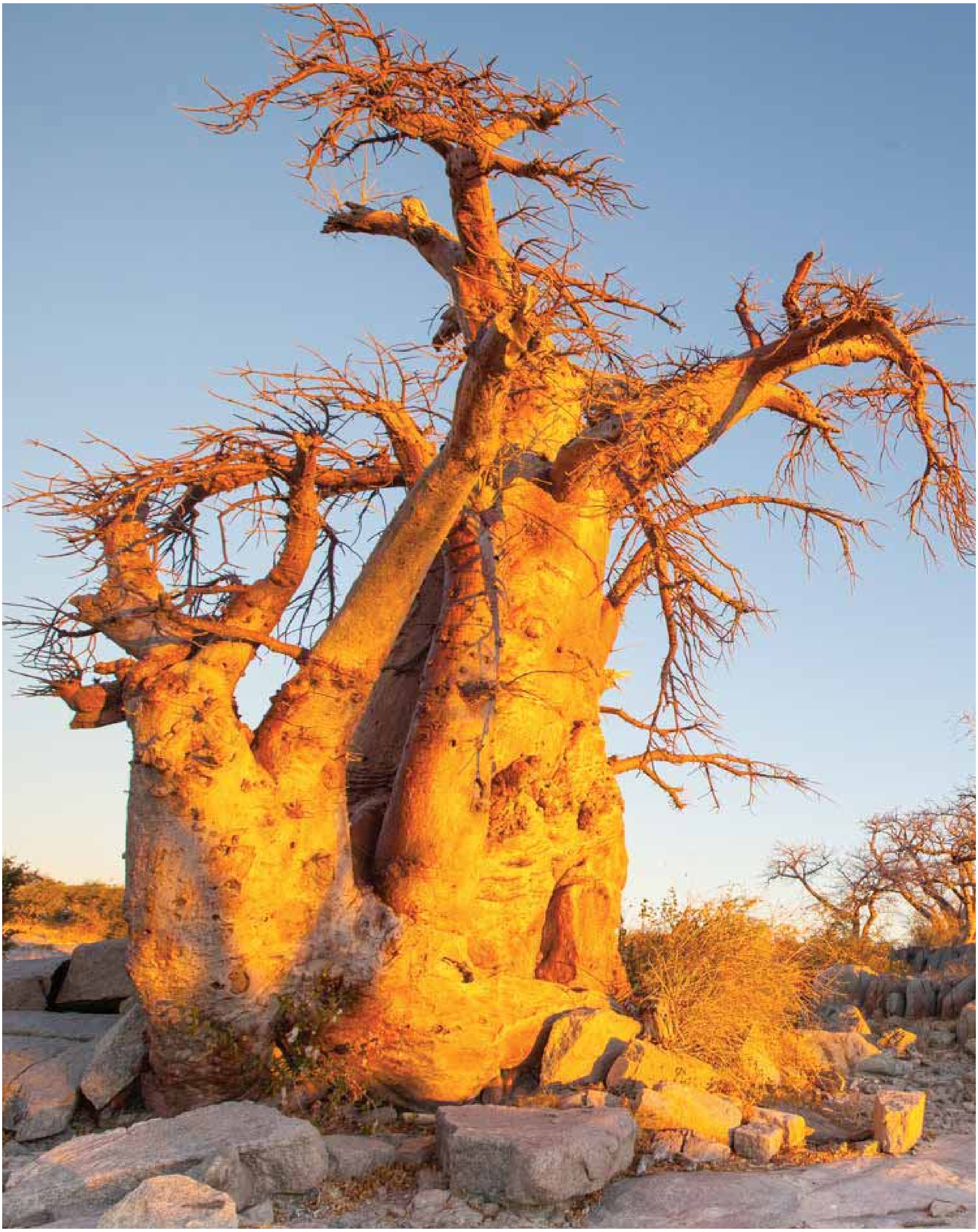
Ancient baobab trees of Kubu Island



Botswana

Maun, Botswana – women workers make road repairs

Botswana's construction boom

Gaborone, South-East, Botswana

Independent auditors' report on the summarised consolidated financial statements

TO THE SHAREHOLDERS OF PPC LTD

The accompanying summarised consolidated financial statements, which comprise the summarised consolidated statement of financial position as at 31 March 2016, the summarised consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of PPC Ltd for the year ended 31 March 2016. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 24 August 2016. Our auditors' report on the audited consolidated financial statements contained an emphasis of matter and other matter paragraph "other reports required by the Companies Act" (included below). Those consolidated financial statements, and the summarised consolidated financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those consolidated financial statements.

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to financial statements. Reading the summarised consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of PPC Ltd.

Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of IAS 34 *Interim Financial Reporting*; and the requirements of the Companies Act of South Africa as applicable to summarised financial statements and for such internal control as the directors determine is necessary to enable the preparation of the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the summarised consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810, *Engagements to Report on Summary Financial Statements.*

Opinion

In our opinion, the summarised consolidated financial statements derived from the audited consolidated financial statements of PPC Ltd for the year ended 31 March 2016 are consistent, in all material respects, with those consolidated financial statements, in accordance with the requirements of IAS 34 *Interim Financial Reporting* and the requirements of the Companies Act of South Africa applicable to summarised financial statements. Note, however, that the emphasis of matter paragraph as included in our audit report dated 24 August 2016 is equally relevant to the summarised consolidated financial statements of PPC Ltd. The emphasis of matter included in our audit report dated 24 August 2016 draws attention to the going-concern basis of preparation paragraph on page 20 of the consolidated financial statements.

Other reports required by the Companies Act

The "other reports required by the Companies Act" paragraph in our audit report dated 24 August 2016 states that as part of our audit of the consolidated financial statements for the year ended 31 March 2016, we have read the directors' report, the audit committee's report, chief financial officer's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summarised consolidated financial statements or our opinion thereon.

Deloitte & Touche

Deloitte & Touche
Per: B Nyembe
Partner

12 September 2016

Summarised consolidated statement of comprehensive income

	Notes	**Six months ended 31 March 2016 Audited Rm**	Six months ended 31 March 2015 Unaudited Rm	% change	Twelve months ended 30 Sept 2015 Audited Rm
Revenue		**4 501**	4 541	(1)	9 227
Cost of sales		**3 261**	3 206	2	6 437
Gross profit		**1 240**	1 335	(7)	2 790
Administration and other operating expenditure		**489**	554	(12)	1 130
Operating profit before item listed below:		**751**	781	(4)	1 660
Empowerment transactions IFRS 2 charges[(a)]		**18**	25	(28)	43
Operating profit		**733**	756	(3)	1 617
Finance costs (including fair value adjustments on financial instruments)	2	**350**	277	26	496
Investment income		**12**	11	9	28
Profit before equity-accounted earnings and exceptional items		**395**	490	(19)	1 149
Earnings from equity-accounted investments		**–**	(3)		(16)
Impairments	3	**(5)**	(44)		(81)
Profit on disposal of non-core assets	3	**117**	1		–
Profit before taxation		**507**	444	14	1 052
Taxation	4	**156**	163	(4)	391
Profit for the period		**351**	281	25	661
Attributable to:					
Shareholders of PPC Ltd		**369**	274	35	698
Non-controlling interests		**(18)**	7		(37)
Other comprehensive income, net of taxation					
Items that will be reclassified to profit or loss		**177**	246	(28)	775
Cash flow hedges		**10**	–		38
Taxation on cash flow hedges		**(3)**	–		(11)
Translation of foreign operations[(b)]		**237**	246		752
Reclassification of profit on sale of available-for-sale financial asset to profit and loss		**(82)**	–		–
Taxation impact on reclassification of profit on sale of available-for-sale financial asset to profit and loss		**15**	–		–
Revaluation of available-for-sale financial asset		**–**	–		(7)
Taxation impact on the revaluation of available-for-sale financial asset		**–**	–		3
Total comprehensive income		**528**	527		1 436
Attributable to:					
Shareholders of PPC Ltd		**520**	483		1 340
Non-controlling interests		**8**	44		96
EARNINGS PER SHARE (CENTS)	5				
Basic		**70**	52	35	133
Diluted		**69**	51	35	131

[(a)] Comprises BBBEE, Zimbabwe indigenisation and DRC IFRS 2 charges.

