SEPHAKU HOLDINGS LTD

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

Summarised audited financial results

for the year ended

31 March 2020

Sephaku Holdings Limited (SepHold or the company) hereby reports on the group's audited financial results for the year ended 31 March 2020. SepHold, Métier Mixed Concrete Proprietary Limited (Métier or the subsidiary) and Dangote Cement SA Proprietary Limited (SepCem or the associate) are collectively referred to as the group.

The summarised financial information included in this announcement is extracted from audited information but is not itself audited. The full annual financial statements are available on the company's website, www.sephakuholdings.com.

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

The underlying financial statements have been audited by the group's external auditors, BDO South Africa Incorporated.

A copy of their unqualified report, as well as the annual financial statements, are available for inspection at the company's registered office.

The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the company's registered office.

Any reference to operational or future financial performance included in this announcement, has not been reviewed or reported on by the company's auditors.

SALIENT POINTS

SepHold

- **Group consolidated revenue: R727 million**
- **Net loss after tax: R17 million**
- **Headline loss per share: 7.97 cents**

Métier

- **Sales revenue: R727 million**
- **Net loss after tax: R0,6 million**
- **EBITDA margin: 4.8% at R34 million**

SepCem[1]

- **Sales revenue: R2,2 billion**
- **EBITDA margin: 16.4% at R359 million**
- **Net profit after tax: R1,3 million**

[1] *SepCem has a December year-end as a subsidiary of Dangote Cement PLC. The FY 2020 figures are for the 12 months ended December 2019 and FY 2019 figures are for the 12 months ended 31 December 2018.*

SUMMARISED AUDITED FINANCIAL RESULTS

for the year ended 31 March 2020

ANALYST RESULTS PRESENTATION

The results conference call will be hosted on Friday, 14 August 2020, at 10:00. All participants are required to pre-register at SEPHAKU HOLDINGS FY 2020 FINANCIAL RESULTS PRESENTATION to receive unique access details. The results presentation will be available on the company's website 15 minutes before the event for downloading via the link: http://sephakuholdings.com/investor-centre/presentations/.

REMARKING ON THE RESULTS, CHIEF EXECUTIVE OFFICER, NEIL CRAFFORD-LAZARUS SAID,

"The building materials industry has been impacted by the continued decline in demand as both public and private infrastructure investment decrease. The challenges we have experienced in the past several years are well known however, our focus on the sector is informed by our executive's extensive knowledge and expertise in the construction value chain. We are convinced that our strategy will result in exceptional returns for shareholders in the long term and remain fully committed to being a renowned manufacturer of high-quality building materials.

The concrete sector performance is closely linked to the highly cyclical construction industry. The longer the period of the business cycle contraction, the more the infrastructure investment declines. By March 2020, South Africa had experienced over 70 months of a downturn in the business cycle, the longest on record. The low barriers to entry and their lower operating costs provided an impetus to the independent mixed-concrete manufacturers to use aggressive pricing tactics to secure supply contracts. The aggregates producers intensified the competition by increasing their opportunistic production and supply of mixed concrete. Despite these daunting challenges, we have developed counter strategies to ensure the successful implementation of Métier's strategic objectives going forward.

For cement manufacturing, the contest between primary manufacturers, blenders and importers ensued during the year. Cement demand was largely constrained with a decline observed in the rural consumer markets which have been the driving force for bagged cement demand since 2018. The Statistics South Africa data on building plans completed as approved by the large municipalities recorded unexpected year-on-year (y-o-y) quarterly growth as large construction projects such as Fourways Mall and The Leonardo were being completed. The reality on the ground was better reflected by the sharp contrast of the leading indicator in building plans passed that recorded y-o-y quarterly decline throughout 2019 resulting in an annual contraction of 12.6% following -1.4% in 2018.

In this unprecedented time of COVID-19, the welfare of all stakeholders, especially our employees, is critical to business continuity. To that effect, I am pleased to state that the operations have demonstrated the ability to respond quickly to create a safe workplace for all group employees. Numerous measures to mitigate workplace exposure to the virus are in place and regularly assessed for efficacy."

COMMENTARY

SEPHOLD

Head office expenses reduction

The initiative to reduce head office expenses introduced in September 2018 resulted in a 28% decrease in expenses y-o-y to R16,6 million (2019: R22,9 million). The decrease was due to the reduction in the chief executive officer's (CEO) salary, headcount and various non-cash expenses.

Rights issue

Shareholders are referred to the SENS announcements on the partially underwritten renounceable Rights Offer (Rights Offer) published on 13 December 2019, 17 to 23 January 2020 and 17 February 2020. Informed by the constrained trading conditions, resulting in, among other things, reduced profitability, the SepHold board of directors approved the implementation of the Rights Offer to raise R37,5 million to improve Métier's net debt through an increase in the cash balance. The reduced net debt was necessary to ensure the subsidiary's compliance with debt covenants imposed by the lenders. The Rights Offer closed on 14 February 2020 resulting in an increase in the number of SepHold shares in issue to 254 486 436.

Impairment considerations

Goodwill and investment in Métier

The decline in profitability at Métier over the last two to three years focused the attention on the goodwill assessment. The recoverable amount was determined on a value-in-use calculation, three-year cash flow projections and a terminal value calculation. Furthermore, the subsidiary implemented a cost-cutting and restructuring process after year-end across the operations to ensure that the company is best positioned to face the challenges during and post COVID-19. The results of the test performed indicated that no impairment is required for the period under review. Further details on the impairment assessment are on page 11.

Response to the COVID-19 pandemic

SepCem's rigorous business continuity and disaster management reviews in 2019 as part of their on-going pro-active risk management process positioned the associate well to respond to the pandemic. SepCem's on-going response to COVID-19 is coordinated by a designated task team comprising of internal and external experts. Métier has responded by introducing extensive protocols to continually guide their operations on how to mitigate workplace spread of the virus. Overall, the group has introduced additional health and safety measures to safeguard employees from the spread of COVID-19 while ensuring that there is a continuation of the day-to-day operations.

COVID–19 marginally impacted the group performance for the period under review because the national lockdown was implemented from 27 March 2020 which was during the final week of the financial year (FY). The impact of the lockdown on the operations was effective from the date the President of South Africa announced the shutdown on 23 March 2020 because there was a retraction of several transport services for SepCem and Métier immediately receiving some order cancellations.

During alert level 5 of the lockdown from 27 March to 30 April 2020, the group entities complied fully with the government directive and closed all operations to safeguard the health of all employees. Executive management and critical employees continued working from home during alert level 5. Métier and SepCem resumed operations at 50% capacity during alert level 4 in May 2020 and full operations at alert level 3 from 1 June 2020. Be that as it may, the pandemic will have a greater impact on the performance for the year ending March 2021.

SepHold management changes

The CEO, Dr. Lelau Mohuba retired effective 31 December 2019 due to persistent health challenges. Dr. Lelau was subsequently appointed as a non-executive director in January 2020. SepHold successfully applied to the JSE for a special dispensation to combine the CEO and financial director roles to be held by Mr. Neil Crafford-Lazarus. The company's application was premised on the persistent industry downturn, which has severely limited investment opportunities. This prevailing operating environment has resulted in reduced activity at SepHold, not warranting more than one executive director. The JSE granted a dispensation for Mr. Crafford-Lazarus to assume both roles initially until 30 June 2020, then SepHold applied for a further extension which was granted until 31 December 2020.

Availability of BEE compliance certificate

In accordance with the JSE Listings Requirements, notice is given to shareholders that the company's Annual Compliance Certificate, in terms of section 13G(2) of the Broad-Based Black Economic Empowerment Amendment Act No. 46 of 2013, is available on the company's website: https://sephakuholdings.com/corporate-governance/governance-documents/.

