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 2023

SepHold hereby reports on the summarised provisional audited financial results for the year ended 31 March 2023 ("FY 2023"). 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.

FINANCIAL RESULTS AUDIO WEBCAST AND CONFERENCE CALL

An audio webcast and conference call to discuss the financial results will be hosted on Wednesday, 28 June 2023, at 10:00. To receive unique access details, all participants must pre-register using the following hyperlinks – SepHold FY 2023 results webcast registration link and Sephaku Year End Results Conference Call. 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/

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 annual financial statements 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.

SALIENT POINTS

Group

- **Group consolidated revenue*: R981 million**
  (FY 2022: R786 million)
- **Net profit after tax: R26 million**
  (FY 2022 profit after tax: R45 million)
- **Basic earnings per share: 10.05 cents**
  (FY 2022 basic earnings per share: 17.52 cents)
- **Headline earnings per share: 9.98 cents**
  (FY 2022 headline earnings per share: 17.67 cents)
- **Normalised headline earnings: 10.53 cents**
  (FY 2022 normalised headline earnings per share: 17.67 cents)

Métier

- **EBITDA: R98 million**
  (FY 2022: R75 million)
- **EBITDA margin: 10.0%**
  (FY 2022: 9.5%)
- **Net profit after tax: R43 million**
  (FY 2022 net profit after tax: R30 million)

SepCem[1]

- **Sales revenue: R2,5 billion**
  (FY 2022: R2,6 billion)
- **EBITDA: R279 million**
  (FY 2022: R375 million)
- **EBITDA margin: 11.4%**
  (FY 2022: 14.6%)
- **Net loss after tax: R4 million**
  (FY 2022 net profit after tax: R82 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 2023 figures are for the 12 months ended 31 December 2022, and FY 2022 figures are for the 12 months ended 31 December 2021.*

SUMMARISED PROVISIONAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2023

Remarking on the results, SepHold FD and outgoing CEO, Neil-Crafford Lazarus said:

"The Group's FY 2023 performance was mixed. Métier and SepCem both demonstrated resilience and agility in maintaining market share, and Métier delivered strong growth in revenue and profit. But deteriorating economic conditions and persistent challenges in the cement industry impacted SepCem's financial performance.

Renewed optimism in construction activity at the beginning of 2022, driven by a strong commodity cycle and anticipated demand for infrastructure investment, was short-lived. Just as the global economy was starting to accelerate post-COVID-19, Russia's war against Ukraine triggered a new round of negative trends with far-reaching consequences for global inflation and interest rates, logistics and supply chains, energy security and economic growth.

These impacts on the South African economy are compounded by factors such as unreliable power supply, limited public sector infrastructure investment and socio-economic instability which have restricted a return to pre-COVID levels of economic growth. The building and construction materials market, particularly cement, remains in a downward spiral of excess capacity and low demand, worsened by intense competition and unrestricted cement imports.

Cost inflation has had a material impact on the Group's operations during the year under review. Producer inflation started outstripping consumer inflation post-COVID, mainly due to escalating shipping costs and import prices driven by the global supply chain crisis, and subsequently the Russia/Ukraine conflict.

Global energy prices increased exponentially as Russia sanctioned natural gas supplies to Europe, resulting in global shortages. In South Africa, this led to a 46% increase in fuel (diesel) prices, and later also impacted coal pricing as European countries converted their power plants back to fossil fuel when natural gas supplies were depleted.

Simultaneously, export pricing for South African coal increased by 340% as global demand surged. While the increase in foreign exchange earnings improved the country's trade balance, the impact on energy-intensive local industries was devastating. The cement industry's cost of production increased by high double-digit percentages on average during 2022 because more than 50% of the cash cost of cement production is energy related (inbound and outbound transport, electricity, coal, explosives and haulage costs of limestone mining).

Despite the economic headwinds, I am pleased to report that Métier performed exceptionally well, leveraging available opportunities and maintaining disciplined cost management and service excellence.