[(b)] In March 2015 translation of foreign operations only included the portion owing to shareholders of PPC Ltd and has been adjusted to include the portion owing to non-controlling interests. This was previously shown directly in the consolidated statement of changes in equity.

PPC Ltd changed its financial year-end from September to March. This is the first reporting cycle of the company using the March year-end.

Summarised consolidated statement of financial position

		31 March	31 March	30 Sept
		2016	2015	2015
		Audited	Unaudited	Audited
	Notes	**Rm**	Rm	Rm
ASSETS				
Non-current assets		**13 579**	9 802	12 202
Property, plant and equipment	6	**11 716**	8 009	10 648
Goodwill	7	**255**	249	254
Other intangible assets	8	**766**	774	772
Equity-accounted investments	9	**200**	219	125
Other non-current assets	10	**590**	536	355
Deferred taxation assets		**52**	15	48
Non-current assets held for sale	11	**42**	–	76
Current assets		**2 768**	2 480	2 979
Inventories		**1 121**	944	1 029
Trade and other receivables	12	**1 187**	1 072	1 232
Cash and cash equivalents		**460**	464	718
Total assets		**16 389**	12 282	15 257
EQUITY AND LIABILITIES				
Capital and reserves				
Stated capital	13	**(1 113)**	(1 141)	(1 165)
Other reserves		**1 558**	941	1 402
Retained profit		**2 583**	2 123	2 406
Equity attributable to shareholders of PPC Ltd		**3 028**	1 923	2 643
Non-controlling interests		**535**	757	521
Total equity		**3 563**	2 680	3 164
Non-current liabilities		**6 729**	6 628	8 813
Provisions		**408**	388	400
Deferred taxation liabilities		**1 178**	980	1 059
Long-term borrowings	14	**4 614**	5 216	6 711
Other non-current liabilities	15	**529**	44	643
Current liabilities		**6 097**	2 974	3 280
Short-term borrowings	14	**4 557**	1 556	1 510
Trade and other payables and short-term provisions	16	**1 540**	1 418	1 770
Total equity and liabilities		**16 389**	12 282	15 257
Net asset book value per share (cents)		**573**	365	503

Summarised consolidated statement of cash flows

	Notes	**Six months ended 31 March 2016 Audited Rm**	Six months ended 31 March 2015 Unaudited Rm	Twelve months ended 30 Sept 2015 Audited Rm
Cash flow from operating activities				
Operating cash flows		**1 137**	1 171	2 416
Working capital movements		**(324)**	(31)	300
Cash generated from operations		**813**	1 140	2 716
Finance costs paid		**(292)**	(252)	(408)
Investment income received		**8**	11	28
Taxation paid		**(195)**	(252)	(489)
Cash available from operations		**334**	647	1 847
Dividends paid		**(185)**	(423)	(559)
Net cash inflow from operating activities		**149**	224	1 288
Acquisition of additional shares in equity-accounted investment	9	**(75)**	–	–
Acquisition of additional shares in subsidiary	15	**–**	–	(108)
Proceeds on sale of equity-accounted investment and available-for-sale financial asset		**153**	–	–
Investments in property, plant and equipment and intangible assets	17	**(1 188)**	(1 008)	(2 892)
Movement in other non-current assets		**(181)**	–	–
Other investing movements		**8**	9	5
Net cash outflow from investing activities		**(1 283)**	(999)	(2 995)
Net borrowings raised before note repayment		**1 499**	632	1 796
Purchase of shares in terms of the FSP share incentive scheme	13	**–**	–	(24)
Repayment of note		**(650)**	–	–
Net cash inflow from financing activities		**849**	632	1 772
Net movement in cash and cash equivalents		**(285)**	(143)	65
Cash and cash equivalents at beginning of the period		**718**	563	563
Exchange rate movements on opening cash and cash equivalents		**27**	44	90
Cash and cash equivalents at end of the period		**460**	464	718
Cash earnings per share (cents)[a]		**63**	123	351
Cash conversion ratio[b]		**0,7**	1,0	1,1

[a] Cash earnings per share is calculated using cash available from operations divided by the total weighted average number of shares in issue for the period.

[b] Cash conversion ratio is calculated using cash generated from operations divided by EBITDA.

Summarised consolidated statement of changes in equity

		Other	
	Stated capital Rm	Foreign currency translation reserve Rm	Available-for-sale financial asset Rm
Balance at September 2014 (audited)	(1 173)	416	84
Dividends declared	–	–	–
IFRS 2 charges	–	–	–
Recognition of non-controlling interest in subsidiary	–	–	–
Total comprehensive income	–	209	–
Transfer to retained profit	–	–	–
Vesting of shares held by BBBEE 1 entities	9	–	–
Vesting of FSP share incentive scheme awards	23	–	–
Balance at March 2015 (unaudited)	(1 141)	625	84
Dividends declared	–	–	–
IFRS 2 charges	–	–	–
Non-controlling interest recognised following investment in subsidiary	–	–	–
Put option recognised on non-controlling shareholder investment in subsidiary[(a)]	–	–	–
Shares purchased in terms of FSP incentive scheme treated as treasury shares	(24)	–	–
Total comprehensive income/(loss)	–	409	(3)
Transactions with non-controlling shareholders recognised directly in equity	–	–	–
Transfer to retained profit	–	–	–
Balance at September 2015 (audited)	**(1 165)**	**1 034**	**81**
Dividends declared	**–**	**–**	**–**
IFRS 2 charges	**–**	**–**	**–**
Issuance of shares to fund an additional investment in Safika Cement	**26**	**–**	**–**
Total comprehensive income/(loss)	**–**	**211**	**(67)**
Transactions with non-controlling shareholders recognised directly in equity	**–**	**–**	**–**
Vesting of FSP share incentive scheme awards	**26**	**–**	**–**
Balance at March 2016 (audited)	**(1 113)**	**1 245**	**14**

[(a)] For details on the put options refer note 15 and 16.

reserves					
Hedging reserve Rm	Equity compensation reserve Rm	Retained profit Rm	Equity attributable to shareholders of PPC Ltd Rm	Non-controlling interests Rm	Total equity Rm
–	233	2 255	1 815	603	2 418
–	–	(411)	(411)	(12)	(423)
–	36	–	36	–	36
–	–	–	–	122	122
–	–	274	483	44	527
–	(5)	5	–	–	–
–	(9)	–	–	–	–
–	(23)	–	–	–	–
–	232	2 123	1 923	757	2 680
–	–	(129)	(129)	(7)	(136)
–	23	–	23	–	23
–	–	–	–	134	134
–	–	–	–	(422)	(422)
–	–	–	(24)	–	(24)
27	–	424	857	52	909
–	–	(7)	(7)	7	–
–	5	(5)	–	–	–
27	**260**	**2 406**	**2 643**	**521**	**3 164**
–	**–**	**(185)**	**(185)**	**–**	**(185)**
–	**31**	**–**	**31**	**–**	**31**
–	**–**	**–**	**26**	**–**	**26**
7	**–**	**369**	**520**	**8**	**528**
–	**–**	**(7)**	**(7)**	**6**	**(1)**
–	**(26)**	**–**	**–**	**–**	**–**
34	**265**	**2 583**	**3 028**	**535**	**3 563**

Segmental information

The group discloses its operating segments according to the business units which are regularly reviewed by the group executive committee and comprise cement, lime, aggregates and readymix and other. There has been no change in reporting segments during the period under review but lime and aggregates and readymix are shown under the materials business.

Revenue is split between South Africa and the rest of Africa based on where the underlying products are anticipated to be consumed or used by the customer.

No individual customer comprises more than 10% of group revenue.