MÉTIER

Sales volumes

The annual sales volumes decreased by 14% y-o-y with the KwaZulu-Natal (KZN) region recording the highest decline. The KZN volumes decreased by 18% y-o-y because of the suspension of large projects such as the Oceans Mhlanga and Clairwood Logistic Park. The relatively lower volume decrease in the Gauteng region at 11% was due to the ramp-up volumes from the Centurion and Rosslyn plants that commenced production during the previous 24 months. Métier's plant footprint expansion has been implemented to not only sustain the current sales volumes but also to improve its competitive advantage in these new markets for at least three years.

Revenue and profitability

Consequently, Métier's revenue decreased by 13% to R727 million (FY 2019: R836 million) mainly due to the combined effect of lower volumes and a 1.2% decrease in the pricing. The subsidiary's earnings before interest, taxation, depreciation and amortisation (EBITDA) margin decreased to 4.8% (FY 2019: 6.2%), operating margin to 1.7% (FY 2019: 4.7%) and net profit to a net loss of R0,6 million (FY 2019: R22 million), mainly due to the combination of the decline in volumes, flat pricing and inflationary costs.

Management of customer credit risk

The exposure to credit risk and the creditworthiness of customers are continuously monitored. To mitigate the risk of financial loss from defaults, the subsidiary only dealt with reputable customers with a consistent payment history. Sufficient collateral or guarantees were also obtained where appropriate. Statistical credit scoring models based on information submitted by the customers and external data sources were used for assessment where available. Insurance of debtors was obtained from the Credit Guarantee Insurance Corporation during the financial year and contributed favourably to the assessment of credit risk exposure. As at 31 March 2020, the loss allowance for trade and other receivables was R2 863 871 (FY 2019: R1 679 260).

Bank debt management

Métier continued to service its bank debt according to the repayment terms during the period. The term loan principal was reduced to R2 million (FY 2019: R41 million) in line with the payment profile. However, the reduced profitability levels resulted in severe pressure on the debt to EBITDA covenant by December 2019.

The R100 million revolving credit facility balance was R92 million as at 31 March 2020 (FY 2019: R81 million). The loan was refinanced and converted to a R90 million amortising facility after year-end at an interest rate of three-month Johannesburg Inter-bank Average Rate (JIBAR) plus a margin of 5.25%. The facility is repayable in varying instalments with the final payment to be made on 31 March 2023. The lenders have agreed to suspend the repayment of capital on the loan until December 2020 except for a R15 million bullet payment in August to lower the facility to R75 million. Interest payment will be serviced from 1 April 2020 through to December 2020, and from January 2021 both capital and interest will be paid on a monthly basis.

SEPHAKU CEMENT[1]

Sales volume

The SepCem volumes were 9.4% lower y-o-y supported by the growth in the fourth quarter, during which SepCem achieved an increase of 10.4% y-o-y. The industry figures on sales volumes released during the first quarter of 2020 indicated that the local producers collectively experienced a 7%[2] contraction in volumes. The blenders are estimated to have supplied 1,5 million to 2 million tonnes, and the import volumes increased by 12% to 1 million tonnes[3], mainly from Vietnam.

The increased competition against declining demand led to intense price competition in highly contested markets such as Gauteng and Limpopo. Most of the incumbents, including SepCem, introduced fighter brands to target specific markets. The associate's Falcon brand was introduced to compete with imported cement in northern KZN, which forms part of its natural market from the Delmas plant in Mpumalanga.

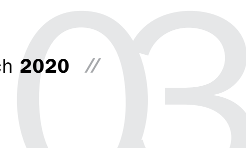
The cement industry's application for a safeguard tariff from the International Trade Administration Commission of South Africa has progressed well, which if successful will result in the imposition of a non-country specific flat tariff on all imported cement. The industry's motivation for the tariffs is the higher cost of doing business in South Africa due to stringent legislative requirements and high regulatory standards compared to the importing countries.

Encouragingly, in the second half of the year, SANRAL issued a tender for extensive upgrades to the N2 and N3 road network in KZN providing a glimmer of hope to the construction industry. Other green shoots were the commencement of the Lesotho water project and upgrades to OR Tambo International Airport and Cape Town International Airport during the year.

[1] *Sephaku Cement has a December year-end as a subsidiary of Dangote Cement PLC. The associate's results incorporated in the SepHold FY 2020 financials are for the 12 months ended December 2019 instead of March 2020. FY 2018 refers to the previous financial year ended December 2018.*

[2] *Levitt Kirson Business Services Proprietary Limited, Q1 2020.*

[3] *SARS.*



Revenue and profitability

SepCem increased prices by between 8% and 10% per tonne in January 2019 for bulk and February 2019 for bagged cement. An additional price increase ranging between 1.5% and 2.5% was implemented in July 2019 for carbon tax recovery. The combined impact of the price increases and the introduction of competitively priced Falcon was an effective annual increase in revenue per tonne of 5.2%.

The revenue decreased to R2,18 billion (FY 2019: R2,29 billion) mainly due to the volume decline. The EBITDA margin was 16% (R359 million) compared to 20% (R462 million) in the previous year. The profit margins were further impacted by above-inflation cost increases in inputs such as coal, electricity and fuel. To improve profitability, SepCem made significant progress towards developing initiatives to mitigate the escalating costs including establishing an alternative source for competitively priced coal. Profit after tax was R1,3 million compared to R128,7 million in the previous year. Profit after tax in the prior period contains an R81,7 million tax credit related to the FY 2017 tax period. On a like-for-like basis excluding the tax credit, the profit after tax for FY 2018 was R46,9 million.

Debt management

By 31 December 2019 SepCem had repaid more than R1 billion over 5 years of the project loan capital resulting in a balance of R1,37 billion and a net debt position of R873 million. The total debt service in the financial year was R453 million, including interest payments of R178 million, based on the preceding three-month JIBAR, plus a margin of 4.5% (2019: 4.5%) which equated to 11.29% (2019: 11.55%) per annum. The debt facility is guaranteed by SepCem's major shareholder, Dangote Cement PLC (DCP). The DCP quasi-equity loan was at R521 million by December 2019 at an interest of JIBAR plus 4% which is accrued and capitalised against the loan.

SepCem's cash balance at the beginning of the previous financial year was R500 million. Prior to the pandemic related lockdown, the associate was concluding negotiations with the lenders to make a prepayment of R200 million on its bank debt to achieve R25 million relief per payment on the subsequent eight scheduled instalments. The R200 million payment had not been implemented when the lockdown was enforced and the funds were then redirected to cover overhead costs. The COVID-19 lockdown will reduce EBITDA levels thereby impacting SepCem's ability to service debt for the current year.

Therefore, the associate engaged the lenders to waive capital payments for the balance of the year to December 2020. The lenders agreed to the proposal subject to SepCem's shareholders contributing R125 million. DCP made the payment and agreed for it to be treated as a shareholder loan.

POST–PERIOD

SEPCEM

SepCem selectively implemented price increases of 5% to 9% in January 2020 and February 2020 for bulk and bagged cement, respectively. The associate adopted a strategic approach to price increases based on the combination of its competitive advantage and demand levels per market. Following the DCP results announcement for the six months ended 30 June 2020 released on 24 July 2020, SepCem recorded an 8.5% y-o-y sales volume decrease mainly due to the COVID-19 lockdown restrictions that resulted in a loss in 23 of the 124 working days during the period. SepHold is pleased to state that there has been significant sales volume recovery from May 2020 with double-digit average monthly increases compared to 2019.

MÉTIER

The Métier managing director (MD) Jurgens du Toit resigned on 8 June 2020 to pursue other career opportunities. The MD role will not be filled going forward due to the re-appointment of Kenneth Capes as Métier CEO on 1 April 2020, who has extensive experience that spans from quarrying to ready-mixed concrete manufacturing. Although Métier's sales volume during lockdown was zero, by June the volume had increased to 80% of expectations.

