SEPHAKU
HOLDINGS LTD

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

Summarised provisional audited financial results

for the year ended

31 March 2022

SepHold hereby reports on the summarised, provisional, audited financial results for the year ended 31 March 2022 (“**FY 2022**”). SepHold, Métier Mixed Concrete (Pty) Ltd (“**Métier**” or “**the subsidiary**”) and Dangote Cement SA (Pty) Ltd (“**SepCem**” or “**the associate**”) are collectively referred to as the group.

The board of directors (“**Board**”) takes full responsibility for the summarised provisional financial information and that it has been correctly extracted from the underlying annual financial statements (“**AFS**”). The summarised financial information included in this announcement is extracted from audited information but is not itself audited. The full AFS are available on the Company’s website, www.sephakuholdings.com.

Any forward-looking information is the Board’s responsibility and has not been reviewed or reported on by the Company’s external auditors. The group’s external auditors, BDO South Africa Incorporated, have audited the underlying AFS issuing an unqualified audit opinion. The independent auditor’s report includes a section on key audit matters. The auditor’s report does not necessarily report on all the information in this announcement. Shareholders should obtain a copy of the auditor’s report within the AFS which is available from the Company’s registered office, to understand the nature of the auditor’s engagement fully. Alternatively, an electronic copy can be requested at info@sephold.co.za.

INVESTOR AUDIO WEBCAST AND CONFERENCE CALL

An audio webcast and conference call to discuss the financial results will be hosted on Thursday, 23 June 2022, at 10:00.

To receive unique access details, all participants must pre-register using the following hyperlink – SepHold FY 2022 webcast registration link.

The results presentation will be available on the Company’s website 30 minutes before the event for downloading via the link: http://sephakuholdings.com/investor-centre/presentations/

SALIENT POINTS

Group

- **Group consolidated revenue*: R786 million**
  (FY 2021: R634 million)
- **Net profit after tax: R45 million**
  (FY 2021: R20 million)
- **Basic earnings per share: 17.52 cents**
  (FY 2021: 7.83 cents)
- **Headline earnings per share: 17.67 cents**
  (FY 2021: 6.09 cents)

Métier

- **EBITDA: R75 million**
  (FY 2021: R55 million)
- **EBITDA margin: 9.5%**
  (FY 2021: 8.7%)
- **Net profit after tax: R30 million**
  (FY 2021: R17 million)

SepCem[1]

- **Sales revenue: R2,6 billion**
  (FY 2021: R2,4 billion)
- **EBITDA: R375 million**
  (FY 2021: R382 million)
- **EBITDA margin: 14.6%**
  (FY 2021: 15.9%)
- **Net profit after tax: R82 million**
  (FY 2021: R44 million)
- **SepCem 36% equity-accounted profit to group: R29 million**
  (FY 2021: R16 million)

* *The group revenue is all from Métier’s operations as the 100% subsidiary of SepHold.*

[1] *SepCem has a December year-end as a subsidiary of Dangote Cement PLC (“DCP”). The FY 2022 figures are for the 12 months ended 31 December 2021, and FY 2021 figures are for the 12 months ended 31 December 2020.*

SUMMARISED PROVISIONAL AUDITED FINANCIAL RESULTS

for the year ended 31 March 2022

Remarking on the results, Chief Executive Officer (“CEO”) Neil Crafford-Lazarus said,

*“We are pleased to report on the FY 2022 group performance during which Métier and SepCem increased their net profit by double digits. As detailed in the commentary below, the year-on-year (“***YoY***”) improvement in profitability was mainly due to improved revenues and lower finance expenses.*

*We began calendar year (“***CY***”) 2021 upbeat about demand because of the unprecedented rally for building materials in second half (“***H2***”) 2020 following the pandemic related hard lockdown. Although we were cognisant that this trend would be short-lived, we anticipated that demand would “normalise” towards the end of CY 2021. The YoY growth in the real value of building plans passed at 0.1% in Q4 2020, and 2.1% in Q1 2021, driven by the residential housing sector, implied a positive demand trend for building materials into the year, thereby confirming our view. However, by the beginning of H2 2021, the trend indicators showed an earlier normalisation in building materials retail demand. The building materials volumes were further reduced, albeit marginally, by the July 2021 social protests, mainly in the KZN and Gauteng provinces, characterised by mass looting and destruction of retail infrastructure. In particular, the violence inflicted on transporters limited access to customers whilst building materials retailers had to either temporarily or permanently close several branches due to the damage caused by the protesters.*

At the beginning of the quarter ended on 31 March 2022, a renewed optimism in construction activity was recorded based on the prevailing strong commodity cycle, which was largely expected to increase infrastructure demand. The sentiment was soon dampened by the deceleration in global growth and concerns related to the potential negative effects of the Russian – Ukrainian war. Therefore, as we began FY 2023, we recognised the headwinds against macroeconomic growth in general and our industry. We remain vigilant in managing costs and agile in our sales approach to support profitability and maintain our market share, respectively.