SepCem's performance was adversely impacted by higher operational costs and the rising costs of essential goods and services which reduced spending on non-essential items. This impacted demand for bagged cement which accounts for the bulk of SepCem's cement sales. Despite extensive austerity measures and actions to optimise sales where it has a competitive advantage, SepCem reported lower revenue and a net loss after tax of R4,2 million (FY 2022: R81,9 million profit). SepCem's equity-accounted loss in the group's FY 2023 profit and loss statement is R2 million (FY 2022: R29 million profit).

The Group maintained its focus on reducing debt to strengthen the balance sheets and support the financial positions of SepCem and Métier. Both operations retained market share, improved cost efficiencies and explored opportunities to diversify revenue in the construction value chain. SepCem made significant advances in its use of alternative fuels to contain energy costs and reduce the carbon footprint."

COMMENTARY

SEPHOLD

Update on the executive role

Over the last three calendar years the audit and risk committee (ARC) successfully motivated to the JSE Limited for Neil Crafford-Lazarus to assume dual chief executive officer (CEO) and financial director (FD) roles. In November 2022 SepHold announced that Kenneth Capes would assume the role of CEO from 1 April 2023 and that Neil Crafford-Lazarus would resume his former position as FD.

MÉTIER

Sales volumes

Total sales volume increased by 14% year-on-year (YoY), after the 25% increase in FY 2022 subsequent to the related pandemic restrictions from a year earlier. These volumes saw a return to pre-pandemic levels last seen in FY 2018 and FY 2019.

Métier overcame challenges in its operating environment to deliver pleasing growth in sales volumes and revenue. This was primarily attributable to a significant project in Gauteng, Métier's expansion into the Western Cape which gained traction during the year, and growth in technical specialised product sales. The KZN operations held their ground in difficult trading conditions.

In a competitive market with limited market data, Métier estimates it retained market share in its established Gauteng and KZN markets, and made headway in securing market share in the Western Cape by leveraging its reputation as a trusted, consistently reliable supplier of choice to customers.

Revenue and profitability

Métier's revenue increased by 25% YoY to R981 million (FY 2022: R786 million) due to increased sales volumes and pricing. Increasing inflation-related input costs in the quarter ended 31 March 2023 resulted in all major mixed concrete producers, including the Subsidiary implementing significant price increases. Consequently, the EBITDA increased by 31% to R98 million (FY 2022: R75 million), and EBIT increased by 33% from R48 million to R64 million. Net profit after tax increased by 43%, from R30 million to R43 million, due to the high revenue and the lower finance expense resulting from a decreasing debt balance.

Price increases applied in March 2023 were sustained and Métier intend to continue tight cost controls and grow its specialised concrete offerings. The team at Métier are committed to growing profitability in FY 2024 without being naïve at the construction headwinds the country is experiencing.

Bank debt management

During the current financial year Métier repaid their term loan due in FY 2024 and replaced it with an overdraft facility. The total term loan at the beginning of the year was R48 million while the overdraft at year-end was R18 million.

This movement from long-term liabilities to short-term liabilities and the increase in turnover with resulting increase in trade receivables created a position where current assets and liabilities are close to each other but will widen again as current year profits increases the bank balance. The unutilised portion of the overdraft leaves enough headroom for servicing of all debts during this period.

During the year the vehicle financing facility was increased from R31 million to R47 million.

SEPHAKU CEMENT

Sales volume

Sales volumes decreased by 12% during the year to 31 December 2022 (CY 2021: 1% decrease) in line with SepCem's estimates for overall market performance. The reduction in SepCem's sales volumes was primarily due to lower sales of bagged cement in urban and rural areas that account for 70% to 80% of total sales. Sales of bulk cement to construction projects account for the balance of volumes. These were relatively flat YoY, reflecting an industry in decline for over four years.

Revenue and profitability

SepCem's revenue only decreased by 4% to R2,5 billion (CY 2021: R2,6 billion) due to price increases in February 2022 and August 2022, resulting in a higher net selling price YoY. The resultant EBITDA was 25% lower at R278,5 million (CY 2021: R373,9 million) at a margin of 11.1% (CY 2021: 14.6%).

