2 AN OVERVIEW OF THE GROUP

AN OVERVIEW OF THE GROUP

WHO WE ARE

SepHold strives to be a leading building and construction materials investment company in South Africa.

The group's five value creation pillars are based on its founding principles and core values which are ingrained into our daily operations. At a strategy review session in May 2018, the board introduced sustainability as the fifth value creation pillar to enhance focus and disclosure on the group's environmental management.

It was entrepreneurship and resilience that steered SepHold's founders to become South Africa's first new cement manufacturer in over 80 years. These principles continue to resonate in the group as the competitive landscape intensifies. The innovation in the configuration of our modern cement plants; specialised concrete manufacturing at Métier; and the enterprise and supplier development programme (EDP) at Sephaku Cement has contributed to the group's success. The group is committed to transformation through community empowerment in its operating areas and employment equity. All entities within the group are level 6 BBBEE contributors and are continually seeking ways to improve contribution. The board and management aim to balance investors' return on investment with the interests of other stakeholders. Refer to page 13.

The SepHold code of ethics that is available at www.sephakuholdings.com/our-business/corporate-governance, recognises that the group and its employees have an obligation to act ethically. The directors and employees are expected to conduct business with stakeholders in line with this code. The board reviews the code regularly to ensure it instils a group-wide ethical culture. Métier and Sephaku Cement base their detailed policies, which include additional guidelines to cater to their unique operating contexts, on the SepHold code.

OUR INVESTMENTS

SepHold is a JSE-listed investment holding company that focuses on businesses in the building and construction materials value chain. The company acquired Métier, a concrete manufacturer in 2013, which enabled the immediate generation of income and synergistic benefits to be realised between Sephaku Cement and Métier.

MÉTIER MIXED CONCRETE PROPRIETARY LIMITED (MÉTIER OR THE SUBSIDIARY)

Métier manufactures ready-mix concrete products for South Africa's industrial, commercial and residential markets. The subsidiary aims to be a trusted building and construction materials brand and to build a lasting legacy as South Africa's leading mixed concrete manufacturer.

Métier has 12 plants and is in the process of constructing a 13th plant in Gauteng (Tshwane). Its head office and seven of its plants are in KwaZulu-Natal (eastern region), and five plants are in Gauteng (northern region). The geographically diversified plant locations reduce Métier's market concentration risk.

Northern operations: Plants located in Gauteng. The regional administration office is in Midrand.

Eastern operations: Plants are in the greater Durban and Pietermaritzburg areas within KwaZulu-Natal.

DANGOTE CEMENT SOUTH AFRICA PROPRIETARY LIMITED (SEPHAKU CEMENT OR ASSOCIATE)

Sephaku Cement specialises in manufacturing, marketing and distributing high-quality cementitious products to a broad range of users. Sephaku Cement's products are well known and are available at major hardware retailers and second-tier distributors.

The associate's integrated cement plant in Aganang and grinding plant in Delmas have a combined production capacity of 2,8 million tonnes per annum (mtpa) (Delmas 1,5 mtpa and Aganang 1,3 mtpa). The Aganang plant comprises a limestone open-cast quarry as well as a clinker and cement production plant. Sephaku Cement mines for limestone at close proximity to the plant and then processes it to clinker. The clinker is grinded and blended with other elements to produce bagged and bulk cement.

Sephaku Cement operates at steady-state production capacity and primarily supplies the Gauteng, Limpopo, Mpumalanga, North West and northern KwaZulu-Natal markets.

64% of Sephaku Cement is owned by DCP, a Nigerian Stock Exchange-listed company with projects and operations in Nigeria and nine other African countries. Refer to www.dangcem.com for further information.

Sephaku Cement categorises operations into cement manufacturing and exploration projects. The cement manufacturing category comprises Aganang, Delmas and Sephaku Ash. Sephaku Ash primarily supplies fly ash as an extender for bagged cement.

Exploration projects consist of limestone assets at various stage of development, such as the Dwaalboom project. This provides a pipeline for growth.

WHERE WE OPERATE

We operate in four provinces: Gauteng, KwaZulu-Natal, North West and Mpumalanga.

MÉTIER OPERATIONS

GAUTENG

Johannesburg office

- OR Tambo plant
- Sandton plant
- Midrand and Chloorkop plant
- Denver plant

Employs **120** people

KWAZULU-NATAL

Head office

- Phoenix plant
- Canelands plant
- Mkondeni plant
- Umhlali plant
- Taylors Halt plant
- Mobeni plant
- Cato Ridge plant

Employs **161** people

SEPHAKU CEMENT OPERATIONS

NORTH WEST

Aganang integrated cement plant

Aganang is Sephaku Cement's clinker producing operation. The plant is approximately 25 km west of Lichtenburg, North West. The secured limestone deposit on the adjacent farms has a proven life of over 30 years, starting in 2014.

Employs **210**[1] people

MPUMALANGA

Delmas grinding plant

The Delmas plant is in Mpumalanga, approximately 50 km from central Gauteng, off the N12 freeway. It is approximately 35 km from Sephaku Ash, which is at the Eskom Kendal Power Station.

Employs **86**[1] people

SEPHAKU CEMENT PROJECTS

Dwaalboom limestone project

The Dwaalboom resource is approximately 8 km southwest of Dwaalboom, and 80 km west-south-west of Thabazimbi, Limpopo. It is Sephaku Cement's most advanced limestone exploration asset and has the potential to be the second major 3 000-tonnes-per-day clinker production facility near Dwaalboom. The plant's construction has not been determined yet as we await feedback on the mining rights application.

[1] *Sephaku Cement has a head office in Centurion which employs 95 people, and Sephaku Ash employs 6 people, resulting in a total employee complement of 397 people.*

HOW WE CREATE VALUE

Métier's and Sephaku Cement's respective contributions to the construction value chain create shared value for the group's stakeholders through the production of building and construction materials. Our operations depend on the cash they generate, equity from our investors, and borrowings. The challenging operating environment over the last three years has constrained the group's returns to shareholders. We expect higher pricing to improve our ability to distribute dividends and to enhance share capital appreciation. We also aim to create value for and meet the expectations of our broad stakeholder base.

The group recognises that business sustainability entails environmental awareness and social responsibility. Métier and Sephaku Cement have various initiatives and internal processes to mitigate their negative environmental impact and uplift their communities.

Sephaku Cement

Sephaku Cement creates value by identifying and mining limestone resources. Limestone is the principal raw material for cement, and it is used to manufacture clinker at our technologically advanced plants. It is further processed into different strengths of bagged and bulk cement for different construction activities through retail distribution channels and bulk users including mixed concrete manufacturers.

The associate's responsible mining practices minimise its environmental impacts and do not disrupt neighbouring communities. Sephaku Cement regularly engages different authorities to ensure compliance to licence conditions.

To better steward limited water resources, the associate manages and monitors several parameters including water balance. This, together with the closed-circuit water systems at the plants, maximises recycling and minimises discharge into the environment.

We employed and/or trained people in our communities and improved the lives of several families. Furthermore, the Enterprise and Supplier Development Programme (EDP) has improved the local economies of North West and Mpumalanga provinces as entrepreneurs are mentored to build sustainable businesses.

Métier

Métier uses the cement manufactured by, among others, Sephaku Cement to manufacture mixed concrete, which harnesses downstream value for the group. Métier holds high standards for its concretes and maintains high customer service levels.

The subsidiary sources its raw materials from different suppliers and secures strategic inputs from sustainable producers. It has a large complement of technical personnel in concrete technology who contribute to the brand equity. Métier regularly engages independent experts on how to develop effective environmental programmes that comply with the regulatory framework and that mitigate its negative environmental impact.

Métier sells its primary product, ready-mix concrete, to various customers including building contractors, civil contractors, residential developers, pool manufacturers, government organisations and various smaller segments within the building industry.

VALUE CREATION PILLARS

The group's focus is on creating sustainable shareholder value by enhancing the five value creation pillars on which earnings and growth are based.

Technical skills and industry experience are critical to the group's strategy and to understanding the building and construction materials market dynamics to maximise profitability.

Leading technologies produce the highest-quality cement and mixed concrete.

Service excellence distinguishes us, and is driven by our high-performance culture, and improves our value proposition.

