An overview of SepHold continued

FINANCIAL DIRECTOR'S REPORT

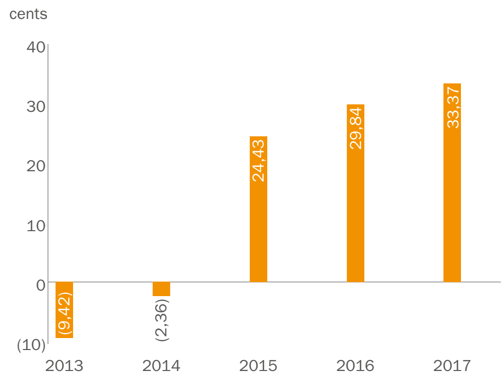
SepHold aims to develop opportunities in the aggregates sector

Neil Crafford-Lazarus
Financial director

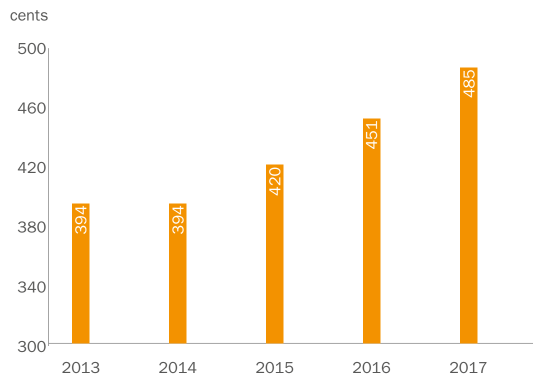
Introduction

The year was defined by intense price competition, which placed significant demand on the group finance functions to closely manage the debt covenant ratios at Métier and CEMENT.

Headline earnings per share



Five-year net asset value per share

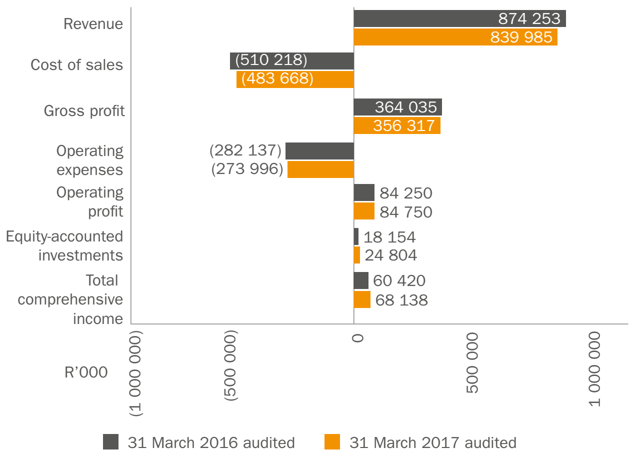


GROUP HIGHLIGHTS

- Operating profit increased from **R84,2 MILLION TO R84,7 MILLION**
- Net earnings increased from **R60,4 MILLION TO R68,1 MILLION**
- Basic earnings per share increased from **29,84 CENTS TO 33,37 CENTS**
- Net asset value increased from **451 CENTS TO 485 CENTS**

Statement of comprehensive income overview

Statement of comprehensive income



The group revenue, primarily from the subsidiary's activities, decreased by 3,9% from R874,3 million to R839,9 million as a result of lower prices and reduced demand in the mixed concrete market. The 5,2% reduction in the cost of sales to R483,7 million was partly due to Métier's efforts to control input costs to support margins. The group operating profit was flat year-on-year at R84,7 million (2016: R84,2 million).

Métier

Métier achieved an operating margin of 12,9% (2016: 12,7%) as a result of its plant footprint and the manufacture of specialised concretes. Métier's net profit increased by 7,3% from R62,8 million to R67,4 million, mainly due to a R4,6 million fair value adjustment on the depreciation expense, implying flat net profit like-for-like.

Following positive results for the last two years, Métier paid a R50 million dividend to SepHold, and reduced its overall bank debt by R87,0 million to R215,9 million.

CEMENT[1]

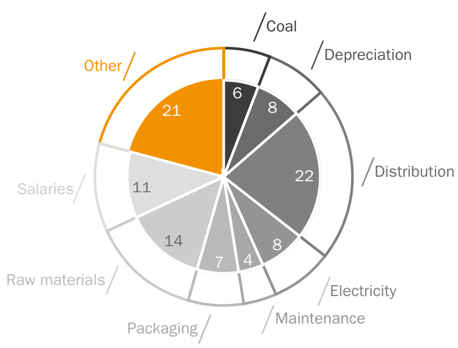
The 2016 financial year was CEMENT's first year of full production. Equity-accounted profit was R24,8 million (2015: R18,2 million) with sales revenue comparatively flat at R2,28 billion (2015: R2,29 billion). The associate's sales volume increased by 4%, but the average price per tonne decreased by 4,6% year-on-year.

The EBITDA margin increased to 23,1% (2015: 21,9%) and net profit increased to R68,9 million (2015: R50,4 million), including once-off income from the closure agreement with Sinoma on the final handover of the plants.