Net profit after tax decreased from R81,9 million in CY 2021 to a loss of R4,2 million in CY 2022. The SepCem 36% equity-accounted loss in the Group FY 2023 profit and loss statement is R2,0 million compared to R28,9 million profit in FY 2022.

Debt management

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% from August 2022. In addition, SepCem secured a R200 million revolving working capital facility at a rate of prime minus 0.5% from one of the original major lenders. The DCP shareholder loan that accrues interest at JIBAR plus 4% capitalised against the loan had a balance of R685 million by year-end.

POST–PERIOD

SEPHOLD

Chief executive officer appointment

Shareholders are referred to the SENS announcement dated 25 November 2022 advising the appointment of Mr Kenneth Capes as the new CEO of SepHold. The Board is pleased to announce that Mr Capes has been formally appointed as the CEO from 1 April 2023. He will continue to be the CEO of Métier and an executive director on the SepHold Board.

The Board welcomes the appointment of Mr Capes and looks forward to his valuable contribution to the future of SepHold.

Q1 2023 performance

Following the DCP first-quarter results announcement for the three months ended 31 March 2023, released on 28 April 2023, SepCem's revenue increased by 5.4% to R583 million (Q1 2022: R553 million) mainly due to price increases implemented in February 2023.

SepCem's quarterly EBITDA decreased significantly to R31,3 million (Q1 2022: R89,7 million) mainly due to comparative inventory depletion typical during planned kiln outages for an extended maintenance period.

OUTLOOK

Remarking on the outlook, incoming CEO Kenneth Capes commented:

The contractionary economic policies being implemented by the South African Reserve Bank to combat rising inflation will inevitably exacerbate the low demand for building materials, barring the implementation of the proposed government infrastructure projects. Unfortunately, due to this prolonged subdued demand for cement, and production overcapacity; the industry is operating under sustained low pricing which is an existential threat if not improved soon. A key focus area for our cement business will be on price and market segmentation to improve margins. We intend to drive this area of our business with the urgency it requires. This much needed improvement could be a game changer for the entire industry and our economy.

Industry experts project that upward trend in demand for residential buildings will decline as interest rates increase. 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, the trend in building materials tenders awarded implies flat demand, which is expected to continue until year-end. On the positive side we have seen some momentum on the awarding of tenders for road infrastructure, specifically in KZN, and expect these contracts to run over a number of years.

The Group will focus on cost management to ensure that the gains achieved from the numerous initiatives during FY 2023 are sustained. SepCem and Métier will continue to focus on strengthening their balance sheets by reducing debt while seeking diversification opportunities within the construction value chain.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2023

	Group	
	2023 **R**	2022 R
Revenue	**980 710 786**	785 791 090
Cost of sales	**(615 819 604)**	(484 062 792)
Gross profit	**364 891 182**	301 728 298
Other operating income	**3 564 049**	4 322 893
Other operating losses	**(768 879)**	–
Movement in loss allowances	**(400 000)**	–
Operating expenses	**(318 274 963)**	(271 819 556)
Operating profit	**49 011 389**	34 231 635
Investment income	**2 231 302**	2 037 346
Finance costs	**(13 321 210)**	(12 851 844)
(Loss)/Income from equity accounted investments	**(2 040 840)**	28 992 240
Profit before taxation	**35 880 641**	52 409 377
Taxation	**(10 313 484)**	(7 831 832)
Profit for the year	**25 567 157**	44 577 545
Other comprehensive income	**–**	–
Total comprehensive income/(loss) for the year	**25 567 157**	44 577 545
Basic earnings per share (cents)	**10.05**	17.52
Diluted earnings per share (cents)	**10.05**	17.52