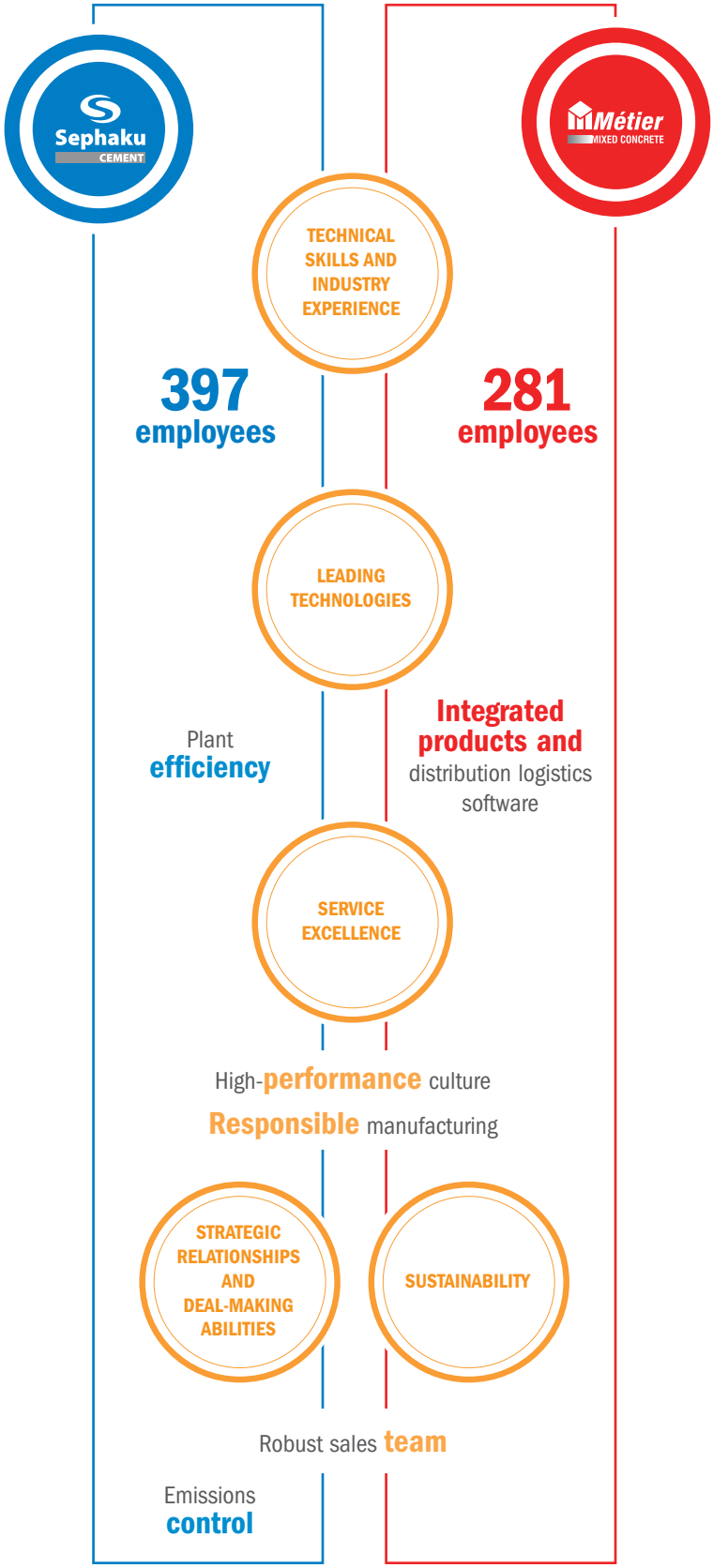
Strategic relationships and deal-making abilities position the group as a major South African building and construction materials manufacturer.

Sustainability emphasises responsible mining and manufacturing by continually seeking ways to minimise our negative environmental impacts.

HOW WE CREATE VALUE (continued)

SepHold's competitive advantages are derived from its value creation pillars.

We deliver superior customer service and specialised and consistent quality products.



Sephaku Cement

R2,4 billion
revenue

R333 million
in operating profits

80% sales volumes
sold in bags mainly to major building and construction materials retailers

Level 6 BBBEE contributor

R5 million spend on **employee training and development**

R88 million on **community social and enterprise development**

Water consumption:
54 litres/tonne of clinker produced

Dust emissions: **3 mg/Nm^3 – 16 mg/Nm^3** against a standard of 30 mg/Nm^3

Métier

R830 million
revenue

R80 million
in operating profits

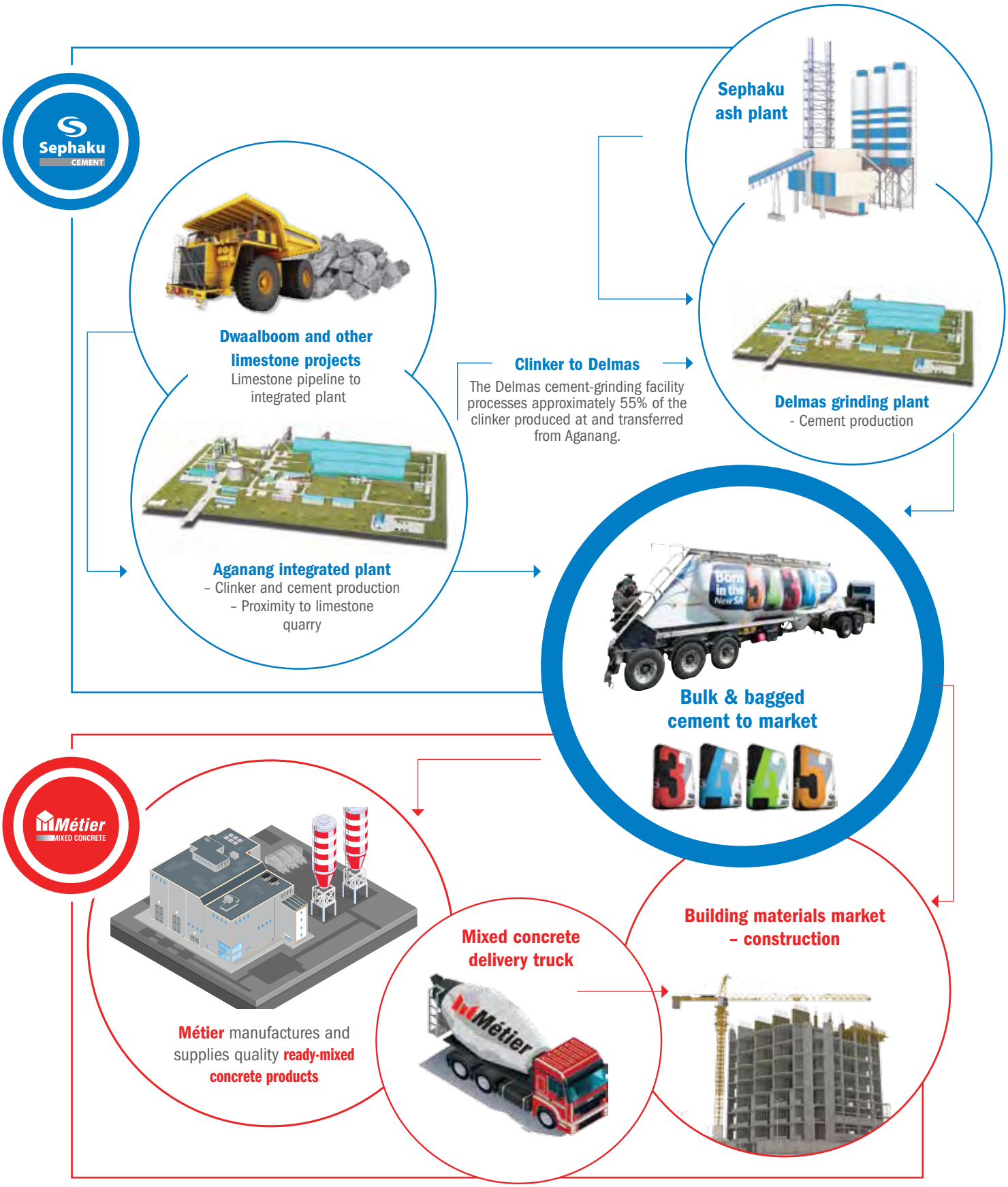
Level 6 BBBEE contributor

R1,2 million spend on employee training and development

37 million litres of water recycled during the year

Material matters page 16

The group's manufacturing and exploration projects aim to create sustainable shareholder value by enhancing the five value creation pillars on which earnings and growth are based.