Finally, as the pandemic migrates to an epidemic, we have remained diligent in implementing appropriate health and safety protocols to mitigate workplace infections. We successfully implemented vaccination campaigns in all group entities during the year, resulting in inoculation rates of 100% at SepHold, 75% at Métier and 71% at SepCem. We will continue to operate within the COVID-19 protocols into the foreseeable future.”

COMMENTARY

MÉTIER

Sales volumes

Total sales volumes increased by 18% YoY, albeit from the anomalously low comparative base due to the pandemic related restrictions in FY 2021. Although Métier recorded an increase, the volumes achieved by the subsidiary were essentially flat YoY considering the ten months of active trading in FY 2021. Management estimated the mixed-concrete sector demand to be slightly below pre-COVID-19 levels by year-end, emphasising the ongoing challenge of supplying ready-mixed concrete to a stagnant market.

Métier established its first plant at Bellville in the Western Cape province and started supplying customers in September 2021. The subsidiary achieved targeted volumes by December 2021 at good profit margins in this province. Métier intends to gradually enhance its reputation in this market to ensure that the brand is well accepted.

The operations in the KZN province experienced unique challenges namely, the disruption of construction projects by the business forums, and the floods in the quarter ended March 2022. The demand in KZN reverted to pre-COVID-19 levels during the year characterised by increased competition from independent ready-mix producers resulting in flat sales volumes. Métier focussed on achieving an optimal product mix that would result in raw material and transport cost savings.

The Gauteng-based operations experienced aggressive pricing tactics from vertically integrated competitors as demand declined. The sales were 10% below volumes achieved in FY 2021, mainly due to the continued low demand in the province. Management focussed on efficiently securing inputs, tightly managing logistics costs, and implementing effective sales management to improve profit margins. As in the KZN market, Métier successfully implemented price increases in the fourth quarter ended March 2022 in the Gauteng market.

Overall, integrated ready-mixed producers continued to close plants in KZN and Gauteng but were immediately replaced by highly competitive independent ready-mix producers with lower cost bases. Nonetheless, Métier's competitive edge based on its renowned service excellence, deep product knowledge and professionalism has positioned the subsidiary well to retain or grow its market share in the three provinces.

Revenue and profitability

Métier's revenue increased by 24% YoY to R786 million (FY 2021: R634 million) due to the increased sales volumes and pricing. Increasing inflation-related input costs in the quarter ended 31 March 2022 resulted in all major mixed concrete producers, including the subsidiary, implementing significant price increases. The flat gross margin of 38% YoY demonstrates management's ability to control input costs to support profitability. Consequently, the EBITDA increased by 36% to R75 million (FY 2021: R55 million), and EBIT increased by 45% from R33 million to R48 million. The operating expenses increased by 16% from the anomalously low base in the comparative period due to cost-saving initiatives. The EBITDA and EBIT margins increased to 9.6% (FY 2021: 8.7%) and 6.2% (FY 2021: 5.2%), respectively. Net profit after tax increased by 76%, from R17 million to R30 million, due to the higher revenue and the lower finance expense resulting from a decreasing debt balance.

Although the price increases applied in March 2022 were sustained, the expanding inflation, significant fuel price increases and rising interest rates are expected to cause downward pressure on profitability in FY 2023 as input costs and operating expenses increase. Métier's hybrid logistics model and its strong relations with outsourced transporters enable the subsidiary to control its transport expense better. In addition, Métier has established a portfolio of competitively priced suppliers for key inputs. To further mitigate against a sharp decline in profitability, the subsidiary increased prices in June 2022.

Management of customer credit risk

Métier's executive management continuously monitors exposure to credit risk and customers' creditworthiness. The subsidiary continued to apply stringent credit approval processes to mitigate the risk of financial loss from defaults. The proliferation of medium-sized construction companies with cashflow management challenges increased the risk necessitating a preference for customers with proven and consistent payment behaviour. As of 31 March 2022, the loss allowance for trade and other receivables was reduced to R791,000 (FY 2021: R1,9 million) due to an R1,1 million provision reversal on settled trade receivables. Detailed disclosure on debtor management can be read on pages 38 to 40 in the AFS.

Bank debt management

Métier focussed on reducing the amortising loan facility resulting in a capital balance of R48 million on 31 March 2022 (FY 2021: R71 million). The facility bears an interest rate of three-month Johannesburg Inter-bank Average Rate (JIBAR) plus 4.25%. The facility is repayable in varying instalments, with the final balloon payment scheduled for 15 April 2023. The subsidiary's management continues to comply with the debt obligations and is confident that it will repay its instalments as scheduled for FY 2023. Detailed disclosure on the bank debt can be read on page 17 below.

SEPCEM

Sales volume

SepCem's sales volumes declined by 1% YoY for the twelve months ended 31 December 2021, mainly due to the unplanned kiln outages during the H2 2021. From the end of the third quarter into the beginning of the fourth quarter CY 2021, SepCem had two unplanned plant outages. In both incidences, management was able to identify a long-term solution to mitigate future unplanned outages. For further details, shareholders are referred to SENS announcements released on 12 October 2021 and 20 October 2021.