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2023

	Group	
	2023	2022
	R	R
ASSETS		
Non-Current Assets		
Property, plant and equipment	**160 270 076**	136 616 822
Right-of-use assets	**49 271 670**	53 535 740
Goodwill	**223 421 981**	223 421 981
Investment in joint venture	**1**	1
Investment in associate	**836 320 473**	838 361 313
Loans receivable	**–**	961 173
Other financial assets	**10 337 990**	8 702 890
Other investments	**1 000 000**	2 000 000
	1 280 622 191	1 263 599 920
Current Assets		
Inventories	**20 504 893**	18 076 838
Loans receivable	**961 173**	3 658 670
Trade and other receivables	**121 929 846**	87 190 895
Cash and cash equivalents	**4 348 011**	29 476 556
	147 743 923	138 402 959
Total Assets	**1 428 366 114**	1 402 002 879
EQUITY AND LIABILITIES		
Equity		
Share capital	**682 965 910**	682 965 910
Reserves	**2 738 696**	5 903 868
Retained income	**487 201 495**	458 410 976
	1 172 906 101	1 147 280 754
Liabilities		
Non-Current Liabilities		
Instalment sale liabilities	**36 435 398**	25 384 965
Other financial liabilities	**–**	34 863 130
Lease liabilities	**48 454 562**	54 897 551
Deferred tax	**19 432 371**	17 584 930
	104 322 331	132 730 576
Current Liabilities		
Trade and other payables	**105 590 717**	90 047 921
Instalment sale liabilities	**10 300 021**	6 026 405
Other financial liabilities	**–**	13 410 551
Lease liabilities	**15 054 190**	12 178 585
Current tax payable	**2 277 547**	328 087
Bank overdraft	**17 915 207**	–
	151 137 682	121 991 549
Total Liabilities	**255 460 013**	254 722 125
Total Equity and Liabilities	**1 428 366 114**	1 402 002 879

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2023

	Group	
	2023 **R**	2022 R
Cash flows from operating activities		
Cash generated from operations	**64 828 440**	66 022 736
Interest income received	**1 994 865**	1 519 584
Tax paid	**(6 516 582)**	(9 028 544)
Net cash generated from operating activities	**60 306 723**	58 513 776
Cash flows from investing activities		
Purchase of property, plant and equipment	**(28 223 234)**	(14 359 181)
Proceeds on disposal of property, plant and equipment	**5 701 922**	1 023 903
Proceeds from repayment of loans	**–**	2 058 946
Loans advanced	**(2 035 100)**	–
Net cash (used in) investing activities	**(24 556 412)**	(11 276 332)
Cash flows from financing activities		
Repayment of principal on instalment sales	**(3 611 680)**	(2 487 183)
Repayment of interest on instalment sales	**(4 233 275)**	(1 411 613)
Finance costs – other	**–**	(1 316)
Repayment of principal on other financial liabilities	**(48 546 408)**	(23 311 072)
Repayment of interest on other financial liabilities	**(2 789 022)**	(4 859 481)
Payments of principal on leases	**(13 587 491)**	(12 135 444)
Payments of interest on leases	**(6 026 186)**	(6 307 253)
Net cash (used in) financing activities	**(78 794 062)**	(50 513 362)
Total cash movement for the year	**(43 043 751)**	(3 275 918)
Cash at the beginning of the year	**29 476 556**	32 752 474
Total cash at end of the year	**(13 567 195)**	29 476 556

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2023

Group	Share capital R	Equity-based share option reserve R	Retained income R	Total equity R
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 01 April 2022	682 965 910	5 903 868	458 410 976	1 147 280 754
Profit for the year	**–**	**–**	**25 567 157**	**25 567 157**
Other comprehensive income	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**25 567 157**	**25 567 157**
Employees share option scheme	**–**	**(3 165 172)**	**3 223 362**	**58 190**
Total contributions by and distributions to owners of group recognised directly in equity	**–**	**(3 165 172)**	**3 223 362**	**58 190**
Balance at 31 March 2023	**682 965 910**	**2 738 696**	**487 201 495**	**1 172 906 101**

NOTES TO THE SUMMARISED PROVISIONAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2023

1. INVESTMENT IN ASSOCIATE

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 2023 R**	Carrying amount 2022 R
Cost of investment in associate	**635 117 284**	635 117 284
Proportional increase in investment	**48 571 875**	48 571 875
Equity-accounted earnings – prior year	**154 672 154**	125 679 914
Group level: Opening balance of carrying value	**838 361 313**	809 369 073
Equity-accounted earnings – current year	**(2 040 840)**	28 992 240
Group level: Carrying value of investment in associate	**836 320 473**	838 361 313

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% (2022: 4.6%) was applied and cash flows were discounted at a pre-tax rate of 17.7% (2022: 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.