OUTLOOK

Admittedly, the pandemic could not have come at a worse time for the building and construction materials industry in South Africa that continues to experience deteriorating trading conditions. The Treasury Department's forecast of a 7.2%[4] gross domestic product (GDP) contraction as a result of the lockdown signals that FY 2021 – 22 will be an extremely challenging period for our group. As the national fiscus becomes more indebted, and the demand for housing continues to decline due to rising debt levels, much lower levels of infrastructure investment are expected. Building plans passed data is projecting a constrained building materials demand environment for the next 12 – 18 months. SepCem and Métier will continue to focus on managing costs and reducing debt.

[4] *Department of National Treasury Supplementary Review, 24 June 2020.*

NOTICE OF ANNUAL GENERAL MEETING

In terms of section 62(3)(a) of the Companies Act, 71 of 2008, as amended (the Companies Act) and, subject to any cancellation, postponement or adjournment, notice is hereby given to shareholders of SepHold that the annual general meeting (AGM) will be held by way of electronic communication at 10:00 South African time on Monday, 14 September 2020.

The AGM is for SepHold shareholders to (i) consider and, if deemed fit, adopt with or without modification, the ordinary and special resolutions as set out in the notice of AGM (notice) in the manner required by the Companies Act, as read with the Listings Requirements of the JSE Limited and (ii) deal with such other business as may lawfully be dealt with at the AGM.

RECORD DATES

The SepHold board of directors in accordance with section 62(3)(a) as read with section 59(1)(b) of the Companies Act, determined that shareholders recorded in the SepHold securities register for determining which shareholders are entitled to:

- receive the notice is Friday, 31 July 2020; and
- participate in, and vote on the resolutions to be proposed at the AGM is Friday, 4 September 2020.

Accordingly, the last day to trade SepHold shares to be recorded in the securities register of SepHold to be entitled to participate in and vote during the AGM will be Tuesday, 1 September 2020.

ELECTRONIC PARTICIPATION

Shareholders who wish to participate electronically in and/or vote at the AGM are required to contact The Meeting Specialist Proprietary Limited (TMS) on proxy@tmsmeetings.co.za as soon as possible, but in any event no later than 10:00 South African time on Thursday, 10 September 2020. TMS will assist shareholders with the requirements for electronic participation in, and/or voting at, the AGM.

In terms of section 61(10) read with sections 63(2) and (3) of the Companies Act, every shareholders meeting of a public company must be reasonably accessible within South Africa for electronic participation by shareholders. The application form with details on how to participate electronically is incorporated in the notice and can be accessed from the company's website on www.sephakuholdings.com/corporatedocuments.

FY 2020 INTEGRATED ANNUAL REPORT

Shareholders are advised that:

- the company's integrated annual report in respect of the year ended 31 March 2020 is available on the company's website at www.sephakuholdings.com/investor-centre/results-and-reports; and
- a letter to shareholders containing, *inter alia*, the summarised audited financial results for the year ended 31 March 2020 and the notice of AGM has, today, been distributed to shareholders and is also available on the company's website at www.sephakuholdings.com/investor-centre/results-and-reports.

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2020

	Notes	**Group**	
		2020 R	2019 R
Revenue		**727 040 453**	835 823 568
Cost of sales		**(448 827 639)**	(515 275 407)
Gross profit		**278 212 814**	320 548 161
Other operating income	4	**994 265**	2 999 418
Operating expenses		**(283 773 403)**	(308 852 077)
Operating (loss)/profit	5	**(4 566 324)**	14 695 502
Investment income		**882 879**	2 532 411
Profit from equity accounted investment	6	**476 798**	46 331 599
Finance costs	20	**(18 712 646)**	(16 489 095)
(Loss)/profit before taxation		**(21 919 293)**	47 070 417
Taxation	22	**4 546 657**	(3 029 811)
(Loss)/profit for the year		**(17 372 636)**	44 040 606
Total comprehensive (loss)/income for the year		**(17 372 636)**	44 040 606
Total comprehensive (loss)/income attributable to:			
Equity holders of the parent		**(17 372 636)**	44 040 606
		(17 372 636)	44 040 606
Basic (loss)/earnings per share (cents)	8	**(8,12)**	21.21
Diluted (loss)/earnings per share (cents)	8	**(8,12)**	21.19

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2020

	Notes	Group 2020 R	Group 2019 R
ASSETS			
Non-Current Assets			
Property, plant and equipment	9	**124 271 483**	147 059 791
Goodwill	21	**223 421 981**	223 421 981
Intangible asset	15	**–**	573 510
Investment in joint ventures	24	**120 552**	120 552
Investment in associate	6	**812 678 672**	812 201 874
Other financial assets		**10 761 735**	10 918 381
Right-of-use assets	11	**42 138 008**	–
Other investments		**2 000 000**	2 000 000
		1 215 392 431	1 196 296 089
Current Assets			
Inventories		**16 763 507**	18 154 356
Current tax receivable		**1 643 331**	1 175 731
Trade and other receivables	12	**79 070 855**	100 849 007
Cash and cash equivalents	14	**6 381 459**	2 823 868
		103 859 152	123 002 962
Non-current assets held for sale	10	**18 503 897**	–
Total Assets		**1 337 755 480**	1 319 299 051
EQUITY AND LIABILITIES			
Equity			
Stated capital		**682 782 720**	648 003 095
Reserves		**10 643 889**	14 351 157
Retained income		**407 339 227**	422 969 425
		1 100 765 836	1 085 323 677
Liabilities			
Non-Current Liabilities			
Other financial liabilities	18	**71 846 168**	81 014 556
Lease liabilities	19	**45 497 397**	–
Deferred income		**199 670**	877 557
Deferred taxation		**15 848 539**	21 772 407
		133 391 774	103 664 520
Current Liabilities			
Other financial liabilities	18	**21 640 732**	40 721 110
Lease liabilities	19	**7 974 561**	–
Operating lease liability		**–**	4 085 158
Trade and other payables	13	**71 672 558**	80 096 267
Deferred income		**677 887**	677 887
Bank overdraft	14	**1 632 132**	4 730 432
		103 597 870	130 310 854
Total Liabilities		**236 989 644**	233 975 374
Total Equity and Liabilities		**1 337 755 480**	1 319 299 051
Net asset value per share (cents)	8	**432,54**	521,25
Tangible net asset value per share (cents)	8	**344,75**	413,75

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2020

	Stated capital R	Equity based share option reserve R	Retained income R	Total equity R
Group				
Balance at 31 March 2018	644 443 723	12 025 844	378 928 819	1 035 398 386
Profit for the year	–	–	44 040 606	44 040 606
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
Balance at 31 March 2019	648 003 095	14 351 157	422 969 425	1 085 323 677
Impact of IFRS 16 adoption			**(3 541 400)**	**(3 541 400)**
Loss for the year	**–**	**–**	**(17 372 636)**	**(17 372 636)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**(20 914 036)**	**(20 914 036)**
Issue of shares	**37 478 911**	**–**	**–**	**37 478 911**
Rights issue expenses capitalised	**(2 699 286)**	**–**	**–**	**(2 699 286)**
Employees' share option scheme	**–**	**(3 707 268)**	**5 283 838**	**1 576 570**
Balance at 31 March 2020	**682 782 720**	**10 643 889**	**407 339 227**	**1 100 765 836**
Note			2.1	