	Group			Cement[a]		
	31 March 2016 Audited Rm	31 March 2015 Unaudited Rm	30 Sept 2015 Audited Rm	31 March 2016 Audited Rm	31 March 2015 Unaudited Rm	30 Sept 2015 Audited Rm
Revenue						
South Africa	**3 219**	3 363	6 795	**2 386**	2 516	4 999
Rest of Africa	**1 367**	1 288	2 624	**1 314**	1 236	2 507
	4 586	4 651	9 419	**3 700**	3 752	7 506
Inter-segment revenue	**(85)**	(110)	(192)			
Total revenue	**4 501**	4 541	9 227			
Operating profit before items listed below	**764**	789	1 660	**645**	706	1 422
Empowerment transactions IFRS 2 charges	**18**	25	43	**18**	25	43
Restructuring costs	**13**	8	–	**13**	8	–
Operating profit	**733**	756	1 617	**614**	673	1 379
South Africa	**522**	520	1 120	**404**	434	881
Rest of Africa	**211**	236	497	**210**	239	498
Fair value (loss)/gains on financial instruments	**(20)**	(1)	22	**(20)**	4	34
Finance costs	**330**	276	518	**282**	219	382
Investment income	**12**	11	28	**8**	6	19
Profit before earnings from equity-accounted investments and exceptional items	**395**	490	1 149	**320**	464	1 050
Earnings from equity-accounted investments	**–**	(3)	(16)	**–**	(3)	(16)
Impairments and other exceptional adjustments	**112**	(43)	(81)	**113**	(22)	(59)
Profit before taxation	**507**	444	1 052	**433**	439	975
Taxation	**156**	163	391	**129**	140	325
Profit for the period	**351**	281	661	**304**	299	650
Depreciation and amortisation	**393**	342	702	**340**	290	594
EBITDA	**1 144**	1 123	2 362	**972**	988	2 016
South Africa	**793**	821	1 706	**624**	685	1 364
Rest of Africa	**351**	302	656	**348**	303	652
EBITDA margin (%)	**25,4**	24,7	25,6	**26,3**	26,3	26,9
Assets						
Non-current assets	**13 579**	9 802	12 202	**12 613**	8 870	11 251
South Africa	**5 205**	5 178	5 141	**4 280**	4 278	4 231
Rest of Africa	**8 374**	4 624	7 061	**8 333**	4 592	7 020
Current assets	**2 768**	2 480	2 979	**2 343**	2 055	2 536
Non-current assets held for sale	**42**	–	76	**42**	–	76
Total assets	**16 389**	12 282	15 257	**14 998**	10 925	13 863
South Africa	**6 753**	6 919	6 687	**5 441**	5 634	5 376
Rest of Africa	**9 636**	5 363	8 570	**9 557**	5 291	8 487
Investments in property, plant and equipment	**1 176**	995	2 856	**1 113**	957	2 741
Capital commitments (refer note 18)	**3 283**	6 145	4 643	**3 219**	6 120	4 588
Liabilities						
Non-current liabilities	**6 729**	6 628	8 813	**6 536**	5 303	7 492
Current liabilities	**6 097**	2 974	3 280	**5 038**	2 684	2 921
Total liabilities	**12 826**	9 602	12 093	**11 574**	7 987	10 413
South Africa	**8 148**	7 669	8 343	**6 921**	6 075	6 692
Rest of Africa	**4 678**	1 933	3 750	**4 653**	1 912	3 721

[a] Includes head office activities.

[b] Aggregates and readymix have been aggregated in line with industry practices.

[c] Comprises BBBEE trusts and trust funding SPVs.

Materials business								
Lime			Aggregates and readymix[b]			Other[c]		
31 March 2016 Audited Rm	31 March 2015 Unaudited Rm	30 Sept 2015 Audited Rm	**31 March 2016 Audited Rm**	31 March 2015 Unaudited Rm	30 Sept 2015 Audited Rm	**31 March 2016 Audited Rm**	31 March 2015 Unaudited Rm	30 Sept 2015 Audited Rm
378	430	853	**455**	417	943	**–**	–	–
5	6	18	**48**	46	99	**–**	–	–
383	436	871	**503**	463	1 042	**–**	–	–
75	56	133	**44**	27	105	**–**	–	–
–	–	–	**–**	–	–	**–**	–	–
–	–	–	**–**	–	–	**–**	–	–
75	56	133	**44**	27	105	**–**	–	–
75	56	133	**43**	30	106	**–**	–	–
–	–	–	**1**	(3)	(1)	**–**	–	–
–	–	–	**–**	(5)	(12)	**–**	–	–
2	2	4	**4**	3	29	**42**	52	103
1	2	1	**3**	3	8	**–**	–	–
74	56	130	**43**	22	72	**(42)**	(52)	(103)
–	–	–	**–**	–	–	**–**	–	–
–	–	–	**(1)**	(22)	(22)	**–**	1	–
74	56	130	**42**	–	50	**(42)**	(51)	(103)
21	16	35	**6**	7	31	**–**	–	–
53	40	95	**36**	(7)	19	**(42)**	(51)	(103)
21	22	45	**32**	30	63	**–**	–	–
96	78	178	**76**	57	168	**–**	–	–
96	78	178	**73**	58	164	**–**	–	–
–	–	–	**3**	(1)	4	**–**	–	–
25,0	17,9	20,4	**15,1**	12,3	16,1	**–**	–	–
325	300	310	**641**	632	641	**–**	–	–
325	300	310	**600**	600	600	**–**	–	–
–	–	–	**41**	32	41	**–**	–	–
187	189	185	**237**	236	254	**1**	–	4
–	–	–	**–**	–	–	**–**	–	–
512	489	495	**878**	868	895	**1**	–	4
512	489	495	**799**	796	812	**1**	–	4
–	–	–	**79**	72	83	**–**	–	–
37	11	45	**26**	27	70	**–**	–	–
5	55	28	**59**	20	27	**–**	–	–
103	95	94	**90**	92	89	**–**	1 138	1 138
90	78	105	**125**	120	162	**844**	92	92
193	173	199	**215**	212	251	**844**	1 230	1 230
193	173	199	**190**	191	222	**844**	1 230	1 230
–	–	–	**25**	21	29	**–**	–	–

Notes to the summarised consolidated financial statements

1 Basis of preparation

The summarised consolidated financial statements have been prepared in accordance with the framework concepts, recognition and measurement criteria of International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board in issue and effective for the group at 31 March 2016 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Standards Council. The results are presented in accordance with the requirements of IAS 34 *Interim Financial Reporting* and the requirements of the Companies Act of South Africa applicable to summarised consolidated financial statements.

These summarised consolidated financial statements have been prepared under the supervision of MMT Ramano CA(SA), chief financial officer, and were approved by the board of directors on 24 August 2016.

The accounting policies and methods of computation used are in terms of IFRS and consistent with those used in the preparation of the consolidated annual financial statements for the 12 months ended 30 September 2015, the group's previous financial year-end. There were no revised accounting standards and interpretations adopted during the period under review.

Going concern in basis of preparation

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the group can continue in operational existence for the foreseeable future.

The financial performance of the group is dependent upon the wider economic environment in which it operates. Factors exist which are outside the control of the group which can have a significant impact on the business, specifically volatility in the rand/US dollar exchange rate, energy prices and commodity prices, which impact the business's input costs. Despite the operational and cost containment achievements of the group over the last 12 months, the weaker cement price environment due to competitive pressures has put the group's cash flows and profitability under pressure. The directors have determined that the group needs to take further decisive measures to improve its ability to operate in the current competitive pricing environment and enable it to benefit from any recovery in cement prices in the medium to long term.

In 2010, PPC embarked upon an expansion strategy to extract value from high-growth economies by expanding its footprint into the rest of Africa. The Rwanda expansion project was successfully commissioned in 2015 and during the next 12 months the group will commission its expansion projects in Zimbabwe, the DRC and Ethiopia. The result of these expansions will see an increase in gross production capacity of approximately three million tonnes per annum giving the group a strong foundation for further growth. Given the long lead time required to develop greenfield operations, the group has drawn down on pre-arranged project finance debt without an immediate concomitant increase in earnings and resultant cash flow.

During the same period of our expansion growth on the continent, external factors beyond the group's control have seen a slowing global economy, significant decline in commodity prices which culminated in downward pressures on selling prices in the regions in which the group operates. In addition, South Africa which is a major contributor to earnings, has seen intensified competition in terms of new entrants and also imports into the country despite the economic slowdown. That has resulted in overcapacity in the South African market. The board and executive management have reviewed the group's business and capital structure and developed a business plan in order to be able to deal effectively with the effects of a continuation of the current low selling price environment and limited economic growth. Key elements of the business plan are the reduction of costs and improvements in efficiencies, through the Profit Improvement Programme (PIP) implemented in 2015; from which R390 million of savings have been achieved; the curtailment of discretionary capital expenditure while preserving the ability of the business to increase production and compete efficiently when cement prices and economies improve. In prior years, the group had also completed the right-sizing of the various operations throughout the group.