1. INVESTMENT IN ASSOCIATE (CONTINUED)

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 R86 million (2022: R89 million) in the recoverable amount and no impairment needed, as the recoverable amount is still higher than the carrying amount; and
- If all assumptions remained unchanged, a 1% increase in discount rate results in a decrease of R117 million (2022: R115 million) in the recoverable amount and no impairment needed, as the recoverable amount is still higher than the carrying amount.

The net asset value of the Associate is R1 811 822 000 (2022: R1 816 004 000) as indicated below.

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

	2023* R'000	2022* R'000
Non-current assets	**2 680 016**	2 787 478
Current assets	**679 626**	870 093
Total assets	**3 359 642**	3 657 571
Total equity	**1 811 823**	1 816 004
Non-current liabilities	**(1 016 010)**	(716 306)
Current liabilities	**(531 809)**	(1 125 261)
Total liabilities	**(1 547 819)**	(1 841 567)

	2023* R'000	2022* R'000
Revenue for the period	**2 454 678**	2 564 262
Cost of sales	**(2 209 680)**	(2 180 328)
Gross profit	**244 998**	383 934
Operating profit	**104 459**	219 393
Investment income	**8 486**	11 593
Finance costs	**(112 459)**	(119 502)
Profit before taxation	**486**	111 484
Taxation expense	**(4 667)**	(29 573)
(Loss)/Profit after taxation for the period	**(4 181)**	81 911
Total comprehensive (loss)/income for the period	**(4 181)**	81 911
Total comprehensive (loss)/income attributable to owners of the parent	**(5 669)**	80 534

* *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 2022 have been included in these financial statements.*

	Ready-mix concrete R	Head office R	Group totals R
2. SEGMENT INFORMATION			
2023			
Segment revenue – external revenue	**980 710 786**	**–**	**980 710 786**
Segment cost of sales	**(615 819 604)**	**–**	**(615 819 604)**
Segment expenses	**(304 530 375)**	**(13 744 588)**	**(318 274 963)**
Loss from equity-accounted investment	**–**	**(2 040 840)**	**(2 040 840)**
Profit/(Loss) on sale of property, plant and equipment	**231 147**	**(26)**	**231 121**
Segment profit/(loss) after taxation	**42 752 427**	**(17 185 270)**	**25 567 157**
Taxation	**(10 313 484)**	**–**	**(10 313 484)**
Interest received	**2 231 118**	**184**	**2 231 302**
Interest paid	**(13 321 210)**	**–**	**(13 321 210)**
Depreciation and amortisation	**(34 182 725)**	**(7 946)**	**(34 190 671)**
Segment assets	**355 548 562**	**1 072 817 552**	**1 428 366 114**
Investment in associate included in the above total segment assets	**–**	**836 320 473**	**836 320 473**
Capital expenditure included in segment assets	**47 158 965**	**–**	**47 158 965**
Segment liabilities	**(255 884 352)**	**(1 575 661)**	**(255 460 013)**
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 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)

The only commodity actively managed by Métier is ready-mix 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.