The competition heightened during the year due to the recovery of the cement producers who had experienced major technical plant challenges in CY 2020 limiting their ability to supply the market. Furthermore, blender activity also normalised in CY 2021 compared to their subdued presence in May and June 2020 caused by the acute shortage of extenders which had severely hampered their production.

In addition, approximately 1,1 million tonnes of cement were imported in CY 2021 (CY 2020: 990Kt), further intensifying competition. Approximately eighty-three percent of the volumes entered the country via the Durban port, and sixty-three percent were imported from Vietnam. The cement industry's application for a safeguard tariff from the International Trade Administration Commission of South Africa has continued to stall. A positive outcome would meaningfully improve the performance of the building materials sector that not only contributes to the fiscus but provides employment opportunities to numerous job seekers in South Africa.

Revenue and profitability

SepCem's revenue increased by 7% to R2,6 billion (FY 2021: R2,4 billion) due to higher pricing. The resultant EBITDA was 2% lower at R375,4 million (FY 2021: R381,6 million) at a margin of 14.6% (FY 2021: 15.9%). The decrease in EBITDA was mainly due to the insourcing of clinker in Q1 2021 caused by a shortage at SepCem. The operating profit remained flat at R219,4 million, mainly due to the lower depreciation expense in the period under review. In the same vein, the lower finance expense due to a lower debt balance resulted in an 85% increase in net profit after tax from R44,4 million to R81,9 million. The SepCem 36% equity-accounted profit in the group FY 2022 profit and loss statement is R28,9 million compared to R15,9 million in FY 2021.

Debt management

The total bank debt repayment for the twelve months ended December 2021 was R427 million, comprising interest of R74 million and capital of R353 million resulting in a capital balance of R666 million. By 2 May 2022, the outstanding capital balance was R528 million, following total capital repayment of R138 million in two instalments. The DCP shareholder loan that accrues interest at JIBAR plus 4% capitalised against the loan had a balance of R627 million by 31 December 2021.

Management concluded negotiations with the lenders to convert the project loan bullet instalment of R377 million due in November 2022 into a three-year term loan of R400 million at a rate of JIBAR plus 3.25%. In addition, SepCem secured a R200 million working capital facility at a rate of prime minus 0.5% from one of the original major lenders.

SEPHOLD

Update on the dual executive role

In January 2022, the SepHold Audit and Risk Committee ("ARC") successfully motivated for Neil Crafford-Lazarus to continue the dual CEO and FD roles until 31 December 2022. The motivation was the fulfilment of a requisite assessment report to the JSE on the prevailing economic conditions to warrant the continuation of the dual role for a further year.

POST–PERIOD

SEPCEM

Q1 2022 performance

Following the DCP first quarter results announcement for the three months ended 31 March 2022 released on 29 April 2022, SepCem's revenue increased by 2% to R553 million (Q1 2021: R541 million) mainly due to price increases implemented in January 2022. The quarterly sales volume decreased by 6% YoY due to the continued low construction activity momentum exacerbated by the high levels of rainfall in February and March 2022. The bagged cement sales were further impacted by lower retail customers' discretionary incomes resulting from the higher cost of living.

MÉTIER

KZN province flooding

Métier has been impacted by the intermittent flooding events in the KZN province since April 2022, which have had a slight negative impact on revenue to date. Although the flooding has not directly impacted the subsidiary's operations, the disruption has predominantly been on the inability to access selected project sites due to damaged roads and or suspension of projects.

OUTLOOK

The contractionary economic policies being implemented by the reserve bank to combat rising inflation will inevitably further reduce the building materials demand, barring the implementation of the proposed government infrastructure projects. Industry experts project that residential buildings' demand will decline as interest rates are increased. Due to the cyclicality of the construction industry, the demand for building materials will remain low or decline depending on the magnitude of economic contraction.

Specifically, on mixed concrete demand, the government's high debt levels seem to have limited its ability to implement the planned infrastructure projects. In addition, the private infrastructure investors' confidence in South Africa's economic growth and business prospects continues to ebb. The excess supply of non-residential properties and re-introduction of rotational load shedding since November 2021 have further entrenched the apathy towards private construction projects, as reflected in the decline in non-residential building plans. These factors are expected to impact the mixed-concrete sector's future performance negatively.