As at 29 March 2016, the board had initiated a review of the group's capital structure and potential rights issue. This capital raise investigation was at an advanced stage at the date of the S&P Global ratings review.

Post our current reporting date S&P Global Ratings conducted an event-driven ratings review which was unexpected given that their annual review was supposed to be in June 2016. Given the unexpected event-driven ratings review, the outcome was the downgrade to sub-investment grade to ZaBB-/ZaB from ZaA/ZaA-2 long and short-term South African national scale. Due to long-term rating falling below ZaBBB-, the company was required to offer early redemption in terms of its domestic medium-term note (DMTN) programme memorandum. The principal value of the notes issued in terms of DMTN programme amounted to R1 750 million as at 31 March 2016 and their maturity date was from the company's 2019 financial year onwards. At period end, the company reclassified the full outstanding notes' value from long-term borrowings to short-term borrowings, thereby creating a technical insolvency where its current liabilities exceeded current assets.

In addition to this early redemption requirement, the company negotiated and finalised the liquidity and guarantee facility to a maximum of R2 billion, from Standard Bank of South Africa Limited, Rand Merchant Bank, Absa/Barclays Bank Limited and Nedbank Limited, that will bear interest at JIBAR plus 10% and guarantee fees of 7,5%. This facility was utilised to redeem the outstanding notes of R1 614 million on 15 July 2016 where noteholders opted to accept the company's offer (refer long-term borrowings, note 14, and events after reporting date, note 20). The balance of the outstanding notes of R136 million will continue following the original terms of the respective notes, as no response was received from noteholders. Should there be a subsequent response from noteholders, the company may consider the request of noteholders but is not legally bound in terms of the DMTN programme. Raising and transaction fees, incurred post the reporting date, of R171 million will be capitalised to borrowings and amortised to the income statement over the five-month period of the facility.

The repayment of the liquidity and guarantee facility will be funded from the proceeds of the proposed rights issue, or 1 November 2016 if earlier. An additional R1 billion will also be utilised to repay other existing debt facilities out of the rights issue proceeds.

The board's review of the group's capital structure has resulted in significant steps being taken to strengthen the group's financial position. As released on the JSE SENS on 31 May 2016, the board is undertaking a R4 billion rights issue. A significant step to the rights issue was taken on 1 August 2016, where shareholders approved the following resolutions at a general meeting of shareholders:

- The increase of the authorised stated capital from 700 000 000 shares to 10 000 000 000 shares
- The amendment to the memorandum of incorporation reflecting the increase in the authorised stated capital
- The authorisation to issue additional shares that will exceed 30% of the existing voting power of the shares that were in issue
- The granting of a general authority to directors to issue the required number of shares for purposes of implementing the proposed rights offer.

Following these approvals, the company is proceeding with the R4 billion proposed rights offer, which is subject to standard material adverse change clauses.

Management has prepared cash flow forecasts for a period in excess of 12 months. Various scenarios have been considered to test the group's resilience against business risks including:

- Significant adverse movements in the rand/US dollar exchange rate, from current forex levels, and cement selling prices or a combination thereof; and
- Failure to meet forecast demand targets.

The directors have concluded that the group's new capital structure, after a successful rights issue and debt facilities amendments, provides sufficient headroom to cushion against downside operational risks and reduces the risk of breaching new debt covenants.

If the rights issue is unsuccessful for whatever reason, the group would have to consider other alternatives which may reduce the risk that the group would be able to meet obligations as they fall due. These options may include:

- renegotiating or refinancing existing facilities;
- full or partial curtailment of capital projects, which may result in significant financial penalties;
- exploring the disposal of assets; or
- merger or acquisition transaction involving the company, although there is no certainty that such sales or transactions could be realised in the available timeframe on acceptable terms, or at all.

The above actions require the participation and agreement of external parties. The directors are therefore not confident that any such alternative courses of action could be achieved in the limited time available, or that they would ultimately be successful or be in the best interest of shareholders over the long term. As a result, in the event that the proposed rights issue is not completed and the amended facilities agreements do not come into effect, the group would be unable to meet its obligations as they fall due.

The need for shareholder approval of the planned rights issue therefore represented a material uncertainty that could have cast significant doubt about the group's and company's ability to continue as a going concern such that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Following approval from the shareholders at the general meeting on 1 August 2016, the directors believe that this uncertainty has been significantly eliminated.

The directors have concluded that the group's new capital structure, after fulfilling the successful rights issue, will provide the necessary headroom to cushion against increased business risks and depreciation in the currency, and reduces the risk of breaching new debt covenants. Accordingly, the directors believe that the successful completion of the planned rights issue is the best option available to the company.

Based on the group's expectation that the conditions of the planned rights issue will be met, in addition to the group's current trading position and forecasts and facilities in place, the directors believe that the group will be able to comply with its financial covenants and be able to meet its obligations as they fall due, and accordingly have formed a judgement that it is appropriate to prepare the financial statements on a going concern basis. These financial statements therefore do not include any adjustments that would result if the going concern assumption was not used as the basis for the underlying preparation of the financial statements.

Notes to the summarised consolidated financial statements

for the period ended 31 March 2016

		Six months ended 31 March 2016 Audited Rm	Six months ended 31 March 2015 Unaudited Rm	Twelve months ended 30 Sept 2015 Audited Rm
2	**Finance costs (including fair value adjustments on financial instruments)**			
	Bank and other short-term borrowings	**49**	22	48
	Notes	**98**	95	189
	Long-term loans	**229**	121	313
		376	238	550
	Capitalised to plant and equipment and intangible assets	**(119)**	(39)	(196)
	Finance costs before BBBEE transaction and time value of money adjustments	**257**	199	354
	BBBEE transaction	**41**	53	116
	Dividends on redeemable preference shares	**19**	22	42
	Long-term borrowings	**22**	31	74
	Time value of money adjustments on rehabilitation and decommissioning provisions and put option liabilities	**32**	24	48
	Finance costs	**330**	276	518
	Fair value loss/(gains) on financial instruments	**20**	1	(22)
		350	277	496
	South Africa	**239**	273	474
	Rest of Africa	**111**	4	22
3	**Impairments and other exceptional adjustments**			
	Impairment of goodwill	**–**	(22)	(22)
	Reversal of impairment/(impairment) of financial asset	**–**	1	(1)
	Impairment of loans advanced	**(1)**	–	(1)
	Impairment of property, plant and equipment	**(4)**	(22)	(57)
	Profit on disposal of equity-accounted investment and available-for-sale financial asset	**117**	–	–
		112	(43)	(81)

Impairment of goodwill

In 2015, the recoverable amount of Pronto was calculated to be lower than its carrying amount, resulting in an impairment of R22 million. Pronto is included under aggregates and readymix in the segmental analysis.

Impairment of property, plant and equipment

Following reviews of property, plant and equipment for the period ended March 2016, other minor impairments of R4 million were processed, while in the prior reporting period the following impairments occurred:

- Post the group's decision to no longer pursue the Algeria expansion project, it was deemed appropriate that the costs capitalised of R15 million be impaired in March 2015.
- An impairment of R7 million relating to the old plant at CIMERWA that would not be used post-commissioning of the new plant was recorded in March 2015, while a further R7 million was impaired during the second half of the 2015 financial year.
- Also in the second half of the 2015 financial year, R27 million relating to a limestone quarry in Zimbabwe was impaired due to uncertainty of future prospects.
- Other minor impairments to property, plant and equipment of R1 million were processed in September 2015.

Profit on disposal of equity-accounted investment and available-for-sale financial asset

Profit on disposal of equity-accounted investment and available-for-sale financial asset relates to the sale of Afripack and Ciments de Bourbon, R34 million and R83 million, respectively. Refer to notes 10 and 11.