3. OPERATING PROFIT/(LOSS)

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

	Group	
	2023 **R**	2022 R
Auditor's remuneration – external		
Audit fees	**1 008 500**	455 000
Fees, other than to employees		
Administrative and managerial services	**72 728**	66 154
Consulting and professional services	**2 084 030**	1 486 151
Secretarial services	**223 855**	209 248
	2 380 613	1 761 553
Employee costs		
Salaries, wages, bonuses and other benefits	**88 847 637**	84 173 428
Retirement benefit plans: defined contribution expense	**567 000**	158 166
Share-based compensation expense	**58 190**	298 076
Total employee costs	**89 472 827**	84 629 670
Leases		
Low value lease expenses	**506 210**	49 361
Total lease expenses	**506 210**	49 361
Depreciation		
Depreciation of property, plant and equipment	**19 686 660**	12 970 660
Depreciation of right-of-use assets	**14 504 011**	13 748 074
Total depreciation	**34 190 671**	26 718 734
Movement in credit loss allowances		
Loans receivables at amortised cost	**400 000**	–
Other		
Vehicle, fuel and delivery costs	**143 253 257**	118 618 517
Utilities	**11 394 622**	10 236 501
Repairs & maintenance	**10 012 068**	7 423 718

	Group 2023 R	Group 2022 R
4. CASH GENERATED FROM/(USED IN) OPERATIONS		
Profit/(loss) before taxation	**35 880 641**	52 409 377
Adjustments for		
Depreciation	**34 190 671**	26 718 734
Gains on disposals and remeasurement of assets	**(231 147)**	–
(Loss)/profit from equity-accounted investments	**2 040 840**	(28 992 240)
Interest income	**(2 231 302)**	(2 037 346)
Finance costs	**13 321 210**	12 851 844
Fair value losses	**1 000 000**	–
Net impairments and movements in credit loss allowances	**400 000**	120 551
Loss/(profit) on sale of property, plant and equipment	**(1 872 492)**	389 942
Deferred income	**–**	(316 671)
Share options recorded against salary expense	**58 190**	298 076
Changes in working capital:		
Inventories	**(2 428 055)**	(1 040 632)
Trade and other receivables	**(34 738 950)**	3 103 151
Trade and other payables	**15 542 796**	(1 378 090)
Other financial assets	**3 896 038**	3 896 040
	64 828 440	66 022 736

5. INSTALMENT SALE LIABILITIES

	Group 2023 R	Group 2022 R
Held at amortised cost		
Mercedes – Benz Financial Services	**46 735 419**	31 411 370

During the year, the Company entered into 12 instalment sale agreements with Mercedes-Benz Financial Services. The liability is secured by motor vehicles with a carrying amount of R51 298 828 (2022: 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 R40 817 per vehicle (2022: R34 697).

	Group 2023 R	Group 2022 R
Split between non-current and current portions		
Non-current liabilities	**36 435 398**	25 384 965
Current liabilities	**10 300 021**	6 026 405
	46 735 419	31 411 370

	Group	
	2023 R	2022 R
6. OTHER FINANCIAL LIABILITIES		
At fair value through profit/(loss)		
Standard Bank – Facility B	**–**	48 273 681
This loan bears interest at the three-month JIBAR plus a margin of 4.25%. The loan was repaid in full during the financial year under review.		
Split between non-current and current portions		
Non-current liabilities	**–**	34 863 130
Current liabilities	**–**	13 410 551
	–	48 273 681
7. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	**121 646**	101 500
Bank balances	**4 226 366**	29 375 056
Bank overdraft	**(17 915 207)**	–
	(13 567 195)	29 476 556
Current assets	**4 348 012**	29 476 556
Current liabilities	**(17 915 207)**	–
	(13 567 195)	29 476 556

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

Métier secured an overdraft facility with First National Bank of R80 000 000 during the year (2022: Standard Bank of R10 000 000).

The total amount of undrawn facilities available for future operating activities and commitments	**62 084 793**	10 000 000

Security

The First National Bank (the debt guarantor) overdraft facility is secured as follows:

- General notarial bond to be granted by Métier in favour of the debt guarantor over all its movable assets (including inventory) to the value of R40 000 000.
- Suretyship by SepHold in favour of the debt guarantor for the obligations of Métier to the value of R140 000 000.
- Cession of short-term insurance policies by Métier in favour of the debt guarantor, in terms of which Métier cedes in securitatem debiti to the debt guarantor all of its right, title and interest in and to all short-term insurances over its assets.
- Cession of debts by Métier in favour of the debt guarantor, in terms of which Métier cedes in securitatem debiti to the debt guarantor, all of its right, title and interest in and to all of its debtors.