The group will focus on cost management to sustain the gains from the numerous initiatives during FY2022. SepCem and Métier will continue to strengthen their balance sheets by reducing debt whilst seeking diversification opportunities within the construction value chain.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2022

	Group	
	2022 **R**	2021 R
Revenue	**785 791 090**	634 252 530
Cost of sales	**(484 062 792)**	(390 567 079)
Gross profit	**301 728 298**	243 685 451
Other operating income	**4 322 893**	10 336 510
Other operating gains/(losses)	**–**	611 995
Operating expenses	**(271 819 556)**	(234 169 475)
Operating profit/(loss)	**34 231 635**	20 464 481
Investment income	**2 037 346**	1 516 826
Finance costs	**(12 851 844)**	(13 817 663)
Income from equity accounted investments	**28 992 240**	15 970 201
Profit/(loss) before taxation	**52 409 377**	24 133 845
Taxation	**(7 831 832)**	(4 211 933)
Profit/(loss) for the year	**44 577 545**	19 921 912
Other comprehensive income	**–**	–
Total comprehensive income/(loss) for the year	**44 577 545**	19 921 912
Basic earnings per share (cents)	**17.52**	7.83
Diluted earnings per share (cents)	**17.52**	7.83

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2022

	Group		
	2022 **R**	2021 Restated* R	2020 Restated* R
ASSETS			
Non-Current Assets			
Property, plant and equipment	**136 616 822**	102 748 478	124 271 483
Right-of-use assets	**53 535 740**	55 480 134	42 138 008
Goodwill	**223 421 981**	223 421 981	223 421 981
Investment in joint venture	**1**	120 552	120 552
Investment in associate*	**838 361 313**	809 369 073	793 398 872
Loans receivable	**961 173**	4 619 849	–
Other financial assets	**8 702 890**	10 761 835	10 761 735
Other investments	**2 000 000**	2 000 000	2 000 000
	1 263 599 920	1 208 521 902	1 196 112 631
Current Assets			
Inventories	**18 076 838**	17 036 206	16 763 507
Loans receivable	**3 658 670**	3 378 272	–
Trade and other receivables	**87 190 895**	90 294 047	79 070 855
Current tax receivable	**–**	–	1 643 331
Cash and cash equivalents	**29 476 556**	32 752 474	6 381 459
	138 402 959	143 460 999	103 859 152
Non-current assets held for sale	**–**	–	18 503 897
Total Assets	**1 402 002 879**	1 351 982 901	1 318 475 680
EQUITY AND LIABILITIES			
Equity			
Share capital	**682 965 910**	682 965 910	682 782 720
Reserves	**5 903 868**	11 052 071	10 643 889
Retained income*	**458 410 976**	408 387 153	388 059 427
	1 147 280 754	1 102 405 134	1 081 486 036
Liabilities			
Non-Current Liabilities			
Instalment sale liabilities	**25 384 965**	–	
Other financial liabilities	**34 863 130**	58 006 387	71 846 168
Lease obligation	**54 897 551**	56 046 957	45 497 397
Deferred income	**–**	–	199 670
Deferred tax	**17 584 930**	18 028 323	15 848 539
	132 730 576	132 081 667	133 391 774
Current Liabilities			
Trade and other payables	**90 047 921**	91 426 002	71 672 558
Instalment sale liabilities	**6 026 405**	–	–
Other financial liabilities	**13 410 551**	13 311 072	21 640 732
Lease obligation	**12 178 585**	11 360 944	7 974 561
Deferred income	**–**	316 677	677 887
Current tax payable	**328 087**	1 081 405	–
Bank overdraft	**–**	–	1 632 132
	121 991 549	117 496 100	103 597 870
Total Liabilities	**254 722 125**	249 577 767	236 989 644
Total Equity and Liabilities	**1 402 002 879**	1 351 982 901	1 318 475 680

* *See prior period error note on page 9.*

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2022

	Group	
	2022 R	2021 R
Cash flows from operating activities		
Cash generated from/(used in) operations	**66 022 736**	47 336 451
Interest income	**1 519 584**	957 476
Tax (paid) received	**(9 028 544)**	692 588
Net cash generated from/(used in) operating activities	**58 513 776**	48 986 515
Cash flows from investing activities		
Purchase of property, plant and equipment	**(14 359 181)**	(2 746 725)
Sale of property, plant and equipment	**1 023 903**	8 771 346
Sale of non-current assets held for sale	**–**	18 500 000
Proceeds from repayment of loans	**2 058 946**	–
Loans advanced	**–**	(100)
Net cash (used in)/generated from investing activities	**(11 276 332)**	24 524 521
Cash flows from financing activities		
Rights issue expenses refunded	**–**	119 561
Repayment of principal on instalment sales	**(2 487 183)**	–
Repayment of interest on instalment sales	**(1 411 613)**	–
Repayment of principal on other financial liabilities	**(23 311 072)**	(22 405 161)
Repayment of interest on other financial liabilities**	**(4 859 481)**	(7 109 199)
Finance costs – other**	**(1 316)**	(64 256)
Payments of principal on leases	**(12 135 444)**	(9 270 664)
Payments of interest on leases	**(6 307 253)**	(6 778 170)
Net cash (used in)/generated from financing activities	**(50 513 362)**	(45 507 889)
Total cash movement for the year	**(3 275 918)**	28 003 147
Cash at the beginning of the year	**32 752 474**	4 749 327
Total cash at end of the year	**29 476 556**	32 752 474

