SEPHAKU HOLDINGS LTD

Sephaku Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2005/003306/06)
Share code: SEP
ISIN: ZAE000138459

Unaudited interim financial results for the six months ended 30 September 2015

Sephaku Cement focuses on optimisation to improve the quality of earnings and Métier starts supplying concrete into the anchor projects.

Sephaku Holdings Limited ("SepHold" or "the Company") hereby announces the group's unaudited financial results for the six months ended 30 September 2015. SepHold, Métier Mixed Concrete Proprietary Limited ("Métier" or "the subsidiary") and Sephaku Cement Proprietary Limited ("SepCem" or "the associate") are collectively referred to as the group.

Highlights

- Métier revenue increased by 14% to R461,4 million from R404,2 million in the comparative period ended 30 September 2014
- SepCem combined annualised capacity utilisation reaches steady state (80%) in May 2015
- SepCem interim EBITDA margin of 21% at a revenue of R1 billion for the period ended 30 June 2015[1]
- Group net earnings of R18,5 million compared to the loss of R3,7 million in the period ended 30 September 2014
- Net asset value increased from 392,60 cents per share in the period ended 30 September 2014 to 430,1 cents per share

Post period

As announced by Dangote Cement PLC on 26 October 2015, for the nine months ended 30 September 2015, SepCem recorded a cumulative EBITDA margin of 23% and revenue of circa R1,7 billion. The SepCem third quarter results will be included in the SepHold final audited financial results for the twelve months ending 31 March 2016[1].

[1] SepCem has a December year-end as a subsidiary of Dangote Cement PLC

Financial review

The increase in group revenue to R461,4 million compared to R404,2 million for the previous interim period ended 30 September 2014 was largely due to the additional output from Métier's eleventh plant that commenced production in September 2014. The subsidiary recorded an EBIT margin of 13% (R59,8 million) which is slightly lower than the 15% (2014: R62,6 million) recorded in the comparative period. The reduction in the margin was mainly due to increased price competition as well as Métier management's astute decision to cease supply into a significant government contract for a period of 6 weeks in the interim period due to inconsistent payment.

SepHold's 36% interest in SepCem's operations for the interim period January 2015 to June 2015 resulted in an equity accounted loss of R8,8 million compared to the loss of R9,3 million for period ended June 2014. The loss at SepCem was due to the six and half week kiln downtime reported in the year end results during which there was limited product into the market. Nonetheless, we are pleased to state that the plant has operated uninterrupted since production resumed in April and SepCem reached annualised steady state capacity utilisation for both plants in May. The associate has continued to enhance its share of the market as confirmed by the R1 billion revenue at an EBITDA of 21% recorded for the six-months ended 30 June period.

Furthermore as stated in the Dangote Cement PLC results released on 26 October 2015 for the nine months ended 30 September 2015, SepCem achieved a cumulative EBITDA of 23% and revenue of circa R1,7 billion. In SepCem's third quarter, which is not accounted for by SepHold in the current interim reporting period, the associate achieved revenue of R650 million and an EBITDA of 26% for the three months ending September 2015.

The group recorded an EBIT margin of R42,7 million (2014: R21,5 million) and a taxation expense of R13,2 million (2014: R14,3 million) essentially on the Métier income. The group net profit for the period was R18,5 million compared to the R3,7 million loss recorded in the comparative period.

Operational review

Métier

The subsidiary entered the 2016 financial year with a robust order book having secured four anchor supply contracts ranging from 50,000m^3 to 75,000m^3. The ability to produce and supply specialised high-value concretes combined with the exceptional customer service offering has enabled Métier to achieve superior margins.

SepCem

SepCem continued to advance its share of the market as confirmed by the associate's revenue for the period of R1 billion. The pricing landscape has become dynamic and highly differentiated geographically resulting in downward pressure on margins. The competitive landscape was fairly aggressive during the period under review with all producers focussing on improving efficiencies and marketing efforts. During the interim period, SepCem adopted a defensive coastal strategy against imports in areas where it has a natural competitive advantage resulting in approximately 20% of SepCem's volumes being sold into the KwaZulu-Natal (KZN) market. The KZN province is the second largest market after Gauteng at circa 2.1 million tonnes per annum. The introduction of the ITAC imposed tariffs has significantly reduced the imported volumes resulting in an increased demand for locally produced cement.

Outlook

In the short to medium term, SepCem will continue to focus on achieving high quality earnings by optimising the logistics function between the plants and markets. SepCem will also focus on optimising the production efficiencies in order to reduce the operating costs. Furthermore, an enhanced sales drive agenda will significantly improve the customer targeting efforts. These processes will ensure that the associate achieves its targeted margins.

Métier will continue to maintain operational efficiency and improve its financial performance to increase earnings.