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2020

	Notes	Group	
		2020 R	2019 R
Cash flows from operating activities			
Cash generated from/(used in) operations	3	**34 647 822**	66 574 487
Interest income		**882 879**	2 532 411
Finance costs	20	**(10 831 740)**	(16 200 978)
Taxation paid	23	**(467 600)**	(3 763 466)
Net cash from/(used in) operating activities		**24 231 361**	49 142 454
Cash flows from investing activities			
Purchase of property, plant and equipment	9	**(12 373 063)**	(19 945 027)
Disposal of property, plant and equipment	9	**2 459 119**	3 668 768
Loans repaid		**156 645**	1 100 000
Net cash (used in)/from investing activities		**(9 757 299)**	(15 176 259)
Cash flows from financing activities			
Proceeds on share issue		**34 779 624**	–
Repayment of other financial liabilities	18	**(30 286 588)**	(39 687 472)
Payments of principal on leases	19	**(6 468 123)**	–
Payments of interest on leases	19	**(5 843 084)**	–
Net cash (used in)/from financing activities		**(7 818 171)**	(39 687 472)
Total cash and cash equivalents movement for the year		**6 655 891**	(5 721 277)
Cash and cash equivalents at the beginning of the year		**(1 906 564)**	3 814 713
Total cash and cash equivalents at end of the year	14	**4 749 327**	(1 906 564)

ACCOUNTING POLICIES

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The summarised consolidated financial results for the year ended 31 March 2020 (annual reporting period) have been prepared in accordance with the Companies Act, the JSE Listings Requirements, the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards (IFRS), the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council as required by International Accounting Standard 34 *Interim Financial Reporting*. 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 certain of these new and amended standards and interpretations seem to have a material impact on the annual financial statements in the current period. Refer to note 2.1 for details of standards adopted and their impact on 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 SepHold. 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/ a 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 ventures 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 upon 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 are 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 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 current 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 (SICR) 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 it meets the definition of a defaulted loan.

Options granted

Management used the Black Scholes model and the Binomial valuation model to determine the fair value of the options at issue date. No new options were granted during the current period.

Impairment testing of goodwill and investment in subsidiaries

The recoverable amount of the cash-generating unit (Métier) has been determined on a value-in-use calculation, using cash flow projections which cover a three-year period and a terminal value calculation. This was also tested against projected EBITDA multiples as a control.

The following assumptions have been applied when reviewing goodwill impairment in calculating the terminal value, as specific budget numbers were used for the three-year forecast. This consisted of a best estimate for FY 2021 with a slight improvement for FY 2022 not expecting lockdown restrictions as experienced under level 4 or 5. FY 2023 will see a return to 2019 volume levels in the calculation.

- A growth rate of 5.24% (2019: 5.24%) was applied and cash flows were discounted at a pre-tax rate of 16.50% (2019: 17.93%), which is the estimated cost of capital as it relates to Métier. The discount rate is slightly higher than last year due to the increase in the SA risk-free rate during the period. This was off-set by the lowering of the SA borrowing costs on the other hand.
- 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 and future prospects being extremely volatile in the recovery of a post COVID-19 economy.
- 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.

Management performed the impairment tests at both 31 March and 30 June 2020. Due to the announcement of the COVID-19 lockdown just before year-end, as well as the ratings downgrade, South Africa's risk-free rate jumped by about 2% overnight and remained at that level for about two months. If the rates of that period are used, there would be indications that an impairment of about R25 million should be considered. However, by 30 June 2020 rates have normalised and a review of the impairment indicated that some headroom of R25 million supported the decision not to impair at this point in time. This will be reviewed every six months under the current economic circumstances.

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 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 nil months (2019: 3 months). The contract was completed during September 2019.

1.3 Investment property

Investment property is held at fair value.

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

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

1.4 Property, plant and equipment

Property, plant and equipment is 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.

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	*
Buildings	30 years
Plant and machinery	10 – 15 years
Furniture and fixtures	6 years
Motor vehicles	5 – 8 years
Office equipment	5 years
Computer equipment	3 – 6 years

* *Land is not depreciated as it has an indefinite useful life.*

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 Mixed Concrete Proprietary Limited acquisition during the 2013 period 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. During the current year the contract came to an end.

1.6 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.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

1.6 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.

A deferred taxation asset is recognised for the carry forward of unused taxation losses to the extent that it is probable that future taxable profit will be available against which the unused taxation losses can be utilised.

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.

1.7 Leases

The group and company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated.

Lessee IFRS 16 current year

At inception of a contract, the group and company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive right, then the asset is not identified.
- the group and company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the group and company has the right to direct the use of the asset. The group and company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. in rare cases where the decision about how and for what purpose the asset is used is predetermined, the group and company has the right to direct the use of the asset if either;
  - the group and company has the right to operate the asset; or
  - the group and company designed the asset in a way that predetermines how and for what purpose it will be used.

The group recognises right-of-use assets and lease liabilities at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-to-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the prime interest rate as published by the South African Reserve Bank on date of contract closure. Forward looking if the group were to seek funding it is anticipated that it will be at a rate equal to the prime interest rate.

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)

1.7 Leases (continued)

Lessee IFRS 16 current year (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
  - the exercise price under a purchase option that the group and company is reasonably certain to exercise, lease payments in an optional renewal period if the group and company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the group and company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in a group's and company's estimate of the amount expected to be payable under a residual value guarantee, or if the group or company changes its assessment of whether it will exercise a purchase, extension or terminate option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The group and company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that has a lease term of 12 months or less and leases of low-value assets, including IT and Office equipment. The group and company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Impact on prior years

The group and company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019.

At transition, lease liabilities were measured at present value of the remaining lease payments, discounted at the incremental borrowing rate at the date of initial application. Right-of-use assets were measured at an amount equal to the lease liabilities at initial recognition or at the carrying value for the remainder of the lease period.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straightline basis over the remaining lease term.

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 are 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 IAS 17 prior year

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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 that are relevant to its operations:

Standard/Interpretation:	Effective date: Years beginning on or after
• IFRS 16 Leases	1 January 2019
• Amendments to IFRIC 23 Uncertainty over Income tax treatments	1 January 2019
• Amendments to IAS 28 Long-term interests in Associates and Joint Ventures	1 January 2019

Effects of changes in accounting policies

IFRS 16 Leases

IFRS 16 is a new standard that replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the adoption of IFRS 16 which are likely to impact on the group are as follows:

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.
- 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 re-assessments 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.

2. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

2.1 Standards and interpretations effective and adopted in the current year (continued)

The new disclosure as a result of the adoption of IFRS 16 Leases are presented on note 11 Right-of-use assets and note 19 Lease liabilities. The table below shows the impact of IFRS 16 on the group on initial application 1 April 2019*:*

	31 March 2019 Closing balance R	IFRS 16 impact R	1 April 2019 Opening balance R
Assets			
Right-of-use assets	–	49 419 047	49 419 047
Equity			
Retained earnings	(422 969 425)	3 541 400	(419 428 025)
Liabilities			
Lease liabilities	–	(58 309 595)	(58 309 595)
Operating lease liability	(4 085 158)	3 971 938	(113 220)
Deferred taxation	(21 772 407)	1 377 210	(20 395 197)

Financial impact after the adoption of IFRS 16

	2020 R
Statement of Comprehensive Income	
Rental	**12 422 956**
Depreciation	**(8 912 820)**
Interest	**(5 843 084)**
Net effect on profit/(loss)	**(2 332 948)**
Statement of Financial Position	
Assets	
Opening balance	**49 419 047**
Right-of-use assets	**1 629 015**
Accumulated depreciation	**(8 912 820)**
	42 135 242
Liabilities	
Opening balance	**(58 309 595)**
Lease liabilities	**(1 630 486)**
Repayment	**6 478 685**
	(53 461 396)
Equity	
Retained earnings	**(418 050 815)**
Loss for the year IFRS 16 impact	**2 332 948**
	(415 717 867)

Amendments to IFRIC 23: Uncertainty of Income Tax Treatments

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

The amendments in IFRIC 23 did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Amendments to IAS 28 Long-term interests in Associates and Joint ventures

The entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The amendments are to be applied retrospectively for fiscal years beginning on or after 1 January 2019. The impact of this amendment was not material on the group's current and prior periods since the associate is equity accounted and the joint venture is not equity accounted as the company is dormant.

2. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the group's accounting periods beginning on or after 1 April 2020 or later periods but are not relevant to its operations:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
Amendments to references to the conceptual framework in IFRS standards	1 January 2020	Unlikely there will be a material impact
Amendments to IFRS 3 *Definition of Business*	1 January 2020	Unlikely there will be a material impact
Amendments to IAS 1 and IAS 8 *Definition of Material*	1 January 2020	Unlikely there will be a material impact

	Group	
	2020 R	2019 R
3. CASH GENERATED FROM/(USED IN) OPERATIONS		
(Loss)/profit for the year	**(21 919 293)**	47 070 417
Adjustments for:		
Depreciation and amortisation	**23 239 883**	15 561 866
(Loss)/profit on sale of non-current assets	**442 032**	(386 248)
Profit from equity-accounted investments	**(476 798)**	(46 331 599)
Interest received	**(882 879)**	(2 532 411)
Finance costs	**12 869 562**	16 489 095
Lease liabilities finance costs	**5 843 084**	–
Movements in operating lease assets and accruals	**(111 748)**	(5 684)
Deferred income	**(677 887)**	(677 887)
Share options recorded against salary expense	**1 576 571**	2 325 313
Changes in working capital:		
Inventories	**1 625 045**	(1 324 919)
Trade and other receivables	**21 701 344**	32 482 508
Trade and other payables	**(8 581 094)**	3 904 036
	34 647 822	66 574 487
4. OTHER OPERATING INCOME		
Discount received	**7 650**	51 741
(Loss)/profit on sale of assets	**(442 032)**	386 248
Government grants	**677 887**	677 887
Other sundry income	**750 760**	1 883 542
	994 265	2 999 418
5. OPERATING (LOSS)/PROFIT		
Operating (loss)/profit for the period is stated after accounting for the following:		
Operating lease charges		
Lease rentals on operating lease	**(1 260 799)**	(15 795 329)
(Loss)/profit on sale of property, plant and equipment	**(442 032)**	386 248
Amortisation on intangible assets	**(573 510)**	(2 294 041)
Depreciation on property, plant and equipment	**(13 756 320)**	(13 267 825)
Depreciation on right-of-use assets	**(8 910 054)**	–
Employee costs	**(92 977 668)**	(96 481 118)
Auditors remuneration	**(1 477 850)**	(867 931)

6. 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	2020 R	2019 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	**127 305 052**	80 973 453
Equity-accounted earnings – current year	**476 798**	46 331 599
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	**812 678 672**	812 201 874

Due to the fact that the debt service ratio was 1.225 during the 2017 year 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. DCP 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 regards 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.

SepCem started the previous financial year with a cash balance of R500 million and was in the process of agreeing a prepayment of R200 million on its bank debt in order to get relief of R25 million per payment on the next eight scheduled payments. Just before the payment was made, the government-enforced lockdown due to COVID-19 commenced and the overhead costs during this period required all these excess funds. It is envisaged that the impact of COVID-19 on SepCem could be a reduction in EBITDA levels that would not be able to service debt for the current year. The lenders have been approached to waive capital payments for the balance of 2020 and receive interest only, but this was only to be considered if shareholders made a contribution of R125 million. DCP undertook to make this contribution and shareholders have agreed to treat this as a shareholders' loan.

Impairment testing

During the COVID-19 lockdown SepCem generated four likely scenarios of the way forward. Results seen from level 3 indicate that scenario 2 is the most likely outcome of a post COVID-19 recovery. This scenario was used for impairment testing of the associate. No impairment would be required if this forecast is achieved. The net asset value of the associate is R1 619 823 998 (2019: R1 624 828 550) as indicated below.

Summarised financial information of Dangote Cement South Africa Proprietary Limited and its subsidiaries

	2020* R	2019* R
Non-current assets	**3 137 728 002**	3 277 241 222
Current assets	**985 419 948**	896 605 658
Total assets	**4 123 147 950**	4 173 846 880
Total equity	**1 619 823 998**	1 624 828 550
Non-current liabilities	**(1 544 718 955)**	(1 903 059 030)
Current liabilities	**(958 604 997)**	(645 959 300)
Total liabilities	**(2 503 323 952)**	(2 549 018 330)
Revenue for the period	**2 184 713 377**	2 292 157 090
Cost of sales	**(1 838 460 514)**	(1 852 356 625)
Gross profit	**346 252 863**	439 800 465
Operating profit	**178 680 758**	280 615 454
Investment income	**26 641 729**	26 492 846
Finance costs	**(234 675 157)**	(250 658 856)
Profit/(Loss) before taxation	**(29 352 670)**	56 449 444
Taxation (expense)/income	**30 677 092**	72 248 404
Profit after taxation for the period	**1 324 422**	128 697 848
Total comprehensive income for the period	**1 324 422**	128 697 848

* *Dangote Cement South Africa Proprietary Limited has a December year-end so as to agree 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 2019 have been included in these financial statements.*

7. SEGMENT INFORMATION

	Ready-mixed concrete R	Head office R	Group totals R
2020			
Segment revenue – external revenue	**727 040 453**	**–**	**727 040 453**
Segment cost of sales	**(448 827 639)**	**–**	**(448 827 639)**
Segment expenses	**(267 152 926)**	**(16 620 477)**	**(283 773 403)**
Profit from equity-accounted investment	**–**	**476 798**	**476 798**
(Loss) on sale of property, plant and equipment	**(442 032)**	**–**	**(442 032)**
Segment (loss) after taxation	**(614 783)**	**(16 757 853)**	**(17 372 636)**
Taxation	**4 386 074**	**160 583**	**4 546 657**
Interest received	**881 377**	**1 502**	**882 879**
Interest paid	**(17 936 389)**	**(776 257)**	**(18 712 646)**
Depreciation and amortisation	**(22 602 601)**	**(673 282)**	**(23 239 883)**
Segment assets	**265 340 375**	**1 072 415 105**	**1 337 755 480**
Investment in associate included in the above total segment assets	**–**	**812 678 672**	**812 678 672**
Capital expenditure included in segment assets	**12 373 063**	**–**	**12 373 063**
Segment liabilities	**(235 048 871)**	**(1 940 773)**	**(236 989 644)**
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 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 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)

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.