*** Refer page 9 for details on prior year reclassification of finance costs on the statements of cash flows.*

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2022

Group	Share capital R	Equity-based share option reserve R	Retained income R	Total equity R
Opening balance as previously reported	682 782 720	10 643 889	407 339 227	1 100 765 836
Adjustments				
Prior period error (refer page 9)	–	–	(19 279 800)	(19 279 800)
Balance at 01 April 2020 as restated	682 782 720	10 643 889	388 059 427	1 081 486 036
Profit for the year	–	–	19 921 912	19 921 912
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	19 921 912	19 921 912
Employees share option scheme	–	408 182	405 814	813 996
Rights issue expenses refunded	183 190	–	–	183 190
Total contributions by and distributions to owners of group recognised directly in equity	183 190	408 182	405 814	997 186
Balance at 01 April 2021	682 965 910	11 052 071	408 387 152	1 102 405 133
Profit for the year	**–**	**–**	**44 577 545**	**44 577 545**
Other comprehensive income	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**44 577 545**	**44 577 545**
Employees share option scheme	**–**	**(5 148 203)**	**5 446 279**	**298 076**
Total contributions by and distributions to owners of group recognised directly in equity	**–**	**(5 148 203)**	**5 446 279**	**298 076**
Balance at 31 March 2022	**682 965 910**	**5 903 868**	**458 410 976**	**1 147 280 754**

NOTES TO THE SUMMARISED PROVISIONAL CONSOLIDATED FINANCIAL STATEMENTS

PRIOR PERIOD ERROR

During 2022 the group discovered that the deferred tax asset of the associate, SepCem had been erroneously overstated with R53 555 000, due to the incorrect calculation of temporary differences relating to certain capital allowances in prior years (2020 and earlier).

As a consequence the group retained earnings and related investment in associate were overstated. The error has been corrected by restating each of the affected financial statement line items for the prior periods in the group. The total impact on the group financials statements at 36% equates to R19 279 800.

The error had no impact on profit or loss and cash flows for the years ended 31 March 2021 and 31 March 2020.

The following table summarises the impact on the group financial statements for 31 March 2020:

	Group		
	Previously reported	Adjustments	As restated
Assets			
Non-current assets			
Investment in associates	812 678 672	(19 279 800)	793 398 872
Total non-current assets	1 215 392 431	(19 279 800)	1 196 112 631
Total assets	1 337 755 480	(19 279 800)	1 318 475 680
Equity			
Stated Capital	682 782 720	–	682 782 720
Reserves	10 643 889	–	10 643 889
Retained earnings	407 339 227	(19 279 800)	388 059 427
Total equity	1 100 765 836	(19 279 800)	1 081 486 036
Total equity and liabilities	1 337 755 480	(19 279 800)	1 318 475 680

	Group		
	Previously reported	Adjustments	As restated
Net asset value and tangible net asset value per share			
Total assets	1 337 755 480	(19 279 800)	1 318 475 680
Total liabilities	(236 989 644)	–	(236 989 644)
Net asset value attributable to equity holders of parent	1 100 765 836	(19 279 800)	1 081 486 036
Goodwill	(223 421 981)	–	(223 421 981)
Tangible net asset value	877 343 855	(19 279 800)	858 064 055
Shares in issue	254 486 436	–	254 486 436
Net asset value per share (cents)	432.54	(7.57)	424.97
Tangible net asset value per share (cents)	344.75	(7.57)	337.18

RECLASSIFICATION OF FINANCE COSTS ON THE STATEMENTS OF CASH FLOWS

During the year management assessed the reporting requirements of IAS 7. Given the nature of the debt and the consistent application of the standard, it is believed it will provide more useful information for the user if the interest portion is presented in financing activities too. The finance costs on the statements of cash flows now form part of cash flows from financing activities instead of operating activities. This resulted in the reclassification of finance costs of R7 173 455 for the group in the prior period.

The full details on the prior year are as follows:

	Group		
	Previously reported	Re-classification	31 March 2021
Statements of cash flows			
Cash flows from operating activities			
Finance costs	(7 173 455)	7 173 455	–
Net cash from operating activities	41 813 060	7 173 455	48 986 515
Cash flows from financing activities			
Finance costs – other	–	(64 256)	(64 256)
Repayment of interest on other financial liabilities	–	(7 109 199)	(7 109 199)
Net cash used in financing activities	(38 334 434)	(7 173 455)	(45 507 889)

INVESTMENT IN ASSOCIATES

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

Group

Summary of group's interest in associate	**Carrying amount 2022 R'000**	Carrying amount 2021 Restated* R'000	Carrying amount 2020 Restated* R'000
Company level: Cost of investment in associate	**635 117 284**	635 117 284	635 117 284
Proportional increase in investment	**48 571 875**	48 571 875	48 571 875
Equity-accounted earnings – prior years	**125 679 914**	109 709 713	108 025 252
Equity-accounted earnings – current year	**28 992 240**	15 970 201	476 798
Revaluation reserve relating to land of associate – written back due to change in accounting policy	**–**	–	1 207 663
Group level: Carrying value of investment in associate	**838 361 313**	809 369 073	793 398 872

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 pre-payment 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 was envisaged that the impact of COVID-19 on SepCem could be a reduction of in EBITDA levels that would not be able to service debt for the current year.