Governance page 62

HOW WE CREATE VALUE (continued)

STRATEGY OVERVIEW

SepHold's executive committee formulates the strategy and manages the business in an integrated manner. The board strategically oversees and guides SepHold to capitalise on opportunities decisively, ethically, and responsibly. The strategy translates into operational action plans to ensure it achieves its objectives. The strategy is reviewed annually and revised if necessary to align to the dynamic South African socio-economic operating context and trading environment.

The group's strategic objectives focus on financial sustainability, product and service quality and operational efficiency as follows:

- Produce high-quality products and implement effective marketing activities to **maintain sustainable sales volumes and maximise margins**
- Implement cost management programmes that **improve cost efficiencies**
- Implement action plans that **strengthen the operations' balance sheets and increase free cashflow**

The group actively seeks for diversification opportunities in the building and construction materials industry to enhance the ability to create value in cognisance of the constrained economic environment.

Métier's and Sephaku Cement's performance against the objectives is detailed in their respective business reviews from page 34.

The board reviewed its contribution in determining and reviewing the group's strategy at year end and decided to commence intensive annual workshops to assess the previous year's performance against the strategic objectives and to approve the following year's strategic action plans. To this end, the board held the initial strategy workshop in May 2018.

STAKEHOLDER OVERVIEW

OUR ENGAGEMENT ETHOS

Stakeholder support is vital to our strategic objectives and the group's sustainability.

We aim for effective stakeholder engagement to develop and maintain mutually beneficial relationships. We determine our key stakeholders through the influence they have on the group and vice versa. The stakeholders' legitimate needs and expectations are appropriately addressed and incorporated in the management and board reports. Métier's and Sephaku Cement's internal experts and external practitioners effectively manage these matters and report on them to operational executive committees. SepHold, as the listed entity, is primarily responsible for managing the group's investor relationships.

Several factors, such as accessibility and priority, determine how we engage with each stakeholder group. The matters that stakeholders highlight also contribute to material matters determinations and risk assessments.

Our stakeholder engagement focus areas aim to:

1. Increase investor confidence in the group's strategy and our ability to deliver on it, to create sustainable value by providing complete, accurate and timely disclosure of material matters and performance information.
2. Partner with communities and authorities, to the furthest possible extent, to enhance our social licence to operate by:
   - promoting enterprise and supplier development initiatives in our communities;
   - supporting skills development opportunities, mainly for historically disadvantaged individuals; and
   - complying with all licence conditions awarded by the various government departments.
3. Position the group as an employer of choice by:
   - appropriately awarding all employees, and always treating them fairly and with dignity;
   - providing a safe working environment that supports overall wellness; and
   - offering career advancement opportunities for the employees who surpass expected performance.
4. Establish robust and mutually beneficial relationships with customers, suppliers and contractors by:
   - regularly and transparently engaging them to better understand and satisfy their expectations.
   - supplying consistent, good quality building and construction materials; and
   - ensuring that suppliers and contractors align to the group's terms that promote responsible and ethical manufacturing practices.

We engage with our stakeholders through, among other things, our integrated annual review, annual financial statements, written submissions, newsletters, roadshows, conferences, focus group discussions, meetings, workshops, forums, websites, presentations, working groups, community engagements and surveys.

KEY STAKEHOLDER ENGAGEMENT THEMES

	Matters raised	Stakeholders impacted	Response
Profitability	• SepHold's ability to achieve and maintain targeted profit margins • Industry price competition's negative impact on margins • Impact of import volumes on pricing • Group's ability to meet its debt covenants related to profitability metrics • Diminishing return on investment	• Investors • Employees • Organised labour • Customers • Suppliers and contractors • Government • Industry associations	• SepHold has been exploring diversification of the product range within the building and construction industry. Cato Ridge aggregates project is at mining application phase. Management is assessing several other diversification projects. • Sephaku Cement increased prices in most markets and adopted a dynamic market segmentation approach to improve margins. • Sephaku Cement completed the 24-month optimisation programme in December 2017.

STAKEHOLDER OVERVIEW (continued)

	Matters raised	Stakeholders impacted	Response
Consistent product quality and competitive pricing	• The group's ability to consistently supply good quality products • Offering customers competitive prices and after-sales support	• Customers	• Métier and Sephaku Cement have sufficient technical skills to supply consistent quality products. • Sephaku Cement regularly undergoes production audits to ensure that it supplies customers with the quality and specifications they require. • Métier and Sephaku Cement offer customised competitive pricing and services for different customer categories.
Compliance to legislative requirements	• Government's proposed carbon tax legislation and the related costs • Métier's and Sephaku Cement's compliance to mining and/or environmental legislation and licensing conditions	• Investors • Government • Industry associations	• Sephaku Cement continued to engage with the authorities on their proposed carbon budget in 2017 and expect it to be approved in the 2018 calendar year. • Internal audits of all Sephaku Cement and Métier operations ensure full compliance to the requisite regulations. • Métier and Sephaku Cement have qualified and experienced environmental managers, and specialised competencies are outsourced.
Supporting communities	• Expectations for increased support in enterprise and supplier development initiatives • Expectations that Sephaku Cement will exclusively have preference for local community members for employment, training and skills development opportunities • Expectations that communities will be offered equity ownership in the business over and above the Torosesha Trust which has been established as a community ownership entity. • Expectations for the group to support community upliftment projects such as schools and clinics	• Communities • Government	• The Sephaku Cement EDP empowers local businesses and indirectly provides employment opportunities. • Métier and Sephaku Cement preferentially employ people who live near their operations. • Sephaku Cement has an experienced stakeholder management team that continually engages with community leaders and local authorities. It occasionally contracts external experts to manage unique challenges. • Sephaku Cement continued to work with national, provincial and local government officials to develop engagement channels and structures with the communities in which there is contestation over their legitimate leaders. • All employees at Métier and Sephaku Cement are continuously trained and developed.

	Matters raised	Stakeholders impacted	Response
Employee relations	• Employment security • Career development and training • Performance-related incentives and rewards • Formalisation of collective bargaining structures for unionised employees • Safe working environment	• Employees • Organised labour • Government	• Sephaku Cement annually conducts employment climate surveys. • Roadshows and workshops provide several feedback platforms for Sephaku Cement's employees. • Métier and Sephaku Cement train and develop employees to enhance performance and facilitate succession planning. • Performance-related remuneration is benchmarked at Métier and Sephaku Cement – Biannual performance reviews promote a high-performance culture at Sephaku Cement. • Sephaku Cement established an engagement framework with the Association of Mineworkers and Construction Union (AMCU) during the year for effective collaboration. – Management, union leaders and shop stewards hold regular meetings at operational level to address concerns and develop mutually beneficial relationships. • Regular safety workshops and inspections are conducted at Métier and Sephaku Cement.

OUR MATERIAL MATTERS

The group executive management determined the material matters and the board approved the determination process and reporting frameworks applied. The process considers the group's operating context, as well as input from both the group's stakeholders and risk management.

The group's material matters are those that affect our value creation process. They were assessed regarding:

- the risks and opportunities they present;
- the degree to which they enhance or hinder the group's business model; and
- the likelihood of them becoming more significant.

The section below outlines the group's material matters, how they impact the group, how we address them, and the year-on-year movement. Matters specific to Sephaku Cement are listed separately as they materially impact the group.

GROUP MATERIAL MATTERS

Supply/demand imbalance

Improved slightly but still high for the cement and concrete sectors

Context

This imbalance is the primary driver for the cement's price competition coupled with the import burden of approximately 500 ktpa. We anticipate flat or at best a marginal increase in cement sales volumes. Our focus will be on achieving an effective cement annual price increase of 5% in the 2018 calendar year. Métier experienced fierce competition due to declining demand that impacted margins and volumes. Mixed concrete volumes and pricing are expected to remain constrained.

Our response

Métier

Métier manages costs through strategic sourcing.