The income covered additional required repairs, resulting in the maintenance cost component at 4% of total cost, higher than the targeted 1,2%. It also accounted for loss of profits during the maintenance period and downtime to replace the cracked kiln shaft roller.

CEMENT cost breakdown

CEMENT's cost analysis (%)



Efforts to lower operational costs by improving efficiencies continued through the optimisation programme. The continued decrease in prices limited the positive impact of the programme on the EBITDA margin. The associate achieved 50% (R57 million) of the targeted R115 million cost saving by the end of December 2016.

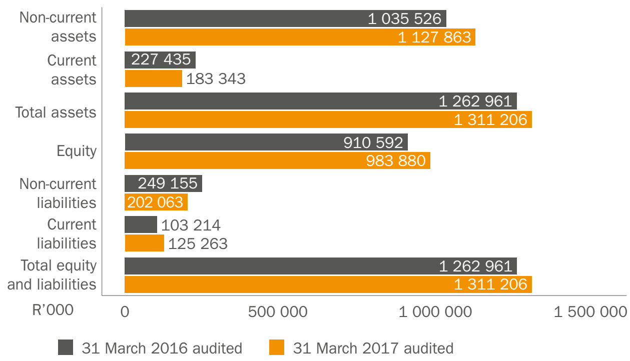
It is envisaged that the bulk of additional savings to achieve the target will be derived from purchasing a fleet for inbound and outbound transportation of raw materials between Aganang and Delmas. The fleet, at an approximate cost of R100 million, could result in substantial savings, and a short payback period. The funding will be finalised after lenders review CEMENT's debt. CEMENT aims to complete the programme by the end of December 2017.

[1] *CEMENT has a December year-end as a subsidiary of Dangote Cement Plc.*

An overview of SepHold continued

Statement of financial position and cash flows overview

Statement of financial position



Non-current assets were 8,9% higher, mainly due to the R14,4 million expenditure on the construction of an office, workshop, storeroom and laboratory building for Métier in Gauteng, and a R48,6 million SepHold equity investment in CEMENT to relieve pressure on debt covenants. The R25 million decrease in total liabilities was principally due to the reduction in Métier debt by R35,2 million (2016: R52,1 million).

Managing CEMENT's debt covenants

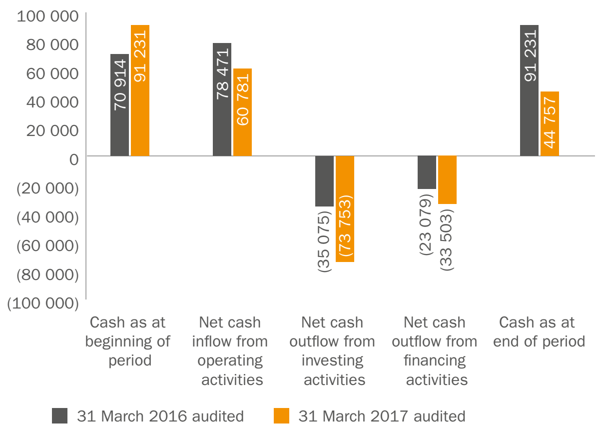
Although CEMENT achieved volume growth, declining prices placed pressure on the debt service cover ratio, requiring a R134,9 million equity injection by SepHold and DCP. The ratio for the year was 1,23 short of the required 1,30. SepHold's contribution was funded by the R50 million dividend pay-out from Métier. The 3,8% increase in SepHold's total assets and the increase in net cash outflow from investing activities was essentially due to the R48,6 million equity investment.

CEMENT repaid the required R342,8 million principal and R246,9 million interest instalments in 2016. By the end of May 2017, the associate had paid R171,4 million and R112,1 million in requisite principal and interest instalments, respectively, and the re-sculpting of the debt was under negotiation with lenders.

At the time of the conclusion of this report, the associate was well advanced in negotiations with the lenders to review the capital repayment profile without changing the original payment period so as to reduce pressure on the ratio going forward.

Cash flow overview

Statement of cash flows



The cash generated from operations of R97 million resulted in net cash inflow from operating activities of R60,8 million after the deduction of finance costs of R24,3 million, interest income of R7,2 million, and taxation of R19 million.

Post-period events

As reported in the DCP results announcement on 28 April 2017 for its first quarter ended 31 March 2017, CEMENT revenue decreased to R501 million (first quarter 2016: R519 million). The sales volumes were 3,6% lower for the first quarter year-on-year, mainly due to high rainfall and competitors. The associate implemented price increases in February 2017 that were sustained in most markets. By the end of May 2017, the prices indexed from January 2017 were 3% higher for bagged cement and 6% higher for bulk cement. These CEMENT quarterly results will be accounted for in the SepHold interim financial results for the six months ending 30 September 2017.

Outlook

SepHold aims to develop the opportunity in the aggregates sector. Post year-end, a joint-venture agreement between SepHold and an existing operator was finalised to develop a new quarry in KwaZulu-Natal to supply aggregates required by the respective operations of both partners. Commencement of the quarry operations is subject to regulatory approval, which is expected by the second quarter of the 2018 calendar year.