The lenders were 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 in August 2020 and shareholders have agreed to treat this as a shareholders' loan.

Impairment testing

The following assumptions have been applied when reviewing investment of associate impairment in calculating the terminal value, as specific budget numbers were used for the three-year forecast:

- A growth rate of 4.6% was applied and cash flows were discounted at a pre-tax rate of 16.9%, which is the estimated cost of capital as it relates to SepCem.
- 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 remaining 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.

The model is most sensitive to changes in the terminal growth rate and discount rate.

- If all assumptions remained unchanged, a 1% decrease in the terminal growth rate results in a decrease of R89 million in the recoverable amount and no impairment needed, as the recoverable amount is still higher than the carrying amount;
- If all assumptions remained unchanged, a 1% increase in discount rate results in a decrease of R115 million in the recoverable amount and no impairment needed, as the recoverable amount is still higher than the carrying amount.

In 2020 SepCem was affected by the COVID-19 lockdown during level 5. For the last six months of the year SepCem benefited from demand for bags of cement and achieved good volumes for the period under review. Overall there was an increase in turnover and profit over the previous year and with reduction in debt levels no impairment would be required.

INVESTMENT IN ASSOCIATES (CONTINUED)

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

The prior period values are restated due to the correction of an error on the deferred tax asset of the associate. Refer to prior period error note for the full details. The net asset value of the associate is R1 816 004 000 (2021: R1 734 093 000) as indicated below.

	2022* **R'000**	2021* Restated R'000	2020* Restated R'000
Non-current assets	**2 787 478**	2 921 799	3 084 173
Current assets	**870 093**	975 154	985 420
Total assets	**3 657 571**	3 896 953	4 069 593
Total equity	**1 816 004**	1 734 093	1 566 269
Non-current liabilities	**(716 306)**	(1 355 774)	(1 544 719)
Current liabilities	**(1 125 261)**	(807 086)	(958 605)
Total liabilities	**(1 841 567)**	(2 162 860)	(2 503 324)

	2022* **R'000**	2021* R'000
Revenue for the period	**2 564 262**	2 400 546
Cost of sales	**(2 180 328)**	(2 018 365)
Gross profit	**383 934**	382 181
Operating profit	**219 393**	219 414
Investment income	**11 593**	13 322
Finance costs	**(119 502)**	(163 771)
Profit/(loss) before taxation	**111 484**	68 965
Taxation (expense)/income	**(29 573)**	(24 602)
Profit after taxation for the period	**81 911**	44 363
Total comprehensive income for the period	**81 911**	44 363
Total comprehensive income attributable to owners of the parent	**80 534**	44 363

* *SepCem has a December year-end so as to agree with DCP's year-end. In line with the requirements of IAS 28, the year-end results of SepCem as at 31 December 2021 have been included in these financial statements.*

INVESTMENTS IN SUBSIDIARIES

The following table lists the entities which are controlled by the company, either directly or indirectly through subsidiaries.

Company

Name of company	**% voting power 2022**	% voting power 2021	**Carrying amount 2022 R**	Carrying amount 2021 R
Sephaku Investment Holdings Proprietary Limited	**100.00**	100.00	**1**	1
Métier Mixed Concrete Proprietary Limited	**100.00**	100.00	**299 378 028**	299 378 028
			299 378 029	299 378 029

Subsidiaries are shown at carrying amounts, net of impairment. The following assumptions have been applied when reviewing investment of subsidiaries impairment in calculating the terminal value, as specific budget numbers were used for the three-year forecast:

- A growth rate of 3.6% (2021: 4.6%) was applied and cash flows were discounted at a pre-tax rate of 17.25% (2021: 16.89%), which is the estimated cost of capital as it relates to Métier. The rate is higher than last year due to an increase in borrowing rates towards the end of the financial year.
- 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 remaining 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.

The model is most sensitive to changes in the terminal growth rate and discount rate.

- If all assumptions remained unchanged, a 0.5% decrease in the terminal growth rate results in a decrease of R20,2 million (2021: R16,7 million) in the recoverable amount and no impairment needed, as the recoverable amount is still higher than the carrying amount;
- If all assumptions remained unchanged, a 0.5% increase in discount rate results in a decrease of R25,3 million (2021: R17,1 million)in the recoverable amount and no impairment needed, as the recoverable amount is still higher than the carrying amount.

All the subsidiaries are registered and operate within South Africa. Reduced profitability and general economic downturn in the construction industry were identified as indicators of impairment. The same assumptions were applied as with the test for goodwill impairment in the performance of an impairment test on the investment. The success of the turnaround strategy over the last two years supports management's view that this could respond well if infrastructure spend picked up and good results were seen in the financial year. Bearing in mind that the term loan reduced to below R50 million and the interest cost is reducing accordingly, no impairment was necessary.

