited
Companies with common shareholders	Incubex Minerals Limited SepFluor Limited
Directors	B Williams PM Makwana (resigned 1 October 2018) MM Ngoasheng MJ Janse van Rensburg B Bulo Dr L Mohuba NR Crafford-Lazarus RR Matjiu (resigned 12 November 2018) K Capes (resigned 30 November 2018) PF Fourie J Pitt
Prescribed officer (also executive director of Métier Mixed Concrete Proprietary Limited)	WJ du Toit
Key management personnel of the group	Refer to directors as listed above. Also includes one prescribed officer.
Companies with common directors	Plazatique Corp 27 CC WKRD Properties Proprietary Limited Cross Company Management Proprietary Limited African Nickel Limited Cato Ridge Quarry Proprietary Limited Union Atlantic Minerals Limited (previously Miranda Mineral Holdings Limited)

36. RELATED PARTIES (continued)

	GROUP		COMPANY	
	2019 R	2018 R	**2019 R**	2018 R
Related party balances				
Loan accounts – owing by/(to) related parties				
Métier Mixed Concrete Proprietary Limited	**–**	–	**(142 828 494)**	(140 903 628)
Cross Company Management Proprietary Limited	**9 845 327**	7 385 954	**9 845 327**	7 385 954
Sephaku Investment Holdings Proprietary Limited	**–**	–	**10 249**	10 249
Incubex Minerals Limited	**–**	2 000 000	**–**	2 000 000
Union Atlantic Minerals Limited (previously Miranda Mineral Holdings Limited)	**1 073 054**	1 073 054	**1 073 054**	1 073 054
Amounts included in trade receivables/(trade payables) regarding related parties				
Plazatique Corp 27 CC	**–**	(51 619)	**–**	–
WKRD Properties Proprietary Limited	**–**	(92 668)	**–**	–
Dangote Cement South Africa Proprietary Limited	**(3 247 449)**	(8 508 007)	**–**	–
Related party transactions				
Purchases from related parties				
Dangote Cement South Africa Proprietary Limited	**86 018 809**	87 857 887	**–**	–
Rent paid to/(received from) related parties				
Plazatique Corp 27 CC	**1 156 696**	1 061 189	**–**	–
WKRD Properties Proprietary Limited	**737 907**	5 533 289	**–**	–
Métier Mixed Concrete Proprietary Limited	**–**	–	**(3 309 696)**	(3 182 400)
Dangote Cement South Africa Proprietary Limited	**299 900**	296 081	**299 900**	296 081
Fees paid to/(received from) related parties for management services, overheads and salaries				
Métier Mixed Concrete Proprietary Limited	**–**	–	**(8 400 000)**	(8 400 000)
Consulting fees paid to/(received from) related parties				
Plazatique Corp 27 CC	**200 000**	–	**–**	–
Utilities paid to/(received from) related parties				
Plazatique Corp 27 CC	**519 217**	527 854	**–**	–
WKRD Properties Proprietary Limited	**788 419**	6 717 753	**–**	–
Métier Mixed Concrete Proprietary Limited	**–**	–	**(1 303 264)**	(205 307)
Administration feed paid to/(received from) related parties				
WKRD Properties Proprietary Limited	**7 800**	–	**–**	–
Recoveries received from related parties				
Cato Ridge Quarry Proprietary Limited	**–**	40 754	**–**	–
Dangote Cement South Africa Proprietary Limited	**–**	5 000	**–**	–
Interest paid to related parties				
Métier Mixed Concrete Proprietary Limited	**–**	–	**1 323 100**	1 140 703

37. DIRECTORS AND PRESCRIBED OFFICER'S EMOLUMENTS

Executive	Remune-ration R	Prior year** performance bonuses R	Travel allowances R	Pension fund R	IFRS 2 Staff cost relating to share-based payments vesting expense (non-cash) R	Total R
2019						
Dr L Mohuba	**2 895 366**	**760 000**	**–**	**123 802**	**593 140**	**4 372 308**
NR Crafford-Lazarus	**3 349 200**	**760 000**	**150 000**	**123 802**	**581 136**	**4 964 138**
K Capes*	**720 000**	**–**	**–**	**–**	**–**	**720 000**
	6 964 566	**1 520 000**	**150 000**	**247 604**	**1 174 276**	**10 056 446**
2018						
Dr L Mohuba	3 801 117	972 000	–	123 802	568 555	5 465 474
NR Crafford-Lazarus	3 649 620	972 000	151 497	123 802	870 533	5 767 452
K Capes	1 080 000	–	–	–	–	1 080 000
	8 530 737	1 944 000	151 497	247 604	1 439 088	12 312 926