	Group	
	2020	2019
	R	R

8. NET ASSET VALUE PER SHARE AND EARNINGS PER SHARE

Net asset value and tangible net asset value per share

	2020 R	2019 R
Total assets	**1 337 755 480**	1 319 299 051
Total liabilities	**(236 989 644)**	(233 975 374)
Net asset value attributable to equity holders of parent	**1 100 765 836**	1 085 323 677
Goodwill	**(223 421 981)**	(223 421 981)
Intangible assets	**–**	(573 510)
Deferred tax raised on intangible assets	**–**	160 583
Tangible net asset value	**877 343 855**	861 488 769
Shares in issue	**254 486 436**	208 216 175
Net asset value per share (cents)	**432,54**	521,25
Tangible net asset value per share (cents)	**344,75**	413,75

Earnings, diluted earnings and headline earnings per share

Reconciliation of basic (loss)/earnings to diluted (loss)/earnings and headline (loss)/earnings:

	2020 R	2019 R
Basic (loss)/profit and diluted (loss)/profit from total operations attributable to equity holders of parent	**(17 372 636)**	44 040 606
Loss/(profit) on sale of property, plant and equipment	**442 032**	(386 248)
Total taxation effect of adjustments	**(123 769)**	108 150
Headline (loss)/earnings and diluted headline earnings attributable to equity holders of parent	**(17 054 373)**	43 762 508
Basic weighted average number of shares	**214 047 496**	207 610 543
Dilutive effect of share options	**–**	261 498
Diluted weighted average number of shares	**214 047 496**	207 872 041
Basic (loss)/earnings per share (cents)	**(8,12)**	21,21
Diluted (loss)/earnings per share (cents)	**(8,12)**	21,19
Headline (loss)/earnings per share (cents)	**(7,97)**	21,08
Diluted headline (loss)/earnings per share (cents)	**(7,97)**	21,05

9. PROPERTY, PLANT AND EQUIPMENT

Group	2020			2019		
	Cost/Valuation R	**Accumulated depreciation R**	**Carrying value R**	Cost/Valuation R	Accumulated depreciation R	Carrying value R
Land	**2 666 309**	**–**	**2 666 309**	6 736 296	–	6 736 296
Buildings	**–**	**–**	**–**	14 433 910	–	14 433 910
Plant and machinery	**106 040 845**	**(46 872 987)**	**59 167 858**	104 028 558	(42 816 497)	61 212 061
Furniture and fixtures	**1 004 537**	**(788 416)**	**216 121**	1 004 537	(698 840)	305 697
Motor vehicles	**160 629 860**	**(99 137 250)**	**61 492 610**	160 496 265	(97 126 349)	63 369 916
Office equipment	**24 966**	**(22 872)**	**2 094**	24 966	(19 278)	5 688
Computer equipment	**4 140 123**	**(3 413 632)**	**726 491**	4 077 141	(3 080 918)	996 223
Total	**274 506 640**	**(150 235 157)**	**124 271 483**	290 801 673	(143 741 882)	147 059 791

Reconciliation of property, plant and equipment

Group	Opening balance R	Additions R	Disposals R	Classified as held for sale R	Depreciation R	Total R
2020						
Land	**6 736 296**	**–**	**–**	**(4 069 987)**	**–**	**2 666 309**
Buildings	**14 433 910**	**–**	**–**	**(14 433 910)**	**–**	**–**
Plant and machinery	**61 212 061**	**3 644 778**	**(505 437)**	**–**	**(5 183 544)**	**59 167 858**
Furniture and fixtures	**305 697**	**–**	**–**	**–**	**(89 576)**	**216 121**
Motor vehicles	**63 369 916**	**8 469 750**	**(2 381 178)**	**–**	**(7 965 878)**	**61 492 610**
Office equipment	**5 688**	**–**	**–**	**–**	**(3 594)**	**2 094**
Computer equipment	**996 223**	**258 531**	**(14 535)**	**–**	**(513 728)**	**726 491**
	147 059 791	**12 373 059**	**(2 901 150)**	**(18 503 897)**	**(13 756 320)**	**124 271 483**

Reconciliation of property, plant and equipment

Group	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

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the financial year land with a value of R4 069 987 and buildings of R14 433 910 transferred to held for sale assets. Construction of the building, was completed during FY 2017. There were additional expenditure during the prior year of R76 373. The residual value of the building is considered to be in excess of the cost thereof, as such no depreciation was recognised on the building prior to the classification to held for sale. Refer to note 10 for further details.

Pledged as security

All movable assets are pledged as security for other financial liabilities as per note 18.

	Group	
	2020 R	2019 R
Details of land and buildings		
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
– Capitalised expenditure (land)	**–**	52 237
– Capitalised expenditure (building)	**–**	14 433 910
	–	18 503 897

10. ASSETS HELD FOR SALE

SepHold entered into a sale agreement with Ikarus Investments Proprietary Limited for the property Erf 398 Randjespark Ext 121 for a sale value of R18 500 000. All guarantees and suretyship including the board resolution approving the sale were submitted to the transfer attorneys. Due to COVID-19 the lodging of the transfer documents were delayed. However, it was submitted at the opening of level 3 to the Deeds office and was registered on 29 July. The land and building were pledged as security for the R2 million ABSA overdraft facility of SepHold, but was settled before year-end.

The assets and liabilities of the disposal group are set out below:

	Group	
	2020 R	2019 R
Non-current assets held for sale		
Property, plant and equipment	**18 503 897**	–
	18 503 897	–

11. RIGHT-OF-USE ASSETS

Net carrying amounts of right-of-use assets

	Cost R	Accumulated Depreciation R	Carrying value R
Land	**35 602 562**	**(6 307 547)**	**29 295 015**
Buildings	**14 766 859**	**(2 271 824)**	**12 495 035**
Motor Vehicles	**678 641**	**(330 683)**	**347 958**
	51 048 062	**(8 910 054)**	**42 138 008**

Reconciliation of right-of-use assets – Group 2020

	Opening balance R	Additions R	Depreciation R	Total R
Land	**34 652 188**	**950 374**	**(6 307 547)**	**29 295 015**
Buildings	**14 766 859**	**–**	**(2 271 824)**	**12 495 035**
Motor Vehicles	**–**	**678 641**	**(330 683)**	**347 958**
	49 419 047	**1 629 015**	**(8 910 054)**	**42 138 008**

The group entered into leasing arrangements for certain of its assets, including land, buildings, motor vehicles and equipment.

The average lease terms are seven years and the average effective borrowing rate was 10.25% per annum.

The group adopted IFRS 16 for the first time in the current financial period. Comparative figures have been accounted for in accordance with IAS 17 and accordingly, any assets recognised under finance leases in accordance with IAS 17 for the comparative period have been recognised as part of property, plant and equipment. The information presented in this note for right-of-use assets therefore only includes the current period.

Depreciation recognised on each class of right-of-use assets, are presented above. It includes depreciation which has been expensed in the total depreciation charge in operating loss or profit (note 5).

For the disclosure on interest expenses and the maturity analysis of the lease liabilities refer to note 19.

	Group	
	2020 R	2019 R
12. TRADE AND OTHER RECEIVABLES		
Financial instruments:		
Trade receivables	**76 544 544**	98 546 425
Deposits	**1 720 904**	1 720 152
Non-financial instruments:		
Prepayments	**637 599**	539 175
Value added taxation	**167 808**	43 255
	79 070 855	100 849 007

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 R78 550 664 (2019: R100 633 583) are pledged as security for other financial liabilities as per note 18.

Exposure to credit risk

Trade receivables inherently expose the group to credit risk, being the risk that the group 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 group 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, is continuously monitored.

There were no significant changes in the credit risk management policies and processes since the prior reporting period.

Insurance of debtors was obtained from Credit Guarantee Insurance Corporation (CGIC) during the current and prior 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 group 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, thus it has resulted in a decrease in the expected credit loss % from the period past due of more than 60 days. 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.

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Exposure to credit risk (continued)

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The group'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.

The loss allowance provision is determined as follows:

	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 2020 the lifetime expected loss provision for trade receivables is as follows:						
Gross carrying amount	**48 141 295**	**25 389 702**	**1 444 185**	**1 068 288**	**2 532 561**	**78 576 031**
Less: Insured Debtors	**36 076 066**	**20 142 504**	**1 012 428**	**804 449**	**1 521 959**	**59 557 406**
Gross carrying value uninsured trade receivables	**12 065 229**	**5 247 198**	**431 757**	**263 839**	**1 010 603**	**19 018 656**
Less: Specific allowance	**714 083**	**862 047**	**314 789**	**195 625**	**548 222**	**2 634 766**
	11 351 146	**4 385 151**	**116 968**	**68 244**	**462 380**	**16 383 860**
Expected credit loss rate	**0.70%**	**2.83%**	**3.66%**	**3.91%**	**4.19%**	
Lifetime expected credit loss (excluding value added taxation)	**78 917**	**123 892**	**4 276**	**2 669**	**19 351**	**229 105**
Total expected credit loss (including specific allowance)						**2 863 871**
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

Management assessed the recoverability of trade receivables after the end of June and concluded that the outstanding uninsured amount is substantially less than the expected credit loss allowance as at year-end.