SEGMENT INFORMATION

	Ready-mixed concrete R	Head office R	Group totals R
2022			
Segment revenue – external revenue	**785 791 090**	**–**	**785 791 090**
Segment cost of sales	**(484 062 792)**	**–**	**(484 062 792)**
Segment expenses	**(257 825 431)**	**(13 994 125)**	**(271 819 556)**
Profit from equity-accounted investment	**–**	**28 992 240**	**28 992 240**
Loss on sale of property, plant and equipment	**(389 942)**	**–**	**(389 942)**
Segment profit after taxation	**29 579 105**	**14 998 440**	**44 577 545**
Taxation	**(7 831 832)**	**–**	**(7 831 832)**
Interest received	**2 037 015**	**331**	**2 037 346**
Interest paid	**(12 851 838)**	**(6)**	**(12 851 844)**
Depreciation and amortisation	**(26 718 733)**	**–**	**(26 718 733)**
Segment assets	**325 307 335**	**1 076 695 544**	**1 402 002 879**
Investment in associate included in the above total segment assets	**–**	**838 361 313**	**838 361 313**
Capital expenditure included in segment assets	**48 229 012**	**–**	**48 229 012**
Segment liabilities	**(251 544 361)**	**(3 177 764)**	**(254 722 125)**
2021			
Segment revenue – external revenue	634 252 530	–	634 252 530
Segment cost of sales	(390 567 079)	–	(390 567 079)
Segment expenses	(221 532 189)	(12 637 288)	(234 169 477)
Profit from equity-accounted investment	–	15 970 201	15 970 201
Profit on sale of property, plant and equipment	6 131 547	–	6 131 547
Segment profit after taxation	16 588 212	3 333 700	19 921 912
Taxation	(4 211 933)	–	(4 211 933)
Interest received	1 516 012	814	1 516 826
Interest paid	(13 817 635)	(27)	(13 817 662)
Depreciation and amortisation	(22 017 484)	(27 366)	(22 044 850)
Segment assets*	299 388 479	1 052 594 422	1 351 982 901
Investment in associate included in above total segment assets*	–	809 369 073	809 369 073
Capital expenditure included in segment assets	3 038 118	–	3 038 118
Segment liabilities	(248 465 612)	(1 112 155)	(249 577 767)

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.

* *See prior period error note on page 9.*

OPERATING PROFIT/(LOSS)

Operating profit (loss) for the year is stated after charging (crediting) the following, among others:

	Group	
	2022 **R**	2021 R
Remuneration, other than to employees		
Administrative and managerial services	**66 154**	56 540
Consulting and professional services	**1 486 151**	1 868 772
Secretarial services	**209 248**	199 724
	1 761 553	2 125 036
Employee costs		
Salaries, wages, bonuses and other benefits	**84 173 428**	67 635 078
Retirement benefit plans: defined contribution expense	**158 166**	184
Share-based compensation expense	**298 076**	813 995
Total employee costs	**84 629 670**	68 449 257
Leases		
Short-term leases	**–**	336 033
Leases of low value assets	**49 361**	49 320
Total lease expenses	**49 361**	385 353
Depreciation and amortisation		
Depreciation of property, plant and equipment	**12 970 660**	11 269 134
Depreciation of right-of-use assets	**13 748 074**	10 775 717
Total depreciation and amortisation	**26 718 734**	22 044 851

CASH GENERATED FROM/(USED IN) OPERATIONS

	Group 2022 R	Group 2021 R
Profit/(loss) before taxation	**52 409 377**	24 133 845
Adjustments for		
Depreciation	**26 718 734**	22 044 851
Gains on disposals and remeasurement of assets	**–**	(611 995)
Profit from equity-accounted investments	**(28 992 240)**	(15 970 201)
Interest income	**(2 037 346)**	(1 516 826)
Finance costs	**12 851 844**	13 817 663
Net impairments and movements in credit loss allowances	**120 551**	–
Loss/(profit) on sale of property, plant and equipment	**389 942**	(6 131 547)
Deferred income	**(316 671)**	(560 880)
Share options recorded against salary expense	**298 076**	813 995
Changes in working capital		
Inventories	**(1 040 632)**	(272 699)
Trade and other receivables	**3 103 151**	(11 223 194)
Trade and other payables	**(1 378 090)**	19 891 412
Other financial assets	**3 896 040**	2 922 027
	66 022 736	47 336 451

INSTALMENT SALE LIABILITIES

	2022 R	2021 R
Held at amortised cost		
Mercedes-Benz Financial Services	**31 411 370**	–

During the year, the company entered into 21 instalment sale agreements with Mercedes-Benz Financial Services. The liability is secured by motor vehicles with a carrying amount of R32 838 562. It bears interest at rates linked to prime and is repayable over a term of 60 months with an average monthly repayment of R34 697.