	Six months ended 31 March 2016 Audited %	Six months ended 31 March 2015 Unaudited %	Twelve months ended 30 Sept 2015 Audited %
4 Taxation			
Taxation rate reconciliation			
A reconciliation of the standard South African normal taxation rate is shown below:			
Profit before taxation (excluding earnings from equity-accounted investments)	**30,8**	36,4	36,6
Prior year taxation impact	**2,8**	6,1	2,7
Profit before taxation, excluding prior year taxation adjustments	**33,6**	42,5	39,3
Adjustment due to the inclusion of dividend income	**–**	–	0,3
Effective rate of taxation	**33,6**	42,5	39,6
Income taxation effect of:	**(5,6)**	(14,5)	(11,6)
Disallowable charges, permanent differences and exceptional items	**(1,6)**	(6,4)	(8,9)
Empowerment transactions and IFRS 2 charges not taxation deductible	**(1,0)**	(2,1)	(1,1)
Finance costs on BBBEE transaction not taxation deductible	**(1,8)**	(4,0)	(2,1)
Foreign taxation rate differential	**0,5**	–	1,6
Capital gains differential on sale of non-core assets	**2,4**	–	–
Withholding taxation	**(4,1)**	(2,0)	(1,1)
South African normal taxation rate	**28,0**	28,0	28,0
	Cents	Cents	Cents
5 Earnings and headline earnings			
Earnings per share			
Basic	**70**	52	133
Diluted	**69**	51	131
Basic (normalised)[a]	**56**	61	148
Diluted (normalised)[a]	**55**	60	147
Headline earnings per share			
Basic	**53**	60	145
Diluted	**52**	59	143
Basic (normalised)[a]	**56**	61	149
Diluted (normalised)[a]	**55**	60	147
Determination of headline earnings per share			
Earnings per share	**70**	52	133
Adjusted for:			
Other exceptional adjustments and impairments	**(21)**	8	15
Taxation on other exceptional adjustments and impairments	**4**	–	(3)
Headline earnings per share	**53**	60	145
	Rm	Rm	Rm
Headline earnings			
Profit for the period	**351**	281	661
Other exceptional items and impairments	**(112)**	44	81
Taxation on other exceptional items and impairments	**24**	(2)	(15)
Headline earnings	**263**	323	727
Attributable to:			
Shareholders of PPC Ltd	**281**	316	759
Non-controlling interests	**(18)**	7	(32)
Normalised earnings			
Net profit	**351**	281	661
Normalisation adjustments[a]	**(76)**	46	82
Normalised net profit	**275**	327	743
Attributable to:			
Shareholders of PPC Ltd	**293**	320	775
Non-controlling interests	**(18)**	7	(32)

[a] Normalised earnings adjusts the reported earnings for the effects of empowerment transaction IFRS 2 charges, restructuring costs, impairments and other exceptional adjustments net of taxation and prior year taxation adjustments.

The difference between earnings and diluted earnings per share relates to shares held under the forfeitable share incentive scheme that have not vested.

For the weighted average number of shares used in the calculation, refer note 13.

Notes to the summarised consolidated financial statements continued

		Six months ended 31 March 2016 Audited Rm	Six months ended 31 March 2015 Unaudited Rm	Twelve months ended 30 Sept 2015 Audited Rm
6	**Property, plant and equipment**			
	Net carrying value at beginning of the period	**10 648**	7 223	7 223
	Additions	**1 122**	996	3 269
	Depreciation	**(348)**	(293)	(612)
	Other movements	**(2)**	(2)	(22)
	Impairments (refer note 3)	**(4)**	(22)	(57)
	Reallocation to other intangible assets (refer note 8)	**–**	(115)	(115)
	Transfer to non-current assets held for sale (refer note 11)	**–**	–	(40)
	Translation differences	**300**	222	1 002
	Balance at end of the period	**11 716**	8 009	10 648
	Comprising:			
	Freehold and leasehold land, buildings and mineral rights	**800**	585	778
	Factory decommissioning and quarry rehabilitation assets	**79**	65	87
	Plant, vehicles, furniture and equipment	**10 836**	7 357	9 780
	Capitalised leased plant	**1**	2	3
		11 716	8 009	10 648

Change in accounting estimate

In the current period the useful life of certain assets was reviewed, as assets were being used for longer than their estimated useful life. The remaining life of reserves was aligned with the useful life of the relevant assets and buildings and structural assets assumed a useful life of 30 years from 1 October 2015. The change in accounting estimate was applied prospectively and resulted in an annual decrease in depreciation for the current period of R37 million with deferred taxation of approximately R10 million.

Assets pledged as security

Property, plant and equipment with a net carrying value of R6 853 million (March 2015: R3 951 million; September 2015: R4 355 million) are encumbered and used as security for borrowings in the DRC, Rwanda and Zimbabwe (refer note 14).

7	**Goodwill**			
	Balance at beginning of the period	**254**	268	268
	Impairments (refer note 3)	**–**	(22)	(22)
	Translation differences	**1**	3	8
	Balance at end of the period	**255**	249	254
	Goodwill, net of impairments, is allocated to the following cash-generating units:			
	CIMERWA Limited	**50**	44	49
	Safika Cement Holdings Pty Limited	**78**	78	78
	Pronto Holdings Pty Limited	**127**	127	127
		255	249	254

During the current reporting period no impairments were deemed necessary as the respective recoverable amounts were considered to be higher than the carrying values, while in the prior reporting periods, the recoverable amount of Pronto of R758 million was calculated to be lower than its carrying amount and resulted in an impairment of R22 million.

8	**Other intangible assets**			
	Balance at beginning of the period	**772**	681	681
	Additions	**12**	14	36
	Amortisation	**(45)**	(49)	(90)
	Transfers and other movements[a]	**–**	115	118
	Translation differences	**27**	13	27
	Balance at end of the period	**766**	774	772
	Comprising:			
	Right of use of mineral assets	**214**	169	191
	ERP development and other software	**140**	137	143
	Brand and trademarks	**339**	345	332
	Customer relationships – contractual and non-contractual	**73**	123	106
		766	774	772

[a] The split between property, plant and equipment (PPE) and intangible assets on the contribution made by a then non-current shareholder into PPC Barnet DRC Holdings was finalised in 2015 and R115 million was transferred from PPE and represents the value of the mineral reserves and mining rights.

The group does not have any indefinite life intangible assets, other than goodwill.

		Six months ended 31 March 2016 Audited Rm	Six months ended 31 March 2015 Unaudited Rm	Twelve months ended 30 Sept 2015 Audited Rm
9	**Equity-accounted investments**			
	Investments at cost	**200**	133	126
	Loans advanced	**–**	45	–
	Share of retained profit	**–**	41	(1)
	Balance at end of the period	**200**	219	125
	Comprising:			
	Afripack Limited	**–**	94	–
	Habesha Cement Share Company	**196**	121	121
	Other minor equity-accounted investments	**4**	4	4
		200	219	125

During the period an additional investment of R75 million was made in Habesha as PPC took up its share of a rights offer made by the company. As not all shareholders followed their rights, PPC's shareholding subsequently increased to 35% from the 32% recorded at both March and September 2015.

During the second half of the 2015 financial year, the board approved the sale of the investment in Afripack, resulting in R36 million being classified to non-current assets held for sale (refer note 11). During the current reporting period the sale became effective and the group disposed its full shareholding in Afripack.

		Six months ended 31 March 2016 Audited Rm	Six months ended 31 March 2015 Unaudited Rm	Twelve months ended 30 Sept 2015 Audited Rm
10	**Other non-current assets**			
	Advance payments for plant and equipment[a]	**142**	325	148
	Derivative asset	**2**	–	–
	Investment in government bonds[b]	**8**	–	7
	Loans advanced	**–**	–	1
	Unlisted collective investment[c]	**119**	116	117
	Unlisted investment at fair value[d]	**–**	95	82
	VAT receivable[e]	**319**	–	–
		590	536	355

[a] In terms of the construction agreements with the suppliers of the new cement plants in Rwanda, DRC and Zimbabwe, a portion of the full contract price is required to be paid in advance of the plant construction. The advance payments are secured by advance payment bonds, and will be recycled to property, plant and equipment as the plants are constructed.

[b] Represents government of Zimbabwe treasury bills carried at fair value. The treasury bills were issued in September 2015 in exchange for funds previously expropriated by the government in 2007. The treasury bills have a face value of R10 million, repayable in three equal annual instalments from June 2017 to June 2019. A discount rate of 12% was applied in determining the fair value on initial recognition. Interest is paid biannually at a rate of 5% per annum.