Métier will ensure that the Interest-bearing debt to earnings before EBITDA will not exceed 2.5 times operating income before interest, tax, depreciation and amortisation of any intangibles (excluding extraordinary items), during any period.

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 2023 R	Group 2022 R
8.	**FINANCE COSTS**		
	Lease liabilities	**6 026 186**	6 307 253
	Bank overdraft	**–**	6
	Current borrowings – transaction cost amortised	**272 727**	272 727
	Other financial liabilities	**2 789 022**	4 860 244
	Instalment sale liabilities	**4 233 275**	1 411 614
	Total finance costs	**13 321 210**	12 851 844
9.	**NET ASSET VALUE PER SHARE AND EARNINGS PER SHARE**		
	Net asset value and tangible net asset value per share		
	Total assets	**1 428 366 114**	1 402 002 879
	Total liabilities	**(255 460 013)**	(254 722 125)
	Net asset value attributable to equity holders of parent	**1 172 906 101**	1 147 280 754
	Goodwill	**(223 421 981)**	(223 421 981)
	Tangible net asset value	**949 484 120**	923 858 773
	Shares in issue	**254 486 436**	254 486 436
	Net asset value per share (cents)	**460.89**	450.82
	Tangible net asset value per share (cents)	**373.10**	363.03

	Group 2023 Gross R	Group 2023 Net R	Group 2022 Gross R	Group 2022 Net R
Reconciliation of basic earnings to diluted earnings, headline earnings and normalised earnings:				
Profit attributable to ordinary equity holders of the parent entity		**25 567 156**		44 577 544
IAS 33 earnings		**25 567 156**		44 577 544
Add/Less IAS 16 losses/(gains) on the disposal of plant and equipment	**(231 121)**	**(168 718)**	389 942	280 758
Add IAS 36 impairment of investment		**–**		120 551
Headline earnings and diluted headline earnings attributable to equity holders of parent		**25 398 438**		44 978 853
Add IFRS 9 equity investment measured at fair value through profit or loss		**1 000 000**		–
Add IFRS 9 loan receivable at amortised cost		**400 000**		–
Normalised headline earnings attributable to equity holders of parent		**26 798 438**		44 978 853
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)		**10.05**		17.52
Diluted earnings per share (cents)		**10.05**		17.52
Headline earnings per share (cents)		**9.98**		17.67
Normalised headline earnings per share (cents)		**10.53**		17.67
Diluted headline earnings per share (cents)		**9.98**		17.67

10. GOING CONCERN

The 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 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 Group and Company's current liabilities exceed 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.

As mentioned under the debt management portion of Métier, the current liabilities exceeded the current assets at year-end. This is mainly due to the fact that the long-term portion of financing was repaid during FY 2023 and replaced with a bank overdraft. Long-term debt reduced by R48 million while the bank overdraft at year-end was R18 million. The overdraft is only utilised over month end and is repaid in the first half of the month. This position will further improve during the current year and as cash is generated from profits, the current assets will again exceed the current liabilities. During the period that these timing differences occur the R80 million overdraft facility provides enough headroom to ensure that all foreseeable cash requirements will be met.

The refinancing of the SepCem Nedbank and consortium loan of R376 714 000 was granted by Nedbank and Standard Bank during the financial year.

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.

	Group 2023 R	Group 2022 R
11. OTHER FINANCIAL ASSETS		
Other long-term financial assets		
Union Atlantic Minerals Limited (UAM) (stage 3)	**1 073 054**	1 073 054
Cross Company Management Proprietary Limited (CCM) (stage 2)	**9 664 936**	7 629 836
	10 737 990	8 702 890
Less: Loss allowance	**(400 000)**	–
Carrying amounts	**10 337 990**	8 702 890

These loans are unsecured, bear no interest and are repayable on demand.