	2022 R	2021 R
Split between non-current and current portions		
Non-current liabilities	**25 384 965**	–
Current liabilities	**6 026 405**	–
	31 411 370	–

OTHER FINANCIAL LIABILITIES

	Group	
	2022 **R**	2021 R
Held at amortised cost		
Standard Bank – Facility B	**48 273 681**	71 317 459
This loan bears interest at the three-month JIBAR plus a margin of 4.25%. The interest rate was 8.508% on 31 March 2022. The loan is repayable in varying instalments with the final payment being made 15 April 2023 (2021: final payment 31 March 2023).		
Split between non-current and current portions		
Non-current liabilities	**34 863 130**	58 006 387
Current liabilities	**13 410 551**	13 311 072
	48 273 681	71 317 459

Security

The Standard Bank loans and facilities are secured as follows:

- General notarial bond to be granted by Métier Mixed Concrete Proprietary Limited in favour of the debt guarantor over all its movable assets (including inventory).
- Pledge and cession by Sephaku Holdings Limited in favour of the debt guarantor, in which Sephaku Holdings Limited 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 Mixed Concrete Proprietary Limited in favour of the debt guarantor, in terms of which Métier Mixed Concrete Proprietary Limited 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 Mixed Concrete Proprietary Limited in favour of the debt guarantor, in terms of which Métier Mixed Concrete Proprietary Limited 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 to be granted by Métier Mixed Concrete Proprietary Limited in favour of the debt guarantor over specified movable assets.
- The deed of security over the domain name http://metiersa.co.za entered into between Métier Mixed Concrete Proprietary Limited (as cedent) and the debt guarantor (as cessionary) and any notices or acknowledgements requested thereunder, in terms of which Métier Mixed Concrete Proprietary Limited cedes in securitatem debiti to the debt guarantor all of its right, title and interest in and to the domain name.

The fair values of the 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	
	2022 **R**	2021 R
FINANCE COSTS		
Lease liabilities	**6 307 253**	6 408 486
Bank overdraft	**6**	27
Current borowings – transactional cost amortised	**272 727**	204 545
Other financial liabilities	**4 860 244**	7 204 605
Instalment sale liabilities	**1 411 614**	–
Total finance costs	**12 851 844**	13 817 663

NET ASSET VALUE PER SHARE AND EARNINGS PER SHARE

	Group	
	2022 **R**	2021 Restated* R
Net asset value and tangible net asset value per share		
Total assets	**1 402 002 879**	1 351 982 901
Total liabilities	**(254 722 125)**	(249 577 767)
Net asset value attributable to equity holders of parent	**1 147 280 754**	1 102 405 134
Goodwill	**(223 421 981)**	(223 421 981)
Tangible net asset value	**923 858 773**	878 983 153
Shares in issue	**254 486 436**	254 486 436
Net asset value per share (cents)	**450.82**	433.19
Tangible net asset value per share (cents)	**363.03**	345.40

	Group			
	2022 **Gross** **R**	**2022** **Net** **R**	2021 Gross R	2021 Net R
Reconciliation of basic earnings to diluted earnings and headline earnings:				
Profit attributable to ordinary equity holders of the parent entity		**44 577 544**		19 921 912
IAS 33 earnings		**44 577 544**		19 921 912
Add/Less IAS 16 losses/(gains) on the disposal of plant and equipment	**389 942**	**280 758**	(6 131 547)	(4 414 714)
Add IAS 36 impairment of investment		**120 551**		–
Headline earnings and diluted headline earnings attributable to equity holders of parent		**44 978 853**		15 507 198
Basic weighted average number of shares		**254 486 436**		254 486 436
Diluted weighted average number of shares		**254 486 436**		254 486 436
Basic earnings per share (cents)		**17.52**		7.83
Diluted earnings per share (cents)		**17.52**		7.83
Headline earnings per share (cents)		**17.67**		6.09
Diluted headline earnings per share (cents)		**17.67**		6.09

GOING CONCERN

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

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The company's current liabilities exceeds the current assets, however if the loan from group company is required to be repaid, the board will approve Métier to pay a dividend to SepHold. The dividend received will be utilised to repay the loan in full. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

KwaZulu-Natal (KZN) and Gauteng saw the outbreak of violent riots in July 2021. The group's operations in these provinces were not affected and as such had no impact on the group's ability to continue as a going concern.

CORPORATE INFORMATION

Directors	B Williams° (chairman) MJ Janse van Rensburg° B Bulo° MM Ngoasheng° Dr L Mohuba^ NR Crafford-Lazarus* (chief executive officer and financial director) KJ Capes* (Métier chief executive officer) *°Independent *Executive ^Non-executive*
Company secretary	Acorim Proprietary Limited Telephone: +27 11 325 6363
SepHold registered office	Southdown Office Park First floor, Block A Corner Karee and John Vorster Streets Irene, X54, 0062 Telephone: +27 12 684 6300 Email: info@sephold.co.za
Transfer secretaries	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 PO Box 61051, Marshalltown, 2017, South Africa Telephone: +27 11 370 5000
JSE sponsor	Questco Corporate Advisory Proprietary Limited Telephone: +27 11 011 9200

ABOUT SEPHAKU HOLDINGS LIMITED

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

www.sephakuholdings.com

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