* *KJ Capes resigned as an executive director of SepHold on 30 November 2018. He has been on a consultancy contract with the group as a business development expert to identify viable expansion opportunities. He is remunerated on a retainer based on agreed terms with the company. To date he has been working on the aggregates join venture (Cato Ridge).*

***The bonus paid in FY 2019 relates to the FY 2018 performance and the bonus paid in FY 2018 was based on the FY 2017 performance.*

Non-executive	Fees for services as director R	Remune-ration R	Performance bonus R	IFRS 2 Staff cost relating to share-based payments vesting expense (non-cash) R	Total R
2019					
B Williams	**440 000**	**–**	**–**	**–**	**440 000**
PM Makwana*	**167 500**	**–**	**–**	**–**	**167 500**
MM Ngoasheng	**335 000**	**–**	**–**	**–**	**335 000**
MJ Janse van Rensburg	**335 000**	**–**	**–**	**–**	**335 000**
B Bulo	**335 000**	**–**	**–**	**–**	**335 000**
RR Matjiu**	**–**	**–**	**–**	**111 910**	**111 910**
PF Fourie	**–**	**4 415 351**	**1 758 559**	**–**	**6 173 910**
	1 612 500	**4 415 351**	**1 758 559**	**111 910**	**7 898 320**

* *Resigned 1 October 2018. His director fees for services were paid* pro rata *for six months.*

***Resigned 12 November 2018.*

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

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

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

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

Service contracts

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

Other prescribed officers	Remuneration R	Performance bonus R	Travel allowance R	Pension fund R	IFRS 2 Staff cost relating to share-based payments vesting expense (non-cash) R	Total R
2019						
WJ du Toit	**1 761 567**	**242 769**	**25 200**	**166 692**	**146 383**	**2 342 611**
2018						
WJ du Toit	1 648 350	385 492	25 200	156 081	125 970	2 341 093

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

38. RISK MANAGEMENT

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

The capital structure of the group consists of cash and cash equivalents disclosed in note 18, borrowings disclosed in note 21 and equity disclosed in the statement of financial position.

There are no externally imposed capital requirements.

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

Liquidity risk

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

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

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

	GROUP	
	Less than one year R	Between one and two years R
2019		
Other financial liabilities	**50 327 445**	**81 834 460**
Trade and other payables	**66 987 596**	**–**
Bank overdraft	**4 730 432**	**–**
2018		
Other financial liabilities	55 471 999	131 328 293
Trade and other payables	67 268 666	–
Bank overdraft	6 695 456	–

	COMPANY			
	Less than one year R	Between one and two years R	Between two and five years R	Over five years R
2019				
Loans from group company	**130 891 608**	**1 350 553**	**4 762 216**	**5 824 117**
Trade and other payables	**2 528 653**	**–**	**–**	**–**
2018				
Loans from group companies	126 021 312	4 560 568	4 223 890	6 097 858
Trade and other payables	2 674 438	–	–	–

38. RISK MANAGEMENT (continued)

Interest rate risk

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

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

At 31 March 2019, if interest rates on cash and cash equivalents had been 1% higher/lower with all other variables held constant, pretaxation profit of the group for the year would have been R225 368 (2018: R614 617) higher/lower, mainly as a result of higher/lower interest income on funds invested on call. The resulting taxation effect would have been R63 103 (2018: R172 093).

At 31 March 2019, if interest rates on cash and cash equivalents had been 1% higher/lower with all other variables held constant, pretaxation profit of the company for the year would have been R292 (2018: R267) higher/lower, mainly as a result of higher/lower interest income on funds invested on call. The resulting taxation effect would have been Rnil.

At 31 March 2019, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, pretaxation profit of the group would have been R1 576 920 (2018: R2 199 985) lower/higher, as a result of higher/lower interest expense on floating rate borrowings. The resulting taxation effect would have been R441 537 (2018: R615 996).

At 31 March 2019, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, pretaxation profit of the company would have been R105 860 (2018: R117 069) lower/higher, as a result of higher/lower interest expense on floating rate borrowings. The resulting taxation effect would have been Rnil.