Sephaku Cement

Sephaku Cement adopted a market segmentation approach that allowed us the flexibility to selectively price products to maximise margins. The associate implemented price increases in most markets in February and July 2017. Sephaku Cement commenced an optimisation programme in 2016 that saved R152 million in costs by end of 2017.

Our focus for 2019

Métier

Métier will improve cost efficiencies by optimally and sustainably using plant and mixer truck capacity. The subsidiary will focus on creating a customer-centric business that fully understands and harnesses all opportunities. Métier will maintain sales volumes by extending its offering into Pretoria.

Sephaku Cement[1]

The associate will protect its market share and enhance profitability by adapting its product offering and pricing to the prevailing market dynamics.

Affected strategic objectives

- Maintain sustainable sales volumes
- Maximise margins
- Strengthen balance sheets
- Increase free cashflow
- Improve cost efficiencies

Stakeholder concerned

- Investors
- Employees
- Organised labour
- Customers
- Suppliers and contractors
- Government

[1] *Sephaku Cement's reporting for financial year 2019 will be for the 12 months ending December 2018.*

Price competition

Cement pricing significantly improved but mixed concrete pricing marginally increased

Context

Cement price competition has a strong link to the supply/demand imbalance and has been intense since 2015. We have observed a shift in all cement manufacturers' focus from increasing sales volumes to improving prices and profitability. In 2017, the sector increased prices between 3 – 5% in the first and third quarters.

The mixed concrete sector had more intense price competition because most independent and some vertically integrated manufacturers offered unsustainably low prices to either reach their targeted sales volumes or be channels for the cement and/or aggregates volumes. The major reason of price competition was manufacturers who increasingly migrated from low-demand markets where construction activity has either regressed or stagnated to more active markets such as Gauteng.

Furthermore, independents who manufacture related building and construction materials such as aggregates, forward integrated to use mixed concrete as the conduit to penetrate the construction industry supply chain. Pricing marginally increased by 1,8% year-on-year, which was significantly lower than cost inflation.

Our response

Métier

Métier secured supply contracts into projects that optimised volume and margin mix. Concrete price increases lag behind those of the cement sector because the supply contracts are based on agreed tenure, volumes and pricing. This significantly narrowed margins in the year.

Sephaku Cement

Sephaku Cement's effective average annual price increase was 5% for both bagged and bulk cement. The associate optimised margins by determining which deals not to pursue.

Our focus for 2019

Métier

In response to the significant decline in margins, Métier has identified several cost efficiency measures to reduce the impact of the low prices.

Sephaku Cement[1]

Sephaku Cement will focus on an effective average price increase of between 5% and 7% for both bulk and bagged cement in 2018. The associate will target higher margins in geographic areas where it has a competitive advantage.

Affected strategic objectives

- Maintain sustainable sales volumes
- Maximise margins
- Strengthen balance sheets
- Increase free cashflow
- Increase cost efficiencies

Stakeholder concerned

- Investors
- Customers

[1] *Sephaku Cement's reporting for financial year 2019 will be for the 12 months ending December 2018.*

OUR MATERIAL MATTERS (continued)

Customer credit default risk

This matter worsened at Métier, but Sephaku Cement does not consider it material going forward

Context

The operating environment was tough for Métier's customer base constituting medium to large building contractors who were impacted by declining demand. Their constrained cashflows filtered to their raw material suppliers such as Métier.

Insufficient funding and convoluted project management structures delayed construction projects increasing the credit default risk. Métier recorded a high incidence of late payments during the year. For further detail on this matter refer to the financial director's report on page 26.

Sephaku Cement experienced no material credit default trends, because approximately 80% of the cement sold is distributed through the major building and construction materials retailers.

Our response

Métier

Métier implemented a rigorous process to understand the complete project structure of any contractor for an accurate assessment of their creditworthiness. The sales and finance teams collaborated in the assessments and the executive management monitored the risk.

Sephaku Cement

Sephaku Cement monitored all its top tier customers and insured the others. The associate also subscribed to the credit bureau to access independent, accurate and updated information on key customers to complement the information collected directly.

Our focus for 2019

Métier

The subsidiary will strengthen credit management for all new customers while monitoring existing customers' payment record to ensure compliance with credit terms. Métier will contract the services of credit insurers to minimise the risk of default through a thorough vetting of the credit applications.

Affected strategic objectives

- Strengthen balance sheets
- Increase free cashflow

Stakeholder concerned

- Investors
- Customers

Shortage of technical skills and industry knowledge

Slightly improved

Context

The technical skills to produce consistent quality and effectively manage building and construction material sales are limited. The industry is highly concentrated – it has six producers with two, including Sephaku Cement, entering in the past four years.

Our response

The group has identified competitive remuneration and intensive training as the two main solutions for retaining and expanding the internal complement of scarce skills.

Métier

Métier implemented extensive in-house training and development with a focus on concrete technology.

Sephaku Cement

Sephaku Cement has developed appropriate training programmes for key positions to transfer knowledge and establish protocols for technical and scientific methodologies. Sephaku Cement has a long-term retention scheme to attract and retain key employees. The scheme is based on a deferred system over a two-year period. The participating employees include members of the executive committee, senior management and select individuals who are key to the business's sustainability.

Our focus for 2019

Métier

Métier's customer focus requires that employees are continuously internally trained to deliver the quality element of its brand equity. A deliberate programme of knowledge and skills transfer will also be a focus area. Métier will establish a retention plan for employees with key competences and skills.

Sephaku Cement[1]

Sephaku Cement will pursue the 2017 action plan to increase the technical skills and participants in the retention scheme.

Affected strategic objectives

- Maintain sustainable sales volumes
- Improve cost efficiencies

Stakeholder concerned

- Investors
- Employees
- Organised labour
- Industry associates

Industry-concentrated investment portfolio

No change

Context

SepHold is primarily invested in South Africa's building and construction materials industry through Métier and Sephaku Cement. This means that the group is exposed to both industry concentration and single country risks. Furthermore, Sephaku Cement is 36% owned by the group and is its most significant asset.

Our response

To simultaneously diversify the portfolio and improve access to raw materials for Métier, the group continued pursuing the acquisition of an aggregates business. In FY 2017 the group began investing into a greenfield aggregates project called Cato Ridge Quarry Proprietary Limited and concluded a 50% partnership with Umhlali Quarry Proprietary Limited (joint venture).

Until the end of FY 2018, the joint venture dealt with the Ethekwini Municipality Environmental Department's concerns on the potential destruction of the ecological value of the area.

Our focus for 2019

The main focus is to conclude the stakeholder engagement with Ethekwini Municipality to enable the issuance of the mining licence and explore more mergers and acquisition opportunities.

Affected strategic objectives

- Maintain sales volumes
- Maximise margins
- Increase free cashflow

Stakeholder concerned

- Investors

[1] *Sephaku Cement's reporting for financial year 2019 will be for the 12 months ending December 2018.*

OUR MATERIAL MATTERS (continued)

SEPHAKU CEMENT-SPECIFIC MATERIAL MATTERS

Loan covenant pressure

Solved and no longer a material matter

Context
The highly competitive market and downward pressure on cement pricing during Sephaku Cement's 2016 financial year increasingly pressured the debt service cover ratio. The ratio was 1,23 instead of the requisite 1,30, resulting in a R135 million equity injection by the shareholders, SepHold and DCP.

Our response
Sephaku Cement successfully negotiated for the loan terms to be reshaped. In September 2017, the lenders consortium collectively agreed to change the repayment profile of the remaining R1,8 billion on the loan from equal capital instalments to increasing capital amounts over five years.

The covenants were maintained at the original levels, but the interest rate was increased by 50 bps to JIBAR plus 450 bps.

Our focus for 2019[1]
Sephaku Cement will pursue a disciplined pricing approach while maintaining sustainable sales volumes. Although this is no longer a material matter, executive management will continually monitor the covenants.

Affected strategic objectives
- Strengthen the balance sheet

Stakeholder concerned
- Investors

Managing local communities' expectations

Marginally improved

Context
Sephaku Cement's plants are in North West and Mpumalanga, both of which have depressed macroeconomic conditions. This, coupled with poor service delivery in the local municipality, has heightened tensions between the communities and local companies.