Métier will focus on developing strong relationships with its suppliers to achieve competitive pricing for key inputs to improve margins. In a similar vein, CEMENT will pursue a disciplined pricing policy at targeted sales volumes and optimise the sales mix to achieve the best margins.

I would like to thank the Métier and CEMENT management teams for their continued commitment to achieving optimal margins in a highly contested market. They have demonstrated discipline in their approach to marketing and cost management. I would like to extend a special thank you to the finance individuals for their cooperation and dedication to achieve stated goals.

Neil Crafford-Lazarus
Financial director

Summarised consolidated financial results
for the year ended 31 March 2017

STATEMENT OF COMPREHENSIVE INCOME

	GROUP	
	Year ended 31 March 2017 Audited R	Year ended 31 March 2016 Audited R
Revenue	**839 984 931**	874 253 138
Cost of sales	**(483 668 229)**	(510 218 084)
Gross profit	**356 316 702**	364 035 054
Other income	**2 429 156**	2 351 569
Operating expenses	**(273 996 024)**	(282 137 148)
Operating profit	**84 749 834**	84 249 475
Investment income	**7 172 130**	8 127 000
Profit from equity-accounted investment	**24 803 788**	18 154 066
Finance costs	**(26 695 077)**	(28 270 848)
Profit before taxation	**90 030 675**	82 259 693
Taxation	**(21 892 284)**	(21 839 218)
Profit for the year	**68 138 391**	60 420 475
Total comprehensive income for the year	**68 138 391**	60 420 475
Basic earnings per share (cents)	**33,63**	30,00
Diluted earnings per share (cents)	**33,36**	28,97

An overview of SepHold continued

Summarised consolidated financial results
as at 31 March 2017
STATEMENT OF FINANCIAL POSITION

	GROUP	
	2017 Audited R	2016 Audited R
ASSETS		
Non-current assets		
Property, plant and equipment	**142 797 829**	134 180 789
Goodwill	**223 421 981**	223 421 981
Intangible assets	**5 161 591**	7 455 631
Investment in associate	**743 842 941**	670 467 278
Other financial assets	**10 638 527**	–
Long-term loans	**2 000 000**	–
	1 127 862 869	1 035 525 679
Current assets		
Inventories	**16 972 080**	12 244 871
Other financial assets	**–**	12 987 551
Trade and other receivables	**121 613 883**	110 971 487
Cash and cash equivalents	**44 756 833**	91 231 432
	183 342 796	227 435 341
Total assets	**1 311 205 665**	1 262 961 020
EQUITY AND LIABILITIES		
Equity		
Stated capital	**635 403 188**	632 950 155
Reserves	**19 262 087**	18 910 771
Retained income	**329 214 333**	258 730 837
	983 879 608	910 591 763
Liabilities		
Non-current liabilities		
Other financial liabilities	**180 132 807**	231 309 499
Deferred income	**2 233 359**	1 866 813
Deferred taxation	**19 696 446**	15 978 858
	202 062 612	249 155 170
Current liabilities		
Other financial liabilities	**35 803 432**	18 208 333
Current taxation payable	**408 615**	1 283 129
Operating lease liability	**4 101 068**	2 756 653
Trade and other payables	**84 272 472**	80 452 834
Deferred income	**677 858**	513 138
	125 263 445	103 214 087
Total liabilities	**327 326 057**	352 369 257
Total equity and liabilities	**1 311 205 665**	1 262 961 020
Net asset value per share (cents)	**484,74**	450,99
Tangible net asset value per share (cents)	**372,83**	337,68
Ordinary shares in issue	**202 969 487**	201 908 654

Summarised consolidated financial results
for the year ended 31 March 2017
STATEMENT OF CASH FLOWS

	GROUP	
	Year ended 31 March 2017 Audited R	Year ended 31 March 2016 Audited R
Cash flows from operating activities		
Cash generated from operations	**96 978 796**	117 037 155
Interest income	**7 172 130**	8 127 000
Finance costs	**(24 320 458)**	(28 270 848)
Taxation paid	**(19 049 210)**	(18 421 887)
Net cash generated from operating activities	**60 781 258**	78 471 420
Cash flows from investing activities		
Purchase of property, plant and equipment	**(28 535 101)**	(36 589 744)
Disposal of property, plant and equipment	**1 852 035**	999 999
Loans repaid	**349 023**	514 320
Investment increase in associate	**(48 571 875)**	–
Government grant received	**1 153 240**	–
Net cash utilised in investing activities	**(73 752 678)**	(35 075 425)
Cash flows from financing activities		
Proceeds on share issue	**2 453 033**	825 647
Proceeds from other financial liabilities	**–**	28 237 894
Repayment of other financial liabilities	**(35 195 345)**	(52 142 370)
Facility raising fee paid	**(760 867)**	–
Net cash utilised in financing activities	**(33 503 179)**	(23 078 829)
Total cash and cash equivalents movement for the year	**(46 474 599)**	20 317 166
Cash and cash equivalents at the beginning of the year	**91 231 432**	70 914 266
Total cash and cash equivalents at the end of the year	**44 756 833**	91 231 432