Cash flow interest rate risk

Financial instrument	Current interest rate %	Due in less than a year R	Due in one to two years R
Cash in current banking institutions	5,00	2 710 838	–
Overdraft facilities used	10,00	4 730 432	–
Floating rate financial liabilities – Facility A	11,15	–	80 000 000
Floating rate financial liabilities – Facility B	10,48	40 721 109	–

Credit risk

Credit risk is managed on a group basis. Credit risk consists of cash deposits, cash equivalents, other financial assets, trade and loans receivable, loan commitments and financial guarantees. The company only deposits cash with major banks with high-quality credit standing and limits exposure to any one counterparty.

The credit risk is managed on a group basis based on the group's credit risk management policies and procedures. Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

38. RISK MANAGEMENT (continued)

Credit risk (continued)

Credit risk for exposures other than those arising on cash and cash equivalents are managed by making use of credit approvals, limits and monitoring. The company only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Trade receivables consist of a large number of customers in various industries. Due to a number of hardships experience in the construction industry over the last year management increased is risk managment efforts on trade receivables by obtaining risk cover from CGIC for insurable customers

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss. Credit loss allowances are also recognised for loan commitments and financial guarantee contracts.

In order to calculate credit loss allowances, management determines whether the loss allowances should be calculated on a 12-month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12-month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

Management applies the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12-month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management considers information such as payment history to date, industry in which the customer is employed, period for which the customer has been employed, external credit references, etc.

In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account. Trade receivable and contract assets which do not contain a significant financing component are the exceptions and are discussed below.

For trade receivables and contract assets which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other trade receivables, IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management has chosen to make use of lifetime expected credit losses as an accounting policy. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables, contract assets or lease receivables.

38. RISK MANAGEMENT (continued)

Credit risk (continued)

The maximum exposure to credit risk is presented in the table below:

	2019			2018		
	Gross carrying amount R	Credit loss allowance R	Amortised cost/fair value R	Gross carrying amount R	Credit loss allowance R	Amortised cost/fair value R
Trade and other receivables	100 849 007	(1 679 260)	99 170 747	133 331 514	(6 000 000)	127 331 514
Cash and cash equivalents	2 823 868	–	2 823 868	10 510 169	–	10 510 169
	103 672 875	(1 679 260)	101 994 615	143 841 683	(6 000 000)	137 841 683

The carrying amount of financial assets represents the maximum exposure to credit risk.

Financial assets exposed to credit risk are as follows:

	GROUP		COMPANY	
Financial instrument	2019 R	2018 R	2019 R	2018 R
Loans to group companies	–	–	10 249	10 249
Other financial assets	10 918 381	8 459 008	10 918 381	8 459 008
Trade and other receivables	96 911 756	130 888 707	–	–
Cash and cash equivalents	2 824 838	10 510 169	–	337 984
Long-term loans	–	2 000 000	–	2 000 000

39. GOING CONCERN

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

40. EVENTS AFTER THE REPORTING PERIOD

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

41. NET ASSET VALUE PER SHARE AND EARNINGS PER SHARE

Net asset value and tangible net asset value per share

	GROUP 2019 R	GROUP 2018 R
Total assets	**1 319 299 051**	1 307 075 597
Total liabilities	**(233 975 374)**	(271 677 211)
Net asset value attributable to equity holders of parent	**1 085 323 677**	1 035 398 386
Goodwill	**(223 421 981)**	(223 421 981)
Intangible assets	**(573 510)**	(2 867 551)
Deferred tax raised on intangible assets	**160 583**	802 914
Tangible net asset value	**861 488 769**	809 911 769
Shares in issue	**208 216 175**	206 342 821
Net asset value per share (cents)	**521,25**	501,79
Tangible net asset value per share (cents)	**413,75**	392,51
Earnings, diluted earnings and headline earnings per share		
Reconciliation of basic earnings to diluted earnings and headline earnings:		
Basic profit and diluted profit from total operations attributable to equity holders of parent	**44 040 606**	44 167 022
(Profit)/loss on sale of property, plant and equipment	**(386 248)**	(1 930 319)
Total taxation effect of adjustments	**108 150**	540 489
Headline earnings and diluted headline earnings attributable to equity holders of parent	**43 762 508**	42 777 192
Basic weighted average number of shares	**207 610 543**	204 431 259
Dilutive effect of share options	**261 498**	1 089 107
Diluted weighted average number of shares	**207 872 041**	205 520 366
Basic earnings per share (cents)	**21,21**	21,60
Diluted earnings per share (cents)	**21,19**	21,49
Headline earnings per share (cents)	**21,08**	20,92
Diluted headline earnings per share (cents)	**21,05**	20,81