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS for the six months ended 30 September 2015

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2015 Unaudited R'000	30 September 2014 Unaudited R'000	31 March 2015 Audited R'000
Assets			
Non-current assets	**999 867**	983 827	1 015 419
Current assets	**234 522**	166 358	204 070
Total assets	**1 234 389**	1 150 185	1 219 489
Equity and liabilities			
Equity attributable to equity holders of the parent	**865 415**	747 818	844 720
Non-current liabilities	**253 701**	169 374	265 830
Current liabilities	**115 273**	232 993	108 939
Total liabilities	**368 974**	402 367	374 769
Total equity and liabilities	**1 234 389**	1 150 185	1 219 489

Net asset value per share (cents)	**430,07**	392,60	419,79
Tangible net asset value per share (cents)	**315,76**	270,53	304,86
Ordinary shares in issue	**201 224 508**	190 479 645	201 224 508

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 September 2015 Unaudited R'000	6 months ended 30 September 2014 Unaudited R'000	12 months ended 31 March 2015 Audited R'000
Revenue	**461 370**	404 157	775 425
Cost of sales	**(274 101)**	(225 941)	(434 431)
Gross profit	**187 269**	178 216	340 994
Other income	**6 112**	5 027	9 999
Operating expenses	**(141 899)**	(130 171)	(263 204)
Operating profit	**51 482**	53 072	87 789
Investment income	**3 243**	1 366	2 168
Loss on contingent consideration	**-**	(22 222)	(28 501)
(Loss)/profit from equity accounted investments	**(8 783)**	(9 318)	35 924
Finance costs	**(14 261)**	(12 356)	(25 321)
Profit before taxation	**31 681**	10 542	72 059
Taxation	**(13 170)**	(14 278)	(24 898)
Profit/(loss) for the period	**18 511**	(3 736)	47 161
Total comprehensive income/(loss) for the period	**18 511**	(3 736)	47 161
Basic earnings/(loss) per share (cents)	**9,20**	(1,96)	24,43
Diluted earnings/(loss) per share (cents)	**8,87**	(1,82)	23,59
Headline earnings/(loss) per share (cents)	**9,12**	(2,00)	24,43
Diluted headline earnings/(loss) per share (cents)	**8,79**	(1,85)	23,59
Reconciliation of basic earnings/(loss) to diluted earnings/(loss) and headline earnings/(loss):			
Basic earnings/(loss) and diluted earnings/(loss) from total operations attributable to equity holders of the parent	**18 511**	(3 736)	47 161
(Profit)/loss on sale of non-current assets	**(216)**	(91)	5
Total taxation effect of adjustments	**61**	25	(1)
Headline earnings/(loss) attributable to equity holders of the parent	**18 356**	(3 802)	47 165
Reconciliation of weighted average number of shares:			
Basic weighted average number of shares	**201 224 508**	190 145 200	193 050 707
Diluted effect of share options	**7 522 096**	10 073 076	6 849 198
Contingent issuable shares	**-**	5 555 556	-
Diluted weighted average number of shares	**208 746 604**	205 773 832	199 899 905

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended 30 September 2015 Unaudited R’000	6 months ended 30 September 2014 Unaudited R’000	12 months ended 31 March 2015 Audited R’000
Cash flows from operating activities	**30 747**	34 846	70 925
Cash flows from investing activities	**(9 323)**	(21 543)	(26 777)
Cash flows from financing activities	**(12 500)**	(3 094)	765
Total cash movement for the period	**8 924**	10 209	44 913
Cash at beginning of period	**70 914**	26 001	26 001
Cash at end of period	**79 838**	36 210	70 914

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total share capital R'000	**Total Reserves R'000**	**Retained earnings R'000**	**Total equity R'000**
Balance at 31 March 2014 - Audited	**585 573**	**17 625**	**144 526**	**747 724**
Total comprehensive loss for the period	-	-	(3 736)	(3 736)
Issue of shares	1 561	-	-	1 561
Employees' share option scheme	-	1 690	579	2 269
Balance at 30 September 2014 - Unaudited	**587 134**	**19 315**	**141 369**	**747 818**
Total comprehensive income for the period	-	-	50 897	50 897
Issue of shares	43 993	-	-	43 993
Employees' share option scheme	-	(3 630)	5 641	2 012
Balance at 31 March 2015 - Audited	**631 127**	**15 685**	**197 907**	**844 720**
Total comprehensive income for the period	-	-	18 511	18 511
Employees' share option scheme	-	2 138	47	2 184
Balance at 30 September 2015 - Unaudited	**631 127**	**17 823**	**216 465**	**865 415**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