Trade and other receivables – allowance for expected credit losses

As at 31 March 2020, trade and other receivables of R 2,863,871 (2019: R1 679 260) were provided for.

	Group	
	2020 R	2019 R
Reconciliation of allowance for expected credit losses of trade and other receivables		
Opening balance	**1 679 260**	6 000 000
Amounts written off as uncollectable	**(2 039 751)**	(4 594 014)
Provision for impairment	**3 224 362**	273 274
Closing balance	**2 863 871**	1 679 260

Fair value of trade and other receivables

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

	Group	
	2020 **R**	2019 R

13. TRADE AND OTHER PAYABLES

	2020 R	2019 R
Financial instruments:		
Trade payables	**56 282 940**	60 078 529
Credit cards	**5 218**	10 569
Other payables	**–**	1 468 327
Accrued expenses	**2 041 792**	3 870 580
Sundry suppliers	**2 637 651**	1 114 591
Accrued audit fees	**490 300**	445 000
Non-financial instruments:		
Accrual for salary related expenses	**279 677**	196 103
Accrued bonus	**–**	1 782 196
Deposits received	**8 951 054**	10 559 161
Value added taxation	**983 926**	571 211
	71 672 558	80 096 267

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.

	Group	
	2020 **R**	2019 R

14. CASH AND CASH EQUIVALENTS

	2020 R	2019 R
Cash and cash equivalents consist of:		
Cash on hand	**120 500**	114 000
Bank balances	**6 260 959**	2 709 868
Bank overdraft	**(1 632 132)**	(4 730 432)
	4 749 327	(1 906 564)
Current assets	**6 381 459**	2 823 868
Current liabilities	**(1 632 132)**	(4 730 432)
	4 749 327	(1 906 564)

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

Métier has an available Standard Bank overdraft facility and a general short-term banking facility of R21 990 000 in total.

The total amount of undrawn overdraft and term loan facilities available for future operating activities and commitments	**20 357 868**	29 259 568

Credit facilities are secured as per note 18.

15. INTANGIBLE ASSET

Group	2020			2019		
	Cost/Valuation R	**Accumulated amortisation R**	**Carrying value R**	Cost/Valuation R	Accumulated amortisation R	Carrying value R
Customer contract	**20 438 713**	**(20 438 713)**	**–**	20 438 713	(19 865 203)	573 510

Reconciliation of intangible asset

Group	2020			2019		
	Opening balance R	**Amortisation R**	**Total R**	Opening balance R	Amortisation R	Total R
Customer contract	**573 510**	**(573 510)**	**–**	2 867 551	(2 294 041)	573 510

Amortisation and change in accounting estimate

The intangible asset was fully amortised during the year under review.

16. FINANCIAL ASSETS BY CATEGORY

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

Group	Assets at amortised cost R	Assets at fair value R	Non-financial instruments* R	Total R
2020				
Other financial assets	**10 761 735**	**–**	**–**	**10 761 735**
Trade and other receivables	**78 265 448**	**–**	**805 407**	**79 070 855**
Cash and cash equivalents	**6 381 459**	**–**	**–**	**6 381 459**
Other investments	**–**	**2 000 000**	**–**	**2 000 000**
	95 408 642	**2 000 000**	**805 407**	**98 214 049**
2019				
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

* *Non-financial instruments of the group consists of pre-payments R637 599 (2019: R539 175) and value added taxation R167 808 (2019: R43 255).*

17. 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
2020			
Other financial liabilities	**93 486 900**	**–**	**93 486 900**
Trade and other payables	**61 457 902**	**10 214 657**	**71 672 559**
Bank overdraft	**1 632 132**	**–**	**1 632 132**
Lease liabilities	**53 471 958**	**–**	**53 471 958**
	210 048 892	**10 214 657**	**220 263 549**
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

* *Non-financial instruments for the group consists of accrued bonus Rnil (2019: R1 782 196), value added taxation R983 926 (2019: R571 211), deposits received R8 589 256 (2019:R10 559 161) and accrual for salary-related expenses R279 677 (2019: R196 103).*

	Group	
	2020 R	2019 R
18. OTHER FINANCIAL LIABILITIES		
Held at amortised cost		
Standard Bank – Facility A	**1 898 861**	40 721 110
This loan bears interest at the variable JIBAR rate plus a margin of 3,49%, which is currently 10,475% and is repayable in variable instalments with the final payment made 15 April 2020. The instalments are repayable monthly over a period of three years and include payments of the interest and capital portions.		
Standard Bank – Facility B	**91 588 039**	81 466 301
As at year-end, the loan was subject to interest at the variable JIBAR rate plus a margin of 4%. The loan was subsequently converted after year-end to a R90 million amortising facility and bears interest at the three-month JIBAR rate plus a margin of 5.25%, which is currently 9.16% and is repayable in varying instalments with the final payment being made 31 March 2023. Lenders have agreed to suspend the repayment of capital on the loan until December 2020. Interest payment will be serviced through to December 2020. From January 2021 both capital and interest will be paid on a monthly basis.		
Capitalised transaction costs	**–**	(451 745)
Transaction costs of the above loans are capitalised and released to operating expenses over the term of the loan.		
	93 486 900	121 735 666

The Standard Bank loans are secured as follows:

- General notarial bond granted by Métier in favour of the debt guarantor (a Finance SVP) 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 cedes *in securitatem debiti* to the debt guarantor all of 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, all of 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
- 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 all of its right, title and interest in and to the domain name.

Total term lending facilities are R90 000 000 (2019: R120 721 110).

	2020 R	2019 R
Non-current liabilities		
At amortised cost	**71 846 168**	81 014 556
Current liabilities		
At amortised cost	**21 640 732**	40 721 110
	93 486 900	121 735 666

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.

	Group	
	2020 R	2019 R

19. LEASE LIABILITIES

	2020 R	2019 R
Minimum lease payments due		
– Within one year	**13 109 039**	–
– In second to fifth year inclusive	**57 003 207**	–
– Later than five years	**1 165 500**	–
	71 277 746	–
Less: future finance costs	**(17 805 788)**	–
Present value of minimum lease payments	**53 471 958**	–

	Opening balance R	New lease liabilities R	Finance costs R	Repayments R	Closing balance R
Reconciliation of lease liabilities – 2020					
Lease liabilities	**58 309 595**	**1 630 486**	**5 843 084**	**(12 311 207)**	**53 471 958**

	Group	
	2020 R	2019 R
Non-current liabilities	**45 497 397**	–
Current liabilities	**7 974 561**	–
	53 471 958	–

It is group policy to lease several assets, including buildings, land, plant and computer equipment under finance leases.

The average lease term is 7 years.

The group adopted IFRS 16 for the first time in the current financial period. Comparative figures have been accounted for in accordance with IAS 17. Future finance charges on lease liabilities are presented above. The current year's finance costs of R5 843 084 have been included in the total finance costs as per note 20.

20. FINANCE COSTS

	2020 R	2019 R
Shareholders	**211 316**	–
Lease liabilities	**5 843 084**	–
Bank	**564 941**	177 807
Other financial liabilities	**11 641 560**	15 769 195
Capitalised transaction costs	**451 745**	542 093
	18 712 646	16 489 095

21. GOODWILL

	2020			2019		
Group	**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

	2020		2019	
Group	**Opening balance R**	**Total R**	Opening balance R	Total R
Goodwill	**223 421 981**	**223 421 981**	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 Métier over the last two to three 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 group assets and key employees are all well positioned to return to prior levels of turnover and profitability once the cycle recovers. Substantial cost cutting and restructuring took place across the operations to ensure that the group is best positioned to face the challenges during and post COVID-19.