[c] Comprises an investment by the PPC Environmental Trust in local unit trusts. These investments are held to fund PPC's South African environmental obligations.

[d] PPC Ltd disposed of its 6,75% (March 2015: 6,75%, September 2015: 6,75%) shareholding in Ciments du Bourbon, incorporated in Reunion, during the current reporting period, with the resulting gain of R83 million recorded in other exceptional items (refer note 3). Ciments du Bourbon was included under the cement segment in the segmental analysis.

[e] The group has incurred VAT during the construction of the plant in the DRC and the amount receivable has been classified as non-current in the current reporting period in contrast to the prior reporting period where the full amount was classified as current. The change follows communication from the local revenue authorities around the delay in refund of VAT receivables.

Notes to the summarised consolidated financial statements continued

		Six months ended 31 March 2016 Audited Rm	Six months ended 31 March 2015 Unaudited Rm	Twelve months ended 30 Sept 2015 Audited Rm
11	**Non-current assets held for sale**			
	Equity-accounted investment (refer note 9)[a]	**–**	–	36
	Property, plant and equipment (refer note 6)[b]	**42**	–	40
		42	–	76

[a] During the current reporting period, the company finalised the sale of its 25% stake in Afripack for R70 million. The resultant profit of R34 million has been included in other exceptional items. In 2015, the carrying amount immediately before classification as held for sale was R36 million which was lower than its fair value less costs to sell of R70 million (which represented the estimated selling price per the sales agreement less estimated transaction costs). Afripack was included under the cement segment in the segmental analysis.

[b] In September 2015, the PPC Zimbabwe board approved the disposal of houses at its Colleen Bawn and Bulawayo factories which was anticipated to be finalised in 12 months. The disposal was initially planned to be finalised by June 2016 but is now anticipated to be completed by November 2016. No impairment loss was recognised on the initial reclassification as management concluded that the fair value (estimated based on market prices of similar properties) less costs to sell was higher than the carrying amount. The conclusion by management that no impairment loss should be recognised is still appropriate during the current reporting period. PPC Zimbabwe is included under the cement segment in the segmental analysis.

		Six months ended 31 March 2016 Audited Rm	Six months ended 31 March 2015 Unaudited Rm	Twelve months ended 30 Sept 2015 Audited Rm
12	**Trade and other receivables**			
	Trade receivables	**982**	1 013	931
	Allowances for doubtful debts	**(77)**	(54)	(70)
	Net trade receivables	**905**	959	861
	Loan relating to non-current asset held for sale – Afripack (refer notes 9, 11)	**–**	–	46
	Mark to market cash flow hedge	**48**	–	38
	Mark to market fair value hedge	**28**	–	13
	Other financial receivables	**111**	65	50
	Trade and other financial receivables	**1 092**	1 024	1 008
	Prepayments	**65**	48	75
	Taxation prepaid	**30**	–	8
	VAT receivable on plant and equipment imported into the DRC (refer note 10)	**–**	–	141
		1 187	1 072	1 232

	Six months ended 31 March 2016 Audited Shares (000)	Six months ended 31 March 2015 Unaudited Shares (000)	Twelve months ended 30 Sept 2015 Audited Shares (000)
13 Stated capital			
Number of shares and weighted average number of shares			
Number of shares			
Total shares in issue at beginning of the period	**605 380**	605 380	605 380
Shares issued to non-controlling shareholders in Safika Cement on exercise of put option[a]	**1 801**	–	–
Total shares in issue at end of the period before adjustments for shares treated as treasury shares	**607 181**	605 380	605 380
Adjustments for shares treated as treasury shares:			
Shares held by consolidated participants of the second BBBEE transaction[b]	**(37 382)**	(37 382)	(37 382)
Shares held by consolidated BBBEE trusts and trust funding SPVs[c]	**(34 477)**	(34 477)	(34 477)
Shares held by consolidated Porthold Trust (Private) Limited[d]	**(1 285)**	(1 285)	(1 285)
Shares purchased in terms of the FSP share incentive scheme[e]	**(5 563)**	(5 328)	(6 343)
Total shares in issue at end of the period (net of shares treated as treasury shares)	**528 474**	526 908	525 893
Weighted average number of shares, used for:			
Earnings and headline earnings per share	**526 076**	527 189	526 022
Dilutive earnings and headline earnings per share	**534 037**	532 236	532 236
Cash earnings per share	**527 877**	527 189	526 022
	Rm	Rm	Rm
Balance at beginning of the period	**(1 165)**	(1 173)	(1 173)
Shares purchased in terms of the FSP share incentive scheme	**–**	–	(24)
Vesting of shares held by BBBEE 1 entities[c]	**–**	9	9
Vesting of shares held in terms of the FSP share incentive scheme[e]	**26**	23	23
Shares issued to non-controlling shareholders in Safika Cement on exercise of put option[a]	**26**	–	–
Balance at end of the period	**(1 113)**	(1 141)	(1 165)

Shares are weighted for the period in which they are entitled to participate in the profits of the group.

[a] At the AGM held on 25 January 2016, shareholders approved the early settlement of the remaining put option held by management of Safika Cement Holdings Pty Ltd for R44 million, to be settled via cash of R18 million and the issue of new PPC shares of R26 million. The shares were issued on 31 March 2016.

[b] Shares issued in terms of the second BBBEE transaction which was facilitated by means of a notional vendor funding (NVF) mechanism, with the transaction period concluding on 30 September 2019. These shares participate in 20% of the dividends declared by PPC during the NVF period. With the exception of the Bafati Investment Trust, entities participating in this transaction are consolidated into the PPC group in terms of IFRS 10 *Consolidated Financial Statements*, during the transaction term.

[c] In terms of IFRS 10, certain of the BBBEE trusts and trust funding SPVs from PPC's first BBBEE transaction are consolidated, and as a result, shares owned by these entities are carried as treasury shares on consolidation. During the period, no shares (March 2015: 287 361 shares; September 2015: 287 361 shares) vested to beneficiaries.

[d] Shares owned by a Zimbabwean employee trust company treated as treasury shares.

[e] In terms of the forfeitable share incentive scheme, 5 563 488 (March 2015: 5 328 219; September 2015: 6 342 640) shares are held in total for participants of this long-term incentive scheme. The shares are treated as treasury shares during the various vesting periods of the awards. During the period, 779 152 (March 2015: 537 632; September 2015: 728 200) shares vested and are therefore no longer treated as treasury shares.

Notes to the summarised consolidated financial statements continued

14 Borrowings

	Terms	Security
Notes[a]	Various, refer below	Unsecured
Long-term loan	Interest is payable biannually with a bullet capital repayment in December 2016	Unsecured
Long-term loan[b]	Interest is payable quarterly with a bullet capital repayment in September 2017	Unsecured
Long-term loan	Interest is payable monthly with a bullet capital repayable 18 months after notice period	Unsecured
Project funding		
US dollar-denominated	US dollar-denominated, repayable in monthly instalments over a 10-year period, starting March 2016	Secured by CIMERWA's property, plant and equipment (refer note 6)
Rwandan franc-denominated	Rwanda franc-denominated, repayable in monthly instalments over a 10-year period, starting March 2016	Secured by CIMERWA's property, plant and equipment (refer note 6)
US dollar-denominated	US dollar-denominated, interest payable biannually. First capital repayment in December 2016; thereafter biannual repayments in equal instalments over five years	Secured by PPC Zimbabwe's property, plant and equipment (refer note 6)
US dollar-denominated	US dollar-denominated, capital and interest payable biannually starting July 2017 ending January 2025	Secured by PPC Barnet DRC's property, plant and equipment (refer note 6)
Long-term borrowings before BBBEE transaction		
BBBEE transaction		
Preference shares	Dividends are payable biannually, with annual redemptions ending December 2016	Secured by guarantee from PPC Ltd
Preference shares	Dividends are payable biannually with capital redeemable from surplus funds. Compulsory annual redemptions until December 2016	Secured by PPC shares held by the SPVs
Preference shares	Capital and dividends repayable by December 2016, with capital capped at R400 million	Secured by guarantee from PPC Ltd
Long-term borrowings	Capital and interest repayable by December 2016, with capital capped at R700 million	Secured by guarantee from PPC Ltd
Long-term borrowings		
Less: Short-term portion of long-term borrowings		
Add: Short-term borrowings and short-term portion of long-term borrowings		
Total borrowings		
Maturity analysis of long-term liabilities obligations:		
One year		
Two years		
Three years		
Four years		
Five and more years		