The communities approached Sephaku Cement for employment, preferential procurement, skills development and development for small, medium and micro enterprise (SMME).

Our response
Both plants consistently engaged with communities on all matters. Community relations at the Delmas plant improved substantially but became marginally worse at Aganang. The challenge in North West is the lack of official or acknowledged community leadership structures which delayed progress on any issue. To improve the relations at Aganang, Sephaku Cement contracted an independent stakeholder engagement consultancy with extensive experience in working with the local communities. By the end of 2017, a memorandum of agreement on the engagement framework had been signed by most parties.

Our focus for 2019[1]
To conclude and implement a revised SMME strategy with definitive action plans for sustainable solutions to all issues raised by the communities.

Affected strategic objectives
- Improve cost efficiencies

Stakeholder concerned
- Communities
- Government

[1] *Sephaku Cement's reporting for financial year 2019 will be for the 12 months ending December 2018.*

Ensuring overall equipment effectiveness at Aganang integrated plant

Equipment effectiveness has been optimised and is no longer a material matter going forward

Context

Overall equipment effectiveness (OEE) is a reliable standard for measuring manufacturing productivity. OEE combines plant availability, product quality and plant performance into one measure. Consistently improving OEE rates ensures that the plant can adequately and sustainably supply good-quality product to meet customer's requirements. Maximising OEE is imperative in an excess demand scenario, particularly when the plant operates at full capacity. Although the industry currently has excess capacity, it is prudent to continually improve OEE to targeted rates to enable Sephaku Cement to respond to any increase in demand.

Our response

We achieved satisfactory net OEE for the kiln at Aganang of 84% (2016: 78%). Sephaku Cement monitored real-time operational efficiencies to ensure that the plant operates at peak levels.

Affected strategic objectives

- Maintain sales volumes
- Maximise margins
- Improve cost efficiencies

Stakeholder concerned

- Investors
- Customers

Unionisation of labour at Aganang integrated and Delmas milling plants

Improved and is no longer a material going forward

Context

At the beginning of 2017, 60% of employees at Aganang and Delmas operations joined AMCU. None of the employees at the Centurion office belong to a union.

Our response

The union was afforded all the statutory organisational rights at both operations and in 2017, AMCU submitted a list of demands in respect to wages and other conditions of employment. Sephaku Cement reached an agreement in the fourth quarter following several months of discussions. There was no labour unrest or strikes at the operations during the year.

Our focus for 2019[1]

To resume negotiations for the new financial year earlier and promote continuous constructive engagement.

Affected strategic objectives

- Maximise margins
- Improve cost efficiencies

Stakeholder concerned

- Employees
- Organised labour

[1] *Sephaku Cement's reporting for financial year 2019 will be for the 12 months ending December 2018.*

LEADERSHIP REVIEWS

JOINT CHAIRMAN'S AND CEO'S REPORT

Improved trading environment for Sephaku Cement but increased competitive forces for Métier.

Brent Williams
Chairman

Dr Lelau Mohuba
Chief executive officer

Dear stakeholders,

The year saw a positive turn in Sephaku Cement's performance, while Métier's performance declined. We hope to provide you with insight into our performance and how we navigated the year. We continue to structure our report around investors' frequently asked questions.

HOW WOULD YOU DESCRIBE THE MACROECONOMIC OPERATIONAL CONTEXT?

The macroeconomic environment remained challenging for a large portion of the year, and improved slightly during the fourth quarter of 2017 which had a 3,1%[1] annualised and seasonally adjusted GDP growth rate. The construction industry declined by 0,3% during that quarter, characterising the operating environment for the cyclical building and construction materials industry. The estimated total cement demand was approximately 13 million tonnes against an industry production capacity of 17 million tonnes. This supply/demand imbalance has caused intense pricing competition among cement manufacturers since Sephaku Cement entered the market in 2015.

Mixed concrete sector

The mixed concrete manufacturing sector has low barriers to entry, and producers can move fairly easily between markets to secure volumes. Independent producers migrated from low-demand areas to regional markets with relatively high construction activity such as Gauteng.

Cement sector

Prices were more stable than during the 2016 calendar year. Manufacturers used segmentation pricing strategies to reach their targeted sales volumes which reduced price increases in the highly competitive regions. Some competitors attempted to merge and capitalise on the consolidation opportunities in the overcapacity context but were unsuccessful. However, we observed a sharpened focus by all manufacturers on improving operational efficiencies to enhance margins.

HOW DID THE GROUP RESPOND TO THE OPERATING ENVIRONMENT?

The group mainly focused on supporting margins by reducing debt to strengthen the balance sheet, improving cost efficiencies and maintaining sustainable sales volumes.

[1] *Statistics South Africa, Gross Domestic Product, Q4 2017.*

The mixed concrete competitive arena saw marginal price increases per cubic meter for Métier. Pricing was significantly below cost inflation with Gauteng remaining the most contested regional market.

Sephaku Cement's performance improved significantly as a result of:

- its management's excellent competence and deal making abilities;
- a more stable cement industry which allowed it to effectively increase prices in all of its markets; and
- persistent technical plant challenges for a competitor.

WHAT MATERIAL MATTERS IMPACTED THE GROUP'S VALUE CREATION?

The material matters are detailed on pages 16 to 21, and the top four are summarised below.

Loan covenant pressure	Sephaku Cement's reduced margins pressured its ability to meet its project loan debt covenants. The board prioritised the matter, and we are pleased to report that the debt was reshaped in September 2017. We no longer consider the management of this debt as material going forward.
Price competition	Métier's prices increased marginally amid intense competition in the mixed concrete industry, which inadvertently lowered margins. SepHold and the subsidiary are implementing several interventions to alleviate the continued pressure on the operations.
Managing local communities' expectations	Since Sephaku Cement's inception, it has been challenging to engage with the communities surrounding its plants. At Aganang, there were isolated disruptions to operational activities during the year. The lack of substantive community leadership structures hampered the quality of our engagements. To address the issue, Sephaku Cement developed a memorandum of understanding with local government representatives and communities to establish the terms of engagement.
Industry-concentrated investment portfolio	Cement and concrete are cyclical – the group is exposed and directly impacted by macroeconomic performance. Although bagged cement has persevered despite declining demand, it is essential for the group to improve the composition of assets to minimise the volatility of earnings. The group is pursuing the investment into aggregates that are less cyclical to diversify the concentration while simultaneously securing raw materials for Métier.

WHAT FACTORS HAVE ENABLED THE GROUP TO REMAIN COMPETITIVE?

Our management teams' competence and deep industry knowledge steer the group through the competitive landscape. Operational management's understanding of the trading environment was instrumental in maintaining market share. Sephaku Cement has established itself as a major producer in the country with solid relationships in the retail distribution network. Both Métier and Sephaku Cement have distinguished their offering to customers through consistent quality, timely deliveries and after-sales service.

HOW IS THE GROUP LIVING UP TO ITS RESPONSIBILITY AS A CORPORATE CITIZEN?

We have been responsive to our stakeholders to give their legitimate matters adequate attention. The group holds combined board social and ethics committee meetings for Métier and Sephaku Cement. The group responds to key issues timeously thanks to SepHold's and operational executive management's participation. We have a third party-managed whistle-blowing number for stakeholders to communicate matters freely. Furthermore, we are proud of the Sephaku Cement EDP that has developed local entrepreneurs, thereby contributing to the provincial GDP.

We have added sustainability to our value creation pillars, and we will emphasise responsible manufacturing and environmental stewardship in the new financial year. To this end, Sephaku Cement has set targets to reduce its coal consumption. Refer to page 59.

JOINT CHAIRMAN'S AND CEO'S REPORT (continued)

WHAT IS THE OUTLOOK FOR THE GROUP IN THE 2019 FINANCIAL YEAR AND BEYOND?

We will strengthen our strategic action plans to improve returns on shareholders' investment. Our operational companies are formidable competitors in the building and construction materials industry. We will ensure that they sustain their competitiveness to achieve superior returns.

We will implement the recommendations from our King IV gap analysis to propagate governance best practice in all group entities.

The economy is likely to remain under pressure for the next 12 to 18 months as the pro-business monetary and fiscal policies are implemented. The anticipated improvement in business confidence and investment should grow demand and improve earnings.