Segment information

	Ready-mixed concrete R'000	Head office and consolidation R'000	Group totals R'000
for the 6 months ended 30 September 2015 – Unaudited			
Segment revenue - external revenue	461 370	-	461 370
Segment cost of sales	(274 101)	-	(274 101)
Segment expenses	(133 457)	(8 442)	(141 899)
Loss from equity-accounted investment	-	(8 783)	(8 783)
Segment profit/(loss) after taxation	34 819	(16 308)	18 511
Taxation	(13 652)	482	(13 170)
Interest received	2 897	346	3 243
Interest paid	(14 260)	(1)	(14 261)
Depreciation and amortisation	(15 417)	(27)	(15 444)
Segment assets	455 738	778 651	1 234 389
Investment in associate included in the above total segment assets	-	643 530	643 530
Capital expenditure included in segment assets	10 693	36	10 729
Segment liabilities	(365 834)	(3 140)	(368 974)
for the 6 months ended 30 September 2014 – Unaudited			
Segment revenue - external revenue	404 157	-	404 157
Segment cost of sales	(225 941)	-	(225 941)
Segment expenses	(120 657)	(9 514)	(130 171)
Loss on contingent consideration	-	(22 222)	(22 222)
Loss from equity-accounted investment	-	(9 318)	(9 318)
Segment profit/(loss) after taxation	40 426	(44 162)	(3 736)
Taxation	(14 760)	482	(14 278)
Interest received	1 343	23	1 366
Interest paid	(8 743)	(3 613)	(12 356)
Depreciation and amortisation	(14 953)	(1 723)	(16 676)
Segment assets	290 660	859 525	1 150 185
Investment in associate included in the above total segment assets	-	607 071	607 071
Capital expenditure included in segment assets	23 333	19	23 352
Segment liabilities	(261 810)	(140 557)	(402 367)

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 as disclosed in the interim financial results. SepCem is an associate of SepHold. No segment report has been presented for cement as the amounts attributable to cement have been included in the “head office segment”.

Basis of preparation

The condensed consolidated interim financial results for the six months ended 30 September 2015 ("interim reporting period") have been prepared in accordance with IAS 34: Interim Financial Reporting, the requirements of the JSE Limited Listings Requirements, the Companies Act, 2008, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council. The interim financial results are prepared in accordance with International Financial Reporting Standards ("IFRS").

The results have been prepared on a historical cost basis, except for the measurement of land at revalued amounts.

The accounting policies for the interim reporting period are consistent with those applied in the annual financial statements for the group for the year ended 31 March 2015.

The preparation of the interim financial results has been supervised by NR Crafford-Lazarus CA (SA).

The financial information on which these interim period results are based has not been reviewed or reported on by the group's auditors.

Statement of going concern

The interim financial results 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.

Stated capital

There were no changes to the authorised or issued stated capital of the company during the interim reporting period under review.

Events after the interim reporting period

The directors are not aware of any material fact or circumstance arising between the end of the interim reporting period and the date of this report that would require adjustments to or disclosure in the interim financial results.
The change of the company name of the associate, from Sephaku Cement Pty Ltd to Dangote Cement South Africa Pty Ltd, became in effect on 27 October 2015

Changes to the board

There were no changes to the board during the interim reporting period under review.

Change in the Company Secretary

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

Company information

Directors

B Williams° (chairman)
MG Mahlare°
PM Makwana°
MM Ngoasheng°
J Pitt° ~
Dr L Mohuba* (chief executive officer)
NR Crafford-Lazarus* (financial director)
RR Matjiu*
KJ Capes*
PF Fourie

**Executive °Independent ~Alternate*

Company secretary

Acorim Proprietary Limited
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Registered office

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Transfer secretaries

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70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2017
South Africa
Telephone: +27 11 380 5000

JSE sponsor

Questco Proprietary Limited
Claudia Adamson, Telephone: +27 11 011 9209

Investor presentation webcast and conference call

A presentation audio webcast and conference call for analysts and investors will be held on Thursday, 5 November 2015 at 1000hs CAT. The results presentation can also be downloaded from the Company website www.sephakuholdings.com.

The link to access the webcast is: http://themediaframe.eu/links/sephold151105.html

The dial-in details into the conference call are as follows:

Other Countries - International	+27 11 535 3600 or +27 10 201 6800
South Africa - Cape Town	021 819 0900
South Africa - Durban	031 812 7600
South Africa - Johannesburg Neotel	011 535 3600
South Africa - Johannesburg Telkom	010 201 6800
South Africa toll free number	0800 203 599

A playback facility will be available for 30 days as follows:

International	+27 11 305 2030
South Africa	011 305 2030

Code: 41110

On behalf of the board

Pretoria

Chief executive officer	**Financial director**
Dr. Lelau Mohuba	Neil Crafford Lazarus
5 November 2015	

Enquiries contact: Sakhile Ndlovu Sephaku Holdings Investor Relations 012 612 0210

Sponsor to Sephaku Holdings: Questco (Pty) Ltd

About Sephaku Holdings Limited

Sephaku Holdings Limited is a building and construction materials company with a portfolio of investments in the cement sector in South Africa. The company's core investments are a 36% stake in Sephaku Cement (Pty) Ltd and 100% in Métier Mixed Concrete (Pty) Ltd. The strategy of SepHold is to generate growth and realise value for shareholders through the production of cement and ready mixed concrete in Southern Africa.

www.sephakuholdings.com