[a] Comprise three unsecured notes at 31 March 2016, issued under the company's R6 billion domestic medium-term note (DMTN) programme, and are recognised net of capitalised transaction costs:

Interest rate	Six months ended 31 March 2016 Audited Rm	Six months ended 31 March 2015 Unaudited Rm	Twelve months ended 30 Sept 2015 Audited Rm
Various, refer below	**1 747**	2 398	2 398
Fixed 10,86%	**1 417**	1 520	1 520
Variable rates at 400 basis points above JIBAR	**555**	–	–
Variable rates at 125 basis points above JIBAR	**900**	–	–
	3 372	952	2 357
Variable at 725 basis points above six-month US dollar LIBOR	**806**	560	641
Fixed rate of 16%	**474**	255	357
Six-month US dollar LIBOR plus 700 basis points	**550**	137	421
Six-month US dollar LIBOR plus 725 basis points	**1 542**	–	938
	7 991	4 870	6 275
	844	1 138	1 227
Variable rates at 81,4% of prime and fixed rates of 9,24% to 9,37%	**33**	31	64
Variable rates at 86,9% of prime	**16**	17	72
Variable rates at 78% of prime	**393**	396	395
Variable rates at 285 basis points above JIBAR	**402**	694	696
	8 835	6 008	7 502
	(4 221)	(792)	(791)
	4 614	5 216	6 711
	4 557	1 556	1 510
	9 171	6 772	8 221
	4 221	792	791
	1 777	2 925	2 877
	394	142	303
	393	892	1 056
	2 050	1 257	2 475
	8 835	6 008	7 502

14 Borrowings continued

		Six months ended 31 March 2016 Audited Rm	Six months ended 31 March 2015 Unaudited Rm	Twelve months ended 30 Sept 2015 Audited Rm
Note number, term and interest rate	**Issue date**			
PPC 001: three years; three-month JIBAR plus 1,26%	March 2013	–	650	650
PPC 002: five years; three-month JIBAR plus 1,5%	December 2013	**750**	750	750
PPC 003: five years; three-month JIBAR plus 1,48%	July 2014	**750**	750	750
PPC 004: seven years; 9,86%	July 2014	**250**	250	250
		1 750	2 400	2 400
Less: Transaction costs capitalised		**(3)**	(2)	(2)
		1 747	2 398	2 398
Less: Short-term portion		**(1 747)**	(650)	(650)
		–	1 748	1 748

During the period PPC 001 of R650 million was redeemed.

On 30 May 2016, S&P Global Ratings (S&P) released a report on PPC which reflected a decline in ratings from zaA/zaA-2 to zaBB-/zaB long and short-term South Africa national scale. Due to the long-term rating falling below zaBBB-, the company was obliged to offer early redemption to noteholders in terms of the bond programme memorandum. The notes have therefore been reclassified from long-term to short-term borrowings.

During June 2016 the company has secured funding up to a maximum of R2 billion from Nedbank, Standard Bank, Rand Merchant Bank and Absa (the liquidity and guarantee facility agreement) which can only be used to reimburse the noteholders for the outstanding notes and related accrued finance costs.

The liquidity and guarantee facility will bear interest at JIBAR plus 10% and repayment is due from the proceeds of the proposed capital raise or 1 November 2016 if earlier. Post reporting date, the company utilised this facility to repay noteholders. The facility incurred fees of R171 million which will be amortised to the income statement over the five-month period of the facility. Further details are included in note 20.

(b) During the period the company secured funding of R2 billion repayable in September 2017. The funding was partly used to settle the note bond repayment while the balance of the facility will be used to repay the remaining portion of the BBBEE liability due in December 2016 after which the company will receive proceeds from the compulsory subscription by the Strategic Black Partners and Community Service Groups in terms of the company's first BBBEE transaction. Transaction costs of R35 million were capitalised against the facility and will be amortised over the period of the funding.

The group is in compliance with its debt covenants for the March 2016 reporting period or where applicable received waivers in respect thereof. Refer to the going concern basis of preparation in note 1.

		Six months ended 31 March 2016 Audited Rm	Six months ended 31 March 2015 Unaudited Rm	Twelve months ended 30 Sept 2015 Audited Rm
15	**Other non-current liabilities**			
	Cash-settled share-based payment liability	**3**	11	5
	Liability to non-controlling shareholders in wholly owned subsidiary[(a)]	**17**	–	17
	Put option liabilities	**415**	151	464
	Retentions held for plant and equipment[(b)]	**97**	–	204
		532	162	690
	Less: Short-term portion of other non-current liabilities	**(3)**	(118)	(47)
		529	44	643

[(a)] Relates to interest payable on initial equity contributions into the DRC group of companies by a non-controlling shareholder. The accruing of interest ceased in September 2015 and the amount payable will be repaid once the external funding has been settled.

[(b)] Retentions held on the construction of the cement plants. These retentions will be paid over to the contractors once the plant achieves guaranteed performance targets.

Put option liabilities

PPC Barnet DRC

The International Finance Corporation (IFC) was issued a put option in 2015 in terms of which PPC is required to purchase all or part of the class C shares held by the IFC in PPC Barnet DRC Holdings. The put option may be exercised after six years from when the IFC subscribed for the shares but only for a five-year period. The put option value is based on the company's forecast EBITDA applying a forward multiple less net debt. Forecast EBITDA is based on financial forecasts approved by management, with pricing and margins similar to those currently being achieved by the business unit while selling prices and costs are forecast to increase at local inflation projections and extrapolated using local GDP growth rates ranging between 5% and 9% taking cognisance of the plant production ramp-up and adjusted for the impact of competitor activity. The forward multiple was determined using comparison of publicly available information of other cement businesses operating in similar territories. The present value of the put option was calculated at R415 million (March 2015: Rnil; September 2015: R422 million).

Safika Cement

With the purchase of the initial 69,3% equity stake in Safika Cement, PPC granted non-controlling shareholders individual put options, with different exercise dates, for the sale of their remaining shares in the company to PPC. One of the put options was exercised during the 2015 financial year for R108 million. The remaining put option was anticipated to be exercised on the fifth anniversary of the transaction, but in September 2015 this was classified as current as it was the intention to early settle the remaining put option. In January 2016, shareholders approved the early settlement of the remaining put option through the combination of a fresh share issue and cash payment. At March 2016, the put option liability (refer to note 16) was Rnil (September 2015: R42 million). The put option liability was calculated using the company's forecast EBITDA applying an earnings multiple dependent on the level of EBITDA achieved less net debt.

Notes to the summarised consolidated financial statements continued

		Six months ended 31 March 2016 Audited Rm	Six months ended 31 March 2015 Unaudited Rm	Twelve months ended 30 Sept 2015 Audited Rm
16	**Trade and other payables and short-term provisions**			
	Cash-settled share-based payment liability (short-term portion) (refer note 15)	**3**	10	5
	Capital expenditure payables	**229**	58	147
	Derivative financial instruments	**1**	2	1
	Other financial payables	**89**	297	113
	Put option liability (refer note 15)	**–**	108	42
	Retentions held for plant and equipment	**67**	136	116
	Trade payables and accruals	**994**	525	924
	Trade and other financial payables	**1 383**	1 136	1 348
	Payroll accruals	**139**	157	310
	Taxation payable	**18**	125	112
		1 540	1 418	1 770
17	**Investment in property, plant and equipment and intangible assets**			
	Cement	**1 125**	984	2 777
	Lime	**37**	11	45
	Aggregates and readymix	**26**	13	70
	Investment in property, plant and equipment and intangible assets	**1 188**	1 008	2 892
	South Africa	**474**	233	933
	Rest of Africa	**714**	775	1 959
18	**Commitments**			
	Contracted capital commitments	**2 289**	3 781	3 594
	Approved capital commitments	**994**	2 364	1 049
	Capital commitments	**3 283**	6 145	4 643
	Operating lease commitments	**124**	148	171
	Equity commitment[(a)]	**–**	158	–
		3 407	6 451	4 814
	Capital commitments			
	South Africa	**1 649**	2 088	2 409
	Rest of Africa	**1 634**	4 057	2 234
		3 283	6 145	4 643
	Capital commitments are anticipated to be incurred:			
	– within one year	**2 731**	2 861	2 758
	– between one and two years	**543**	2 592	1 518
	– greater than two years	**9**	692	367
		3 283	6 145	4 643

[(a)] During November 2014, PPC advised of the conclusion of discussions to acquire the Industrial Development Corporation's (IDC) 20% stake in Ethiopian-based Habesha Cement Share Company for a purchase consideration of US$13 million. During the second half of the 2015 financial year the company did not exercise its rights to purchase the IDC's stake but rather support the upcoming rights issue of Habesha (refer note 9).