APPRECIATION

We extend our gratitude to all the employees and management teams who have remained committed to the group in an extremely challenging time. The board's and the executive committee's supervision and resourcefulness steered the group forward. They showed unwavering commitment to the group's strategic objectives. We appreciate the contribution of Ms. B Maluleke who resigned from the board on 30 October 2017 to fulfil her executive responsibilities at African Bank. Although Ms. Maluleke's tenure was short, her contribution was invaluable.

Finally, we acknowledge the ongoing support, loyalty and investment of our other stakeholders: our customers, shareholders, suppliers and contractors, the government bodies, and communities in which we operate. The group is dedicated to creating mutual value and to continue delivering on your material expectations.

Brent Williams
Chairman

Dr Lelau Mohuba
Chief executive officer

FINANCIAL DIRECTOR'S REPORT

OVERVIEW

Our group financial management focus for FY 2018 was on strengthening the balance sheets. We increased the magnitude of the Métier debt capital repayments to reduce the interest burden and successfully negotiated for the reshaping of the Sephaku Cement project loan to eliminate the pressure on covenants.

Neil Crafford-Lazarus
Financial director

The operating environment remained challenging for a significant portion of the year resulting in weaker financial performance from Métier and normalised Sephaku Cement results. The tough trading environment was evidently severe for Métier's customer base, who were impacted by the turmoil in the construction industry. Consequently, the subsidiary experienced a high incidence of overdue receivables thereby increasing customer credit default risk. The level of this risk was assessed resulting in a decision to increase Métier's provision for bad debts by R5 million at year-end.

GROUP

Sephaku Cement's equity accounted profit
R20,8 million
(2017: R24,8 million)

EBIT
R54,3 million
at a margin 6,5%
(2017: R84,7 million)

NPAT
R44,2 million
(2017: R68,1 million)

HEPS
20.9 cents
(2017: 33.4 cents)

MÉTIER

Revenue
R830,7 million
(2017: R839,9 million)

EBITDA margin
10,9%
R91,2 million
(2017: 15,0%)

EBIT margin
9,6%
R79,6 million
(2017: 12,9%)

NPAT
R48,0 million
(2017: R67,4 million)

SEPHAKU CEMENT

Revenue
R2,4 billion
(2016: R2,2 billion)

EBITDA margin
21,3%
R504,2 million
(2016: 23,1%)

EBIT margin
14,1%
R333,3 million
(2016: 16,0%)

NPAT
R57,8 million
(2016: R69,8 million)

FINANCIAL PERFORMANCE

Group net profit was R44,2 million at a revenue of R830,7 million resulting in basic earnings per share of 21.60 cents.

Analysis of the comprehensive income

Métier

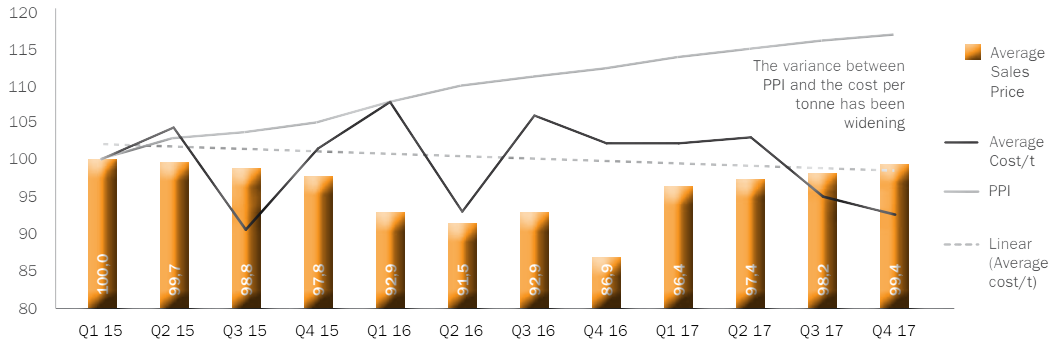
Métier implemented an average marginal price increase of 1,8% per cubic metre but due to a 3% decline in sales volumes had a 1,1% decrease in revenue to R830,7 million. The twelfth plant that commenced production in March 2017 contributed 7% to the sales volumes with commensurate increase in production cost of 8,5%. The increases in costs on lower volumes resulted in comparatively lower EBITDA and EBIT margins of 10,9% (R91,2 million) and 9,6% (R79,6 million) respectively. Métier's net profit was R48,0 million compared to R67,4 million achieved in the previous year.

Sephaku Cement[1]

Sephaku Cement achieved a 3,7% increase in revenue to R2,4 billion for the 12 months ended 31 December 2017. The price increases implemented in February and August 2017 were sustained in most markets resulting in an effective annual increase of 5% per tonne. The associate's performance was distinctive between the interim periods. The significant improvement in the second six months of the year reduced the negative impact on profitability of the weak performance in the first six months caused by excessive rainfall and low demand that resulted in a loss of R16,1 million. The associate's second half net profit increased by R90 million to R74 million as a result of increased sales volumes, higher cement pricing and improvements in operational efficiencies. The optimisation programme initiated in 2016 was successfully concluded in December 2017 with total cost savings of R152 million. The EBITDA margins recorded for the second half were 23% in the third quarter and 25% in the fourth quarter.

The annual EBITDA margin at 21,3% (R504,2 million) and net profit of R57,8 million were lower than the figures achieved in 2016 of 23,1% (R527,0 million) and R68,9 million, respectively. This was due to the fact that the previous year's results included the once-off income of R138 million from the closure agreement with Sinoma on the final handover of the plants and did not reflect a normalised position. The equity accounted income translated to SepHold's income statement was R20,8 million (2016: R24,8 million).

Sephaku Cement optimisation cost efficiencies impact on average cost



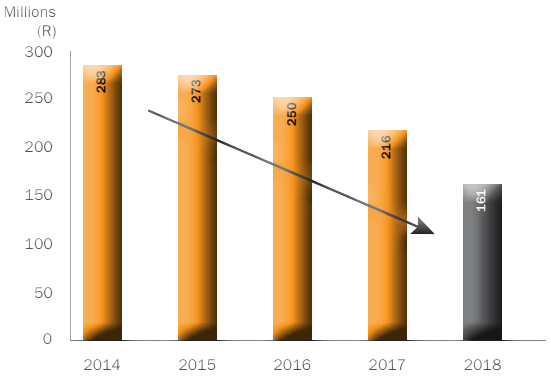
[1] *Sephaku Cement has a December year-end as a subsidiary of Dangote Cement PLC.*

FINANCIAL DIRECTOR'S REPORT (continued)

Strengthening the financial position through debt management

Métier

Métier bank debt profile



Métier has steadily reduced its principal bank debt by 43% since 2014 while simultaneously increasing its plant footprint in Gauteng by constructing two plants. Approximately R112 million of the debt in FY 2014 was the loan for the acquisition of Métier. Furthermore, the subsidiary distributed a R50 million dividend to SepHold during the FY 2017 and commissioned a mobile plant to access new demand nodes in the Centurion area in March 2018. Métier achieved all these milestones in a trading environment with declining concrete prices and above inflation increases in costs and general expenses.

The subsidiary has two loan facilities with the same bank. The first one is a revolving credit facility of R100 million, which was R81,7 million as at 31 March 2018 and bears quarterly interest at JIBAR plus 400 basis points (bps). The second loan was R80,4 million at year end and is repayable in equal instalments of R3,7 million per month bearing interest at JIBAR plus 350 bps. The instalments are repayable over a period of three years and include payments of the interest and capital portions. The final contractual payment for both facilities is scheduled for February 2020 at which time it is envisaged that the revolving credit facility will be renegotiated.

Métier paid R55,5 million towards the principal during the year with R20 million into a revolving facility. The annual finance costs were R21,3 million. The ability of the subsidiary to reduce its debt exposure in the current constrained environment has demonstrated the resilience of the business model. The plan going forward is to further reduce the debt by repaying R35 million per annum for the next two years.

Sephaku Cement

In the FY 2017 report we highlighted the increasing pressure on Sephaku Cement's project loan covenants and that we were advanced in our negotiation with the lenders' consortium to reshape the loan to enable the associate to comply with the terms in a highly competitive trading environment. We are pleased that the negotiations were successful and the emerging upward trend in cement pricing observed in the past 18 months has resulted in Sephaku Cement comfortably fulfilling all its loan terms.