The UAM loan is in default, however, management is continuously involved in a process of raising finance to advance the prospecting assets that the company has. There was a firm commitment that the loan would be repaid from the first tranche of funding raised. An updated UAM SENS announcement from them (UAM) was released on 12 October 2022 indicating yet another postponement of the first funding received. As a result management did not receive payment as the other items were crucial to the continuance of the process. Management was hopeful that funds would be raised and that payment would be received, but with this further postponement management believes that an expected credit loss (ECL) should be provided for a portion of the loan unlikely to be recovered until such time that funding has been received and exploration can commence. Management reviewed the impairment of the loan and decided to recognise a R400 000 loss allowance. UAM Management is continuing to look for investors to progress the exploration projects and unlock further value in the company. New investors are being targeted and SepHold management are of the opinion that the adjustments made in the current year reflects a value that could be realised should funding for the project be obtained. If not, the maximum exposure for the Group is immaterial at about 0.1% of non-current assets.

Technically the CCM loan is in default as there is not sufficient cash in the company to repay the loan on demand. However, the loan is supported by shares in companies that were funded through the application of funds made available. Management has assessed the value of these underlying shares and are satisfied that the loan would be recoverable in full in the foreseeable future. While the individual loans might not match the specific investments in value the total value of the shares held reflect a range of between 97% and 108% of the loan. Based on this it was decided not to recognise a loss allowance on this loan.

Non-current assets		
At amortised cost	**10 337 990**	8 702 890

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

It is not managements' intention to call for the loans in the next 12 months.

	Group	
	2023 R	2022 R
12. OTHER INVESTMENT		
Union Atlantic Minerals Limited	**2 000 000**	2 000 000
Less: Loss allowance	**(1 000 000)**	–
Carrying amount	**1 000 000**	2 000 000
Level 3		
Union Atlantic Minerals Limited	**1 000 000**	2 000 000

During FY 2019 Union Atlantic Minerals Limited issued 50 000 000 shares at R0.04 per share to CCM on behalf of SepHold. This was due to the delegation agreement on 28 April 2016 with African Nickel Holdings Proprietary Limited and Incubex Minerals Limited to settle the African Nickel Holdings Proprietary Limited debt of R2 000 000. SepHold uses the CCM stockbrokers' account as a nominee account for its shareholding.

The last price before suspension of trade on the stock exchange of 4 cps.

During the current financial year management reviewed the value of the investment in UAM. Although the mining right application has been advanced for the asset and funds are being raised to complete the project, management decided to adjust the suspended price to 4 cps as a starting point by applying the equity raise dilution to the value of the company. The impairment raised on these principles resulted in a 50% (R1 000 000) reduction or 2 cps in the current value to R1 million. The original fund raising was not concluded on time and this resulted in the provision against the corresponding loan as well.

UAM management issued a quarterly update on SENS in May 2023 indicating that "in pursuit of an application for a Mining Right at the Rozynenbosch project situated in the Northern Cape Province of South Africa, the DMRE has granted an integrated environmental authorisation in terms of Section 24L of the National Environmental Management Act" and "an additional loan of around R2.6 million will be advanced to the Company on a similar basis and a revival agreement will be signed in relation to the Subscription Shares, which transaction will require shareholder approval in the General Meeting."

The maximum exposure to market risk at the reporting date is the carrying amount of the financial assets.

	Group	
	2023 R	2022 R
13. OTHER OPERATING GAINS/(LOSSES)		
Gains/(losses) on disposals, scrapings and settlements		
Property, plant and equipment	**(26)**	–
Right-of-use assets	**231 147**	(389 942)
	231 121	(389 942)
Fair value losses		
Financial assets at fair value through profit or loss	**(1 000 000)**	–
Total other operating losses	**(768 879)**	(389 942)

CORPORATE INFORMATION

Directors	B Williams° (chairman) MM Ngoasheng° MJ Janse van Rensburg° B Bulo° Dr. L Mohuba^ NR Crafford-Lazarus* (financial director and outgoing SepHold chief executive officer) KJ Capes* (Métier chief executive officer and incoming SepHold 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

16802

SEPHAKU
HOLDINGS LTD