42. SEGMENT INFORMATION

	Ready-mixed concrete	Head office	Group totals
2019			
Segment revenue – external revenue	835 823 569	–	835 823 569
Segment cost of sales	(515 275 407)	–	(515 275 407)
Segment expenses	(285 895 661)	(22 956 416)	(308 852 077)
Profit from equity-accounted investment	–	46 331 599	46 331 599
Profit on sale of property, plant and equipment	386 248	–	386 248
Segment profit/(loss) after taxation	21 530 240	22 510 366	44 040 606
Taxation	(3 672 142)	642 331	(3 029 811)
Interest received	2 530 952	1 459	2 532 411
Interest paid	(16 303 589)	(185 506)	(16 489 095)
Depreciation and amortisation	(13 214 303)	(2 347 562)	(15 561 865)
Segment assets	251 252 272	1 068 046 779	1 319 299 051
Investment in associate included in the above total segment assets	–	812 201 874	812 201 874
Capital expenditure included in segment assets	19 827 063	117 963	19 945 026
Segment liabilities	(225 638 902)	(8 336 472)	(233 975 374)
2018			
Segment revenue – external revenue	830 686 042	–	830 686 042
Segment cost of sales	(488 756 744)	–	(488 756 744)
Segment expenses	(267 054 964)	(25 279 345)	(292 334 309)
Profit from equity-accounted investment	–	20 819 672	20 819 672
Profit on sale of property, plant and equipment	1 930 319	–	1 930 319
Segment profit/(loss) after taxation	48 013 015	(3 845 993)	44 167 022
Taxation	(14 339 915)	642 331	(13 697 584)
Interest received	4 747 855	1 336	4 749 191
Interest paid	(22 002 128)	(29 987)	(22 032 115)
Depreciation and amortisation	(11 591 223)	(2 366 354)	(13 957 577)
Segment assets	285 141 373	1 021 934 224	1 307 075 597
Investment in associate included in above total segment assets	–	765 870 275	765 870 275
Capital expenditure included in segment assets	14 891 968	23 390	14 915 358
Segment liabilities	(267 423 681)	(4 253 530)	(271 677 211)

The only commodity actively managed by Métier is ready-mixed concrete.

The group does not rely on any single external customer or group of entities under common control for 10% or more of the group's revenue.

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

SHAREHOLDERS' ANALYSIS

SEPHAKU HOLDINGS LIMITED

Ordinary shares as at 31 March 2019

Number of ordinary shares in issue as at 31 March 2019	208 216 175
Total holders	1 700

ISSUED CAPITAL

Type of shares	Number of shareholders	% of shareholders	Number of shares
Certificated shares	135	7,94	25 988 801
Dematerialised shares	1 565	92,06	182 227 374
Total issued capital	1 700	100,00	208 216 175

Shareholders holding greater than 5% of the issued share capital at year-end	Number of shares	%
Citiclient Nominees No8 NY GW	22 140 882	10,63
Safika Resources Proprietary Limited Nominees	19 511 310	9,37

RANGE OF SHAREHOLDINGS

Share range	Number of shareholders	% of shareholders	Number of shares
1 – 1 000	637	37,47	204 353
1 001 – 10 000	581	34,18	2 386 663
10 001 – 50 000	240	14,12	5 920 052
50 001 – 100 000	82	4,82	5 718 397
100 001 – 500 000	106	6,23	24 242 363
500 001 – 1 000 000	17	1,00	12 128 584
1 000 001 shares and over	37	2,18	157 615 763
Total	1 700	100,00	208 216 175

BREAKDOWN BY DOMICILE

Domicile	Number of shareholders	% of shareholders	Number of shares
Resident shareholders	1 669	98,18	172 252 123
Non-resident shareholders	31	1,82	35 964 052
Total	1 700	100,00	208 216 175

Public and non-public shareholders	Shares held	%	Number of shareholders
Public	184 946 090	88,82	1 692
Non-public	23 270 085	11,18	8
– Directors' direct holdings	9 663 259	4,64	5
– Directors' indirect holdings	13 566 826	6,52	2
– Directors' associates	40 000	0,02	1
	208 216 175	100,00	1 700

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