Background and original repayment profile of the project loan

The loan of R1,95 billion had a tenor of 10 years from 1 November 2012 with a 36-month payment holiday and capital repayable in 28 equal quarterly instalments. The loan attracted interest equal to the 3-month JIBAR rate plus a margin of 400 basis points. The accrued interest during the payment holiday was capitalised against the project loan to a final loan amount of R2,4 billion. Loan covenants included a loan life cover ratio of greater than or equal to 1,5; a debt service cover ratio of greater than or equal to 1,3; a reserve tail ratio greater than or equal to 30% and a gearing ratio of less than or equal to 75:25.

Reshaping of the loan

The highly competitive market and downward pressure on cement pricing during Sephaku Cement's financial year ended 31 December 2016, resulted in the debt service cover ratio being increasingly under pressure. This ratio for the financial year ended 31 December 2016 was 1,23 instead of the requisite 1,30, resulting in a R135 million equity injection by the shareholders, SepHold and DCP.

In September 2017, the lenders consortium collectively agreed to change the repayment profile of the remaining R1,8 billion on the loan from equal capital instalments to increasing capital amounts over five years from 2018. The annual instalments as a proportion of the outstanding debt would amount to approximately 10% in 2018; 15% in 2019 and the balance of 75% over the final three years. The covenants were maintained at the original levels, but the interest rate was increased by 50 bps to JIBAR plus 450 bps. The lenders agreed to condone this breach and the forecast breaches for the measurement periods ended 30 June 2017, 31 December 2017 and 30 June 2018. By December 2017 Sephaku Cement had made R600 million (25%) in capital repayments since the initial instalment in the first quarter of 2016.

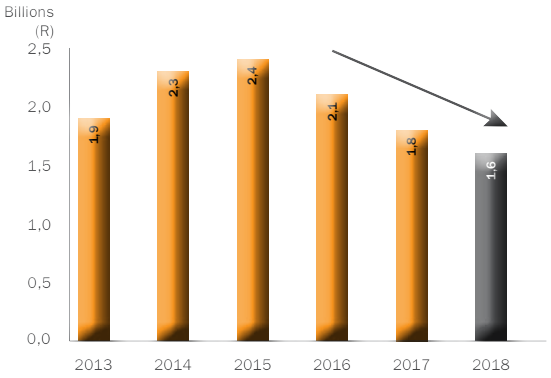
Requisite contribution from shareholders

An additional R95 million capital injection required by the lenders to reshape the loan was settled in full by DCP in September 2017 as per the relationship agreement terms

between SepHold and DCP. SepHold will be required to make a payment of R34,2 million at a future date, still to be determined between SepHold and DCP, to avoid the dilution of SepHold's 36% interest in Sephaku Cement. SepHold's board and management has decided that it will not follow through on its right if the required contribution will be based on the valuation used for the subscription in March 2017 thereby decreasing SepHold's interest in Sephaku Cement to just below 35%. Refer to page 35 of the annual financial statements.

For the 12 months ended December 2017, Sephaku Cement repaid R474 million constituting R217 million towards interest and R257 million towards the capital. The loan will decrease to R1,62 billion by December 2018 accelerating the achievement of Sephaku Cement's targeted debt to EBITDA ratio of x2,5 in the next 12 to 18 months.

Sephaku Cement project debt profile



Update on the DCP (shareholder) project loan

In 2013 to 2014, DCP granted Sephaku Cement a standby debt facility of R275 million at an interest of JIBAR plus 400 bps to complement the bank project loan for the construction of the cement plants. At the end of December 2017, the balance of the loan was R418 million including accrued interest. The interest accrued during the construction phase was capitalised against the loan. The repayment of the accumulated debt will be subject to available cash which is anticipated to increase with improved profitability margins. The plan is to reduce the debt once there is sufficient excess free cash after complying with the requisite bank obligations.

Cashflow and customer credit default risk management

Métier

The receivables inflow was lower than planned as Métier's customers struggled to comply with their payment terms because of the tumultuous construction industry characterised by delayed projects and termination of contracts. This coupled with the liquidation of a long-term Métier customer who owed R5,2 million due to the unexpected termination of a major construction project, heightened the credit default risk management of all customers. By the end of the financial year, the receivables were R131 million with R15 million past the payment due date, and not impaired. Within the initial week of the new financial year, Métier had received R10,3 million of the outstanding R15 million. In our assessment of the balance of receivables which were neither past due nor impaired confirmed that they were of satisfactory credit quality. To continue to mitigate this risk, Métier is strengthening the credit management process for all new customers to ensure that profitability is protected and there is full compliance with the credit terms.

Sephaku Cement

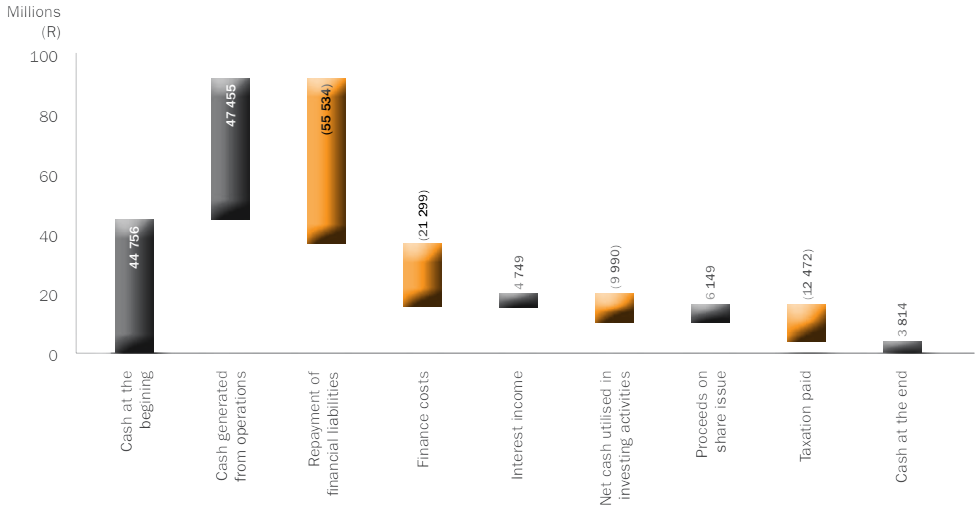
Sephaku Cement did not and continues not to experience the same customer credit default risk because of the profile of its customer base. Approximately 80% of its sales volumes is in bagged cement distributed through large retailers. These retailers have a low risk of default and furthermore Sephaku Cement has no exposure to major construction companies as customers. At the end of December 2017, the associate's provision for receivables impairment was slightly below R1 million representing 0,4% of the R232 million in outstanding credit sales.

Sephaku Cement generated R516 million cash from operations and began the year with R288 million in cash and cash equivalents. The main cash outflows during the year were towards finance costs and capital repayments totalling R529 million. This reflects the group's focus of strengthening the balance sheet through the reduction of debt.

The annual net cash movement was R125 million resulting in an ending cash balance of R413 million. Sephaku Cement's strong cash generative ability is expected to continue subject to sustainable price increases. As the cashflow increases, the possibility of the associate accelerating the repayment of the project loan is significantly enhanced.

FINANCIAL DIRECTOR'S REPORT (continued)

Group cash movement analysis



GROUP

Although the group cash balance at the financial year end was fairly low at R3,8 million, the combined undrawn balance was R36,5 million through Métier's revolving bank facility, overdraft and SepHold's overdraft.

SEPHAKU CEMENT POST-PERIOD PERFORMANCE

Sephaku Cement's first quarter sales volumes for the period ended 30 June 2018 increased by 7% year-on-year albeit from a fairly low base in the comparable period. The positive pricing trend continued to the end of March with Sephaku Cement implementing increases of 5% – 6% per tonne in February 2018. These prices have sustained in most markets with Gauteng continuing to be a highly contested market. Additional price increases are planned for during the second half of 2018.

GROUP INVESTMENT PORTFOLIO ENHANCEMENT

Cato – Ridge aggregates joint venture

The rationale for the 50% investment into the aggregated joint venture was to secure a major mixed concrete raw material. The synergistic benefits of the joint venture include favourable pricing and control of the aggregates source which is critical in supporting margins.