Project funding has been secured for the DRC and Zimbabwe projects, amounting to US$168 million and US$75 million respectively. In addition, the IFC subscribed for equity in the DRC project and now holds 10% equity in the project. The one million tons per annum plant in the DRC is expected to be commissioned during PPC's 2017 financial year, while the 700 000 tons per annum mill in Zimbabwe is also on track to be commissioned at the end of the 2016 calendar year. The one million tons per annum kiln expansion at Slurry is planned to be commissioned during the 2018 financial year. A portion of the planned rights issue will also be used to fund existing capital commitments.

The transaction to acquire a 100% shareholding in 3Q Mahuma Concrete Pty Limited was concluded past the reporting date. The purchase consideration of R135 million will be settled via the issue of new PPC shares. Details are included in note 20.

19 Fair values of financial assets and liabilities

The financial assets and liabilities carried at fair value are classified into three categories as reflected below:

			Six months	Six months	Twelve months
			ended	ended	ended
			31 March	31 March	30 Sept
			2016	2015	2015
			Audited	Unaudited	Audited
	Note	Level*	Rm	Rm	Rm
Financial assets					
Available for sale					
Unlisted investments at fair value[a]	10	2	**–**	95	82
Loans and receivables					
Investment in government bonds	10	2	**8**	–	7
Loans advanced	10	2	**–**	–	1
Loans relating to non-current assets held for sale	12	2	**–**	–	46
Mark to market fair values	10/12	1	**78**	–	51
Amounts owing by equity-accounted investment	9	2	**–**	45	–
Trade and other financial receivables	12	2	**1 001**	1 024	911
Cash and cash equivalents		1	**460**	464	718
At fair value through profit and loss					
Unlisted collective investments at fair value (held for trading)	10	1	**119**	116	117
Non-current assets held for sale	11	2	**42**	–	110
Total financial assets			**1 708**	1 744	2 043
Level 1			**657**	580	886
Level 2			**1 051**	1 069	1 157
Level 3			**–**	95	–
Financial liabilities					
At amortised cost					
Long-term borrowings	14	2	**4 614**	5 388	6 727
Short-term borrowings	14	1/2	**4 556**	1 556	1 510
Trade and other financial payables	16	2	**1 476**	1 016	1 504
At fair value through profit and loss					
Cash-settled share-based payment liability	15	2	**3**	11	5
Put option liabilities	15	3	**415**	151	464
Derivatives					
Derivative instruments – current (cash flow hedge)	16	2	**1**	2	1
Total financial liabilities			**11 065**	8 124	10 211
Level 1			**2 086**	1 556	3 906
Level 2			**8 564**	6 417	5 841
Level 3			**415**	151	464

Methods and assumptions used by the group in determining fair values:

*Level 1 – financial assets and liabilities that are valued accordingly to unadjusted market prices for similar assets and liabilities. Market prices in this instance are readily available and the price represents regularly occurring transactions which have been concluded on an arm's length transaction.

*Level 2 – financial assets and liabilities are valued using observable inputs, other than the market prices noted in the level 1 methodology, and make reference to pricing of similar assets and liabilities in an active market or by utilising observable prices and market-related data.

*Level 3 – financial assets and liabilities that are valued using unobservable data, and requires management judgement in determining the fair value. Refer note 15 for quantitative information and significant assumptions on the unobservable inputs used to determine fair value liabilities.

The estimated fair value of financial instruments is determined, at discrete points in time, by reference to the mid-price in an active market wherever possible. Where no such active market exists for the particular asset or liability, the group uses valuation techniques to arrive at fair value, including the use of prices obtained in recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

The fair value of the unlisted investment has been valued based on the purchase agreement following the decision to dispose of the investment. Further details are disclosed in note 10.

The fair value of loans receivable and payable is based on the market rates of the loan and the recoverability.

19 Fair values of financial assets and liabilities continued

The fair value of cash and cash equivalents, trade and other financial receivables and trade and other financial payables approximate their respective carrying amounts of these financial instruments because of the short period to maturity.

Put option liabilities have been calculated using EBITDA forecasts prepared by management and discounted to present value. Further details are disclosed in note 15.

The fair value of derivative financial instruments relating to cash-settled share appreciation rights is determined with reference to valuation performed by third-party financial institutions at reporting date, using an actuarial binomial pricing model.

Level 3 sensitivity analysis

Financial instrument	Valuation technique	Main assumptions	Carrying value Rm	Decrease Rm	Increase Rm
Put option liabilities	Earnings multiple	EBITDA and net debt	415	74	74

If the key unobservable inputs to the valuation model, being estimated EBITDA and net debt, were 1% higher/lower while all other variables were held constant, carrying amount of the put option liabilities would decrease/increase by R74 million.

The sensitivities are only based on the DRC put option as Safika Cement options have been settled at period end.

Movements in level 3 financial instruments

Financial assets	**Rm**	Rm	Rm
Balance at beginning of the period	**–**	95	95
Remeasurements	**–**	–	(13)
Transfer to level 2	**–**	–	(82)
Balance at end of the period	**–**	95	–
Financial liabilities			
Balance at beginning of the period	**464**	145	145
Exercised during the period	**(42)**	–	(108)
Put options issued	**–**	–	422
Remeasurements	**(16)**	–	(14)
Time value of money adjustments	**9**	6	19
Balance at end of the period	**415**	151	464

20 Events after the reporting date

Liquidity and going concern

Following the finalisation of the liquidity and guarantee facility, the company early redeemed R1 614 million of the outstanding notes on 15 July 2016, with the balance of the outstanding notes of R136 million (excluding transaction costs) following the original terms of the respective notes.

On 1 August 2016, the shareholders approved the following resolutions at a general meeting of shareholders:

- The increase of the authorised stated capital from 700 000 000 shares to 10 000 000 000 shares
- The amendment to the MOI reflecting the increase in the authorised stated capital
- The authorisation to issue additional shares that will exceed 30% of the existing voting power of the shares that were in issue
- The granting of a general authority to directors to issue the required number of shares for purposes of implementing the proposed rights offer.

Following these approvals, the company was able to proceed with the proposed rights offer.

On 24 August 2016, the proposed R4 billion rights offer was fully underwritten by the banks, which is subject to standard material adverse change clauses. The company believes that the proceeds from the capital raise provides it with the necessary funding to continue as a going concern for the foreseeable future.

Business combination

On 1 July 2016, all terms and conditions on the transaction to acquire 100% of 3Q Mahuma Concrete (Pty) Ltd were achieved and 3Q Mahuma Concrete became a wholly owned subsidiary. The acquisition consideration was settled via the issuance of 17 565 872 new PPC shares. The fair value of the shares issued for the acquisition, using the ruling share price of R7,68 on the effective date of the transaction, amounted to R135 million.

The commercial rationale for the transaction is to progress the company's channel management strategy that serves as a complementary platform for cement growth in South Africa. PPC's strategic intention is to be a provider of materials and solutions into the basic services sector. Cementitious distribution channels including readymix is increasingly being utilised as a conduit to grow and sustain cement sales volumes. At the time of acquisition, 3Q Mahuma Concrete was the largest independent readymix concrete provider in South Africa and provides PPC with a further complementary platform to grow our service offering in this market segment. The South African market is evolving towards a concrete delivery model, which requires complementary building materials including cement, aggregates and readymix.

The company is in the process of finalising the fair value of the assets and liabilities as on the acquisition date. Provisional fair values of assets and liabilities are reflected below:

Non-current assets	113
Current assets	108
Non-current liabilities	(9)
Current liabilities	(77)
Total consideration	135