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.

	Group	
	2020 R	2019 R

22. TAXATION

Major components of the taxation expense

	2020 R	2019 R
Current		
Local income taxation – current period	**–**	2 280 244
Deferred		
Originating and reversing temporary differences	**(4 546 657)**	749 567
	(4 546 657)	3 029 811

Reconciliation of the taxation expense

Reconciliation between accounting profit and taxation expense.

	2020 R	2019 R
(Loss)/profit before taxation	**(21 919 293)**	47 070 417
Taxation at the applicable taxation rate of 28%	**(6 137 402)**	13 179 717
Taxation effect of adjustments on taxable income		
Deferred taxation – prior period	**9 726**	–
IFRS 16 movement	**(183 743)**	–
Non-deductible items and exempt income	**–**	(34 456)
Taxable temporary difference not recognised as deferred tax liability	**(309 364)**	(195 496)
Deferred taxation not raised on assessed taxation loss	**1 718 258**	2 371 192
Interest and penalties in respect of taxes	**8 206**	–
Profit from equity-accounted investments	**(133 502)**	(12 972 849)
Fines	**2 537**	8 775
Donations	**35 607**	59 862
Government grant	**(189 808)**	(189 808)
Share options	**441 440**	651 088
Capitalised finance and transaction costs	**126 488**	151 786
Prior year lease accrual	**64 900**	–
	(4 546 657)	3 029 811

23. TAXATION PAID

	2020 R	2019 R
Balance at the beginning of the year	**1 175 731**	(307 491)
Current taxation for the period recognised in profit or loss	**–**	(2 280 244)
Balance at end of the period	**(1 643 331)**	(1 175 731)
	(467 600)	(3 763 466)

24. JOINT ARRANGEMENTS

Joint ventures

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

Group

Name of company	**% ownership interest 2020**	% ownership interest 2019	**Carrying amount 2020 R**	Carrying amount 2019 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 their 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. There is no equity accounting since the company is dormant.

25. 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 shareholder 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 14, borrowings disclosed in note 18 and equity as 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 1 year R	Between 1 and 2 years R	Between 2 and 5 years R
2020			
Other financial liabilities	**21 640 732**	**13 311 073**	**58 535 095**
Trade and other payables	**60 423 545**	**–**	**–**
Bank overdraft	**1 632 132**	**–**	**–**
2019			
Other financial liabilities	50 327 445	81 834 460	–
Trade and other payables	66 987 596	–	–
Bank overdraft	4 730 432	–	–

25. RISK MANAGEMENT (CONTINUED)

Interest rate risk

The group is exposed to interest rate risk through its variable rate cash balances, as well as its 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 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 2020, 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 R91 532 (2019: R225 368) higher/lower, mainly as a result of higher/lower interest income on funds invested on call. The resulting taxation effect would have been R25 629 (2019: R63 103).

At 31 March 2020, 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 933 104 (2019: R1 576 920) lower/higher, as a result of higher/lower interest expense on floating rate borrowings. The resulting taxation effect would have been R541 269 (2019: R441 537).

Cash flow interest rate risk

Financial instrument	Current interest rate %	Due in less than a year R	Due in one to five years R
Cash in current banking institutions	8.75	1 632 132	–
Floating rate financial liabilities – Facility A	10.48	1 898 861	–
Floating rate financial liabilities – Facility B	9.16	19 741 871	71 846 168

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 group 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 group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

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 group 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 management efforts on trade receivables by obtaining risk cover from CGIC for insurable customers.

25. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

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 determine 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 as an accounting policy, to make use of lifetime expected credit losses. 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.

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

	2020			2019		
	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	**82 215 398**	**(2 863 871)**	**79 351 527**	100 849 007	(1 679 260)	99 169 747
Cash and cash equivalents	**6 381 459**	**–**	**6 381 459**	2 823 868	–	2 823 868
	88 596 857	**(2 863 871)**	**82 093 619**	103 672 875	(1 679 260)	101 993 615

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

Financial assets exposed to credit risk are as follows:

	Group	
	2020 R	2019 R
Financial instrument		
Other financial assets	**10 761 735**	10 918 381
Trade and other receivables	**76 544 544**	98 546 425
Cash and cash equivalents	**6 381 459**	2 824 838
Long term loans	**2 000 000**	2 000 000

	Group	
	2020 R	2019 R
26. STATED CAPITAL		
Authorised		
1 000 000 000 Ordinary shares with no par value		
Issued – Ordinary shares with no par value		
208 216 175 (2019: 206 342 821) shares at beginning of period	**648 003 095**	644 443 723
46 270 261 (2019: 1 873 354) shares issued during the period	**37 478 911**	3 559 372
Rights issue expenses capitalised	**(2 699 286)**	–
254 486 436 (2019: 208 216 175) shares at the end of the period	**682 782 720**	648 003 095

The total number of 46 270 261 shares for a value of R0,81 per share, issued during the current year related to the rights offer. The company distributed a circular to the company's shareholders dated 27 January 2020 relating to the partially underwritten, renounceable rights offer to raise funds. The rights offer closed on Friday 14 February 2020 and the directors announced that 43% of the rights offer shares, as well as excess applications for 4%, were subscribed for. The remainder of the shares were allocated to the underwriter as per the Underwriting agreement (53%). This resulted in an amount of R37 478 911 being raised and R2 699 287 worth of expenses incurred, which were capitalised.

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

27. GOING CONCERN

Various cost-saving initiatives have been identified by both operating companies and are in the process of being implemented. This range from reduction in fleet and employment cost across all the operating plants to negotiations with all suppliers of premises and raw materials. With the impact of COVID-19 on the cash resources of both operating companies where overheads were incurred during periods of total lockdown and operating at 50% during level 5 and 4 respectively, both companies concluded negotiations with the banks to service interest, but not capital for the second half of calendar 2020. These savings will assist the group companies to meet their bank debt commitments in the face of the expected reduction in volumes during the current year due to the impact of the government-enforced lockdown. The repayment profile agreed on the Métier outstanding debt is also substantially reduced from what was paid over the last five years.

28. EVENTS AFTER THE REPORTING PERIOD

COVID-19 marginally impacted group performance for the period under review because the national lockdown was implemented during the final week of the financial year from 27 March 2020. During the alert level 5 lockdown from 27 March to 30 April 2020, the group entities complied fully with the government directive and closed all operations to safeguard the health of all employees.

The executive management and critical employees worked from home during alert level 5. Métier and SepCem resumed full operations at alert level 3 from 1 June 2020. The pandemic is expected to have a much more significant impact on group performance in the year ending 31 March 2021.

29. CHANGES TO THE BOARD

Dr L Mohuba retired from his position as the chief executive officer (CEO) on 31 December 2019, and was appointed as non-executive director in January 2020. KJ Capes was re-appointed to the SepHold board as an executive director and CEO of Métier with effect from 1 April 2020.

30. COMPANY SECRETARY

There were no changes to the company secretary during the financial year.

CORPORATE INFORMATION

Country of incorporation and domicile	South Africa	
Nature of business and principal activities	Construction materials company	
Directors	B Williams MM Ngoasheng MJ Janse van Rensburg B Bulo Dr. L Mohuba NR Crafford-Lazarus PF Fourie KJ Capes	Chairperson – independent non-executive director Independent non-executive director Independent non-executive director Independent non-executive director Non-executive director CEO and financial director Non-executive director Executive 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	

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