FOCUS AREAS FY 2019

The construction industry which is strongly linked to Métier's customer base is anticipated to continue to be weak for the near term. A building perception survey conducted between April and June 2018 by Bureau for Economic Research, revealed that the confidence index for the second quarter decreased to 29 points which is a six-year low. Equally the civil contractors are pessimistic and anticipate weak demand for this year. This will require astute and perpetual customer credit management processes to preserve value. Management of Métier's debt covenants will also be of high priority in view of the weak demand and downward pressure on profitability.

We will also ensure that a 13th mixed concrete plant is brought to full production in the most cost-efficient manner through rationalisation of movable plant equipment and trucks.

APPRECIATION

I extend gratitude to my colleagues, who have enabled me to manage the group finance functions effectively through their support. I thank the dedicated and competent group finance professionals who have worked tirelessly with me to guard the resources with which we have been entrusted. Finally, I thank the board members for their insights on how to enhance the financial management efficacy in a highly volatile trading environment.

Neil Crafford-Lazarus
Finance director

SUMMARISED CONSOLIDATED FINANCIAL RESULTS

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2018

	GROUP		COMPANY	
	2018 R	2017 R	**2018 R**	2017 R
Revenue	**830 686 042**	839 984 931	**12 073 869**	19 242 280
Cost of sales	**(488 756 744)**	(483 668 229)	**–**	–
Gross profit	**341 929 298**	356 316 702	**12 073 869**	19 242 280
Other income	**4 732 869**	2 429 156	**205 307**	214 465
Operating expenses	**(292 334 309)**	(273 996 024)	**(22 985 204)**	(30 762 448)
Operating profit/(loss)	**54 327 858**	84 749 834	**(10 706 028)**	(11 305 703)
Investment income	**4 749 191**	7 172 130	**1 336**	50 058 450
Reversal of impairment loss	**–**	–	**–**	89 410 741
Profit from equity-accounted investment	**20 819 672**	24 803 788	**–**	–
Finance costs	**(22 032 115)**	(26 695 077)	**(1 170 690)**	(1 202 079)
Profit/(loss) before taxation	**57 864 606**	90 030 675	**(11 875 382)**	126 961 409
Taxation	**(13 697 584)**	(21 892 284)	**–**	–
Profit/(loss) for the year	**44 167 022**	68 138 391	**(11 875 382)**	126 961 409
Other comprehensive income/(loss)				
Items that will not be reclassified to profit or loss:				
Revaluation reserve on land of associate written back	**1 207 663**	–	**–**	–
Total comprehensive income/(loss) for the year	**42 959 359**	68 138 391	**(11 875 382)**	126 961 409
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent	**42 959 359**	68 138 391	**(11 875 382)**	126 961 409
	42 959 359	68 138 391	**(11 875 382)**	126 961 409
Basic earnings per share (cents)	**21.60**	33.63		
Diluted earnings per share (cents)	**21.49**	33.36		

FINANCIAL DIRECTOR'S REPORT (continued)

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2018

	GROUP		COMPANY	
	2018 R	2017 R	**2018 R**	2017 R
ASSETS				
Non-current assets				
Investment property	**–**	–	**18 427 525**	18 427 525
Property, plant and equipment	**143 665 110**	142 797 829	**103 098**	152 022
Goodwill	**223 421 981**	223 421 981	**–**	–
Intangible asset	**2 867 551**	5 161 591	**–**	–
Investments in subsidiaries	**–**	–	**299 378 029**	299 378 029
Investment in joint ventures	**120 552**	–	**–**	–
Investment in associate	**765 870 275**	743 842 941	**683 689 159**	683 689 159
Other financial assets	**8 459 008**	10 638 527	**8 459 008**	10 638 527
Operating lease asset	**–**	–	**1 105 338**	613 869
Long-term loans	**2 000 000**	2 000 000	**2 000 000**	2 000 000
	1 146 404 477	1 127 862 869	**1 013 162 157**	1 014 899 131
Current assets				
Inventories	**16 829 437**	16 972 080	**–**	–
Loans to group companies	**–**	–	**10 249**	10 149
Trade and other receivables	**133 331 514**	121 613 883	**326 256**	253 002
Cash and cash equivalents	**10 510 169**	44 756 833	**337 984**	1 225 306
	160 671 120	183 342 796	**674 489**	1 488 457
Total assets	**1 307 075 597**	1 311 205 665	**1 013 836 646**	1 016 387 588
EQUITY AND LIABILITIES				
Equity				
Stated capital	**644 443 723**	635 403 188	**644 443 723**	635 403 188
Reserves	**12 025 844**	19 262 087	**12 025 844**	20 469 750
Retained income	**378 928 819**	329 214 333	**213 012 820**	219 340 739
	1 035 398 386	983 879 608	**869 482 387**	875 213 677
Liabilities				
Non-current liabilities				
Loans from group companies	**–**	–	**12 625 620**	13 647 025
Other financial liabilities	**121 353 224**	180 132 807	**–**	–
Deferred income	**1 555 444**	2 233 359	**–**	–
Deferred taxation	**21 022 839**	19 696 446	**–**	–
	143 931 507	202 062 612	**12 625 620**	13 647 025
Current liabilities				
Loans from group companies	**–**	–	**128 278 008**	126 115 900
Other financial liabilities	**39 781 797**	35 803 432	**–**	–
Current taxation payable	**307 491**	408 615	**–**	–
Operating lease liability	**4 090 842**	4 101 068	**5 684**	15 910
Trade and other payables	**76 192 231**	84 272 472	**3 444 947**	1 395 076
Deferred income	**677 887**	677 858	**–**	–
Bank overdraft	**6 695 456**	–	**–**	–
	127 745 704	125 263 445	**131 728 639**	127 526 886
Total liabilities	**271 677 211**	327 326 057	**144 354 259**	141 173 911
Total equity and liabilities	**1 307 075 597**	1 311 205 665	**1 013 836 646**	1 016 387 588
Net asset value per share (cents)	**501.79**	484.74		
Tangible net asset value per share (cents)	**392.51**	372.83		

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2018

	GROUP		COMPANY	
	2018 R	2017 R	**2018 R**	2017 R
Cash flows from operating activities				
Cash generated from/(utilised in) operations	**47 455 351**	96 978 796	**(7 635 415)**	(7 054 616)
Interest income	**4 749 191**	7 172 130	**1 336**	58 450
Dividends received	**–**	–	**–**	50 000 000
Finance costs	**(21 298 838)**	(24 320 458)	**(29 987)**	(1 202 079)
Taxation paid	**(12 472 313)**	(19 049 210)	**–**	–
Net cash generated from/(utilised in) operating activities	**18 433 391**	60 781 258	**(7 664 066)**	41 801 755
Cash flows from investing activities				
Purchase of property, plant and equipment	**(14 915 358)**	(28 535 101)	**(23 390)**	(28 494)
Disposal of property, plant and equipment	**4 314 861**	1 852 035	**–**	–
Loans repaid	**650 837**	349 023	**650 837**	349 023
Investment increase in joint venture	**(40 754)**	–	**–**	–
Investment increase in associate	**–**	(48 571 875)	**–**	(48 571 875)
Government grant received	**–**	1 153 240	**–**	–
Net cash (utilised in)/generated from investing activities	**(9 990 414)**	(73 752 678)	**627 447**	(48 251 346)
Cash flows from financing activities				
Proceeds on share issue	**6 149 397**	2 453 033	**6 149 397**	2 453 032
Repayment of other financial liabilities	**(55 534 494)**	(35 195 345)	**–**	–
Facility raising fee paid	**–**	(760 867)	**–**	–
Advances of loans to group companies	**–**	–	**(100)**	(1 060 817)
Net cash (utilised in)/generated from financing activities	**(49 385 097)**	(33 503 179)	**6 149 297**	1 392 215
Total cash and cash equivalents movement for the year	**(40 942 120)**	(46 474 599)	**(887 322)**	(5 057 376)
Cash and cash equivalents at the beginning of the year	**44 756 833**	91 231 432	**1 225 306**	6 282 682
Total cash and cash equivalents at the end of the year	**3 814 713**	44 756 833	**337 984**	1 225 306